MINING – GOLD

9 JAN 80 – 30 April 1980

RDM 9/1/80 214

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $/oz	Revenue $/oz	Net Profit R000s
West Driefontein	675	18,8	32,91	65	394	44 740
September	675	19,1	32,85	64	317	36 951
Vlakfontein	180	1,2	5,58	178	408	671
September	175	1,2	5,54	180	312	406
Libanon	420	7,1	30,31	158	386	9 431
September	420	7,5	29,40	146	306	6 830
East Driefontein	630	18,6	31,42	63	401	48 506
September	630	19,4	30,78	59	308	36 715
Kloof	530	15,0	35,52	88	392	27 896
September	540	15,1	34,55	85	306	20 447
Doornfontein	360	8,4	36,10	160	387	8 234
September	360	8,4	35,20	156	314	5 754
Venterspost	322	5,1	32,73	237	412	4 011
September	327	4,8	31,78	246	314	2 010

GFSA gets $399, profits R143m

By DON ROBERTSON
Mining Editor

THE Gold Fields group producers received an average gold price of $399,70 an ounce in the quarter to December, and in spite of a planned reduction in grade and gold production at all but one mine, taxed profits rose by 31% to R143-million from R109-million in the September quarter.

With the drop in grade to an average 12,9g/t from 13,2g/t, gold production from the seven producers dipped to 40 276kg from 41 13?kg, but the higher gold price, which compares with $310 last quarter, more than offset this decline

In addition, the results were helped by the small increase in working costs which rose by 1,9% compared with 1,8% in the September quarter The group held the rise in unit costs at below 10% in 1979

The working profit from gold increased to a record R332-million from R248-million, but the State took a bigger bite of profits of R200-million compared with R158-million

Tax, however, rose by 26,6% compared with the profit rise of 34%, the discrepancy resulting from higher capital expenditure in the quarter

West Driefontein maintained tonnage milled, but the decline in grade from mining larger quantities of lower grade Main Reef and Carbon Leader resulted in a drop in gold production to 12 711kg from 12 883kg

However, the higher price received more than compensated for this decline and revenue soared Income from uranium and sulphuric acid sales was R2 345 000 compared with R9 417 000, the December figure reflecting a more normal quarterly result In the September quarter, a spot sale of uranium pushed up income from this source

Development results showed a decline on the Carbon Leader where 5 131m were advanced of which 476m were sampled, averaging 15,1g/t over a channel width of 108cm On the Ventersdorp Contact Reef 1 665m were advanced of which 300m were sampled, assaying 10,9g/t over 201cm

East Driefontein reduced grade to 18,6g/t from 19,4g/t, resulting in a decline in gold production to 11 697kg from 12 251kg on an unchanged mill throughput

The mine showed one of the largest rises in unit costs of ... over 2%, but attributable profits were well up at R48 506 000 against R36 715 000 tax took R60 829 000 compared with R47 723 000

Development on the Main Reef continued to decline, but was back to normal on the VCR after the previous quarter's particularly high values Of the 2 072m advanced on the VCR, 664m were sampled, grading 10,1g/t over 132cm Results were better on the Carbon Leader with values of 11,4g/t over 122cm

Ore reserves at end December, calculated on a price of $226, were 6 636 000 tons from all reefs at an average grade of 21,8g/t over a channel width of 176cm

A start has been made on sinking the No 5 surface shaft

Kloof suffered from a decline in tonnage milled resulting from the high seasonal turnover of black labour and this, together with a dip in grade, left gold production lower at 7 976kg compared with 8 177kg

The higher gold price, however, resulted in a good increase in profits in spite of the substantial rise in tax

Grades in development on the VCR were barely changed at 17,8g/t over a width of 153cm

An investigation of a band of the lower Elsburg series, known as the Kloof Reef, which was previously exposed over a distance of 1 153m, disclosed an average value of 5,6g/t over a channel width of 248cm Arrangements are being made to mine the area on a selective basis and stoping is to start soon Mining this area will not add to monthly tonnages

Libanon's future has been considerably enhanced and now falls into the long life category after the acquisition of additional minerals rights and from the benefits that will flow from the sinking of a No 4 surface shaft In addition, the No 2 sub-vertical shaft is to be sunk to 42 level instead of 36 level as originally planned

After investigations, it has been decided to sink the No 4 surface shaft in the area of the No 2 sub-vertical shaft Capital expenditure on this and other planned capital projects over the next five years is estimated at R118-million in current money terms

The company has also bought the mineral rights from Gold Fields over the farm Libanon 283 IQ adjoining the north-eastern boundary of the lease area The company now owns all the rights over about 569ha to the east of the existing mine and north of Kloof These areas, if viable, will extend the mine's life

Tonnage in the December quarter was maintained, but grade dipped to 7,1g/t and gold production fell Profits rose to R18 479 000 from R13 535 000

In development, grades of 4,5g/t over 138cm were revealed on the Main Reef, 12,9g/t over 154cm on the VCR and 4g/t over 207cm on the Elsburg Reef

Venterspost experienced an unplanned rise in grade to 5,1g/t and in spite of a decline in tonnage milled, gold production rose to 1 657kg from 1 576kg, resulting in a sharp rise in taxed profits

It is expected that grades will be reduced in the current quarter

Development on the Main Reef showed values of 4,9g/t over 169cm and 2,4g/t over 144cm on the VCR

The company has decided, because of its improved financial position, to resume exploration in the Middelvlei area, which was abandoned in 1976 because of the low gold price The No 4 level is being re-equipped for this purpose Should good results be achieved, the area will lengthen the mine's life which is estimated at 10 years

Doornfontein maintained grade and tonnages, and the unchanged gold output resulted in a sharp rise in profits in spite of an increase in unit costs to R36,10 from R35,20

Development on the Carbon Leader assayed 14,1g/t over 105cm and 9,9g/t over 114cm on the Main Reef

The application for a new mining lease to cover the existing mine and the area to the south has been turned down by the State and a new application for a lease on the southern area only has been made If granted, it will reduce the existing tax formula applicable to Doornfontein, but will not be as favourable as would have been the case had the original application been accepted

Vlakfontein boosted the tonnage treated from surface dumps to 180 000 tons from 175 000 tons The grade was unchanged, resulting in a rise in gold production and profits

A further capital repayment will be considered when the results for the year to December are available

GOLD QUARTERLIES

214

Costs controlled

11/1/80

If investors ever had any doubts on the impact of higher gold prices on mine earnings, they should have been allayed by the first batch of gold quarterlies from GFSA

Based on an average gold price of about $400 during the December quarter, not only have revenues rocketed, but as lower-grade ore became available, improved mining flexibilities resulted in sound cost control Thus, while none of GFSA's mines increased mill throughput on the previous quarter (in fact several mines reported lower milling rates), unit cost increases averaged only 1,9%

This sort of cost control will be increasingly important no matter what happens to gold (see *Leaders*) With bullion's advance, several mines are planning major capex programmes to establish operations in previously unpay ground — and these are expensive For example, in 1979 terms, Libanon has earmarked capex of R180m over the next five years which compares with its December quarter R19,1m pre-tax profit What it means is that, if unit cost increases are allowed to take off (as they did when bullion started its rise in the mid-Seventies), the viability of new capital projects could be fast eroded

Meanwhile, however, the December figures confirm that, even if bullion were to drop $100 from current levels, earnings and dividends remain solidly based And, with that under-pinning, share prices could be insulated to some extent from gold's fluctuations

West Drie The 300c interim dividend may well have been decided three weeks ahead of the December quarter's end but that is no real justification for the mine's enormous retentions From the first half's operations, R24,3m (173c per share) has been retained and added to the end-June R38m net current assets The conclusion to be drawn is that an early start is planned on North Drie

Drilling by the group has ended in the area and even at gold prices substantially below current levels, the area is ripe for development

As far as the present lease area is concerned, there are substantial tonnages of lower grade Main and Carbon Leader reefs available for mining And, though a shift to these reefs would be marginal, it would result in some lowering of average recovery grades Depending on the second half's retentions and assuming that no large uranium spot sales are made, even if gold drops back to a $450 average, there is scope for an 800c final dividend

Doornfontein Original proposals which would have meant a less-onerous new mine tax formula and more advantageous lease formula for the whole of the increased mining area have been turned down Now only ground to the south acquired from GFSA will enjoy the more favourable rates

Reading between the lines, ore reserves in the present mine are higher than shareholders were previously led to believe, expecially as Main reef sampling continues to reveal attractive grades and widths

Once operations are established in the south, a start could be made on opening ground beyond the mine's western boundary During the first half, capex lagged well behind plan R7 7m was retained from first-half earnings and some R13,6m capex is planned for the second half Capex to establish operations to the south will be a drag on distributions for the next two or three years

Deelkraal· Trial milling has been completed and the mine officially came into production on January 1 Though the main shaft was purposefully sunk in a low-grade part of the lease area, initial development results have been ridiculously low If they prove representative of the first few quarters' operations the share could be a dismal performer.

VCR ore reserves indicated by drilling are 45 MT averaging 10,4g/t But it should be remembered that drilling results were patchy with only nine of the 33 reef intersections grading better than 1 000 cm-g Until the mine has proved itself as a steady grade producer, investors are best advised to be cautious — and that despite the distractions of the supposedly attractive Deelkraal (Elsburg) reef band

Kloof Capex has lagged behind schedule during the first half But, with retentions of R12,4m and R13,3m capex planned for the second half, management is taking no chances on the gold price over the current six months

Even if some stoping contracts are established on the lower-grade Kloof reef is the lower Elsburgs, the effect on overall grade should be negligible Thus it is reasonably safe to assume an average second half recovery of 15 g t Though next year's capex will probably equal this year's, gold averaging $500 for the current six months means scope for a 150c final dividend

Venterspost At $400 gold, the mine has a life of about 10 years But given maintenance of current prices and satisfactory development results in the previously abandoned Middelvlei area, continuation of operations should be possible until the turn of the century

The mine is not assessed for lease payments and is taxed under the less-onerous Y=68-601/X State Assisted tax formula If Middelvlei development is encouraging, a surface shaft could be necessary to serve the area while, over the next few quarters, a recovery grade drop to about 4,0g/t-4,5g/t is possible

Libanon The mine's grade is readily variable with a changing gold price Over the next few quarters it will not be surprising if yield falls below 6 g/t But with inclusion of lower-grade ore and ground to the north east recently acquired from GFSA, the mine's life is probably in the region of 20 years

Over the next five years, capex will probably total R200m, which will be a major constraint on distributions despite potentially low tax payments For the next few years, the mine should remain highly geared to the gold price and present some sound trading opportunities

East Drie Recovery grade is declining steadily according to plan as greater tonnages of lower grade Carbon Leader reef were mined There is room for further grade drops and, to an extent, capex will restrain distributions during the current year A clearer picture will emerge with publication of the annual report in a few weeks but, even on the most conservative assumptions, last year's 175c distribution should be beaten by at least 100c

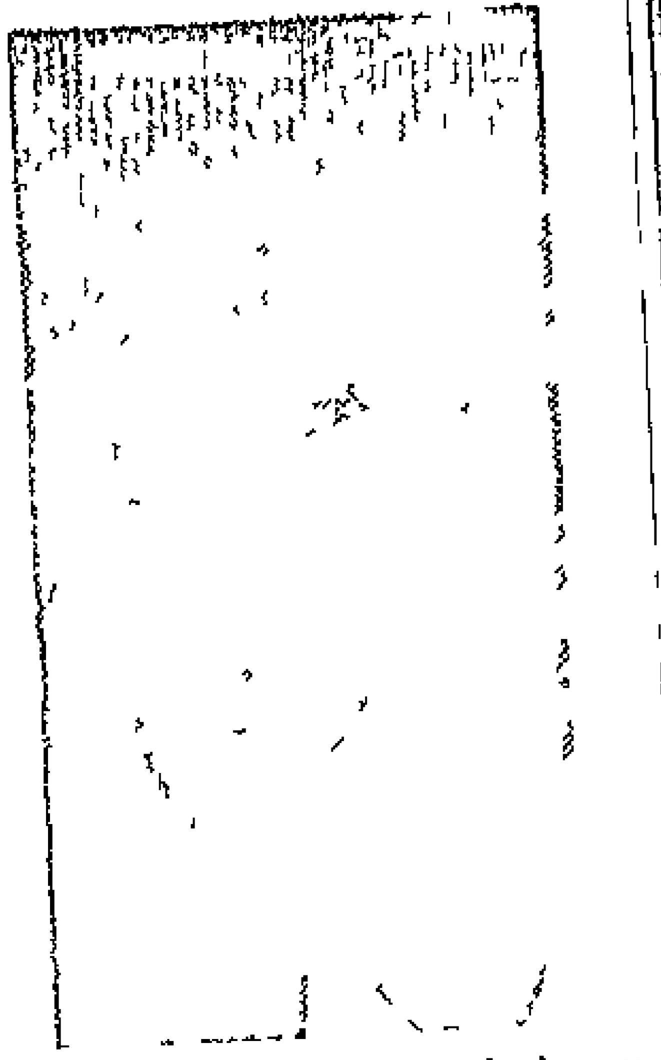
Vlakfontein A further capital repayment is likely to be announced in June Retreatment of the old dumps proceeds in orderly fashion, and small tonnages are being drawn from other old mines in the vicinity

Jim Jones

Cons Gold deal reaction

Tactics by De Beers under fire

214



Mr Harry Oppenheimer ... another jewel in his crown.

By Colin Campbell
Deputy Financial Editor

For the De Beers Anglo American empire, it is a whole new wider world

The announcement that De Beers-Anglo has been the mystery buyer of Cons Gold gives it still more interests in Australia, Canada, Britain and South Africa — and brings into South African hands the effective control of an important mining house

Through its 46 percent subsidiary, Gold Fields of South Africa, Cons Gold controls about 23 percent of South African gold production and 16 percent of world production

Anglo American in its own right controls [illegible] percent of South African production and 27 percent of world output

The 25 percent stake which has been sewn up (to be shared between Anglo and De Beers) should lead to De Beers-Anglo boardroom representation on Cons Gold's board of directors which in turn, gives the Anglo empire some considerable muscle, should it wish to exercise it, in exerting influence on Gold Fields' policies

Though De Beers-Anglo says officially that its stake is just a strategic holding, and that it was not seeking to change control or management, London City comment this morning in The Times says that 'most financial observers here take with a [illegible] pinch of salt A [illegible] claim that it had no [illegible] to change the control or management [illegible] Gold Fields."

"INVESTMENT"

Anglo is not saying anything outside its official statement yesterday, but I understand that De Beers [illegible] at its last published balance sheet date had cash holdings of R1 [illegible] — [illegible] the view that Cons Gold was a 'good investment.'

Cons Gold [illegible] last October [illegible] was [illegible] up shares in [illegible] only this week officially [illegible] the British [illegible] for help in trying to [illegible] the buyer

But the manner in which De Beers Anglo secretly acquired [illegible] in London

The writer of the Lex column in The Financial Times describes this as "the [illegible] unsatisfactory feature" of the [illegible] and [illegible] connection with De Beers' actions

QUESTION

He backs up this [illegible] with a quote [illegible] Nicholas Goodison, chairman of the London Stock Exchange: "It looks as if the [illegible] to [illegible] to discover the [illegible] [illegible] had [illegible]

The Financial Times columnist adds "It seems extraordinary that a company of De Beers' stature should wait until Gold Fields had gone to the lengths of asking the Department of Trade to conduct an inquiry before [illegible]

[illegible] is a [illegible] for considering a change in the [illegible] making it obligatory to disclose a purchase of more than 5 percent of a company or a group of individuals acting together"

The headline on the Lex column reads "No bouquet for De Beers"

I don't think many analysts would readily [illegible] with this point of view, [illegible] looking at the [illegible] from the Anglo side, [illegible] it is obvious that [illegible] even greater strength to it De Beers is not, however, likely to equity account its Cons Gold stake — [illegible] for equity accounting purposes, and equity accounting does not seem to be group policy

And is the massive funding of the Western Deep Level expansion [illegible] a development which by time of completion will cost R1 000m — Anglo [illegible] now brings it that much closer to [illegible] new [illegible] of gold [illegible] [illegible] interest [illegible] [illegible] behind [illegible] [illegible] bid for the [illegible] of Union Corporation

The question remains now as to whether [illegible] other South African [illegible] foreign [illegible] which had been building up stakes in Cons Gold and which were [illegible] to [illegible] Anglo De Beers [illegible] will [illegible]

FATTI

Inyanga ngoku- ... eBellville, Sou... sebenzi abahla... bahlanu, kukul... nonthehtwathe... iyure ezisi — 8 ngemini. Umphathi weFekt... phezu kwamandla yaye ziya kwenza uqhushu...

Abasemagunyeni kumbutho weUnion onamalun... ngokuba yi Food and Canning Workers Unio... amaphepha anika i-Union igunya lokuba be... ekunokuthi kusetyenzwe phantsi kwazo. If... ne Union. Ifektri ibalula intoyokuba on... yabantu yiyo lento kunyanzeleke ukuba ku...

Nangona aba bagxothiwyo ingabantu beBala... abantu abamnyama. Nangona bathe bagrogri... -basebenzi bamnyama bame bemi kwicala lal... Ngosuku lokuqala logwayimbo indoda emel... Bala kubantu abamnyama xa bebemengaphan... omnye wabo uthe USilapha sonke yaye iin...

Ayenda amanani abantu abazibanakanyiley... yeentlanganiso zokuxhasa abasebenzi kwi... University nakwano Kolegi ababafundi kw... U.W.C., Hewat, Bellvill Technical Coll... bathe abasebenzi mabaphinde baqeshwe k... ingathengwa...

Umbutho oyi Western Province Traders A... awo ukuba angayithengi imveliso yaleFe...

Umbutho oyi South African Council of S... zonke izikolo ezinonxibelelwano kunye... phinde baqeshwe. Yaye akufuneki bayit...

Abanfundi base U.C.T. bayenzile eyabo... Bacele ukuba imveliso zakwe Fattis &...

UFattis & Monis uphikele ukuthi akukh... lowa ungumphathi wefem le uthi, ukhat... thengwa ngabamNyama njengoko inkxaso... Fem baqashe abasebenzi abangabanye uk... ukuze kubekho imveliso, kodwa imvelis...

Ngubani uFattis & Monis? UFattis & Mo... Record — self raising flour, Cake flo... Wheatie Treat flour, Philadelphia fl... Fattis & Monis icecream cones, cake c... spagetti, shells, ribbons, rings, di... Checkers and Roma — macaroni, spagetti... Vrench Town Bakery in Observatory; U... in Elsies River.

...tis & Monis efektri ...kugxothwa kwaba- ...kwaba basebenzi ...ukwenza uphando ...y kusetyenzwe ...zifunayo zinga-

...alishuni), obizwa ...o bebesayinile ...gemeko ezibetele ...thethwathethwano ...gabo bathethe indawo

...bileyo ngamagoduka ...ele emphandleni aba ...uba bangabantakwabo. ...e ukubohlula abe- ...zi balile ukwahlulwa

...beli leyo. Kwenye ...abafundi base ...ela kwezizikolo ...College. Ababafundi ...yakwe Fattis & Monis

...lela onke amalungu ...thethwano.

...amalungu awo nazo ...bagxothiweyo de ba... ...ri...

Oil from coal plant to cost R100 m

The chemical giant AECI plans to spend R100 million over the next three years on a new methanol from coal plant.

Once commissioned the plant would produce methanol ... alternative ...

AECI ... produ... methanol from coal ... plant ...

... coal plant in the world ...

FATT...

... Sentrachem ... programme ... manufacture synthetic fuel and Sasol — the ... original oil from coal plant — is rapidly increasing capacity.

2/5

BUSINESS MAIL

Barlow marginals' pay-off for State

RDM 16-1-80

214

By DON ROBERTSON
Mining Editor

GOVERNMENT policy of supporting gold mines in difficult times has paid off — as reflected by the Barlow Rand quarterly reports. The group's marginals, ERPM and Durban Deep, were able to repay State assistance and State loans from the record results achieved in the quarter to December.

Reflecting the booming gold price, group profits rocketed by more than 50% to R54-million in the quarter in spite of a decline in tonnage milled and a fall in gold production.

ERPM's profits rose by 59% in the three months to December after provision for repayments to the State of R5 600 000, made up of R4 100 000 in State aid for the first six months of the year, R1 300 000 repayment of a State loan and R247 000 in tax.

Durban Deep lifted profits by 123% and repaid R2 300 000 to the State in the form of aid for the first six months, loans and tax.

Harmony suffered a decline in tonnage milled to 1 802 000 tons from 1 891 000, but in spite of an increase in grade — unusual in the circumstances — to 4,48g/t from 4,33g/t, gold production was down to 8 077kg from 8 195kg.

Working profits from gold rose substantially, although income from uranium fell to R10 146 000 from R13 535 000, reflecting the normal fluctuating income from this source. Production fell to 121 296kg from 134 0[illegible]g.

Tax took a proportionately lower bite of R23 022 000 compared with R18 568 000, largely because of an almost doubling of capital expenditure to R8 150 000. This left taxed profits at R26 326 000 compared with R17 699 000.

In development, 3 498m was advanced, of which 3 254m was sampled grading 6,2g/t gold and 0,208kg/t uranium over a channel width of 97cm.

Blyvooruitzicht boosted profits to R16 699 000 from R12 979 000 after a moderate decline in mill throughput, a cut in grade and a resultant decline in gold production.

Costs were well held, but profits — described as working profits — from uranium dipped to R1 026 000 from R3 654 000, indicating that lower-priced contracts were supplied in the quarter. Production, however, rose sharply to 81 218kg from 68 671kg at a higher grade of 0,165kg/t against 0,155kg/t and an increase in pulp treated.

Development was again kept to a minimum, with only 65m advanced and sampling showing a gold grade of 59,1g/t and uranium 0,477kg/t over 41cm.

ERPM repaid R4 056 000 in State aid during the quarter, but managed a taxed profit of R6 526 000 compared with R4 086 000.

This was achieved on an increase in tonnage milled, a cut in grade and reduction in gold production.

Development was minimal at 380m advanced, of which 264m was sampled, assaying an improved 17,9g/t over 75cm.

Ore reserves, calculated at $[illegible]00, totalled 6 832 000 tons — proven and not proven — at a grade of 7,6g/t over a width of 138,2cm.

Durban Deep's tonnage milled declined. Coupled with a drop in grade, this resulted in a fall on gold production to 1 840kg from 1 921kg.

Profits, however, rose to R4 661 000 from R2 086 000 in spite of a sharp rise in working costs to R28,56 a ton against R25,97 a ton.

In development, 2 736m was advanced of which 1 794m was sampled grading 4,9g/t over 105cm.

Reserves, at $300, were 4 529 000 tons at 5,8g/t over 138,5cm.

	W M	W F	A M	A F	C M	C F	B M	B F
0–1	0,17	0,08	0,10	0,21	0,78	0,29	0,49	0,48
1–4	0,01	0,01	0,00	0,00	0,07	0,10	0,05	0,05
5–24	0,02	0,01	0,03	0,01	0,04	0,03	0,05	0,05
25–44	0,11	0,09	0,39	0,10	0,41	0,19	0,23	0,22
45–64	0,92	0,42	1,60	0,72	1,31	0,67	0,80	0,68
65+	1,80	1,16	1,61	2,44	1,91	0,75	1,44	0,91
ALL	0,31	0,21	0,33	0,16	0,33	0,17	0,25	0,20
NO.	653	430	116	56	370	201	533	329

	W M	W F	A M	A F	C M	C F	B M	B F
0–1	1,57	0,76	0,60	1,03	1,24	0,79	0,89	0,74
1–4	0,05	0,04	0,05	0,05	0,05	0,02	0,04	0,05
5–24	0,01	0,00	0,01	0,01	0,01	0,02	0,00	0,00
25–44	0,00	0,00	0,00	0,00	0,00	0,01	0,00	0,00
45–64	0,01	0,00	0,00	0,00	0,00	0,00	0,00	0,00
65+	0,02	0,01	0,00	0,00	0,00	0,03	0,00	0,00
ALL	0,04	0,02	0,03	0,04	0,04	0,03	0,03	0,00
NO.	87	43	9	14	50	33	54	47

							B M	B F
NO.	519	359	170	113	942	785	1143	1075

	B M	B F
	23,16	22,23
	0,04	0,00
	-	-
	-	-
	-	-
	-	-
	0,55	0,67
	1143	1075

214

18/1/80 Star

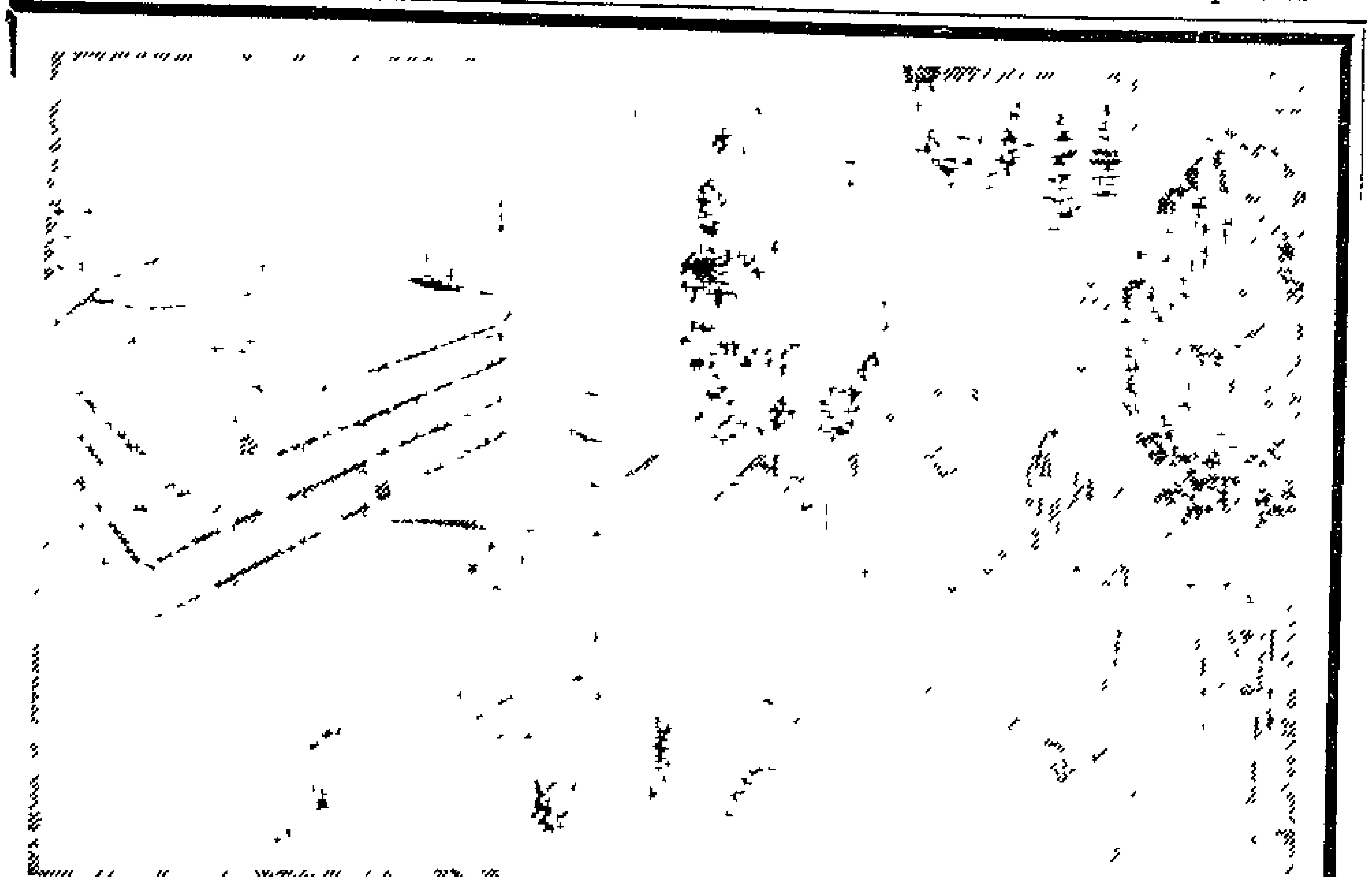
The quarterly results of the Anglo American gold producers, especially those in the Orange Free State, were badly marred by taxation and the State's share of profits. It would appear that instead of holding steady, or even cutting back on capital

AAC mines push up final dividends

By Jean Moon

Results for the final quarter of the Anglo American Transvaal gold mines in the year ended December 31 show good progress — thanks to the higher bullion price With the exception of Sallies, the final dividend payments where applicable are well up on last year's level.

Ergo improved its net profit by 37,6 percent to R15,5m. The tonnage of slimes treated was slightly higher at 4,5m and record production levels for uranium oxide and gold were achieved for the second successive quarter



Sandton, the rapidly growing commercial centre, is set to get another "office on the green" development on 4 ha, about four blocks away from Sandton City, writes Frank Jeans.

An artist's impression shows the first phase of the new project called UP Park — a R2m, five-storey executive block providing 5 000 sq metres of office space and parking for 125 cars. Building will begin within the next two months, and UP Park will eventually comprise four to six more buildings yielding between 4 000 to 6 000 sq metres each.

According to Mr Chris Lombard of Wilf Isaacs, the property brokers who are acting as sole agents, there has been strong response already to the project, and demand for accommodation indicates that construction of the remaining buildings will not be long delayed. Rentals will be in the region of R6,50 a sq metre — a level which should be fairly general for luxury office space by 1981.

	Tons milled 000s	Grade g/t	Costs R/ton	Costs $/oz	Revenue $/oz	Net Profit R000s
FS Geduld	688	12,93	37,79	109	405	33 800
September	785	11,97	32,77	102	306	28 861
P Brand	836	9,21	28,97	117	406	32 726
September	848	9,00	28,33	117	309	35 147
P Steyn	908	7,00	30,87	164	409	22 665
September	972	6,56	27,97	159	314	20 023
Welkom	532	5,22	29,23	209	408	7 682
September	558	5,53	27,85	188	314	7 298
FS Saai	314	3,49	27,43	293	408	5 058
September	327	3,41	24,83	272	317	12 473
W Holdings	778	9,30	27,33	109,5	403	20 024
September	830	10,44	25,02	88	259	16 256

Tax takes heavy toll at OFS mines

Rom 2 18.4.80

214

By ADAM PAYNE

THE profit figures for Anglo American Corporation's Free State mines, although better in December than in the September quarter, were hit by two factors: First, the shorter quarter which resulted in lower tonnages milled, and heavy tax

The only mine to record a substantial increase in profit was Free State Geduld with net profit up 17% at R33 800 000 in spite of tax at R39 945 000 (R28 286 000).

R39 945 000 (R28 286 000)

The earnings a share were 186c compared with 115c in the previous quarter Dividends last year totalled 420c

The decision to reduce stoping tonnage in the northern area from 88 000 to 44 000 a month resulted in a variation in the comparisons of the financial and production statistics between the quarters

Working costs a ton milled rose 15,3% to a high R37,79 from the previous quarter's R32,77

The yield increased to 12,93 g/t from 11,97 g/t following the reduction in tonnage of lower-grade ore through the mill

Free State Geduld is one of the best investments in the Free State, especially as its life is likely to be long because of the unexploited area in the north-east of its lease where some good borehole results were obtained last year

If this ore is exploited through a new shaft, the mine will become a low-grade long-life one with big tonnage There will be high capital spending

President Brand, with Free State Saaiplaas, was the only mine to show a lower profit for the December quarter than for September

Tonnage was down, but grade was higher, with gold production up so that pre-tax profit was 37% higher, but tax at R25- [illegible] the after-tax

with grade and gold production higher in spite of lower tonnage

Tax was not so fierce as at President Brand and net profit was 13% higher at R22 665 000

This represents the same earnings a share as those at Brand at 101c Earnings a share in the previous quarter were 64c and the total dividend last year was 182,5c

As an investment I would choose Steyn in preference to Brand because it has a medium to long life and it has completed its big No 4 Shaft President Brand has only started sinking a big shaft in its southern area

Welkom made a modest profit, with grade and tonnage lower and therefore a decreased production of gold The high gold price saved it, so that pre-tax profit was up and, with modest tax, net profit was R7 682 000 — 49c a share compared with 33c in the previous quarter

The total dividend last year was 110c If earnings remain at about 49c a quarter, there is considerable scope for an improvement in dividend distribution

Free State Saaiplaas, the fastest-growing share last year, performed disappointingly in the quarter

Costs at $293 an oz for gold are high because of the low grade

The main factor in the poor performance was the contribution of only R1 157 000 from the JMS The JMS, on which FS Saaiplaas relies heavily, contributed R10 491 000 in the previous quarter

September was a particularly good quarter for uranium sales by the JMS Sales were reduced in the December quarter because contract dealings with Iran were stopped, and because of a drop in spot sales

Net profit was R5 058 000 (R12 473 000) There were no

profit down to R32 726 000 (R35 147 000)

Earnings a share, after allowing for capital spending and loan levy, were 101c compared with 70c in the September quarter These earnings were calculated after allowing full expenditure on the Joint Metallurgical Scheme, whereas part of the financing would have been from loans

Dividends last year totalled 295c

President Steyn did better financially than President Brand

earnings a share because of high capital spending

Western Holdings Tonnage milled dropped significantly, grade was low and gold production was down

Because of the improved gold price, net profit at R20 024 000 was marginally higher than in September

This represents 209c a share compared with 193c in September Dividends last year totalled 645c

The Joint Metallurgical Scheme, because of poorer uranium sales, made an estimated profit of R9 021 000 (R22 466 000) Production figures were better with 579kg of gold compared with 419kg in the September quarter

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $/oz	Revenue $/oz	Net Profit R000s
West Deep	830	15,06	37,32	93	402	59 356
September	827	15,22	38,96	95	313	39 096
Vaal Reefs	1 978	7,92	34,14	162	401	77 287
September	2 121	8,23	32,68	148	316	46 290
SA Land	324	1,04	9,33	334	411	829
September	315	1,20	8,39	260	312	519
Elandsrand	214	5,28	35,64	254	406	4 713
September	186	5,51	36,49	247	318	2 007

Vaal Reefs, West Deep tops

RDM 214 8.1.80

By DON ROBERTSON
Mining Editor

VAAL Reefs, No 1 in Anglo American's Transvaal stable, produced a winning performance in the quarter to December with a 67% profit increase, but in doing so it barely shaded an equally fine result from Western Deep Levels which ended the quarter with a profit rise of 58%

The major factor in the profit rises was the higher gold price received which averaged $402 for the quarter compared with $314 in the September three months However, the Western Deep results were perhaps the more exciting, having been achieved after a substantial rise in tax, but they were accompanied by a commendable cut in unit costs of 4,4%

For both, profits for the year to December were at record levels

Western Deep pushed up mill throughput marginally to 830 000 tons, but this was insufficent to counter the drop in grade to 15 06g/t and resulted in a decline in gold production to 12 501kg from 12 584kg

However, the cut in costs to R37,32 a ton from R38,96 and the higher gold price resulted in a sharp rise in working profits from gold to R139 859 000 from R107 089 000 Income from uranium sales was hardly changed at R2 967 000 against R2 803 000

The provision for tax, however, jumped to R54 382 000 from R40 250 000 in spite of a similarly large increase in capital expenditure to R30 634 000 from R12 957 000, which usually results in a tax saving

The result, nevertheless, was a increase in taxed profits to R59 356 000 from R39 096 000

Development results were disappointing on the Carbon Leader and Ventersdorp Contact Reef after the September quarter's particularly good grades On the Carbon Leader, sampling proved grades of 41,96g/t gold and 0,57kg/t uranium over a narrow channel width of 44,3cm On the VCR, gold grades were 22,63g/t over 144cm

Ore reserves, calculated at $287, amounted to 2 936 000 tons on the Carbon Leader, grading 24,38g/t gold and 0,25kg/t uranium over 102,4cm On the VCR, reserves are estimated at 2 461 000 tons at 12,92g/t over 132,5cm

Profits for the year rose to R158 343 000 from R77 918 000 in 1978

Vaal Reefs had a taxed profit of R77 283 000 in the December quarter compared with R46 290 000 in the September period, which was achieved in spite of a decline in grade and tonnage milled and a resultant fall in gold production In addition, the royalty payment to Southvaal rose to R21 433 000 from R18 123 000

Costs rose to R34,14 a ton from R32,68, but the higher gold price pushed working profits from gold to R172 530 000 from R147 486 000 Uranium production decreased to 368 302kg from 379 798kg, but sales brought in a barely changed R15 043 000

In spite of the sharp rise in profits, tax was only slightly up at 34 071 000 from R33 310 000, largely because of the increase in capital expenditure to R40 803 000 from R23 697 000 Included in the expenditure figure was R16 332 000 spent at Afrikander Lease, which came into production in November and produced 875kg of uranium and 3,35kg of gold

Development, continued apace and 33 690m was advanced on the Vaal Reef from the various shaft areas, of which 3 132m was sampled, assaying 37,26g/t gold and 0,96kg/t uranium over 62,4cm

Ore reserves on the Vaal Reef, calculated at $287, were 20 851 000 tons at 13,95g/t gold and 0,39kg/t uranium over 110,5cm VCR reserves were 4 372 000 tons at 4,69g/t over 129,6cm

Ergo achieved record production levels in the quarter to December, with uranium output up to 69 815kg from 65 901kg and gold up to 1 450kg from 1 360kg

Profits rose to R15 532 000 from R11 281 000

Elandsrand boosted mill throughput to 214 000 tons from 186 000 tons, but grade was trimmed to 5,28g/t from 5,51g/t Costs were lower, but were equivalent to $254 an oz

Production and grades were affected by a significant narrowing of the reef in the areas currently being stoped

In development 6 047m was sampled, showing a gold grade of 13,09g/t over a narrow 50,2cm

S A Lands suffered from a sharp rise in costs, but the increase in tonnages milled from waste rock dumps and slimes and the higher gold price offset this as well as the decline in grade to produce profits of R829 000 compared with R519 000

Difficulties in drilling the SRK1 borehole continued and three further deflections encountered faulted areas on the Main Reef A further deflection will be made ,

East Daggafontein expects to have its life prolonged as a result of the higher gold price It was forecast that the company might be wound up in the current year, but with profits continuing to flow in, it has been decided not to wind up the company this year

Profits were R76 000 compared with R8 000

Bus Times (217) 20/1/80

Revolutionary gold mining breakthrough

GOLD mining without blasting, enabling the introduction of a three-shift mining system and greater safety in deep mines, are among benefits that may soon be achieved by the stopecorer

By ANDREW MCNULTY

It is a stope drilling machine being developed by the De

ing has been the mining engineers' dream for decades, but due to the extreme hardness of the rock in South African gold mines, this is probably the only such project still under development

The hydraulically-driven machine drills a succession of

director of Stopecorer, a company established by De Beers to exploit this technology, says it has now been proved a success technically

But it is not yet an economic proposition as costs are still substantially higher than by conventional methods

However, they have been substantially reduced in the past two years and Mr Nesbitt

Rapid progress has been made with the stopecorer, a revolutionary new mining machine which promises to turn to reality the mining engineer's dream of rock breaking without blasting

Business Times 20/11/80

(217)

... sion

After four years of development the machine is now making rapid strides towards becoming a commercial proposition

More than R10-million has been spent by De Beers on researching this revolutionary equipment and mining technique, which has the potential to reduce the height of stopes in most gold mines

Reduction

This would mean a tremendous reduction — up to 50% — in the tonnages of non gold-bearing rock hoisted to surface for milling

... breaking without blast... ameter — compared with the average conventional stope thickness of well over a metre — and up to 20 metres long by means of a diamond core drill at the end of a core barrel

As a result of high pressures created the rock bursts spontaneously inside the core barrel and is then scraped from the stope

The stopecorer has been conceived and developed by De Beers because it uses a matrix carrying synthetic industrial diamonds to drill

If the project is successful a big new market for industrial diamonds could result

More than seven kilometres of holes have now been drilled in field trials at Sallies and Vaal Reefs mines

Andrew Nesbitt, managing ... striking distance of conventional costs within a year

The main factor keeping costs uneconomical at present is the high consumption of diamonds

Mechanical downtime has been slashed in the past two years, and during last month average downtime for the two machines operating at Vaal Reefs was only 5%

Because gold mines are generally moving towards lower grades, the average thickness of reefs mined is decreasing

The machine has been specifically designed for narrow reef drilling and can operate in any reef less than 300 mm thick

Many mines such as Vaal Reefs and Western Deeps have large areas containing this type of reef

Potential

A further major advantage is the potential to reduce rockbursts and seismic activity

Stoping directly affects the incidence of seismic activity in very deep mines, and a 50% reduction in stope height would decrease seismic activity

Also, rock scraped from the holes could be used to fill in the stopes by the new principle of back-filling, further improving safety in deep mines

The fact that blasting would not be required would improve productivity and cost efficiencies because it would be possible to work three shifts a day on the same face

The operator's working conditions would be eased as he would no longer have to carry out hard manual labour in cramped conditions

Six semi-skilled operators are presently required for the stopecorer, but it is aimed to reduce this to three

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rural areas or cause of deaths' according to the Bantu Reference Bureau (Personal Communication). At least 50 000 deaths among Africans were not registered. These occur mainly in the rural areas. It is estimated that about 10% of the deaths in the main urban districts are not registered for Africans.

METHODS

The following indices were calculated:

1. Crude Mortality Rates.
2. Standardised Mortality Rates. Two standard populations were used: England and Wales representing a developed population and Mexico 1960 for a developing one.
3. Age and Cause Specific Death Rates. Calculated mainly in five year age groups for the seventeen major divisions of the eighth revision of the International Classification of Diseases (ICD).
4. Proportions of Causes of Death.
5. Infant Mortality Rates.
6. Expectation of Life. Calculated for 1970, the last census year.
7. Competing Mortality Risks.[8] This is the mortality experience of a population under the hypothetical conditions which would exist if a particular cause of death were eliminated. It gives an indication of the relative effect of that cause on the expectation of life.

The calculation of rates involves a knowledge of the base population age specific population. No official estimates of this are available for inter-censual years. For whites, Asians and 'coloureds, the 1970 population has been projected forward using the age specific survival rates from 1970 and taking ...

DISCUSSION

The crude death rates and the standardised mortality rates for whites, Asians and 'coloureds' and urban Africans are presented in Fig. 1. The interpretation of these figures is confounded by the differences in the underlying structure of the population. The population pyramids of the various groups were pictured in Part I with the exception of the urban Africans, which appears in Fig. 2. This population shows an excess of healthy working males and lack of elderly persons as a result of the migratory labour situation.

Th... ity
ex... f a
se... ng
al...
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the
pop... tle
wer... on
wil... standard population affects the ranking of the mortality between the observed groups. There is no 'true' answer. As the Duke of Wellington said: 'There are lies, damned lies, and statistics'!

Infant mortality rates are summarised in Fig. 3. ...
is experienced in ... rates of

JANUARY 20, 1980

GOLD PRICE HITS INDIAN HOMES

Tribune Reporter

THE rocketing price of gold has undermined the hopes of hundreds of accommodation - starved Transvaal Indians who had planned to buy properties in a proposed private township near Benoni.

A Transvaal mining company, Government Goldmining Areas Ltd, which was going to sell land it owns in Modderfontein about four kilometres from Benoni for the development of an Indian township has now had second thoughts When it originally planned to sell the land it was not feasible to mine the gold deposits — but that was before the gold price took off.

Phillip Kuypers, the company's consultant, said this week "Now the gold there is worth millions"

He pointed out that the company was now negotiating to sell other land it owns in Modderfontein.

"Here the gold deposits are much deeper than 240 m Mining that is not feasible, although we estimate that the deposits are worth about R1 500 000"

Mr Salaam Mayet, a member of the South African Indian Council's executive committee, who spearheaded negotiations with the company for the sale of the gold-rich area, said it could have been turned into a private township with about 250 houses if the company had not changed its mind.

"Land for Indian housing is at a premium in the Transvaal and this has caused a tremendous shortage of accommodation," Mr Mayet said. "But we can't really blame the company for changing its mind. Our natural resources are more important than housing"

Mr Mayet started his battle several months ago to secure undeveloped white- ... housing

He had been successful in his battle to secure the semi-developed white township, Rynesoort, near Modderfontein.

Properties in Rynesoort were sold to Indians under the Group Areas permit system. When completed the township will have 550 houses and several shopping complexes

"But in the case of Modderfontein the Group Areas Board had to make a proclamation because, besides the land being white-owned, it had been set aside for light industrial development. And last month when the board had its first hearing to look into the possibility of setting the land aside for Indians, the company informed them they were no longer interested in selling it"

Mr Kuypers confirmed that the company had decided against selling after the price of gold started increasing He said, however, there was "a very good chance" of the company selling the land that had gold deposits deeper than 240 m

Dalk nog verligting vir goudmyne

Rapport 20/1/80

214

DIE sterk styging in die goudprys, veral in die laaste kwartaal van verlede jaar, het tot gevolg gehad dat die Suid-Afrikaanse goudmyne verlede jaar 'n rekordbedrag van R1 726 miljoen begroot het vir belasting en die staat se aandeel van hul winste. Dit is 84,2 persent hoër as die bedrag van R937,3 miljoen wat in 1978 begroot is.

Die geweldige sterk verbetering in die goudprys sedert die einde van verlede jaar en die feit dat die staat in die huidige belastingjaar ongeveer dubbeld die bedrag van die goudmyne gaan ontvang as waarvoor hy begroot het, maak die kanse baie groot dat die Minister van Finansies, sen. Owen Horwood, by die volgende Begroting moontlik verdere verligting aan die myne kan gee.

Hoewel die myne die afgelope jaar voorsiening gemaak het vir belasting en die staat se aandeel van die wins ter waarde van R1 726 miljoen, sal die inkomste van die staat vir die huidige belastingjaar effens minder wees

Die rede is dat goudmyne slegs elke ses maande belasting betaal en die myne wie se jaareinde op 30 Junie sluit, sal eers die bedrag waarvoor in die laaste ses maande van vanjaar voorsiening gemaak is in die volgende belastingjaar betaal

'n Gedeelte van die staat se inkomste van die myne in die huidige belastingjaar sluit dus 'n gedeelte van die voorsiening wat in die laaste ses maande van 1978 gemaak is, in

Kenners meen nog dat die staat se inkomste van die goudmyne vanjaar in die omgewing van R1 400 miljoen sal wees.

As die goudprys sy huidige vlakke behou en die belasting wat die myne moet betaal onveranderd bly, kan die staat in die komende belastingjaar maklik R3 500 miljoen uit die goudmyne verdien Dit maak natuurlik 'n baie goeie saak uit dat die Regering dit kan oorweeg om die belastinglas vir die myne effens ligter te maak.

In Maart se Begroting verlede jaar het Minister Horwood reeds die belastinglas van die myne marginaal ligter gemaak. Die bobelasting is verminder van 7,5 persent tot 5 persent en die leningsheffing is verlaag van 15 persent tot 10 persent. Dit het tot gevolg gehad dat die marginale koerse van die myne afgeneem het van 74 persent tot 69 persent in die huidige belastingjaar

Daar bestaan 'n sterk moontlikheid dat die bobelasting en leningsheffing moontlik by vanjaar se Begroting verder verminder gaan word en selfs afgeskaf

● NA BLADSY 3

Dalk nog verligting ...

214

● VERVOLG VAN BL. 1

kan word. As dit die geval is behoort die myne se winste vanjaar 'n aansienlike styging te toon en sal baie beter dividende ook betaal kan word.

Die myne se netto winste (winste uit goud, uraan, en dies meer) het verlede jaar R1 856,5 miljoen beloop, wat 'n verbetering van 63,5 persent op die vorige jaar se syfer van R1 135,7 miljoen is Danksy die hoër goudprys het die myne se inkomste uit goud alleen op R5 500 miljoen te staan gekom, wat 'n verbetering van 49,7 persent op die vorige jaar se syfer van R3 674 miljoen is.

Hoewel koste, veral in die laaste twee kwartale van die jaar 'n mooi daling begin toon het, was die styging vir die volle jaar nogtans 21 persent. Die myne se totale koste vir die jaar was R2 290 miljoen teenoor R1 892 miljoen

Weens die hoër goudprys het die meeste myne die afgelope jaar ook 'n daling in hul ertsgraad getoon en as die goudprys stewig bly, sal hierdie tendensie vanjaar voortgesit word

Nog 'n newe-effek van die hoër goudprys en die sterk toename in die myne se netto winste is dat al hoe meer myne groter kapitaalbesteding vanjaar sal aangaan. Die hoër goudprys is 'n gulde geleentheid om nou kapitaalprojekte wat agterweë gebly het uit te voer. Deur dit te doen hoef die myne natuurlik nie so 'n groot gedeelte van hul winste aan die staat af te staan nie.

Kenners meen ook dat indien die Regering verdere belastingtoegewings aan die myne maak, dit ook 'n verdere aansporing sal wees om nuwe projekte aan te pak soos byvoorbeeld die verdere ontginning van ou mynhope asook die opening van nuwe myne.

'n Drastiese vermindering in belasting kan egter nie verwag word nie, want die Minister het reeds op verskeie geleenthede gesê dat 'n konserwatiewe houding ingeneem gaan word om die foute wat in 1974 gemaak is, te vermy. Hoe dit ook al sy, dit wil voorkom asof die goudmyne vanjaar die beste jaar nog in die geskiedenis sal hê — mits die goudprys se boom natuurlik nie gaan uitsak nie.

— DAAN DE KOCK.

81

80

rural areas or cause of deaths' according to the Bantu Reference Bureau (Personal Communication). At least 50 000 deaths among Africans were not registered. These occur mainly in the rural areas. It is estimated that about 10% of the deaths in the main urban districts are no[t] Africans.

METHODS

The following indices were calculated:

1. Crude Mortality Rates.
2. Standardised Mortality Rates. Two standard populat[ions]

For Africans, a different procedure was [...] The 1970 age distribution by only part of the country was required. magisterial district was used, the numbers being adjusted by the 1974 gross population estimates by economic region.[11]

Fattis & Monis Strike

For almost a month 88 workers at the Fattis & Monis factory in Bellville South have been on strike. They struck because five of their fellow workers were dismissed. The workers say the dismissals were because all five were members of a trade union. The un n was trying to negotiate for better pay and hours of work - R40 a week and an 8 hour working day. A director of the factory says these demands are "out of all proportion", and unreasonable and would lead to "disruption" in his firm.

Officials of the 10 000 member union (the Food & Canning Workers Union), say the dismissed men had signed a document giving the union rights to negotiate for better conditions. The factory refused to negotiate with the union. It says the men were replaced by machines and that it was part of a cut-back of staff.

Although those dismissed were **'Coloured'**, more than half of the men who were on strike are African contract workers. In spite of the threat of being endorsed back to the homelands, the African workers are standing firm with their 'Coloured' brothers and sisters. On the first day of the strike, men from the Department of Labour tried to separate 'Coloured' and African workers who had gathered outside the factory. The workers refused to be separated One said, "We were all there for the same purpose."

Moves of solidarity with the striking workers are increasing. At a solidarity last week more than 500 university and college students from U.W.C , Hewat, Peninsula Training College and Bellville Technical College called for workers to be re-employed and for a boycott of Fattis & Monis products.

The Western Province Traders Association says it will instruct its members not to sell the factory's products unless there is negotiation.

The South African Council of Sport (SACOS) has called on all sports bodies and schools affiliated to SACOS to support a call for re-employment of the workers and a boycott of the factory's products.

More than 400 students from the University of Cape Town held a meeting and called for a boycott of all Fattis and Monis products.

The Women for Peace movement has called on the factory to negotiate with the workers.

The Cape branch of Nafcoc - the National African Federated Chamber of Commerce - has issued a statement in support of the dismissed workers.

Fattis and Monis insist that there is "no dispute" However a director of the firm says he is worried about calls for a boycott of the factory's products by blacks because much of the factory's trade is with blacks The management have kept production going by employing scab workers in the place of the striking workers. However production has slowed down

Who are Fattis and Monis? ~~Fattis and Monis~~ is the factory which produces the following products The fol ... flour, Cake flour,
Bread flour, Sifted flour, U
Philadelphia flour, Koeberg
Fattis & Monis brand name
macaroni, spagetti, large a
and green, pain rings, dila
products under the followin
name brand, Checkers and
bakeries in the Cape Town
River, Wrench Town Bakery

Gold price halts homes scheme

21.1.80

By NORMAN PATTERTON

ABOUT 1 000 Indian families will not get the home sites they had hoped for in the Benoni area because of the rocketing gold price

Government Goldmining Areas Ltd, a company which planned to sell land in Modderfontein, near Benoni, for the development of an Indian township, has had second thoughts

The new high price of gold has prompted the company to mine the site again rather than sell it A spokesman said the gold there was now worth "millions"

But the company is reported to be negotiating to sell other land in Modderfontein where the gold is too deep to be mined at a profit

Mr Salaam Mayet, a member of the South African Indian Council executive committee who negotiated with the company, said yesterday that it seemed precedence was given to mineral deposits rather than Indian housing.

BUSINESS MAIL Rom 21.1.80

Mine tax R620m for Dec quarter

214

Financial Editor

TOTAL tax from the gold mines, with some uranium backing, was more than R620-million in the last quarter of 1979.

That took the level for the calendar year to more than R1 700-million, according to the figures from the Chamber of Mines and the gold quarterly reports this month

For the financial year 1979-80 ending March 31, Senator Horwood, the Minister of Finance, estimated that tax and lease payments from the gold mines would be R855-million

Apparently the figures shown by the Chamber of Mines have tended in the past to overestimate slightly the actual tax finally paid by the mines

But it looks as though the chamber's estimate that realised taxes would finally be about R1 400-million for 1979-80 will certainly be an understatement

A level of R1 600-million seems more probable

There are, of course, time delays between gold sales by the mines and tax receipts by the Treasury

Allowing for this, however, the "tax and State share of profits" figures quoted by the mines for the four 1979 quarters should closely anticipate the actual tax for the 1979-80 year

Calculations suggest that at a gold price averaging $500, tax bills could reach R3 000-million

What happens at $600, or $700, seems too impossible to consider at this stage

But if it should happen — although there is no way Senator Horwood will make such an assumption in his Budget — the implications for the economy and for fiscal policy are staggering

However, these tax calculations assume that the mines will be unable to take large steps to reduce the incidence of tax and that Senator Horwood will not make any reduction in the punitive levels of gold-mining taxation

There, obviously, would be huge expansion plans and new developments that would change the tax outlook

Mines can also advance substantially capital—expenditure items

The most striking tax figure in the latest quarterlies came from Western Areas, the dog that did not bark

The quarterly gross profit rose from R21-million to R35-million, but tax fell from R9-million to R1-million

This was because capital expenditure rose from R4 700 000 to R28 800 000

The mining industry generally is hardly going to sit back and pour billions into the Treasury without taking every possible legitimate measure to keep the burden as low as possible

Mining editor DON ROBERTSON says the December quarterly results set several records, not the least being highest-ever profits for most, and sharply increased tax payments.

Although both of these were largely results of the record gold price received for the quarter, the quarter was remarkable for the tight rein kept on cost increases — the most insidious eroder of profits in the past

An indication that the industry had come to grips with the cost problem was given in the Gold Fields results for the quarter — the first to report — which showed a modest 1,9% overall rise This was followed by most of the other mining houses

The exception was Union Corporation, which uncharacteristically reported an overal 6,4% rise in costs for the quarter But this exception was largely offset for the industry by the small rises at other mines and, in some cases, reductions in unit working costs

The most notable in this last category was Western Deep, which trimmed costs by over 4% for the three months

Based on the calculation of total costs as a factor of total tonnage milled, the rise for the quarter, compared with the September three months, was a marginal 0,012% This does not take account of the 12,28% rise in tonnage milled to 20 970 000 tons from 18 676 000 tons in September, a factor which normally results in a reduction in costs a ton milled

Based on these calculations, the average cost a ton milled was R31,285 compared with R31,247 in the September period

The figure compares with a rise of 7,28% in the September quarter over the second quarter of the year — which was aggravated by salary and wage increases in June and July.

The rises in the first and second quarters were 3,95% and 4,84% respectively

Uncompounded, the overall cost rise last year was 16,08% compared with a similarly calculated 18,7% in 1978

This achievement helped to produce record profits of R634 977 000 for the industry compared with R448-million in the previous quarter in spite of the increased bonus for the Receiver amounting to R623-million against R443-million

'30 new gold mines'

But SA experts doubt viability of Lonrho plan

The Star's London Bureau and Staff Reporters

Lonrho is hoping to start 30 new gold mines in South Africa, says the multinational conglomerate's chief executive, Mr R W "Tiny" Rowland.

No comment was available from Lonrho on the report published in the Evening Standard. It says a Lonrho subsidiary, Mineral Holdings, owns mineral rights over 364 000 ha of "South Africa's gold country."

Mr Sid Newman, managing director of Lonrho, SA, was not available for comment today. A South African director, Mr I M Hossey told The Star Lonrho was looking at southern Africa as a whole and that the group had 30 odd projects going at the moment.

He said he was unable to give a breakdown of potential mining operations in South Africa and Rhodesia, and would not be drawn on possible Zambian operations However he conceded that the majority of the projects were in Rhodesia

Mr Rowland was quoted in London as saying The boom in the gold price has changed everything We are going to employ a mass of geologists to look over this area but already we believe we may be able to start 30 new gold mines.

"At 200 dollars an ounce these prospects were marginal. At 500 dollars they were payable But at 800 dollars . they are gold mines!"

But in Johannesburg today the chairman of Anglo American's gold and uranium division, Mr Dennis Etheredge, said "Anybody planning (gold mines) on the basis of 800 dollars an ounce needs his head read"

It took about 10 years to bring into operation a gold mine of the calibre of the 40 gold mines operating South Africa's Witwatersrand basin

"Who knows what the price will be then?"

A large number of "tiny mines" could spring up in the "lode" deposits around Pilgrim's Rest and Barberton — outside the Witwatersrand basin.

In the basin it took five years of drilling and feasibility study plus another five years of shaft sinking to open up a gold mine, Mr Etheredge said.

Double check

And leading mining house geologists are "amazed" at Mr Rowland's optimism — specially bearing in mind that to open even a small gold mine could easily cost R250-million

Though mining house officials said they preferred to double-check Mr Rowland's claims before commenting further, many pointed out that so much of the gold-bearing reef is already known and so much of the ground is already tied up

However, they conceded that with a rising gold price, previously unpayable areas could now become profitable

39 mines

A number of old gold mines have received a second breath under the impact of a soaring international gold price. Government gold mining areas, for instance, had planned to sell land in Modderfontein, near Benoni, for the development of an Indian township

But now the company is having second thoughts because of the prospect of gold profits

At the moment there

To Page 3, Col 10

Lonrho's mining hopes

From page 1

are 39 operating gold mines in South Africa with a further six which are not producing gold at present.

Lonrho, which produced 350 000 ounces of gold in its last financial year at an average of 261 dollars, is expected to show pre-tax profits from mining more than trebling to nearly R60-million in the 12 months to September 30 1979.

Some stockbrokers' analysts in London expect Lonrho's mining profits to treble again in the current year to R187-million which, combined with a recovery in Nigeria, could nearly double group earnings before tax to R337-million

According to the London Evening Standard, Mr Rowland dismissed comments that Lonrho's R560-million debts were a burden

The report concludes "One further bonus is likely to flow from the Rhodesian settlement After elections the new Government will certainly be putting pressure on the local oil industry to settle its disputes with Lonrho and the Zambian Government over sanctions-busting"

This prospect has boosted Lonrho's share price by 40 percent in the last two weeks.

The report says "If the gold boom looks good, platinum's bonanza is even better Perhaps the brightest jewel in the Rowland empire is the 50,4 percent stake in Western Platinum which last year produced 124 000 ounces.

● Page 21: Gold price.

FALCON 232 214 272 FM 25/1/80

Soaring, but vulnerable

Activities *London registered mining company operating gold mines in Rhodesia Holds 40% of Olympus Consolidated Mines RhoCorp holds 33,1% of the equity*
Chairman *F L Wigley*
Capital structure *2m ordinaries of Rh50c Market capitalisation R28m*
Financial. *Year to September 30 1979 Net cash Rh$3,1m Capital commitments Rh$47 000*
Share market *Price 1 400c (1979-80 high, 1 400c, low, 440c, trading volume last quarter 10 000 shares) Yields 9,8% on earnings, 8,8*% on dividend Cover 1,1 PE ratio 10,2*

	'76	'77	78	'79
Tons milled (000)	235	233	212	244
Capex (Rh$000)	467	298	665	885
Working profit (Rh$000)	1 338	1 598	2 449	4 075
Earnings (Rhc)	38 1	51 1	69 0	113
Dividends (Rhc)★	35	50	60	100

★ Before non residents tax Exchange rate Rh$ R1 [illegible]

In the past year Falcon's share price has more than tripled as the gold price soared and some prospects of a settlement became apparent in Rhodesia The result for Falcon shareholders of the higher gold price was a 61,3% rise in earnings to 111,3c (69c) with a 66 7% dividend advance to 100c (60c) And this was at an average gold price for the year of $250 ($185)

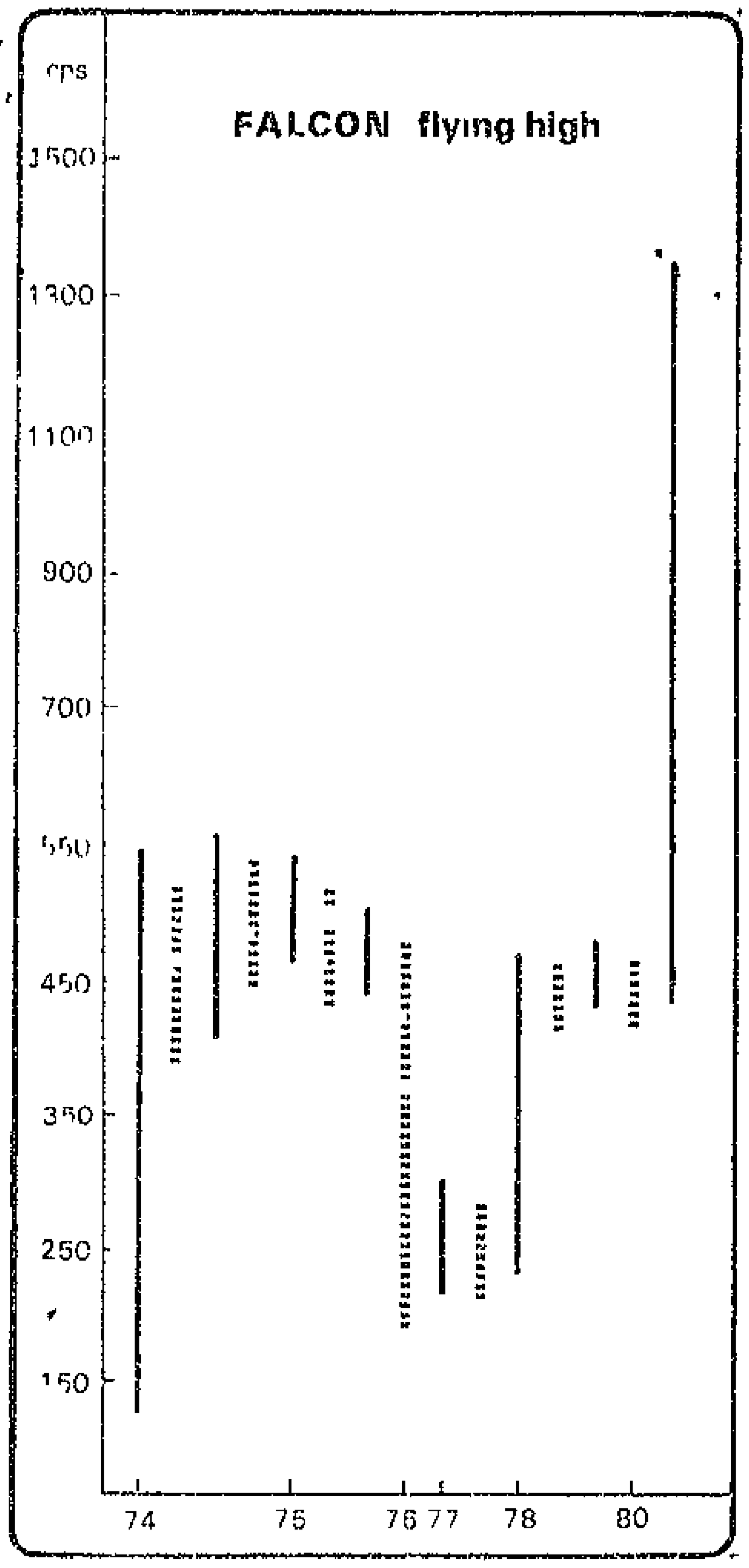
While average recovery grade was cut to 6,75 g/t (7,8 g/t), mill throughput rose only marginally And this was insufficient to stem unit costs which rose 23%

Higher working profit

The higher gold price meant the average revenue per ton milled rose to Rh$38,50 (Rh$28,00) — a 35,1% improvement — while working expenditure per ton milled was up only 21,8% at Rh$21,80 (Rh$17,90) Working profit per ton milled amounted to Rh$16 70 (Rh$10 1) — up 65,4%

Also contributing to Falcon's record profit last year was its 40% stake in Olympus Mines, which generated a pre-tax profit of Rh$267 000 (nil) and paid a Rh$220 000 dividend Last year, the previously accumulated loss of Olympus was recovered and no tax was payable by this company

The past year saw an increase in development and prospecting activities with this reserve increased to Rh$250 000 Chairman Frederick Wigley says development results were satisfactory with Venice Mine maintaining a high level of payability and the returns from Dalny improving steadily Total distance advanced was 10 045 m (9 449 m) with 34% of that sampled proving payable (31%) at an average value of 11 9 g t (10 8 g/t) and width of 174 cm (161 cm)



Last year, Falcon bought Golden Oriole Mine near Bulawayo and sank a shaft to 4 level Work has confirmed the persistence of payable values Milling is expected to start early this year, with a monthly throughput of 900 t Prospecting expenditure incurred on Golden Oriole and the Mascot mine in the Venice area, and charged to the prospecting and development reserve, amounted to Rh$155 000

Overall capital expenditure totalled Rh$885 000 compared with Rh$665 000 previously

Ore reserves of the group at end-September calculated at $310 an ounce on a 22% increase in working costs were 1,6 Mt (1,2 Mt) at an average grade of 10,2 g/t (11 2 g/t) with width 174 cm (175 cm) Included in this is 411 000 t (144 000 t) for Venice mine, which follows the opening of several additional sections with high percentage payability

At Dalny Mine, waste-sorting plant is to be erected and a concentrator plant, incorporating separate treatment of troublesome oxidised slime is to be commissioned at Venice in the next 18 months

Lower grades

This year monthly mill throughput is planned at 20 500 t, but will be accompanied by a reduced recovery grade of 6 51 g/t in line with the lower ore reserve value Wigley says if gold remains around present levels, profit will increase substantially But he cautions on the difficulty of containing working costs and the possibility of reducing grade further Heavy capex will hit distributable profit this year The Venice shaft and Dalny sorting equipment will absorb about Rh$1 7m but on the plus side Olympus is exceeding forecast returns

With the gold price presently around $700 with "at least $200 downside," according to some brokers, gold share prices are vulnerable, particularly Falcon which has a built-in political factor Although at 1 400c, the share yields an attractive 8,8% after non-residents' tax the yield falls to a fully priced 6 6%

ASSENG DIVIDEND

Last week Asseng's dividend for 1979 was incorrectly given as 26c instead of 30c It means a growth of 15,4% last year after four years of static payments

DATES TO REMEMBER

Last day to register dividends
Friday February 1 East Daggafontein 10c SA Land 20c Southvaal 140c, Vaal Reefs 320c Western Deep 225c, Zaaiplaats 20c
Meetings
Monday January 28 Barlow Rand (Sandton)
Wednesday January 30 Rustenburg Sumcor
Thursday January 31 CI Industries (Pinetown) Scotts (O&S Durban)
Friday February 1 African Oxygen Falcon Mines (Rhodesia)
All meetings are in Johannesburg unless otherwise stated
O & S Ordinary and special meeting

GOLD QUARTERLIES

(214)
FM 25/1/80

Exponential decay?

Will the gold market ever be the same again following Wednesday's initial $150 gold price drop to below $600? Though bullion recovered to over $695 at the afternoon fix, that is probably little comfort to investors who have been made only too well aware of the market's extreme volatility

Certainly the price drop had been foreseen by the market, but its size and speed this week underlines the fact that nothing — even gold — can grow exponentially without becoming increasingly unstable and prone to fall just as fast

Care needed

Investors without immediate access to the market and who cannot trade on a virtually minute by minute basis need some foundation for making gold investments And perhaps the best is for them to go back to first principles Decide on a reasonable long-term gold price trend and calculate what that means for earnings and dividends over the next few years Then if either the gold price or share prices get too far out of line with projections, take appropriate action It may not make large fortunes, but for small investors it is probably better than being wiped out simply because shares were bought too high and at a time when the whole market was taking collective leave of its senses

Meantime, even if gold falls back to the $400 range — and that is not beyond the bounds of possibility — earnings over the next few years will show some solid advances beyond those reported for 1979 After Wednesday's shake out, even on $400 gold, selected shares offer good value (famous last words) But at least until gold markets sort themselves out, the safest investment strategy is probably to aim for mines which are relatively lowly geared to the gold price and which are unlikely to cut grades significantly

Ergo Uranium revenue continues to perform stodgily and the share s main attraction lies in earnings' gearing to the gold price Two more years of "high" gold grades are in prospect, though an improvement in gold plant efficiencies could reduce the impact of eventual lower head grades

Following the disappointing 25c interim dividend and 26,5c retained earnings from the nine months to end-December, a 50c final is possible But this could be tempered if management decides to aim for a level of distribution which can be maintained with lower gold yields

Western Deep: With its inability to cut grade deliberately, the mine has considerable defensive attraction In addition, an effectively fixed grade means significant benefits from higher gold prices Capex should wind down this year, and by distributing all earnings last year, management has signalled that it has no fears over funding likely expenditure levels

Even if bullion falls apart, last year's 320c total payout should be at least repeated, while more than double could be paid if gold averages $600

Vaal Reefs: Production has started at Afrikander Lease, though on a small scale Early this year the complex's 750 000 t uranium slimes treatment capacity should be fully utilised On the gold side, it will not be surprisung if recovery averages only 7,5g/t for the year

The mine has reported end-December capex commitments of R26,9m Though this figure is likely to be greatly exceeded, despite capex at Afrikander Lease and the sinking of the new ventilation shaft this year's capex should be less than 1979's R103,9m total Following last year's 180c interim and 320c final, total distributions this year could be as high as 1 000c even if gold crumbles to the $600 region

Western Holdings: Leader reef development and sampling are rising steadily but, as yet, without disclosing particularly attractive gold grades On-mine capex is relatively low and likely to remain so However, with its relatively high cash flow Western Holdings is increasingly capable of being used as a vehicle for other mine developments in the area Following available earnings of 209,3c from the December quarter's operations, even if gold falls significantly from current levels, an interim dividend of 500c is well within reach

Welkom: Profits have been affected by the hiatus in JMS uranium sales despite treatment of higher tonnages at higher grades Sampling on other than the Basal reef continues to disclose patchy payable gold mineralisation However, provided gold does not collapse, there is scope for extending operations onto other reef horizons Capex is running at a rate sufficient to maintain production, but could increase if ground beyond the mine's eastern boundary and the De Bron fault proves payable

President Steyn Gold recovery of 7g/t during the December quarter is in line with the year's planned grade announced in the annual report Gold's price movements since the report could mean a downward revision of yields especially if lower grade Leader and "A" reef is mined Capex ran marginally behind schedule, but there is scope for a large drop in capital spending next year

President Brand. With a start to sinking the R125m No 5 shaft and obligations to fund half of Free State Saai's borrowing requirements, distributable earnings could be under pressure if gold falls sharply and permanently However, such an event could be offset by higher uranium sales in September when there should be a full quarter's operations at the extended uranium plant

Looking further ahead, mining will eventually extend beyond the mine's southern boundary, involving some relatively heavy establishment costs

Free State Geduld Stoping in the mine's northern area will eventually increase So though gold recovery grades will probably be maintained at a relatively high level this year, a grade downturn is to be expected over the next year or so

Meantime, the December quarter's 15,3% unit cost advance to R37,79/t highlights the mine's cost vulnerability unless milling rates are maintained at near capacity The next few years will probably see some heavy development costs especially as the northern area is opened up And if mill throughput is not increased sharply, the impact on unit costs could be dramatic

Less rands per pour?

Free State Saai As if technical problems at the JMS were not enough, uranium sales to Iran have ceased and been ceded to another buyer In the interim it is hard to see the JMS being able to make significant spot sales under present conditions So despite the mine's high gearing to the gold price, the back-stop of uranium sales could be a bit thin for the next few quarters

The annual report estimated that the mine could break even this year on $313 gold But this year's heavy capex programme will absorb earnings plus loans from principal shareholders Thus there is little prospect of a start to dividends this year

SA Lands Despite rumours that announcement of re-establishment of mining operations is imminent, nothing new appears to have happened Deflections from the SRK 1 borehole have yet to intersect reef Until they do and values are obtained, it seems unlikely that any decision on mining can be made

West Rand Cons Mining the significant but currently inaccessible gold ore reserves reported on Luipaardsvlei could reverse the gold section's fortunes And establishment of operations should be relatively cheap if all that is involved is reopening of old haulages

At current gold prices, gold operations alone are unprofitable So at least in the near term, earnings will be highly geared to the rate of uranium sales Only limited sampling has been carried out on Luipaardsvlei's uranium-bearing reefs, so it remains impossible to determine that mine's potential

Buffelsfontein Development rates remain relatively high with the opening of ground in the River Bulge area and the Lucas Block They are likely to remain high until the new operating areas are fully established Sinking of the Strathmore shaft means continuation of the relatively heavy capex programme, though this should start winding down over the next couple of years

Gold yields were well maintained during the December quarter but at current gold prices this situation may not persist Despite the heavy capex programme, a final of at least 250c is within reach following the 160c interim

Stilfontein The quarter's grade increase and mill throughput drop reflects higher sorting rates using newly-installed equipment Based on $380 gold, year-end ore reserves have risen significantly to 5,4Mt grading 10,7g/t gold and an unchanged 0,17g/t uranium The Chemwes uranium plant is operating at full capacity and should contribute to earnings this quarter

Unisel Attainment of the planned 75 000 t monthly milling rate should be possible over the next two quarters A start to dividends may be delayed if it is decided to accelerate debt repayments Even so, that should be a short-lived constraint even if gold falls into the $500 range

Grootvlei Kimberley reef development is being maintained at a relatively high level necessary to establish a sound operating base Sampling continues to disclose satisfactory grades despite narrow channel widths Based on a conservative $280 gold price, Main and Kimberley reef reserves are sufficient for almost three years' operations at current milling rates And even if gold falls well below current levels, the mine's life is probably in excess of 10 years Though reported grade was maintained at 4,2g/t in the December quarter, a drop below 4g/t seems inevitable in the near future

Marievale There is no indication whether current gold prices could lead to resumption of large scale underground mining Based on $280 gold (a virtually meaningless figure in today's climate) ore reserves are far too low for any significant mining, and operations continue to be depend on the vagaries of dump grades

Leslie The mine is reducing grade as expected with higher bullion but it is clear that mill throughput needs to be increased to near capacity if unit costs are to be contained The December quarter s 5% unit cost advance to R22,07/t is simply unacceptable for a low-grade mine, especially if bullion stages a major retreat The problem may be that hoisting capacity is inadequate to cope with higher ore extraction rates increase to expose low-grade ore in the western part of the mine

Bracken Gold yield has been cut and mill throughput increased, but there is no indication whether this is a precursor to adding low-grade ore to reserves Development rates have increased, but sampling does not appear to be disclosing any low-grade ore Higher development rates probably contributed to the exceptional 5% unit cost increase but as with Leslie, the mill is operating below rated capacity and an increased throughput could contribute to better cost control

St Helena Despite higher mill throughput from the mine's own operations and a build up of toll milling for Unisel unit costs have advance at the high rate characterising the group's other mines Development is proceeding steadily, with sampling disclosing Basal and Leader reef grades in line with expectations Though some capex advance is possible if additional refrigeration plant is installed, an interim of 250c is well within reach even if gold falls sharply Eventually retentions to fund a further shaft to exploit Ongegund could restrain distributions And this could be exaggerated by falling yields unless bullion advances to compensate

Winkelhaak Reported gold yields has fallen with unchanged mill throughput So even if the mine was extracting a higher proportion of lower-grade and more easily accessible ore it has had little effect on cost containment Development rates are steady and sufficient probably to maintain ore reserves rather than add to them

Kinross The mine's 9,4% December quarter unit cost advance is ridiculously high and came despite a marginally higher milling rate And it cannot be wholly explained by the 12% increase in development to 3 413m Sampling results, particularly in the No 2 shaft area continue to be satisfactory though there was a substantial drop in metres sampled presumably as the amount of off-reef development increased

Wit Nigel As usual the quarterly report is published far later than the rest of the industry — a reflection of management's easy-going attitude towards operations With gold's advance the mine is less speculative than before But though there are plans for new shafts and new stoping areas management's past record still means the share is one of the least attractive on the board

Jim Jones

GOLD QUARTERLIES

	Gold									Uranium				Profit		EPS after capex & loan levy
	Cost R/kg	Cost $/oz*§		Revenue R/kg	Revenue $/oz§	Milled* 000 t		Recovery g/t*		Milled* 000 t		Recovery* kg/t		Gold R'000	Uranium & other R 000	c
ANGLO AMERICAN																
Elandsrand	6 756	254	(247)	10 791	406	214	(186)	5,3	(5,5)					5 403	(690)	(6,2)
Ergo				10 723	403	4 554	(4 476)	0,3	(0,3)	4 554	(4 476)	0,15	(0,15)	15 532		35,0
Free State Geduld	2 921	110	(103)	10 782	405	688	(785)	12 9	(12,0)	†592	(641)	0,09	(0,09)	71 191	1 554	184,8
Free State Saai	7 851	295	(273)	10 861	408	314	(327)	3,5	(3,4)	†356	(412)	0 19	(0 21)	3 429	1 629	(32,1)
President Brand	3 145	118	(117)	10 799	406	836	(848)	9,2	(9,0)	†867	(916)	0,08	(0,08)	57 404	4 909	101,2
President Steyn	4 411	166	(160)	10 870	409	908	(972)	7,0	(6,6)	†1 240	(1 214)	0,12	(0,12)	42 485	5 194	100,8
Vaal Reefs	4 311	162	(148)	10 672	401	1 978	(2 121)	7,9	(8,2)	2 022	(2 090)	0 18	(0,18)	104 995	6 359	180,3
Welkom	5 600	211	(189)	10 848	408	532	(558)	5,2	(5,5)	†281	(233)	0,22	(0,21)	15 062	1 805	48,7
Western Deep	2 478	92	(95)	10 830	407	830	(827)	15,1	(15,2)	240	(215)	0,22	(0,22)	108 883	4 855	99,5
Western Holdings	2 938	109	(96)	10 875	403	778	(830)	9,3	(9,9)	†1 072	(1 014)	0,08	(0,09)	57 379	1 908	209,3
ANGLOVAAL																
ET Cons	3 917	149	(137)	11 599	440	89	(81)	6,3	(6,9)					4 289	(32)	34,2
Hartebeestfontein	3 785	144	(136)	11 285	428	718	(701)	11,2	(11,5)	718	(694)	0,14	(0 15)	60 310	13 092	241,3‡
Loraine	10 100	383	(278)	12 040	457	383	(313)	3,6	(5,4)					2 650	143‡	10,7
GENERAL MINING																
Buffelsfontein	4 949	186	(179)	10 868	408	798	(784)	8,2	(8,2)	771	(771)	0,20	(0,20)	39 329	4 368	115,1
Stilfontein	5 008	188	(180)	10 891	409	493	(510)	8,5	(8,4)	873	(545)	0,19	(0,14)	25 612	(2 434)	57,1
WR Cons	21 014	790	(792)	11 359	427	437	(444)	1,3	(1,2)	295	(302)	0,33	(0,30)	(5 612)	8 476†	20,3
GFSA																
Doornfontein	4 298	160	(156)	10 364	387	360	(360)	8,4	(8,4)					18 494	695	58,8
East Drie	1 692	63	(59)	10 732	401	630	(630)	18,6	(19,4)					106 423	2 912	65,0
Kloof	2 360	88	(85)	10 491	392	530	(540)	15,0	(15,1)					65 325	1 573	69,3
Libanon	4 244	158	(146)	10 341	386	420	(420)	7,1	(7,5)					18 479	869	74,0
Venterspost	6 360	237	(246)	11 033	412	322	(327)	5,1	(4,8)					7 850	448	70,4
Vlakfontein	4 754	177	(180)	10 928	408	180	(175)	1,2	(1,2)					1 310	140	10,3
West Drie	1 748	65	(64)	10 670	398	675	(675)	18 8	(19,1)	302	(313)	0,24	(0,24)	114 088	6 069	259,4
JCI																
Randfontein	5 492	206	(198)	11 060	416	1 036	(967)	5,5	(5,5)	974	(822)	0 15	(0,15)	31 815	5 877	420,0
Western Areas	5 694	214	(198)	11 719	440	1 085	(1 061)	5,1	(5,3)					33 354	1 914	13,2
RAND MINES																
Blyvoor	3 764	143	(139)	11 254	427	496	(497)	9,5	(9,6)	493	(442)	0,17	(0,16)	35 301	1 966	44,9
Durban Deep	8 010	304	(275)	11 278	428	516	(545)	3,6	(3,5)					6 012	(629)	123,4
ERPM	7 732	293	(258)	11 379	432	574	(555)	5,0	(5,2)					10 500	(3 727)	92,4
Harmony				11 039	419	1 802	(1 891)	4,5	(4,3)	1 211	(1 290)	0,10	(0,10)	49 348		60,9
UNION CORP																
Bracken	4 621	175	(140)	10 850	408	195	(190)	4,6	(5,4)					5 639	177	13,8
Grootvlei	4 743	182	(165)	11 387	428	415	(405)	4,2	(4,2)					11 564	139	39,9
Kinross	4 052	152	(138)	10 982	413	400	(395)	5,8	(5,8)					16 232	212	30,3
Leslie	6 491	244	(206)	10 892	409	260	(260)	3,4	(3,8)					3 992	62	9,7
Marievale	5 102	192	(158)	11 205	421	240	(255)	1,6	(1,8)					2 376	17	21,2
St Helena	3 034	103	(103)	10 924	410	500	(492)	8,4	(8,8)					33 297	744	122,2
Unisel	4 813	181	(—)	11 198	421	194	(—)	6,2	(—)					7 708	828	16,2
Winkelhaak	2 700	101	(90)	10 811	406	525	(525)	7,0	(7,4)					30 057	692	79,0
INDEPENDENT																
South Rood			(290)				(89)		(2,4)							
Wit Nigel			(295)				(74)		(3,9)							

*Figures in parentheses refer to previous quarter
§Calculated at R1=$1 22 where figures not provided by mine
†Includes State Aid repayment
‡Includes consumer loan receipts

(870) (214) FM 25/1/80

GOLD MINING TAX

Fair or unfair?

If there is one point gold mine chairmen have plugged almost *ad nauseam* during gold's recent price advance, it is the "inequity" of SA's "high" gold mining tax rates When gold falls, on the other hand, and profit margins narrow and average tax rates decline, the clamour is generally not heard as loudly And when gold falls so far that mines become unprofitable, management is the first to scamper to the Government Mining Engineer looking for State Aid

One thing is clear — gold mine tax and lease payments are not punitive If they were and if they were unreasonably high, new gold mines would simply not be established Unlike many other developing and developed countries, SA has the great advantage that its mining tax regime is consistent It positively encourages investment in new mines through generous tax allowances and, most important, the formula tax basis is designed to benefit operations which mine to the average grade of their ore reserves, thereby resulting in efficient extraction of all the payable gold in an ore body

That being said, how does the State take its fair share of gold mining profits?

For all but a few of the older mines, the State's take comes in two tranches, lease and tax payments, both of which become payable *after* aggregate profits have exceeded total capex plus significant taxable allowances

First deducted is lease calculated on a formula — typically along the lines of Y = 12,5-75/X Once that has been deducted, tax is calculated according to one of three x2 (214) FM 25/1/80

formulae Y = 60-360/X, Y = 60-480/X or Y = 68-601/X The first applies to mines established before 1966, the second to post-1966 mines (effectively East Drie Ergo, Randfontein Cooke Section, Deelkraal, Elandrand, Unisel and Video) and the third to State assisted mines

Which is all very well, but what does it mean?

In the case of lease payments, Y is the percentage of profit assessed for lease (don't worry about what this is at this stage — we'll come back to it later) paid to the State X in this case is the profit assessed for lease expressed as a percentage of mining revenue

Thus assuming the above lease formula for a mine which on a revenue of R1m earned an assessed profit for lease purposes of R100 000, X would be 10%. Then divide 75 by 10 to give 7 5, subtract that from 12.5, and you have Y = 5%

In lieu of transfer duty when mining leases are granted, all lease payments are subject to a fixed additional charge equal to 1,25% of the lease paid So with the example above the mine would pay 5% of R100 000 which is R5 000 plus 1 25% of the latter or R62 50 Thus the total lease payment is R5 062,50

Now try the calculation yourself Only this time assume a profit assessed for lease of R200 000 and a mining revenue of R1m If you calculated Y 8,75% and a lease payment of R17 718 75 you are well on the way If not, return to go and have another bash

Once the lease payment has been made, it is deducted from pre-tax profit in arriving at the profit assessed for tax

If you have understood the mechanics of lease calculations, the basics of tax calculations should be as easy as falling off a log

Let's look at another mine now This one had a mining revenue of R25m and a profit assessed for tax (we'll come back to that one again later) of R8m The mine is an old one assessed under the Y = 60-360/X tax formula Clearly X in this case is 8 — 25 = 32% Divide that into 360 giving 11,25,m and subtract that from 60 and you get Y = 48,75%

Now the Receiver does want his pound of flesh at times, so if you are thinking that the amount our mine is going to pay in tax is 48,75% of R8m, (that's R3,9m by the way) you are jumping the gun a bit That is the basic tax payment but there is a 5% surcharge on the R3 9m which disappears into the Receiver's maw for ever On top of that there is a 10% loan levy which will be returned some time when everyone has forgotten they had even paid it

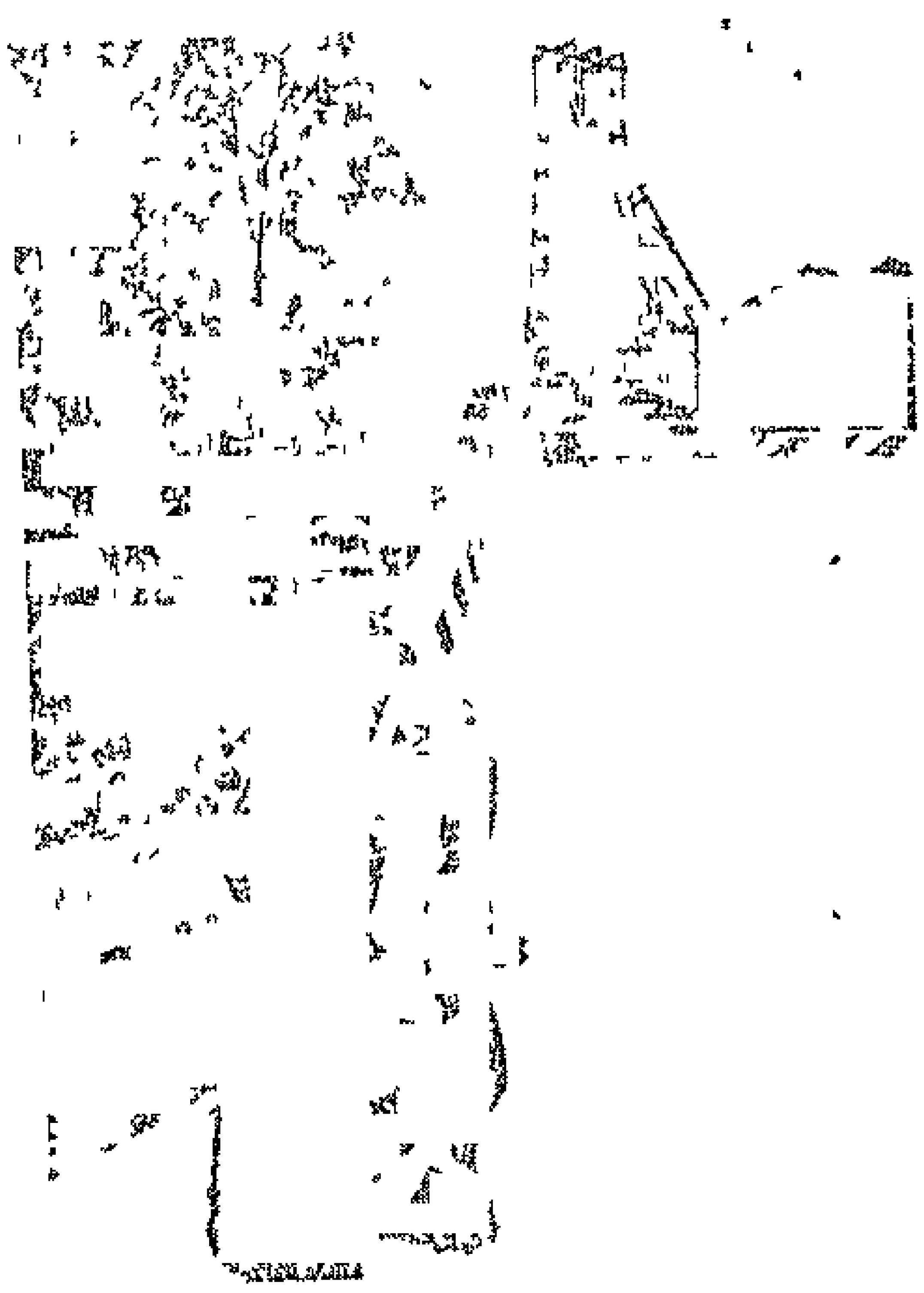
Thus in the particular year we are talking about ignoring loan levy repayments from earlier years, the Receiver's tax take-off is R3,9m plus 15% which equals R4 485m

So far, so good?

All right, now try it with a mining revenue of R40m and an amount assessed for tax of R25m If you come up with the answer Y 54 24, and a tax payment of R15 594m, you're getting along fine

So what is so difficult about all this, you might well ask? Stick around the more difficult bits are coming up now We'll make it easy, ignore the complications of uranium and assume a pure gold producer with no non-mining profits which are taxed at the corporate rate In any case the latter can be safely ignored by most investors

Firstly, profit on which lease is to be paid That is a mine's operating profit (gold revenue less mining costs) less capex and capital allowances Capex is straightforward while for pre-1966 mines capital allowances calculated for lease are 5% simple interest on any year's capex



Building on tax consistency

and 6% compound interest for post-1966 mines (you have the list above)

That is all very well, but no mine spends all of a year's capex on January 1, and the average investor has no way of telling how it is spent month by month The best thing to do under these circumstances is to assume that the year's capex is spent in twelve equal monthly tranches

For a pre-1966 mine that means an effective 2 292 capital allowance and for a post-1966 mine a 2,75% capital allowance So, if our pre-1966 mine spends R1m capex in any particular year it can deduct R1 0292m from operating profit to give its assessed profit for lease Let's make it clear the capex allowance is only deducted from the profit on which lease payments are levied It is *not* deducted when calculating the X of the lease formula

Our post-1966 mine can deduct R1,0275m from operating profit to give its assessed profit for lease

There is no need to bolt for the doors here comes an example A post-1966 mine makes an operating profit of R15m on a mining revenue of R45m and spends capex of R3m spread equally throughout the year

Its profit on which lease is to be levied is operating profit less capex less ... 2 75% capital allowance In figures that is R15m-R3m-R82 500 R11 9175m

Go back to our original lease formula and we calculate X as equal to 12 0 — 45 26 6666% Insert that in the Y = 12 5 75 X formula and you get Y = 9,1... Multiply that by the R11 1975m profit assessed for lease and add the 1 25% surcharge and you come up with a lease payment of R1 04163m Phew!

By this stage, fresh as a daisy, you are eager to get your teeth into the tax calculation

OK, we'll start off with an easy one The same post-1966 mine with a Y = 60-480/X tax formula It has reached the ... paying stage so it is allowed no capital allowances to offset against profit — ... ply the capex it spends during the year

Remember it made an operating profit of R15m on a mining revenue of R45m spent R3m capex and paid lease ... R1 04163m

Its assessed profit for tax purposes ... operating profit less capex and less lease paid In our example that is R15m-R3m-R1 04163 R10 95837m Divide that by ... R45m mining revenue and you get a ... formula X of 24,35193 Divide that into ... giving 19 710963%, subtract it from 60 ... give a value of 40 28903% for the Y of ... tax formula

We're almost there All we have to ... now is multiply Y by the profit assessed for tax and add 15%

In our example that is 40 28903% ... R10 95837m times 1 15 And if my calculator has not let me down that comes to R5 0773m give or take a cent or two

So at the end of the day, what is there to share among the shareholders? S... as elementary subtraction it is ... profit less lease paid less tax paid, a... capex R15m-R1 04163m-R5,0773m-R3... R5 88107m Now you can see why ... chairmen are moaning

Now for a few complications ... about a uranium producer which gives details of revenue from uranium sales ... merely uranium profits

There is no hard and fast rule ... this But as near as will make ... difference you can assume that ... treatment costs average about R3/... ed Thus assume our mine reports ... of R1m from uranium and treated 200 000t of material in its uranium ... More or less you can assume that ... uranium costs were about R600 000 and ... fore uranium revenue was about R... That last figure should be added to ... revenue and the R1m added to gold ...

214 FM 25/1/80

in calculating the Xs of the lease and tax formulae

Next we come to the State Assisted mines They are exempt from the 5% tax surcharge though they do have to pay the 10% loan levy

At current gold prices none of the quoted mines is receiving State Aid But the gold price could fall apart and squeeze profits If it does and the ratio of profit to revenue used to calculate X in the Y - 68-601 X tax formula falls below 8 83824%, the Y of the tax formula becomes negative and State Aid is paid to the mine

On the other hand a mine which is classified as State Assisted has a profit revenue ratio which would make the Y- 68-601 X tax formula more onerous than the Y = 60-360/X formula, tax is automatically calculated at the less onerous rate But on the latter formula of course the 5% tax surcharge is levied Thank you No 1 Rissik Street

Finally what about new mines such as Deelkraal Elandsrand or even Beisa?

This is where the generosity of SA's tax regime becomes really apparent A new mine will incur considerable capex before it comes into production and will not be liable for lease or tax until operating profits exceed pre-production and on-going capex plus capital allowances Effectively all new mines which have not reached the tax-paying stage are entitled to add an annual 10% compound interest to the balance of unredeemed capex before tax is payable And before lease is payable, they are allowed 6% compound

Shareholders will, of course, sympathise with gold mine chairmen who rail against the Receiver's "heavy" share of profits But at least the Receiver is consistent and anyone planning a new mine can be confident that the tax and lease parameters in which he operates will be fixed for the life of the mine No-one has yet advanced any real evidence that SA's tax regime has prevented the establishment of a new gold mine

Gold mine chairmen have bolstered their calls for lower tax rates by pointing to the steadily increasing tax bills paid with gold's advance Do they really believe that as profits advance effective tax rates should narrow? If they do, in all justice they should be calling for higher tax rates as profits fall

Perhaps it is time they came off the grass Formula tax was devised many years ago to discourage unscrupulous miners from picking the eyes out of a mine and leaving large tonnages of lower grade ore in the ground simply to turn a fast buck If it does have a drawback it is that it encourages capital spending rather than improving operating efficiencies

Gold mines are a national asset And everyone gains from the possibility of lower income corporate and sales taxes as gold mining tax revenue advances with a higher gold price You can bet your boots the Receiver thinks along those lines and it is not his job to favour sectoral interests

Everyone who invests in a gold mine, whether it be from grass roots or through equity participation when the mine is producing profits, does so with his eyes open Why then should the rules of the game be changed giving a *bonsella* to a lucky few?

Now miners want their golden reward

214 Sunday 27/1/80 Tribune

By VIV PRINCE

MINERS are watching the gold price with high expectation, hoping to get their share of the cake. But the biggest rake-off is likely to go to the State following the pattern of the seventies.

Figures calculated by TRIBUNE FINANCE this week show that in real terms — that is after inflation has been taken into account the State was over 260 percent better off in December 1978 than in 1970

The state revenue from taxation on gold rose from R127,2 million in 1970 to R492,1 million in 1978.

In real terms the shareholders were more than 70 percent better off in December 1978 than they were in 1970, the black mine workers are just under 220 percent better off and the white mine workers about 13 percent better off.

But the reality is that white wages are still just over seven times more than black wages.

Mine officials point out that this ratio has been reached after including in the white salary scale the earnings of managers and engineers.

The whites they say, are by and large skilled whereas the blacks are mainly unskilled. And certainly the ratio had dropped dramatically — in 1972 for instance the ratio was 19 to one. In July, last year the average wage of a black underground worker was R154 a month.

Mine officials stress: "That's cash. He also gets free food, accommodation, medical attention and a lot of other facilities."

A black miner's wage is now about seven times what it was in 1972 whereas the wages of white employees have slightly more than doubled over the same period.

Whatever the figures the facts remain the same. There is one clear winner in South Africa's gold boom — the State. It is predicted that when the 1979 picture is complete, income from State taxation is going to go through the roof.

The gold price and its recent unprecedented heights are the talk of the financial world but for the men who work below the price can be very different.

In one of South Africa's 55 gold mines is the deepest place in the world — the bottom of Western Deep Levels mine.

There, 3962,6 metres down, the rock temperature is about 55 degrees centigrade and the air temperature about 31 degrees centigrade wet bulb (a measure of the humidity, an important factor underground).

Forty-five degrees C wet is the limit of a man's tolerance. Every 1 000 metres down means a temperature increase of about 11 degrees C in the rock temperature and about four degrees C wet bulb in the air temperature.

The maximum temperature that miners are asked to work in for any length of time is 31 degrees C wet bulb.

214 330 27/1/80

Tax concessions for gold mining expected

By Colin Vineall

...investing in ... h Africa ... ing in general ... s, Brown said: "We ... ing at a growth of about five per ... a year, which we ... got to achieve ... otherwise the unemployment situation becomes so bad.

"We are also looking at a growth of about six percent a year over the period up to the mid 1980s. So the opportunities for new investments to reach that target growth rate have got to be pretty substantial.

"Secondly, Senator Horwood said in his last Budget that he was going to try to reduce the amount of public sector investment in the economy, which at the moment is running at about 70 percent of the economy.

"He has committed himself to reducing that to 40 percent by 1981, which means that the major brunt of new investment in South Africa will have to be taken up by the private sector.

"So the authorities will have to make it more profitable for the private sector to take up this investment, which means tax reforms.

"We are therefore going to have a situation where more disposable income will be available for investment.

"Also I think that as the economy grows, that savings rates will increase. I believe foreign confidence in South Africa will get a little bit better so that the inflow of foreign capital from abroad, which has been negative for the last three years, will turn positive.

We are assuming that as the world gets more and more into an economic mess — and this is based on our contacts abroad — so more people will be willing to invest in certain areas of South Africa.

"Assuming the Government is so flush with taxation from gold mines, with the gold price going up and working costs virtually under control, we think it is going to make tax concessions to the gold mining industry which will enable new investment to take place.

"As a whole the industry mines gold at a grade of about nine grams a metric ton. But at present prices a lot of gold at lower grades now become viable.

"And whether ... likes the idea of ... new gold mines starting, we believe there's substantial potential for mining of low grade gold reserves which has not been payable ... mine.

"This makes ... believe that investment in the gold mining industry will continue ... through the 1980s.

"The gold market is becoming broader all the time and we have substantial Middle East participation.

"We see a big growth in the market in the United States where the citizen has never been involved in investing in gold — it was illegal from 1932 until 1975 ... it now looks as though ... is starting to take off.

"We think that gold interest ... in the States, so the Krugerrand market will continue to grow. We don't think the other coins are competitive because their ... will always be higher and we have had about eight years establishing the market.

"But in South Africa we are only allowed to sell 2 000 Krugerrands a week so it is a good investment — if you can get hold of them.

"From a South African point of view ... think the energy ... has obviously made it profitable for the development of our energy resources. We have had this massive investment in coal mining recently ... believe this ... tinue."

(214) FM 1/2/80

GFSA

The next round

Despite continuing talk of predators circling the group and its parent Cons Gold, the six months to end-December meant business as usual for GFSA

Capex at the Black Mountain lead/silver mine has probably fallen to a relatively low level now that preliminary milling has started at the operation But the question remains, what is planned for the significant cash assets now held by the group?

This time last year, sales of investments were proceeding at a fair clip to help fund Black Mountain During the past six months, no investments were sold, while some R6,3m was diverted into equity purchases including Sasol, leaving some R17m of retained earnings to be held as cash or spent on capital projects

The first half's R43,1m investment income was based on an average gold price of $370, with about 90% being gold-sourced. Even if the gold price only averages, say, $500 during the second half, investment income should have little difficulty in breaking the R100m barrier for the year, pointing to attributable earnings per share in the region of 700c And if cover is maintained at last year's 1,8 times, that points to a final dividend in the region of 250c Even that implies retentions of around R50m for the year

Much, of course, depends on capital and investment spending plans Unless share prices fall from current levels, it is difficult to see the house investing heavily through the market unless for special diversification situations Meanwhile, most of the group's prospective gold developments on the West Wits Line can be best turned to account by the managed mines themselves

The same is not true of prospects near Beisa in the OFS Presumably these accounted for much of the first half's increased R1,5m (R1,1m) exploration expenditure But by now a fair idea of the area's potential (even if it has to be taken in conjunction with ground held by competing houses) has probably been obtained If so, preliminary capex plans will have been formulated

At least in their earlier stages, developments in the OFS may be kept under the same tight wraps as Union Corp has applied to Beisa But if rumours of a recent deal whereby 49%-owned New Wits has been involved in a R2m mineral rights deal are correct, an announcement on new OFS mining developments may not be far off

Presumably the house and its associates will fund as much development as possible internally before asking the public for funds But with current gold-sourced income trends, that is unlikely to be a great strain Meanwhile, if developments on the West Wits Line are carried out by group mines, probable policy will be to trade mineral rights for shares in the mines concerned

The group's current nav is little changed on its end-December 9 670c, meaning that at 7 050c the share price discounts nav by about 27% However, the discount could narrow if control of the group changes hands and an offer has to be made to minorities

Jim Jones

Gold mining . . . an increasing concentration for GFSA

Use gold boom to aid workless, Govt urged

Sow 2/2/80

(2.16)

By STEVEN FRIEDMAN
Labour Reporter

THE Federation of South African Trade Unions, (Fosatu) the largest co-ordinating body of black trade unions, has called for Government revenue generated by the gold price boom to be used "to redress the serious plight of the unemployed and the lower paid workers "

It also calls on employers to implement a minimum wage of R1 an hour

The Fosatu call comes at a time when Government spokesmen are urging unions to show "restraint" in wage negotiations

In a statement yesterday, Fosatu called for "the substantial new wealth" created by the gold price rise and the improvement in the economy to be used "to benefit those who are suffering most from the recession and inflation"

Fosatu called specifically for

- The abolition of general sales tax on all basic foods, clothing 'and essential household items",
- Increased transport subsidies "to prevent increased bus and train fares especially for commuters from black townships",
- Improved unemployment and pension benefits, and
- Increased expenditure on housing, health, education and transport

It also asked the Government to "correct the situation whereby a skill shortage exists alongside educated unemployment"

Fosatu also called on employers to "increase employment rather than overtime or shift work" as their businesses picked up and to increase the amount spent on training

Fosatu has calculated that the increased gold price will bring Government revenue from gold taxes to about R1 600-million, more than double the Budget estimate

This calculation, it said, was based on an average gold price of $300 an ounce The price is now above $600

It added that "the South African economy has moved into the early stages of an upswing"

It said the increased profits should be used "to correct the extremely serious problems of poverty and unemployment and not to further fuel the wealth inequalities that exist in South Africa "

$400 not enough for a new mine

(214)

2/2/80

RDM

By ADAM PAYNE

WITH the gold price standing at $676 an oz, the layman would be wrong in thinking a mining house would cautiously base its feasibility studies for opening a new mine on a price of $400 an oz.

Top men in the industry tell me that if studies showed a new mine would need a price of $400 an oz as the price in today's money when the first bar of gold was poured, they would "put it on the shelf".

One executive said. "I would bring it off the shelf in six months' time after seeing how long the gold price had stabilised at a level around $600 an oz.

"One must bear in mind that the price went through $500 an oz only one month ago.

"We cannot base planning on such a short history. This may sound overcautious, but we must have a history of high prices on which to base planning and make our judgments."

I asked if a feasibility study indicated a mine or a mining area would break even at $375, covering capital and working costs, would his house be prepared to open it.

The reply was that he would be prepared to spend money on it as Union Corporation had at Beatrix in the Free State.

"Union Corporation is saying, 'We are not certain we have got a mine, but it is worth spending R1-million on a major feasibility study and preliminary work.'

"I would be [illegible] to do that with a new prospect that looked viable at $375 an oz.

"But one's attitude might be changed by mid-year when we would have a longer gold price history and therefore might be prepared to open something that would be payable only at $400 an oz."

He pointed out that the difficulty was that factors affecting the gold market were extraneous to it, being largely political.

"One wants to be certain that a lot of this gold buying is genuine investment and not just day-to-day speculation.

"However, each day makes us think that more and more of it is investment and less and less is speculative.

"But the rise in the market has been too quick and too volatile for us to have any solid confidence in it."

He did not think that the price would fall below $500. "I think there is a good chance that it will remain above $500, but I would never use that figure for planning now."

The industry was still worried by the fall in demand for gold for jewellery because of its high price. It was awaiting the return of Mr Mackay-Coghill of Intergold, who had carried out a survey of the market and was trying to ascertain how much of the buying resistance was "just short-term panic".

Another mining executive, a consulting engineer, was asked whether mining houses would evaluate ore reserves at a higher figure than the $375 an oz used by Johnnies, which suggested a base level for mining calculations.

He said "In this moving gold price market, and with inflationary working and capital costs, the concept of ore reserves at a certain figure is meaningless.

"We have to do our sums with figures like R100-million for capital spending hanging over us. The ore reserves at a certain figure cannot cope with that sort of spending.

"Therefore we have to come to a target grade and that we apply to our ore reserves."

He said the ore reserves, calculated by a computer, merely gave grams-a-ton by numbers, stating that there were so many million tons at a certain grade based on a certain gold price.

"You can say you have a pay limit by putting a line across the reserves, the ore below the line being unpayable and that above payable.

"But this is an oversimplification in these days of moving figures because every shaft has its own pay limit and we have to provide for capital spending above working costs, whereas pay limits are calculated on working costs only.

"Our cut-off line is different for every shaft and for different areas."

He said that in a big mine decisions would be made on a particular day on whether to mine a block, basing that decision on the day's gold price. As long as the grade came within the minimum mining cut-off — or the minimum level cut-off of the ore reserves — it would be related to the gold price at the time of making the decision.

"You find miners mining 45% of their ore out of ore reserves because of the high gold price."

US jobless

WASHINGTON — Unemployment rose to a seasonally adjusted 6,2% in January from 5,9% in December, says the Labour Department. The January rate was the highest since the 6,2% in July, 1978. — Reuter

Preddy sold

RUSSELL Holdings has sold its non-retail subsidiary, Preddy Brothers Manufacturers (Pty), which makes tents, to Cadac (Pty) for R318 000 cash. The sale will have no significant effect on Russell's earnings or net asset value.

TABLE II

	[illegible]	[illegible]	[illegible]	804	3114	3140	2390	1921
	100%	100%	100%	100%	100%	100%	100%	100%
Motor Vehicle Accidents (E810-E819)	750 38.0%	287 42.4%	122 36.6%	28 26.9%	572 26.3%	161 24.7%	282 15.1%	59 18.2%
Suicide (E950-E959, E979) *	485 24.6%	104 15.4%	42 12.6%	13 12.5%	84 3.9%	18 2.8%	76 4.1%	11 3.4%
Homicide (E960-E969)	59 3.0%	41 6.1%	41 12.3%	2 1.9%	680 31.3%	167 25.6%	806 43.1%	89 27.5%
Total Accidents, Poisoning and Violence (E800-E999)	1973 100%	677 100%	333 100%	104 100%	2175 100%	652 100%	1868 100%	324 100%

GILL WESTCOTT *et al.*

SUMMARY OF PAPERS DELIVERED AT THE CONFERENCE ON THE ECONOMICS OF HEALTH CARE:

1. HEALTH STATISTICS

1.1 Health Measurement

Before attempting to measure health, it is necessary to attempt to define this concept. The constitution of the World Health Organisation (WHO) defined health as a 'state of complete physical, mental and social well-being and not merely the absence of disease and infirmity'. The difficulty in operational...

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statistics of the deaths occurring in a defined population provides

Use gold boom to aid workless, Govt urged

By STEVEN FRIEDMAN
Labour Reporter

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important indices for the planning, implementation, surveillance and evaluation of the health services. Information about the number of deaths occurring in South Africa by cause, age and sex is published annually by the Department of Statistics. These final reports appear after a delay of several years, a situation common to most countries. This results in the data being of little value for current monitoring. There are two series of reports, one for whites, Asians and coloured people which covers the whole country and one for Africans, in selected magisterial districts which comprise the main urban areas. There is no data for rural Africans who comprise about a half of the total population of the country. Using the 1974 reports on deaths of the Department of Statistics, the proportional contribution of the seventeen major disease categories of the International Classification of Disease (8th revision) to the overall mortality of the various communities is summarised in Fig.5(a)-(d), Ch.2.

The most important single health index involving mortality is the infant mortality rate. In the absence of other data, it gives the most information about the health status of a community. Infant mortality rates are summarised in Fig.3, Ch.2. Once again, difficulty is experienced in obtaining data for Africans. Birth statistics for Africans are not published by the central government. The various medical officers of health[1] have estimated the infant mortality rates for particular urban areas. These show considerable variation. A mean figure and range are given in the figure. These *de facto* figures should be interpreted with caution as sick infants are often brought to the cities from rural areas. An indication of the situation in the rural areas is given by a sample survey carried out in Cape Town and the Transkei among Xhosa-speaking Africans.[2] An increase in infant mortality is observed with decreasing urbanisation, the figures for the completely rural areas being of the same magnitude as in those parts of the world devoid of medical services.

1.3 Nutrition

Another important index of health, and one not involving mortality, is nutritional status. Anthropometrical measurements normally are used as an indirect index of nutrition. These measurements are often judged against the Boston (Harvard) standards which are representative of middle class white American children. No definitive studies of comparable size have been done in developing countries.

214 ~~211~~ PM 3/2/80

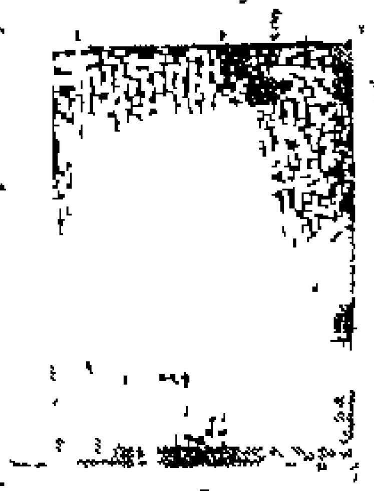
No gold boom for black miners

WHILE the price of gold soars on international markets, black mineworkers in South Africa will not reap any immediate benefits.

The wage gap between black and white mineworkers still remains, and the conditions under which black mine workers live at some mines still remain stark.

Although black wages on the mines have improved over the past nine years, a survey carried out by **SUNDAY POST** has revealed some of the black mine workers' major grievances.

- Low wages
- Cramped accommodation
- Persistence in accommodating mineworkers on ethnic divisions
- Food, which was not always of the best quality
- Wives and families could not join workers on the Reef.



By Zwelakhe Sisulu

From net profits of R2 billion from gold in 1978, R560 million went towards wages and salaries of more than 400 000 black mine workers, against R415 million to 35 000 white miners

The success that gold bullion enjoyed recently and the massive profits that will be raked in by mining houses will be of no immediate benefit to black workers.

The average wage for a black underground worker last year was R150 a month, which means in some cases an ounce of gold, which was a staggering R800 at its height, could have paid a black mineworker's wages for the whole year

Though the average wage signifies a dramatic increase since 1972, white miners earn at least seven times more than their black counterparts.

In spite of black wages having consistently increased more than the annual inflation rates since 1971, white wages have doubled in the same pe-

Malawi 20 000, Botswana 20 000, Swaziland 9 000 and Rhodesia 8 000.

Prevented by the Mines and Works Act of 1926 from obtaining blasting licences, and thus becoming fully fledged miners, the highest black workers get to is the semi-skilled level such as loco and winch drivers and machine operators.

This ceiling on job advancement is further compounded by the short nine-month contracts

'Indunas'

Cramped accommodation was a common complaint from the mineworkers. In the older compounds, often euphemistically referred to as hostels, 20 workers sleep on concrete

This was also the explanation preferred by the mine's management when told of the workers' complaint about the food "It's difficult to cater for different tastes — some workers want more salt in their food, others less"

Food complaints were not so much against the quality as the way in which it was prepared, like "Inyula", which comprises different vegetables cooked together as a stew.

Another sore point was the division of families when husbands go to work on the gold mines

This has also led to girls from neighbouring townships flocking to the mines.

To try and improve the situation several mines have guest houses where a mineworker could spend a few days with his wife for a specific period, the limit usually being a week.

"It's a practice which should be for cattle, not human beings," a mineworker from Mozambique said

In one mine of 12 000 people, there is one guest house with two bedrooms, and the time limit for a couple to stay in the house is two weeks

Said the miner: "It's a situation which can cause extreme embarassment when somebody's wife has to be told to leave because another wife from the country has arrived"

Some miners were loathe to use the guest rooms and they were forced into relative's homes for a weekend with the wife.

The stringent security at compound entrances, it was felt, also created unneccessary difficulties for those relatives who may want to visit

On the other hand, the mining industry says it has done as much as it can to improve conditions within Government legislation and that it was for restrictive legislation to be removed before blacks can be part of the mining boom.

These legislative restrictions include:

- Stipulations that black mineworkers cannot obtain blasting licences
- Government stipulation that mines can build houses for a very low percentage of their workforce.

Aware

The profits that mines get from liquor sales in the compound is divided between the mine and the Government. At least 20 percent of the profits must go towards the welfare section of the mine, while 80 percent goes to the Department of Co-operation and Development.

The inudstry is aware of the need for better accommodation. "This is why we have been modernising some of our mines and built new hostels with flats that could be converted into family flats," Mr Etheredge said.

Anglo, he said, has adopted a new concept in mine housing: "We are now building houses for our staff in existing townships rather than housing them on mine premises".

This means that mine personnel will be able to participate fully in the 99-year leasehold scheme. In the past, houses on mines had to be destroyed once the mine closed.

Unlike white miners, black workers have been unable to mobilise themselves into a union because of Government legislation and the short duration of their contracts

MINEWORKERS' GRIEVANCES STILL REMAIN

Communal toilets without doors are common on the mines.
Pic: MAC MOGOROSI

Said Mr Etheredge: "We will gladly deal with a black union but we do not see it as our duty to start one."

The leader of the ultra-conservative White Mineworkers' Union, Mr Arrie Paulus, refused to speak to **SUNDAY POST** on the situation of black mineworkers

At a minimum starting wage of R20 a week, the mines concede that this amount is not adequate, but argue that black mineworkers are given other benefits such as free medical treatment, free food, free transportation and are insured

"Also, many come to work on the mines to supplement what they already have back home and the cost of living in their respective areas is not as high as in urban ones," Mr Etheredge said

Recruitment

However, the majority of miners buy most of their clothing and furniture in urban areas and take these items home at the end of their contracts.

Mr Tony Fleischer, of the Employment Bureau of Africa, which is responsible for recruiting for mines, said more black workers were staying longer on the mines.

"More than half of the labour force is now in possession of re-employment guarantee certificates which are acquired after 45 weeks' service," he said

The mining industry was attracting more black workers from South Africa than previously and was now over-strength: "At 102 percent, we have more people than we need", he said.

214

Sunday Post 3/2/80

Explaining his company's attitude to black wages and the price of gold, Mr Dennis Etheredge, head of Anglo American's gold division, was adamant that the current gold price could not be used as a barometer for wages

Ceiling

"We cannot tie the wages of our labour force to the price of gold, because that would mean cutting wages when the price went down," he said

Of the more than 410 000 black mineworkers in the country, 217 000 are from South Africa, including Transkei, BophuthaTswana and Venda.

Lesotho has 98 000 people working in South African gold mines, while Mozambique has 42 000,

This, coupled with the fact that workers are often accommodated in the same room irrespective of their shifts to satisfy ethnic division, also led to complaints

It was not uncommon to find rooms in compounds where the door was the main source of ventilation Add to this the stoves in the rooms. Though meant for winter heating they are used by workers to prepare additional food

In at least one mine on the Western Transvaal, workers are placed in dormitories according to ethnicity, and they even have an "Induna" for a particular tribe This division often leads to faction fights

"Ethnic accommodation is done at the insistence of the workers themselves," was the response of the compound manager,

BUSINESS MAIL

Focus on Simmer as candidate for revival

214

ADM 6/2/80

By ADAM PAYNE

WITH the gold price holding high, the mining world is alive with speculation as to what old mines can be reopened or reclaimed, or which have sand dumps or slimes available for treatment.

Heading the list of companies that could treat old dumps is Rand Mines Properties, which has a project team at work and is likely to launch an Ergo-type operation exploiting dumps on the Central Witwatersrand

On a smaller scale, Simmer & Jack, near Germiston, has embarked on dump retreatment, and those concerned with it are looking at the possibilities of mining the Kimberley reefs at shallow depths

According to James Capel in London, a "major South African mining house" is interested in the possibility of reopening Simmer & Jack which closed as a substantial producer in the 1960s and is now controlled by a consortium of businessmen

The mine owns the Simmer Lease area and also Rose Deep, apart from property interests

Like Village Main, which spent R2 600 000 on installing plant to treat its dumps, Simmer & Jack has taken steps to adapt its mill and plant to handle surface dump material and is considering installing a carbon-in-pulp plant to recover gold

A decision on the latter will be taken in the next few months

Village Main did not have to install a carbon-in-pulp plant because it had filters, but Simmer & Jack has no filtration plant and those concerned with it consider that carbon-in-pulp would be more efficient

The mine plans to treat 18 000 tons of material a month, but this figure could be raised, according to market talk, to 25 000 tons a month

This would be a small operation, but because it is likely to be profitable the outlook would be rosy at a high gold price with 130-million tons of dumps on the property

Dump reserves are reported to amount to 80-million tons including waste material and mostly low-value slimes grading up to 1 g/t

As to possible underground operations, drilling by Union Corporation indicated 11-million tons of Kimberley reefs ore in the dry-pumped area above 1 200m from surface

Below the Kimberley reefs, in flooded workings, there are estimated to be another 10-million tons of South Reef, Bastard Reef, Main Reef Leader, Main Reef, North Reef and pyritic quartzites down to 2 400m

But pumping this area would be a major operation and would have to be an industry undertaking to make available deeper ores now flooded in other areas as well

The Kimberley reefs average 5 g/t, which is a good grade in an industry where the average pay limit is down to between 3,1 g/t and 3,3 g/t

There would not be great capital spending to mine these reefs as the property is riddled with shafts — small and medium-sized which could be brought into action

The Kimberley reefs outcrop across the property and are served by two stations on the 10 and 11 levels which are at shallow depths of 275m and 300m vertically below surface in the South Vertical Shaft, which goes down to 2 600m, or 8 500ft The stations are in good order

It will be some time before a decision is taken on underground mining and although capital costs will be lower than for opening a new mine, they could total R50-million for an operation mining 60 000 tons a month

The mine was last looked at by Union Corporation in 1974 when a limited amount of diamond drilling was completed on the K9, or May Reef, in the Kimberley reefs, over an area of 1 500ha to the south of the old mine

At that time the gold price, which had reached a record $197 an oz, subsequently declined to $101 and no further action was then taken

There are about 6 800 000 shares in issue by Simmer & Jack of which about 70% are held by a consortium of businessmen

At a share price of 240c, Simmer is capitalised at R16 320 000

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he South African population from all causes of death. The proportional ontribution of the seventeen major disease categories of the International lassification of Disease (8th revision) to the overall mortality of the arious communities is summarised in Fig. 5. The whites show a typical developed' country spectrum of mortality with Infectious and Parasitic iseases being of minor importance (2,0%) and Neoplasms (15,6%) and Diseases f the Circulatory system (50,5%) being of major importance. For urban fricans and 'coloureds', Infectious and Parasitic Diseases make an import- nt contribution to the overall mortality (19,5% and 23,5% respectively), ith diseases of the respiratory system and certain causes of perinatal ortality also being of importance. Within the category of Infectious nd Parasitic Diseases, diarrhoeal diseases and tuberculosis are the most mportant causes of mortality. The 'coloureds' experience an interesting ombination of 'developed' and 'underdeveloped' mortality with a high ... circu-

Mortality rates greater than 5/1 000 appear in italics in Table I. For all of these major causes of mortality, the Asian and 'coloured' mortality rates exceed those of the whites

However, in this context, what requires emphasis is that by using the major disease classification a certain amount of detail is lost. For example, despite the fact that the overall rates for diseases of the circulatory system are comparable for whites, Asians and 'coloureds', within this broad category the mortality rates for specific diseases vary markedly. Table II provides the proportional contribution of the major circulatory diseases for the whites, Asians, 'coloureds' and Africans. Whilst Ischaemic Heart Disease is the major Circulatory Disease in the white and Asian communities, Cerebrovascular Diseases are the major cause of Circulatory Diseases in the 'coloured' and African communities.

Similarly, if the Accidents, Poisoning and Violence category is examined

However, what is of interest is the ratios ... for the three communities. At birth, the white:Asian:'coloured' ...s are 1:0,91:0,76 for males and 1:0,88:0,77 for females; at the age ... these are 1:0,91.0,86 for males and 1:0,79:0,85 for females. ...'coloureds' are less disadvantaged at e_{45} as compared to e_o for both ... and females, a difference which is largely attributable to the high ...t mortality rate in this community. It is also noteworthy that ... females have the worst expectation of life at age 45 of the three ...unities, which is in marked distinction from both males and females ... and males at e_{45}. The fact that for the 65+ age group, Asian ... have the highest mortality rates for respiratory, circulatory, ...stive, genito-urinary and ill-defined causes of death (Table I) may ...ribute to this anomalous situation.

... 7 summarises the percentage improvement in the expectation of life ...birth subsequent to the total elimination of the mortality associated economic status than the average, and that where the difference was marked it could affect their work; that care groups had been successfully educated, and that those families which had had contact with care group members had better knowledge of the causes of disease and how to prevent it than those who had had no contact. The workers are now ready to take on more health tasks.

Another group of lay workers has been developed in Rhodesia to deal with a particular problem -- described by Sapire (*61). Until recently, motivational work for family planning had been done by educators trained by the Family Planning Association. However, it v
talked of methods and were unable to provide
an urgent need in the rural areas and they o
of this. Thus educator/distributors were t
indications to oral contraceptives and signs
nurse and allowed to provide them. However
Depo Provera (a three-monthly contraceptive
trained to provide this. Sapire notes tha
preference in regard to the method of contrad
to have a reliable back-up service to support
reasonable distance'.

The effectiveness of distribution within the community is shown in that whereas clinic-oriented sources show continuation on oral contraceptives to be between 14 and 33% after a year, Brazil where contraceptives were distributed in the community, their continuation rate was 83% for pill patients'.

From Swaziland, Sr Ntiwane (*39) describes the role and training of Rural Health Visitors (RHV's). The cadre was initiated because 'it has not been possible to build more clinics' yet it was considered important to have health units within walking distance of every family. 'The process of selecting trainees is one of community participation'; requirements are literacy and interest in health and other community matters. Training is done by a public health nurse and members of other health related ministries and voluntary organisations. Each RHV is allotted 40 households in her area. She carries out a wide range of preventive and educative tasks, deals with water supply, promotes pit latrines, gives emergency care, monitors diseases and co-ordinates community development activities.

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... for which baseline data is already being collected.

Van Wyk (*13) describes a rather different scheme in an urban setting, whose main aim is to provide liaison between health services and the community. St John's Ambulance and Dr van Wyk at the Dr Abduruman Day Hospital in the Cape have been training 'Auxiliary Information Disseminators and Educators' (AIDEs). They are volunteers, 5 who had been working with DABS, a community social improvement team, and 5 from volunteers working at the Early Learning Centre nearby. Auxiliaries would visit homes, note any major health problems and distribute literature on health topics and on health services available. If the scheme is successful, it is hoped that the role of the auxiliaries can be expanded.

Wagstaff (*21) has also been training lay health workers in Soweto 'to extend simple health care and education into the home and collect various basic data'.

Other village health worker schemes described by Savage in Chapter 6, are:

(i) the 'agentes polivalentes' of Mozambique,
(ii) Family Welfare Educators in Botswana, and
(iii) Village Health Workers in Lesotho.

Star 7/2/80

214

'Mysterious heavy buying of SA mine group's shares

Evidence is again accumulating in London that an "unfriendly" mystery buyer, thought to be South African or Arab, may now hold as much as 28 percent of Consolidated Gold Fields, one of the top 15 companies in Britain

In London the South African mining giant General Mining is being strongly tipped as the "mystery" buyer, but in Johannesburg General Mining continues to knock this down.

The London Stock Exchange yesterday reacted vigorously to renewed heavy buying of Gold Fields shares They leapt 16 pence to a record 508 pence and at one stage touched 514 pence

At these prices the company is valued at more than R1 310-million

By yesterday Gold Fields was concerned enough to draw the attention of the London Stock Exchange to what is happening

SA HOLDING

Gold Fields would say in London yesterday only "There has been a progressive increase in the number of unregistered transfers held by persons unknown

"The number of shares covered by such transfers has increased sharply in the past three weeks"

The main attraction of Consolidated Gold Fields is its holding of 46 percent in Gold Fields of South Africa

In Johannesburg this morning a spokesman for General Mining referred The Star back to a November statement that Genmin did not own a share in Cons Gold

Gold Fields has told the Johannesburg Stock Exchange that if evidence of the buyer's identity comes to light it will inform the JSE immediately

Inyanga ngoku sele izakuphela abasebenzi abangama - 88 bakwa Fattis & Monis efektri eBellville South benogwayimbo. Into ebangele ukuba bagwayimbe kukugxothwa kwabasebenzi abahlanu ebebesebenza nabo. Bathi unobangela wokugxothwa kwaba basebenzi bahlanu, kukuba bebengamalungu eTrade Unions Le union ibe izama ukwenza uphando nothethwa thethwano lokuba kunyuswe imali ibeyi - R40 ngeveki yaye kusetyenzwe iyure ezisi - 8 ngemini. Umphathi wefektri leyo uthe ezizinto bazifunayo zingaphezu kwamandla yaye ziya kwenza uqushululu efemini.

Abasemagunyeni kumbutho weUnion onamalungu ayi 10 000 (amawaka alishumi) obizwa ngokuba yi (Food and Canning Workers Union) bathi abo bagxothiweyo bebesayinile amaphepha anika iUnion igunya lokuba benze uthethathethwano ngemeko ezibetele ekunokuthi kusetyenzwe phantsi kwazo. Ifektri leyo ilalile oluthethathethwano neUnion. Ifektri ibalula into yokuba omatshini ekusetyenzwa ngabo bathathe indawo yabantu yiyo lento kunyanzeleke ukuba kuphungulwe abasebenzi.

Nangona aba bagxothiweyo ingabantu beBala uninzi lwabo bagwayimbileyo ngamagoduka abantu abamnyama. Nangona bathe bagrogriswa ngokugxothwa babuyele emphandleni aba basebenzi bamnyama bame bemi kwicala lebeBala ababathatha ngokuba bangabantu kwabo. Ngosuku lokugala logwayimbo indoda imele icala losebenzi ezame ukubohlula abeBala kubantu abamnyama xa bebemengaphandle kweFektri. Abasebenzi balile ukwahlulwa, omnye wabo uthe "Silaphà sonke yaye iinjongo zethu zinye."

Ayanda amanani abantu abazibandakanyileyo nabasebe
abafundi base University nakwano Kolegi abangaphez
zikolo U.W.C., Hewat, Peninsula Training College n
Abafundi bathe abasebenzi mabaphinde baqeshwe kung
Fattis & Monis ingathengwa.

Umbutho oyi Western Province Traders Association u
ukuba angayithengi imveliso yaleFektri de bavume u

Umbutho oyi South African Council of Sports SACOS
izikolo ezinonxibelelwana kunye nabo ukuba zixhase
bageshwe. Yaye akufuneki bayithenge imveliso yale

Abafundi base U.C.T. bayenzile eyabo intlanganiso
Bacele ukuba imveliso zakwa Fattis & Monis zingath

Umbutho oyi Women for Peace Movement ucele ukuba e
kunye nabasebenzi.

Umbutho walapha eKapa oyi National African Federat
wakhupha istatement uxhasa

UFattis & Monis uphikele u
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West Deep—is it just the start?

17/3/80 214

By Jean Moon

If Anglo American is willing to spend R715m (which will exceed R1 000m by completion in 1991) on an additional shaft system at Western Deep Levels, which makes it virtually a new mine, and has costed it at a gold price of 350 dollars, there must be many new payable mines in mining house pipelines.

Already, the deepest mine in the world, the new Western Deep shaft will plunge even further into the bowels of the earth, to 3 880 meters.

Proposals have been submitted to the board and as a preliminary step, expenditure of R9,8m for long delivery items of equipment and site preparations have been approved.

The first stage of the project, a twin shaft system, with all the ancillary surface and underground works including the gold plant will reach full output by 1986 at a cost of R450m in today's money **terms**.

The gold plant will have a mill capacity of 160 000 tons a month.

The full scheme can be financed out of profits from existing operations together with increased cash flow from the new shaft when it begins operation.

This huge capital expenditure programme, together with the anticipated success of the negotiations with Western Ultra Deep Levels for extensions to Western Deep's lease area will have the added spin-off of tax allowances.

The siting of the new shaft will eventually allow access to a large tonnage of Ventersdorp Contact reef, which is situated south of the present lease area, following the sinking of a sub vertical shaft to a depth of 3 880m.

The result of the proposals would provide over the remaining life of the mine and additional 50 m tons of ore, which should yield an additional 460 tons of gold but working costs are expected to be similar to those applicable at existing No 2 and 3 shafts. An excellent grade of 9 g/t is expected to be recovered.

In 1979, Western Deep Levels achieved a taxed profit of R158,3m having milled 3,4 m tons of ore which produces 47 890 kg of gold. The working profit amounted to R280,9m.

Wit Deep will also benefit by way of a long-standing agreement which gives it 22,5 percent participation interest in the mineral rights over large areas of ground to the south of Western Deep over which western Ultra Deep holds the rights.

esday February 12 1980

Anglo admits: We bought Cons Gold

By Colin Campbell, Deputy Financial Editor

Anglo American today admitted that it had a 25 percent stake in Consolidated Gold Fields

It said that Anglo American Corporation of South Africa and Anglo interests have built up a 25 percent stake "and plan no further purchases"

A Cons Gold spokesman said Cons Gold understands the Anglo stake was purchased as a 'strategic holding"

Anglo said that it would issue a full statement later

PLEA

Anglo's statement comes hours after news that Cons Gold had asked the British Government for help in identifying the mystery buyer of more than a quarter of its shares

British MPs had also tabled questions in the House of Commons

The question as to who was the mystery bidder for Cons Gold has been worrying Gold Fields and has been exercising analysts' minds for some weeks It was originally suggested that it was South African interests which had been buying up secret parcels, and it was generally assumed that it was General Mining or another large Afrikaans institution However, General Mining originally said that it did not comment on market rumours, and then last week said that it did not own a share in Cons Gold

Was Anglo buying because it was afraid that effective control of Cons Gold would pass into unfriendly hands?"

Or was it buying because through Cons Gold it could get closer to the 46 percent-owned Gold Fields of South Africa—the mining house which controls a number of large, and important, gold mines and other mining interests in South Africa?

Or was it a buyer because — as was the suggested rationale behind the General Mining full bid for Union Corporation — that in today's high cost environment the cost of opening up new fields is virtually prohibitive'

Cons Gold has an issued capital of 146,8m shares At a London share price of 532p the effective purchase cost of one quarter of Cons Gold would cost £197,8m — or R369m

INQUIRY

Today's sudden disclosure by Anglo was probably prompted by the threatened inquiry in Britain which would have been conducted under Section 172 of the Companies Act 1948 This section gives the department's inspectors sweeping powers to determine the beneficiary owner of shares — and (more menacing) — to take action against those declining to give evidence

It has not been used in isolation for more than 25 years Just as menacing is that the department has the power to disenfranchise shares whose owners remain anonymous, block dividends on those shares, and stop their transfer moves

When the Cons Gold Fields rumours first started, London stockbroker James Capel recalled in a light vein, how control of Union Corporation came to General Mining through a series of stock market deals The London broker added "The lessons of the Union Corporation bid battle must still be fresh in Gold Fields' minds

"Luckily this time round there is a policeman on hand who if called in may soon put a break on the predators' ambitions."

The newsletter named the 'policeman" as Anglo's Harry Oppenheimer.

QUESTION

James Capel added "Anglo's Harry Oppenheimer would not like to see the jewels in Gold Fields' crown (GFSA) fall into the hands of his greatest competitor "

The mystery buying of Cons Gold shares has, I understand, been conducted through various names and in various centres—including Switzerland

The burning question now is Has any other South African party been building up a stake as well?

The currently accepted criteria for malnutrition consider 60% of the expected weight for age as a cut off point for severely malnourished children. Those between 60% and 80% (3rd percentile Boston standards) are underweight for age, whereas those below 60%, depending on their clinical condition, are either marasmic or marasmic-kwashiorkor.

Another method of obtaining a measurement of malnutrition is the Shakir strip which measures the mid-upper arm circumference.[3] Even though it is somewhat conservative, it can be easily used by unskilled staff and is a valuable screening procedure as it will identify those that are overtly

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planned ... surveys on a national scale to measure infant mortality and nutrition could provide a baseline for planning. The urban system of health care is much more complex than that in the rural areas. Information on all aspects of the health service system is essential, especially when it departs from the price system of the private economy and goes in for direct quantitative planning. Unfortunately, the collection of data can only be described as capricious. Very seldom are terms such as patient or attendance defined, with the result that data are not uniformly collected in various institutions or even within a given one. The adoption of a uniform system of data collection, which is analysable and analysed, is an urgent priority.

2. PLANNING THE HEALTH SYSTEM

2.1 Health Problems in Southern Africa

Some indication has been given of the type and scale of ill health in Southern Africa. This section deals with the analysis of the causes of ill health given by some of the authors. The dynamics of the problem of ill health are clearly relevant to any attempt to plan for its solution.

When people converge on a subject from different angles, there is seldom a common understanding of where problems lie. It was a reflection of the

interdisciplinary nature of this conference that, although there was a
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and health requisites and the closely linked issue of the techniques by which they are delivered are both determined by the socio-political system. Health is seen mainly as the outcome of collective choices about the nature of the economic system and of society.

A fourth group, mainly community developers, argued that despite the ineffectiveness of medical reforms, it is possible to raise communities' awareness and their ability to deal with health problems at the micro level, thus altering some of the economic and social factors causing ill health in advance of wider changes.

The details of these arguments will be spelt out in the following sections. For the most part, they are implicit in discussion of the various aspects of health care; but two papers, those of Kirsch (Ch.7) and Savage (Ch.6), give an overview of health problems in Southern Africa.

Both Kirsch and Savage agree that morbidity and mortality are primarily determined in third world countries (and this includes most of Southern Africa) by the level of food, housing, employment, clean water, sanitation and other non-medical factors, and not by the structure of health services. Poverty tends to be a common factor in all of these.[4] Kirsch shows that, as in most third world countries, health service structures in Southern Africa are not adapted to this state of affairs. He traces three resulting problems:

New mine to cost R715-million

Argus 12/8/80

WESTERN Deep Level's decision, announced today, to establish what is virtually a new mine at a cost of R715-million over the next 12 years has many points of interest for investors.

Western Deep is planning to incorporate mineral rights held by Western Ultra Deeps into its own lease area. After this it intends to sink a new twin-shaft system and erect a milling plant capable of treating 160 000 tons of ore a month.

This part of the scheme is expected to cost R450-million at today's prices and to be in production by the end of 1985. The total cost of opening up the new area is expected to reach R715-million at today's prices by 1992.

The plan should enable Western Deep to produce an additional 460 tons of ore.

JUSTIFIED

The announcement indicates that the mining houses have now accepted that the present gold price is here to stay and that expenditure of the size planned is justifed.

In view of this it is expected that a number of other gold mines will announce major expansion schemes soon aimed at working ore previously too poor in gold values to be mined.

Two mines likely to announce plans for new shaft systems are ERPM and Durban Deep, Johannesburg sources say.

Another point of interest for investors is that it seems most of the cost of the new project will be borne by Western Deep.

NEW VENTURE

Not so long ago a new venture like that planned by Western Deep would probably have been treated by the authorities as an entirely new mine and a separate company would have had to be established

But the large sums of money required to start new mining ventures and the great difficulty there could be in raising such sums for what is a risky venture, has caused the authorities to change its stance on this matter.

As a result more gold mines are likely to finance developments outside their present lease areas from their own profits.

Derek Tommey

HE ARGUS, TUESDAY FEBRUARY 12 1980

FINANCE

SECRET BUYER: CONS GOLD SEEKS INQUIRY

Argus

Argus Bureau

LONDON. — Consolidated Gold Fields has asked the British Government for help in identifying the mystery buyer of more than a quarter of its shares.

The company hopes that an inquiry would either flush the buyer or buyers into the open or make them pause.

MPs have tabled questions on Gold Fields in the Commons.

Gold Fields has grown increasingly concerned in the past week about the large number of shares being bought but not registered. As many as 40-million shares, amounting to 27 percent of the total, could have passed into unknown hands.

PRICE UP

Speculative buying of Gold Fields yesterday pushed the price up 26p to 524p.

The inquiry, which would be conducted by the Department of Trade, was requested by Gold Fields under Section 172 of the Companies Act 1948.

This section gives the department's inspectors sweeping powers to determine the beneficiary owner of shares and to take action against those declining to give evidence. It has not been used in isolation for more than 25 years.

BLOCK DIVIDENDS

The department may also disenfranchise shares whose owners remain anonymous, block dividends on those shares, and stop their transfer moves.

The most popular City theory ascribes the buying, which began before Christmas, to Afrikaner interests in South Africa.

Gold Fields is afraid that a strategic stake is being built up in the company, to the possible detriment of other shareholders.

GREAT SECRECY

The company believes that only a few buyers are in the market because if more were involved, the great secrecy which has surrounded the operation would be difficult to maintain.

Approaches were made to the stock exchange for help, but apparently without success. Even if an inquiry were started promptly, the delay might be enough to allow the buyer to increase his stake.

Gold price

GOLD price fixings in London yesterday:

	Dollars an ounce	Rands a kg
10.30 am	714,50	18 829,42
3.00 pm	710,50	18 724,00

Outpatient treatment Conventional regime (1 year)	866,5	238 (1 month)	1 104,6
Outpatient treatment (5 months) 4-Drug Regime	500,0	238	738,0

Notes:

Figures used in calculations: hospital costs at R5,50 per inpatient day, excluding rifampicin.
Rifampicin for 4-drug regime, total: R66,60.
Average national earning reflects productivity loss: R124 per month.
Average disability award : R114 per month.

The tuberculosis incidence has diminished much in some areas, e.g. the members of the 1912-14 Tuberculosis Commission found that there was a case incidence of 5.38 per thousand and a death rate of 2,15 per thousand per annum on De Beers mines,[16] while the annual wastage rate of indentured Indians (who did most of the heavier work) on coal mines was 23,15 per thousand male employees, the mortality figure being 7,36 and repatriation rate 15,79.[17] The incidence on other mines, in urban locations and on mission stations was also high.

These figures are not comparable to the annual infection rates or notification rates. An idea of the present situation can be gained from surveys undertaken by the Medical Research Council. 'The annual infection risk has come to be accepted as the best criterion by which the TB situation can be assessed'.[18]

TABLE 3: ANNUAL INFECTION RATES FOR TUBERCULOSIS IN RECENT S.A.M.R.C. SURVEYS

Area	
Kimberley 'Coloured'	2,00%
Kimberley White	0,89%
Johann	[illegible]
Gazank	
KwaZul	
Lebowa	

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Massive new gold project planned

214

2.2.80

By ADAM PAYNE

WESTERN Deep Levels gold mine, near Carletonville, is to spend R715 000 000 on expansion which virtually amounts to establishing a new mine.

It is the costliest mining development ever undertaken in South Africa.

The plan will be put into effect as soon as agreement has been reached between Western Deep Levels and Western Ultra Deep Levels on the terms for exploiting ore in Western Ultra Deep Levels' area

Both are Anglo American Corporation companies

Shaft-sinking is expected to start about mid-year. The first stage of the project, the sinking of the main shaft system, should be completed by 1985. The sub-vertical shaft system is expected to be completed by 1992.

● See Page 10

When the project is completed in 1992, expenditure will have exceeded R1 000-million due to escalation of costs

The plan includes a big new shaft system and reduction works

Features are

- The shaft will be even deeper than the existing shafts at Western Deep Levels — the deepest mine in the world — going down in a main shaft and a sub-vertical shaft to a depth of 3 880m below surface
- A reduction plant to treat 160 000 tons of ore a month will be built
- The expansion will give employment to 8 000 blacks and 700 whites
- The new shaft system will provide an extra 56 000 000 tons of ore yielding 460 tons of gold and it will extend the mine's life to the year 2020

The plan is to mine the Ventersdorp Contact Reef in the southern part of Western Deep Levels' lease area and go further south into an area held by Western Ultra Deep Levels, which is a minerals holding company

processes is essential; and the division will have to be more fine the more discriminating public decisions can be.[10]

The results of programme budgeting may be valuable in themselves, although the mere procedure does not necessarily ensure that better decisions will be made. Their potential is realised only if there follows an assessment of the value of expendi...

used. The optimum level of expenditure on a particular objective is, from the point of view of intuitive judgement, highly uncertain, because of the wide variation in benefits attributable to a particular type of spend-

ing. This is partly due to a deficiency in information on the results of the programmes which can be resolved by recourse to appropriate data. Nevertheless, there will also be differences of judgement which cannot be resolved without prior agreement on the relative valuation of different benefits which have to be fed into the analysis; and in the intuitive process, these two factors may not be differentiated.

...iscussion, to draw on the experience of a group of people. ...otential health problems are first listed, and then given a score (from ...ne to four pluses) under each of four headings:

...iagram 1: A method

Problem	Pre...				Total
...arge & poorly ...paced families					96
...nadequate ante-...atal & obstetric ...are					48
...alnutrition	+++	+++	++	++	36
...eed for medical ...are	++	++	++++	++	32
Specific diseases:					
...D.	++	++	++	++	16
Dental problems	++++	+	++	++	16
TB	+++	+++	+++	++	54
Common cold*	++++	+	+	-	0
Yaws*	-	++	+++	++++	0

* Added to test scoring method

the South African population from all causes of death. The proportional contribution of the seventeen major disease categories of the International Classification of Disease (8th revision) to the overall mortality of the various communities is summarised in Fig. 5. The whites show a typical 'developed' country spectrum of mortality with Infectious and Parasitic Diseases being of minor importance (2,0%) and Neoplasms (15,6%) and Diseases of the Circulatory system (50,5%) being of major importance. For urban Africans and 'coloureds', Infectious and Parasitic Diseases make an important contribution to the overall mortality (19,5% and 23,5% respectively), with diseases of the respiratory system and certain causes of perinatal mortality also being of importance. Within the category of Infectious and Parasitic Diseases, diarrhoeal diseases and tuberculosis are the most important causes of mortality. The 'coloureds' experience an interesting combination of 'developed' and 'underdeveloped' mortality with a high death rate from enteritis and diarrhoeal diseases in the young and circulatory diseases in later life. What is also of interest is the relatively large number of symptoms and ill-defined conditions, particularly in the African community (22,5%). This provides some indication of the provision and utilisation of medical services to Africans in the urban areas. In general, the Asians have a spectrum of mortality intermediate between the whites on the one hand and the 'coloureds' and Africans, on the other.

Clearly, the presentation of the cause specific mortality data as proportional mortalities conceals a certain amount ...

... rates for Infectious and Para-
...ely swamp the proportional
'coloured' community. In
most causes of death are so
...es become disproportionately

Mortality rates greater than 5/1 000 appear in italics in Table I. For all of these major causes of mortality, the Asian and 'coloured' mortality rates exceed those of the whites.

However, in this context, what requires emphasis is that by using the major disease classification a certain amount of detail is lost. For example, despite the fact that the overall rates for diseases of the circulatory system are comparable for whites, Asians and 'coloureds', within this broad category the mortality rates for specific diseases vary markedly. Table II provides the proportional contribution of the major circulatory diseases for the whites, Asians, 'coloureds' and Africans. Whilst Ischaemic Heart Disease is the major Circulatory Disease in the white and Asian communities, Cerebrovascular Diseases are the major cause of Circulatory Diseases in the 'coloured' and African communities.

Similarly, if the Accidents, Poisoning and Violence category is examined in greater detail, motor vehicle accidents are the major cause of mortality in whites, 'coloureds' and Asians, the second most important cause in the white community is suicide, whilst that for the 'coloureds' is homicide. For Africans, the latter is the main cause in this category.

The expectation for life at birth and at age 45 for whites, Asians and 'coloureds' is summarised in Fig. 6. It is not meaningful to calculate an expectation of life for urban Africans ...
...ct to a
...ctation
...e communi-
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...t the age
...s.
...for both
the high
that
... have the worst expectation of life at age 45 of the three communities, which is in marked distinction from both males and females at e_o and males at e_{45}. The fact that for the 65+ age group, Asian women have the highest mortality rates for respiratory, circulatory, digestive, genito-urinary and ill-defined causes of death (Table I) may contribute to this anomalous situation.

Fig. 7 summarises the percentage improvement in the expectation of life at birth subsequent to the total elimination of the mortality associated

New mine will stretch technology to its limit

12/2/80

2/14

By Jaap Boekkooi

Anglo American's newly announced R715-million burrow into the earth's crust south of Western Deep Levels will pioneer gold mining in areas where it was always thought impossible.

More than 4 km straight down — the distance between the Jeppe Street post office and Brixton tower — gold will be mined from rock with temperatures around 56 deg C, a sauna without the steam.

Rock pressures at the bottom of the new mine extensions, which will explore the downward sloping Ventersdorp Contact Reef ores, are the maximum allowable, about 6,000 times that of the pressures in a car tyre.

As one old miner says, "Out there you sink your shaft straight into hell."

The new mine extension will stretch the boundaries of mining technology to their limits.

POWER

The new mine will need refrigeration on a huge scale; the present Western Deep refrigeration plant uses five times as much power as all Johannesburg's street lights.

And one of the most tantalising problems in rushing refrigerated air to such great depths, 2 km below sea level, is that the air column picks up compression which in turn causes a heat increase of 35 percent.

The super mine, by far the deepest in the world, will recover ore in which the gold particles are clearly visible and which are likely to produce well over 15 g a rock ton.

At present prices that means about R300 for every ton of rock crushed.

● Page 16 — Western Deep. Is it just the start?

Western Deep in R715m expansion

214

By ADAM PAYNE

WESTERN DEEP Levels plans to go ahead with a R715-million shaft-sinking programme, in today's money, in the south of its lease area, exploiting Ventersdorp Contact Reef down dip into Western Ultra Deep Levels' mineral rights area

A proposal to this effect has been submitted to the board of Western Deep Levels by its technical advisers and the board is expected to adopt the plans, when an agreement has been reached with Western Ultra Deep levels

The project includes a mill with a rated capacity of 160 000 tons a month so that virtually a new mine is being planned

By sinking the shaft and exploiting the area to the south of the present workings, the life of Western Deep Levels, which opened in 1962, will be extended to about the year 2020

The grade is expected to average 9 g/t which in these days of a high gold price is an excellent grade

Execution of the proposals, in terms of expected gold prices will not be a drain on dividends The project will probably be self-financing although the board will consider methods of financing later

The huge capital spending will help Western Deep Levels on the taxation side, particularly as special rebates are given for ultra deep level mining projects

Since Anglo American Corporation adopts a conservative policy on the gold price in its planning, I believe the feasibility study into this expansion will have been done at a gold price of, at most, $350 an ounce

As a preliminary step, the board has approved the spending of R9 800 000 for placing of orders for long-delivery items of equipment and the preparation of the site of the shaft system

The board of Western Deep Levels has agreed to enter negotiations with Western Ultra Deep Levels for the incorporation of certain of its mineral rights as an extension to the Western Deep Levels' lease area

Both Western Deeps and Western Ultra Deep Levels are Anglo American Corporation companies

The technical advisers propose a twin-shaft system, with all ancillary surface and underground works, including the gold plant, which will constitute the first phase of the project

This will reach full production at the end of 1986 at a cost of about R450-million in today's money

The projections indicate that, as large as the scheme is, it could be financed out of profits from existing operations, together with the incremental cash flow which will arise when operations at the new shaft start in the second half of 1985

However, the method of financing the project will only be determined when the agreement with Western Ultra Deep Levels has been concluded

Apart from facilitating the mining of the southern part of the Western Deep Levels' lease area, a major advantage to be obtained from the siting of the proposed shaft system is that access will eventually be gained to a large tonnage of Ventersdorp Contact Reef south of the present lease area, in ground where the mineral rights are held by Western Ultra Deep Levels

Access to this ore will, however, only become possible by sinking a sub-vertical shaft system, because of the extreme depth of the VCR in the Western Ultra Deep Levels' area

The sub-vertical shaft system is expected to be completed by 1992, at which stage a depth below surface of 3 880m will have been reached

The total additional capital needs over the life of the mine, attributable to the whole project, are forecast at R715-million into today's money

The proposed expansion of operations in the existing lease area and the extension into the Western Ultra Deeps' mineral rights area are expected to provide over the remaining life of the mine an extra 56-million tons of ore which should yield an additional 460 tons of gold

The working costs to be incurred in the new shaft area are expected to be about the same as those applicable to the existing No 2 and 3 shafts

Last year Western Deep Levels produced just under 48 tons of gold Its working profit amounted to R281-million while taxed profit was R158-million

COMMENT: Like several other mines including Libanon and Doornfontein, Western Deep Levels is gaining an extended lease of life. Even allowing for its capital spending, less tax rebates, a leading Johannesburg analyst expects it to pay a dividend of 275c for the six months ending June compared with 95c in the same period in 1979.

This would be from earnings estimated at 425c using a gold price averaging $550 an ounce

No 2 shaft and reduction plant at Western Deep Levels This is to the north-west of the site of the new shaft system to be sunk by Western Deep Levels which will be the deepest in the world

Big spin-off for Wit Deep

By DON ROBERTSON

WITWATERSRAND Deep will almost certainly benefit from the decision by Western Deep Levels to sink a third shaft on its lease area, although the full extent of this benefit is not yet known.

In terms of a long-standing agreement, Wit Deep has a 22,5% participation interest in the mineral rights over large areas of ground to the south of Western Deep over which Western Ultra Deep holds the rights

It is currently planned that Western Deep will eventually mine the area to the south of its lease area and is currently negotiating with Western Ultra Deep for the incorporation of certain of its mineral rights as an extension of the existing lease area

However, until these negotiations have been completed, it will not be known whether Wit Deep, together with Western Ultra Deep, will be required to provide a portion of the finance for the new shaft system

The tone of the Western Deep announcement suggests, however, that it will finance the large capital expenditure from its own resources

In addition, the area to the south of Western Deep's leasehold will not be mined until the completion of a sub-vertical shaft system in 1992

Wit Deep has funded its portion of the expenditure for drilling two boreholes in the southern area

The company has also provided its portion of the cost of sinking a borehole to the south east of East Driefontein over which it owns the mineral rights

Wit Deep has also announced a substantial increase in profits for the six months to December to R695 000 compared with R282 000 in the first half of the previous year.

The improvement came largely from the higher dividend paid on its unchanged holding of 655 000 shares in East Driefontein It made provision of R70 000 for drilling expenses

For al[illegible] Monis factory in Bellville Sout have
been d[illegible] fellow workers were dismissed. The
worker[illegible] were members of a trade union.
The un[illegible] y and hours of work: R40 a week
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of all [illegible] lead to "disruption" in his firm.

Offici[illegible] & Canning Workers Union) say the
dismis[illegible] union rights to negotiate for better
condit[illegible] e with the union. It says the men
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Althou[illegible] than half the men on strike are
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Homela[illegible] with their 'Coloured' brothers and
sister[illegible] om the Department of Labour tried to
separa[illegible] gathered outside the factory. The
worker[illegible] were all there for the same purpose."

Moves [illegible] are increasing. At a solidarity
meeting[illegible] college students from U.W.C., Hewat
Peninsu[illegible] ical College called for workers to
be rein[illegible] nis products.

Healthy outlook for gold mines

A healthy picture of the South African gold mining industry for the 1980s and beyond was painted by Mr D A Etheredge [illegible] today

Mr Etheredge, president of the Chamber of [illegible] and head of Anglo American's gold [illegible] dustry [illegible] some time ahead

He said [illegible] industry [illegible] remain at a healthy level. It is estimated that more than 15 000 tons of gold will be produced over the next 10 years which [illegible] dollars in capital [illegible] — and [illegible]

It is [illegible] until 1987 [illegible]

Mr Etheredge [illegible] for [illegible] them of [illegible]

The Western Province Traders Association says it will instruct its members not to sell the factory's products unless there is negotiation.

The South African Council of Sport (SACOS) has called on all sports bodies and schools affiliated to SACOS to support the call for re-employment of the workers and a boycott of the factory's products.

At a meeting at U.C.T. over 500 students supported a call for a boycott of all Fattis & Monis products.

Fattis & Monis insist that there is no 'dispute'. However a director of the firm says he is worried about the calls for a boycott of the factory's products by blacks as much of the factory's trade is with blacks. The management have kept production going by employing scab workers in the place of the stiking workers. However production has been slowed down.

Who are Fattis & Monis? Fattis and Monis is the factory which produces the following products: All Record flour products including self-raising flour, Cake flour, Bread flour, Sifted flour, Unsifted flour, Wjeatie Treat flour; All products with the Fattis & Monnis brand name including icecream cones, wafers, cake cups, macaroni, spagetti, large & small shells, ribbon noodles - broard, narrow, plain and green, rings and dilatines; All the above noodles and spagettis under the following brand names: Pick 'n Pay, Pot o' Gold, Princess, Checkers and Roma; Philadelphia flour and Koeberg Mille pack mealie meal. Fattis and Monis also control a number of Bakeries including Wrenck Town Bakery in Observatory, Good Hpe Bakery in Elsie River and Ultra Bakery in Somerset West.

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Mystery share buyer is De Beers

CAPE Times 8/2/80

2/4

Own Correspondent

JOHANNESBURG — The mystery buyer of 25 percent of the shares in the London-based Consolidated Gold Fields group has been finally unveiled as De Beers, which yesterday disclosed in London that it had acquired or secured a 25 percent interest in the company at a cost of £150 million (about R277 m).

This ends the widespread speculation on the Johannesburg and European stock markets since last October, when it was first suggested that a bid was being mounted to wrest control of Cons Gold, as the group is known in financial parlance.

At a press conference in London yesterday, the managing director of Consolidated Gold Fields, Mr David Lloyd Jacob, said he did not welcome the acquisition by the Anglo American Corporation — which has a 30 percent stake in De Beers — but "we are prepared to live with it".

It seems certain that De Beers was flushed out and forced to show its hand after the decision yesterday afternoon by the British Department of Trade to appoint two inspectors to report on the shareholding in Cons Gold.

It seems certain that the Anglo/De Beers acquisition was made in an effort to keep Cons Gold independent, as it appears certain that there was at least one attempt by a rival company — reputed to be a consortium headed by General Mining — to gain control of the group.

The 16 500 000 shares, representing 11 percent of Cons Golds issued share capital, purchased yesterday at 600p, cost Anglo R183 million. It must have paid at least this amount for for the other 14 percent stake, putting a purchase price on its effective control at between R350 million and R400 million.

At the date of the last annual report of December 1978, De

To page 2

From page 1

2/4

Beers had R1 295 million in cash so could easily fund this purchase. However, it would have had to go through the blocked rand system to raise the finance overseas.

It is unlikely that the blocked rand market could have handled such a large sum. It seems likely, therefore, that the deal was financed from sources overseas, where De Beers and Anglo have large interests.

- Britain's Department of Trade, already called in by Cons Gold to investigate the share-buying, said it would now investigate whether Anglo had infringed any share dealing rules, Sapa reported last night.

The South African Monopolies Commission might also be concerned about the purchase, London analysts said but added that by using complicated purchasing arrangements, Anglo had apparently avoided breaking the letter of the British law.

is consistently worse than that of the whites The 'coloureds' have higher mortality rates for all the major causes of death apart from cardiovascular diseases and neoplastic diseases in men over 65 years of age, neoplastic diseases in women in this group, and cardiovascular disease in men 45-64 years of age during 1960 and 1970. Clearly the rate of 5/1 000 which has been chosen is entirely arbitrary but a similar pattern of mortality emerges if lower or higher levels are selected.

Two aspects of these age-cause specific mortality rates require emphasis. Firstly, whilst being affected by the incidence of the diseases in question, these rates are also influenced by their fatality rates, for example, a decrease in the mortality related to Tuberculosis will not only be influenced by a decreasing incidence of this disease but also by improved prevention at primary, secondary and tertiary levels of intervention which will consequently decrease the fatality rate and, therefore, the associated mortality

Secondly, it should be appreciated that although the calculation of rates is important for comparative purposes since they take into consideration the underlying population, for the providers of health care the actual numbers ... groups which

De Beers, Anglo hold spotlight

13.2.80 RDM

By ELIZABETH ROUSE

DE BEERS and Anglo American dominated trade in Diagonal Street yesterday as brokers worked out the implications of their buying into Cons Gold.

Anglo was off the top of 1 440c to close 10c up at 1 430c, but De Beers kept going and the advance was 40c to 1 135c Cons Gold was unchanged at 1 125c; but the counter churned wildly in London. GFSA reacted with a 700c jump to R78

Mining financials remained strong in a slightly easier market Gold shares turned mixed as the gold price came off. There were signs of profit-taking in recent favourites, such as Sallies

Attention turned to other metals and platinums, coppers, tins and antimony scored good advances.

Industrials remained active, achieving 94 gains against 35 losses towards the close The market is looking distinctly top heavy and analysts say industrial were overbought when the RDM index was at 455.

Nevetheless, leading banks jumped 40c and industrial leaders were up to 75c firmer. Sugars were easier and profit-taking was apparent in CG Sugar and Tongaat after Monday's surge.

Collieries were generally firmer, but gains were relatively minor and Trans-Natal succumbed to profit-taking, losing 5c to 755c

Sallies came off 95c to 1 075c and most Witwatersrand marginals were off Randfontein continued its uptrend, putting on 100c

Af Lease firmed 40c to 720c The rest of the Klerksdorpers were mixed Unisel gained 20c, but most Free State counters eased. West Deep was static at 4 150c in spite of its development news

All coppers were on the move Botrest put on 9c, Messina gained 10c, Palamin advanced 50c and ZCI rose 10c.

All platinums were up 15c, with Lydenburg moving to 380c Antimony counter Cons Murch firmed 45c Rooiberg gained 75c and Union rose 35c in tins

Laggard Charter moved up 45c to 365c, and Fedmyn and Genmin gained 50c and 20c respectively. Wit Deep jumped 250c to 1 500c after results and other mining holdings were up in the 10c to 20c range

Barclays and Stanbic both advanced 40c in firmer banks. Barlows firmed 20c to 955c, Smiths rose 75c to 775c and Malbak and Tolgate gained 20c and 25c respectively Debincor moved up 125c in strong chemicals.

CG Sugar shed 50c and Tongaat came off 45c Katz & Lourie declined 15c to 280c after Monday's buying spree on the Theron deal.

ties, although it is particular... deficit of 1,0 years in 1941 at e_o has become 6,9 years in 1970. For whites a deficit of 3,7 years in 1929 has increased to 7,0 years in 1970.

Both white and 'coloured' females have shown an increasing life expectancy at the age of 45, and although this has been small, it contrasts with the downward trend of both white and 'coloured' males.

Although it is apparent that the Expectation of Life at birth for the 'coloureds' has shown a marked improvement between 1941 and 1970, it is salutary to note that neither 'coloured' males nor females, at either e_o or e_{45}, have reached expectations of Life in 1970 which are as high as the whites were in 1929. What also gives some cause for concern is that although the expectation of Life cannot be expected to improve indefinitely, it would appear that the 'coloured' life expectancy is levelling off at a much lower age than has occurred in the white community.

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Stake in Cons Gold cost Anglo American R277m

CAPE TIMES 13/2/80
214

LONDON. — Consolidated Gold Fields Ltd sees no evidence of additional or rival mystery buying of its shares following the announcement that De Beers has built up a 25 percent stake through direct buying and options, Cons Gold managing director, Mr David Lloyd-Jacob, said.

He told a press conference information given to Cons Gold early yesterdays morning by Anglo American Corporation chairman, Mr Harry Oppenheimer, indicated that Cons Gold's missing shares were covered by the De Beers' purchases

For several months Cons Gold has complained of a rising level of unregistered share transfers to unidentified buyers

Mr Lloyd-Jacobs said he did not welcome the acquisition of a 25 percent holding in Cons Gold by Anglo American Corporation interests, but "we are prepared to live with it"

In answer to a question he said the company had never encouraged the purchasing of its stock by a friendly company in order to fend off an unwelcome bid

'Market sources said the Anglo American Corporation group has been regarded In recent months as a potential "white knight" which may have been buying Cons Gold stock to block a possible bid, or creeping acquisition, by Afrikaner interests linked with General Mining and Finance Corporation Ltd and associates

Mr Lloyd-Jacob said Cons Gold envisages no changes in its mining plans in South Africa, where it holds 46 percent of Gold Fields of South Africa Ltd following the De Beers' purchase

He did not expect the Anglo American group to propose any swaps with its mining holdings, though any propositions would be considered in the light of Cons Gold's shareholder interests

The Anglo American group spent over £150m (R277m) to acquire its 25 percent Cons Gold stake, he added

While both Cons Gold and market sources said they were surprised by the fact that De Beers was the mystery buyer, because of widespread belief that Afrikaaner intersts were responsible, interest is now focussed on possible future developments

A spokesman for brokers James Capel and Co said Anglo American Corporation's longer term plans could envisage the establishment of a much larger mining finance house

He said Anglo in due course may be able to engineer a merger between Cons Gold, where it now has 25 percent, with Charter Consolidated Ltd, 36 percent, and Selection Trust Ltd, where Charter has 26 percent — Reuter

'Boer War' tactics — it's just not done (214)

London peeved at the Cons Gold raid

By STANLEY UYS
London Bureau

REACTION in the British Press to De Beers surprise purchase of 25% of the shares of Consolidated Gold Fields varies from prissy disapproval to grudging admiration

Several financial commentators said peevishly that this sort of thing was not done in London, and advised that the law be tightened up

Most commentators saw the takeover as the result of a tussle between Anglo American and the "Boer" controlled General Mining, and deplored the importation of "Boer War" tactics into the sedate City climate

One or two suggested that Anglo American's "liberalism" in employment practices might now lead to a change in the policies of the "ultra conservative" Gold Fields group

Mr Harry Oppenheimer, chairman of Anglo American and De Beers, is referred to as "the grand master of the South African political, gold, diamond and business chessboard", as "the richest man in Africa" and as "Goldfinger"

The Financial Times said Anglo-De Beers "was believed to be trying to check the steady accretion of power by Afrikaner interests in the South African mining industry"

The Daily Mirror said "City men believe that Mr Oppenheimer, a fierce opponent of apartheid, wanted to stop Boer financiers buying up a British mining company"

The Daily Mail made a similar comment

The Financial Times commented "While De Beers-Anglo may well have been looking for safe and long-term investments, the stalking of Gold Fields had other and perhaps more important motives Such motives are to be found in the structure of the South African mining industry and the political implications of that structure

"Anglo's position of dominant power in the industry has in recent years declined relative to the rise of General Mining, representing Afrikaner financial interests For General Mining to gain direct or indirect control of Gold Fields of South Africa after drawing Union Corporation into its web would have been a prize indeed

"General Mining and those behind it are close to the South African Government Any movement of the Government to the Right could put De Beers-Anglo — as an Anglo-Jewish concern — under pressure, while leaving General Mining untouched"

Patrick Sergeant writes in the Daily Mail "De Beers, the great South African diamond and gold group, have shown that no British enterprise is safe from foreign raiders by buying a quarter of the shares of Consolidated Gold Fields, one of our largest companies, without anyone spotting them

'Can all be fair in love and the Boer War? London Stock Exchange chairman Nicholas Goodison evidently doesn't think so, as he said 'It looks as if the intention of company law, which is that a company should be able to discover the beneficial owners of its capital, was being at least temporarily frustrated Adequate disclosure is essential if there is to be a fair market in the company's shares'"

The Daily Telegraph writes "Anglo and De Beers still claim they did nothing to break United Kingdom company law, but that will cut little ice with self-regulators in the City who have seen Anglo only being finally flushed out by the threat of a Department of Trade inquiry Anglo is a reputable enough company not to behave in the way it has done"

The Guardian's City editor, Victor Keegan, is highly critical He questions "the dubious morality of Mr Oppenheimer's methods" of fighting a "parochial" battle with General Mining at the expense of Gold Fields shareholders

Keegan is one of several commentators who ask why "only a privileged handful were yesterday morning offered 615p apiece for shares which to all intents and purposes were worth 525p to everyone else"

"Sure, it was not practical to ask the many thousands of individuals involved and therefore brokers Rowe & Pitman were only able to put the tempting offer to a select few

"But if Mr Oppenheimer seriously wants to squeeze the Afrikaans-speaking business interests in their apparent aims to tilt the balance of industrial power in the Cape, it is a pity that he chose London as the battleground

"For he should know that as a regular visitor to these shores that the spirit of the London securities market is such that partial, selective and highly secretive offers to a privileged minority are not welcome

"Harry Oppenheimer should have come clean and made a full-scale takeover bid for Consolidated Gold Fields"

The Daily Telegraph says that "there was a lot of discontent that only the 'fat cats' had been invited to sell at the top price, whereas the small shareholder was left totally in the dark until the whole business had been completed"

FATTIS & MONIS STRIKE.

For almost a month 88 workers at the Fattis & Monis factory in Bellville Sout have been on strike. They struck because five of the fellow workers were dismissed. The workers say the dismissals were because all five were members of a trade union. The union was trying to negotiate for better pay and hours of work - R40 a week and an 8 hour working day. A director of the factory says these demands are "out of all proportion" and unreasonable and would lead to "disruption" in his firm.

Officials of the 10 000 member union (the Food & Canning Workers Union) say the dismissed men had signed a document giving the union rights to negotiate for better conditions. The factory has ref... the men were replaced by machinery and

Although those dismissed are '(... are
African contract workers. In sp ... o the
Homelands', the African workers ... hers and
sisters. On the first day of th ... tried to
separate 'Coloured' & African w ... y. The
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Moves of solidarity with the st ... rity
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Sallies new mine likely

By DON ROBERTSON
Mining Editor

THE South African Land & Exploration Company — Sallies — is to spend R1 650 000 on a detailed feasibility study to determine the potential of what will almost certainly be a new mine on its existing property

Preliminary studies of the area to the west and south of the previous mine workings have delineated a potential new mine

The decision to look in more detail at the area follows the announcement earlier this week that Western Deep Levels, also in the Anglo American stable is to sink a shaft at a current estimated cost of R715-million

The initial stage of the Sallies project will involve the installation of a hoist at the old Van Dyk No 5 Shaft situated to the east of the lease area This will be used to check the condition of the shaft and to establish what re-equipping might be required

The shaft is owned by Anglo-Alpha, but an agreement has been reached which will allow for the acquisition of the shaft when the decision to develop the mine is taken

It is also possible that the mine will incorporate some of the Withok area to the south of the No 5 Shaft and below the Sallies lease area

Drilling in this area has yielded inconclusive results Grades from two boreholes, W5 and W7, in the Withok area varied widely from 226,28g/t to 0,20g/t over a narrow channel width The last deflection of the SRK 1 borehole in the north of the area is in progress, after which the programme will be stopped

The results of the feasibility study are expected later this year

The widely fluctuating grades are typical of the area where the gold on the Main Reef Leader occurs in shoots

The No 5 Shaft was sunk to a depth of 2 500m to the Main Reef Leader and operations will be conducted from this shaft

It is not possible at this stage to establish what the development costs might be, but they will be relatively small The plant at Sallies, which has a capacity of 100 000 tons a month could be used It is treating waste rock and crushing plant slimes

It will be necessary, however, to erect a headgear over the No 5 Shaft, which will almost certainly require some attention Nevertheless, costs should be kept to a minimum

Underground operations at the Sallies mine stopped in 1976 Grades were then running at about 5,17g/t over a cahnnel width of around 44cm Grades reported by mines in the area range from about 5g/t to about 7g/t

London broker, James Capel, estimates that at a gold price of $228, the break-even grade at Sallies mine is about 3,75g/t and that at $600, it drops to about 1,7g/t These figures could apply to the new mine

Although the cost of the venture will be relatively small, it is unlikely that Sallies will be able to finance it from current funds, which totalled about R20-million at the end of last year However, at current gold prices, the cash flow from dump treatment has increased considerably and should be running at around R4-million a year

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Stake in Australian mining

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Argus Correspondent

BRISBANE. — Mr Harry Oppenheimer's Anglo American has bought a strategic stake in the Australian mining industry through its purchase of a 25 percent holding in the London-based Consolidated Gold Fields.

The holding gives Anglo direct and indirect interests in several leading Australian mining groups

These include Consolidated Gold Fields of Australia and its partly owned subsidiaries, North Broken Hill, EZ Industries, Australian Pulp and Paper Mills, the Ranger Uranium Development in the Northern Territory and the Alcoa Aluminium group.

SECOND LARGEST

The Consolidated Gold Fields group is perhaps the second largest gold mining organisation in the world, producing about 12 percent of the western world's production through its 46 percent interest in Gold Fields of South Africa.

The move also gives Anglo an interest in Renison, the largest hardrock tin miner in the world and the leading Australian tin miner.

It has also gained an important stake in Associated Minerals Consolidated — the world's leading miner of beach minerals.

Anglo will call tune in Cons Gold

Argus

~~232~~ 214

15/2/80

Financial Editor

DOES Anglo American now control Consolidated Gold Fields? This is a question being asked after the announcement this week that Anglo American, in conjunction with De Beers, now owned 25 percent of Consolidated Gold Fields' shares.

The answer is a definite yes, even though other shareholders may still hold 75 percent of the company's shares

Most shareholders, whether large institutions or small private investors, are usually extremely loath to take a direct interest in the running of their companies

Consequently, whenever there is no other major shareholder as is the case here, it is extremely difficult to mobilise sufficient opposition to block the actions of the largest shareholder.

It can be accepted, therefore, that Anglo American is now in effective control of Consolidated Gold Fields

While Anglo is unlikely to interfere directly in the day-to-day running of the company, it can be expected to appoint some of its own nominees to the board of directors.

Sallies discovers potential gold mine

Cape Times 15/2/80

(214)

JOHANNESBURG. — The South African Land and Exploration Company (Sallies) said a preliminary feasibility study of an area west and south of the company's previous mine workings has delineated a potential gold mine.

The area is centred on the old No 5 shaft of Van Dyk Consolidated Mines Ltd

Sallies' directors have voted R1,55m to be met from existing funds for a detailed feasibility study to determine how such a mine should be financed and operated, it added

The study will include installation of a hoist to facilitate an examination of the Van Dyk No 5 shaft to ascertain its condition and what equipping would be necessary

Agreement for use of the shaft for that purpose has been reached with the Anglo-Alpha group, the present holders of the relevant rights

The detailed feasibility study should be ready in the latter part of this year, when a final decision can be made on the opening of a new mine from the Van Dyk No 5 shaft and on the initial scale of operation

Sallies said if it is decided to proceed with such a scheme provision has been made for acquisition of the shaft

It is possible that such a mine would eventually incorporate some of the Withok area, where a surface drilling programme has yielded inconclusive results, it said

This programme will be stopped as soon as the present drilling of the last deflection in borehole SRK 1 has been completed

Sallies stopped mining operations at end March 1976

The mine's oprations now rely entirely on treatment of rock waste and crushing plant slimes to produce gold

Operating profit in 1978 was R2,08m against R860 000 in 1977. — Reuter

Sallies plans a new gold mine

By DON ROBERTSON
Mining Editor

IT'S Anglo American week — Mr Harry Oppenheimer's empire looks set to open another new gold mine.

Anglo's SA Land & Exploration Company, Sallies, is to embark on a study to establish the financial and operational feasibility of opening up a new gold mine to the south of its existing property near Springs

The study will almost certainly result in the establishment of a new mine

Earlier this week Anglo America announced its decision to sink a new shaft at its Western Deep Levels mine at a current estimated cost of R715-million

And on Wednesday it revealed that its associate company De Beers had secretly acquired a 25% interest in the London-based Consolidated Gold Fields group.

The Sallies mine is likely to be operated on a relatively small scale and the capital cost should be kept well below the substantial sums that have been required to open up new mines

The ore will probably be treated at the nearby Sallies plant and the old No 5 shaft on the defunct Van Dyk Consolidated Mines property will be used as the main access A new headgear will, however, have to be erected

The result of the feasibility study is expected later this year when a decision on the project will be made

© See Page 10

60.	P.I. Folb	The economics of drug prescribing in Southern Africa
61.	Esther Sapire	The role of primary health care workers/nurse aides in Rhodesia in family planning
62.	B. Dick	Health care in rural developing areas -- A change of medium for a changing message
63.	H. Oosthuizen	Peptic ulceration in the Republic of South Africa
64.	Shirley Miller/Pippa Green	A summary and critique of the Erasmus Commission
65.	I. Kitai	Management of chronic diseases in an urban Black hospital: the case of hypertension
66.	R. Schweitzer	Mental health services in an African context: Alternative modes of service
67.	D. Selvan *et al*	The Health Service structure in Ciskei
68.	T. Adler	Trade unions and the Workmen's Compensation Act
69.	J. Archer	Health financing systems: an international comparison
70.	M. Savage	The political economy of Health
71.	S. Tollman *et al*	A Primary Health Care programme in Gazankulu: Evaluation
72.	J. Piper	The response of population growth to fertility patterns
73.	A. Sorkin	Health and development
74.	Delia Hendrie/Alide Kooy	Notes on industrial accidents
76.	J. Hedden/R. Corbett	The probability of adverse drug:drug interactions in multiple prescriptions.

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Harry's raiders shock the Brits

HARRY OPPENHEIMER
Anglo's mastermind

WHEN members of Britain's financial establishment wiped their eyes one morning this week, they found that a band of South African raiders had stolen secretly through London's Stock Exchange to gain effective control of one of the UK's mightiest mining houses, Consolidated Gold Fields.

And at 44 Main Street, Johannesburg, headquarters of the Anglo American Corporation, executives maintained a strict silence about the share coup that cost them something in the region of R3?0-million and gave them almost 25 per cent of Congold's shares

Some details

o The raid was mounted through the Johannesburg stock broking firm Davis, Borkum, Hare and Co working with a large London firm, Rowe and Pitman

o Anglo American strategists were staggered by "the inertia of Consolidated Gold Fields management who failed to take any effective defensive action or even to mount a vigorous attempt to find out who was buying their shares

o There may have been a second "mystery buyer" in the

...d who could still own a substantial number of Congold shares, for before the Anglo/De Beers combine broke cover, Congold had estimated that as much as 20 per cent of their shares had been secretly acquired

It subsequently transpired that only 14 per cent was in the South African group's hands and they had to make a high-priced offer last week to obtain another 11 per cent

Anglo is unworried by Stock Exchange investigations now going on in London

"We know we broke no laws," said an Anglo man

The Congold coup caught the imagination of an admiring South African public and focused attention on Anglo American's multinational might

Quietly over the years, the tentacles of financial power have reached through the massive sandstone portals of 44 Main Street to embrace raw materials companies around the world

Sometimes they recoiled, expensively bloodied by financial defeat

But more often they grasped yet another source of precious trading in Britain coal, copper, ilmenite, rutile tin, zircon coke and iron ore in Australia, and steel production and distribution, gold mining, alloy casting and energy interests in the United States

To trace the path of the corporation around the world one has to be able to recognise the spoor of its major associates and subsidiaries

Internationally, Anglo usually operates in partnership with companies with whom it has a bewildering variety of cross shareholdings, directors in common and jointly-controlled subsidiaries

Develop

Anglo tends to regard itself, with justification, as a model guest corporation for any country and one moreover, that is prepared to play an energetic role in helping host governments develop their resources and their economies

Says Mr Gavin Relly, deputy chairman and chairman of the executive committee "Multinationals are monolithic organisations like Ford or IBM that operate across boundaries and are accused of being able to transfer assets and labour to the disadvantage of host country

Street

Ethics

"Our key is to create an investment operation in another country that is totally dedicated to the ethics of that country and is substantially managed by natives of that country and is cognisant of and abides by the rules and regulations of that country and conducts its operations as part of that particular national economy"

Anglo, internationally, is not only Anglo Its usual partners are De Beers and the London-based Charter Corporation The three are usually regarded as merely the semi-autonomous provinces of a single empire — usually called the Oppenheimer empire, although the intricacies of ultimate control cannot be unravelled

It is accepted that Mr Harry Oppenheimer wields the imperial power although that power is modified by the influence of his directors and of other major shareholders

Anglo's major areas of overseas interests are in Canada, the United States, where its interests are controlled through companies registered in Bermuda and Canada, the United Kingdom, Europe (through Charter), Australia which ...

How they quietly bought mighty Congold

By ...

raw materials to add to the corporation's treasure chest

On this occasion the tentacle was truly muscular and besides the South African interests, it seized a share in international assets that are complementary to Anglo's existing business

Added to the corporation's existing multinational treasures are major interests in civil engineering, shipping transport aluminium plants banking, insurance and retail

tries This is not as easy as it sounds and I don't give much credence to the accusations

"In any case I don't think Anglo American is that sort of multinational beast in fact it is quite a different animal We are not monolithic in either the management or the capital sense

"We do operate and invest internationally but we do not manage internationally We do ... decisions for ... from 44 Main

... millions in prospect ... with little return So ... America ... it has ... in Brazil and is ... the Argentine and ... where through a complex ... of holding companies ... the ... field in ...

In Africa, apart from South Africa ... Rhodesia ... South West Africa

Miljoene aan goudmyne bestee

Rapport 17/2/80

(214)

ENORME bedrae geld gaan in die volgende tien jaar aan Suid-Afrikaanse goudmyne bestee word en kenners meen die besteding kan binnekort die R1 000 miljoen-kerf bereik — sonder inagneming van nuwe projekte wat aangepak gaan word.

Wanneer die koste van nuwe projekte wat reeds aangekondig is, of wat nog in die pypleiding is, in aanmerking geneem word, sal hierdie bedrag natuurlik aansienlik hoër wees

Die kapitaalbesteding van goudmyne het die afgelope vier jaar taamlik bestendig toegeneem. In 1976 is 'n bedrag van byvoorbeeld R374,5 miljoen op kapitaalprogramme bestee. Die jaar daarna het dit toegeneem tot R430,3 miljoen en in 1978 het dit 'n geringe styging tot R448,3 getoon. Verlede jaar, danksy die stewiger goudprys het die tempo aansienlik begin versnel In die eerste nege maande van verlede jaar het die besteding reeds R459 miljoen bereik, wat hoër was as die totale bedrag van die vorige jaar.

Die geweldige kapitaalintensiteit van die goudmynbedryf het vandeesweek weer sterk onder die soeklig gekom toe Anglo American aangekondig het dat Western Deep Levels 'n uitbreidingsprogram van R715 miljoen gaan onderneem. Kenners sê weens eskalasiekoste kan hierdie bedrag baie maklik styg tot meer as R1 000 miljoen

Die sterk styging in koste om 'n nuwe goudmyn aan die gang te kry, word ook weerspieël in die geval van Elandsrand Hierdie myn wat in 1975 begin is, het totdat die eerste goudstaaf gegiet was, sowat R183 miljoen gekos. Wanneer Elandsrand sy geraamde tonnemaat erts van 135 000 ton per maand bereik, sal die koste toeneem tot R258 miljoen. Daar word bereken dat, indien hierdie goudmyn vandag begin sou moes word, dit nie minder as R417 miljoen sou kos nie.

Dat die goudmyne vanjaar hul kapitaalbestedingsprogramme aansienlik gaan uitbrei, is 'n uitgemaakte saak. Baie van die programme is in die jare toe die goudprys baie swak was, vertraag of uitgestel. Danksy die buitengewone stewige prys van goud die afgelope tyd, het die myne nie net alleen die nodige geld nie, maar sal hulle ook van die geleentheid gebruik maak om hul kapitaalbestedingsprogramme te vergroot eerder as om hierdie geld aan die staat te betaal in die vorm van belasting en huurvergoeding

Dieselfde geld natuurlik vir nuwe projekte. Hoe langer daarmee gewag word, hoe groter word die eskalasiekoste en dan bestaan daar natuurlik ook die gevaar dat die goudprys in die toekoms op laer vlakke kan stabiliseer

Tot dusver is reeds 'n hele aantal groot projekte aangekondig. Afgesien van die groot uitbreidinge by Western Deep Levels, gaan Union Corporation met 'n nuwe goudmyn in die Vrystaat begin. Dan is daar natuurlik die uitbreidinge by Western Areas en 'n aankondiging oor JCI se nuwe platinamyn kan ook in die nabye toekoms verwag word

Afgesien hiervan is verskeie van die ou myne ook besig met die beplanning van uitbreidingsprogramme — sommige waarvan die heropening van ou ondergrondse gebiede insluit

Rapport 17/2/80

214

Goud, etanol en werkloosheid

VANDEESWEEK is aangekondig dat die private sektor etlike miljoene rande gaan belê in die ontginning van goud en die vervaardiging van alternatiewe brandstowwe. Dié besluit gaan in die langtermyn 'n verdere stukrag wees vir die Suid-Afrikaanse ekonomie, wat op die oomblik mooi op dreef kom. Dit sal ook daartoe bydra dat een van ons grootste probleme, werkloosheid, aansienlik verlig word.

Na verneem word, sal die oprigting van die etanolaanlegte — glo 12 daarvan in verskeie landbougebiede — werk aan ongeveer 36 000 swart families bied. Die uitbreidingsprogram van Western Deep Levels teen 'n koste van R715 miljoen gaan bykomende werk aan ongeveer 8 000 swart en sowat 700 wit werkers verskaf. Verder sal die oprigting van aanlegte, soos dié wat deur General Mining en AECI beplan word, ook werksgeleenthede aan duisende swart en wit werkers verleen.

Al hierdie projekte is egter van 'n langtermynaard en die volle voordele daarvan sal moontlik eers oor die volgende vyf tot 10 jaar ten volle ondervind word.

Wat die korttermyn betref, word verwag dat die verligting van die werkloosheidsprobleem een van die eerste prioriteite van die Minister van Finansies, sen Owen Horwood, in sy volgende Begroting, gaan wees. Klem sal waarskynlik veral gelê word op die uitbreiding van binnelandse produksie, asook aansienlike toegewings om die binnelandse vraag te stimuleer. Dit sal beteken dat die belastinglas aansienlik verlig sal word. Volgens Senbank se ekonome behoort belastingverligtings tot soveel as R1 000 miljoen te beloop.

Dit is baie moeilik om te bepaal wat die uitwerking van dié verligtings in die korttermyn op die land se werkloosheidsyfer, veral dié van die swart bevolking, gaan hê.

Daar is aanduidings dat 'n geringe verbetering reeds in die werkloosheidsyfer ingetree het, maar dit is nie baie groot nie. Die werkloosheidsyfer onder alle rassegroepe word op die oomblik op sowat 10 persent beraam.

Dit verteenwoordig sowat 1 miljoen persone.

Volgens die jongste ekonomiese ontwikkelingsprogram, kan die werkloosheidsyfer aansienlik verminder word indien die ekonomiese groei versnel. Die werkloosheidsyfer sal, volgens die EOP, teen 1982 18,8 persent beloop as die gemiddelde groeikoers 3,6 persent is. Wanneer die groeikoers tot 4,5 persent opgestoot word, sal dié syfer na 16,6 persent verminder en wanneer 'n groeikoers van 5 persent bereik word, sal dit daal tot 15,5 persent.

Daar moet in gedagte gehou word dat dinge sedert die opstelling van die program heelwat verander het. Die grootste enkele faktor hier, is die goudprys.

Nie alleen is die inkomste van die staat aansienlik meer nie, maar die betalingsbalans is nou só stewig dat die Regering kan toelaat dat invoer aansienlik kan styg, voordat die betalingsbalans onder druk sal kom.

Sommige ekonome vrees egter dat 'n te sterk stimulasie van die ekonomie in hierdie stadium vraaginflasie tot gevolg kan hê. Die spesiale ekonomiese raadgewer van die Minister van Finansies, dr Gerhard de Kock, stem egter nie saam nie. Hy meen diegene wat bekommerd is oor vraaginflasie, se tydsberekening is verkeerd. Vraaginflasie is iets waaroor ons ons nie veel in die korttermyn oor hoef te bekommer nie, sê hy.

Dr De Kock sê die hoër goudprys gee ons op die oomblik aansienlik meer beweegruimte om die verlore veld van die afgelope paar jaar in te haal. Die hoër prys is die gaping waarvoor ons so lank gewag het, en soos 'n goeie senter, sien sen Horwood dié gaping en sal dit binne die raamwerk van „groei met dissipline" vat.

Baie nyweraars en die georganiseerde handel meen ook dit is nou die tyd om die werkloosheidsprobleem op die korttermyn te verlig. Daar is egter 'n aansienlike mate van kritiek weens die vertraging wat wetgewing, veral ten opsigte van die opleiding van swart vakmanne, tot gevolg gehad het. Hulle sê daar is op die oomblik net nie genoeg tegniese opleidingsgeriewe vir swart werkers nie. Indien geriewe nie vinniger opgerig word nie, voorsien hulle 'n opeenhoping aan opgeleide werkers wat vorentoe die ontwikkeling van die ekonomie kan vertraag.

In die komende jare sal sterk aandag aan formele sowel as informele opleiding van swart vakmanne gegee moet word, anders kan die opeenhoping só ernstig word dat baie van die voordele van die hoër goudprys verlore sal gaan, selfs al sou dit ook nóg verder styg.

Why mine when you can buy?

212 Star 21/2/80

A special correspondent looks at Anglo's stake in Gold Fields.

LONDON — Consolidated Gold Fields has always been vulnerable to a raid on its shares. The last annual report showed that no shareholder had an interest of 5 percent or more in the group.

During the recession years this was a matter of little consequence There were few who were interested in building up a stake in a natural resources group with a predilection for rights issues, and only moderate earnings and dividends

But as metal prices came off the floor and the group boosted net profits by 63 percent to a record £56,2m in the year to June, it became clear that Gold Fields was finally gaining the benefits of investments and operations in very valuable properties

BIG STAKE

Most notably the group's earnings were being pushed higher by its gold interests, held partly through a 46 percent stake in Gold Fields of South Africa, but also embracing direct stakes in a number of the largest South African mines

There is a 25 percent holding in Deelkraal, 10 percent each of Doornfontein, East Driefontein and West Driefontein, and 9 percent of Kloof.

Through Amey Roadstone, the group has a major stake in the European construction materials industry It has diversified into specialist manufacturing with ownership of companies like Alumsac, the UK aluminium products supplier. Through Azcon in the US, it is involved in steel production and distribution

The group has built up a substantial mining presence in Australia through the 70 percent owned Consolidated Gold Fields Australia: A controlling stake in that country's biggest tin producer Renison, not to speak of a major interest in beach sands through Associated Minerals Consolidated, and holdings in iron ore through Mount Goldsworthy and in copper through Mount Lyell

EXPENSIVE

Within South Africa the group is involved in expansion not only through the new Deelkraal gold mine but also because of its indirect stake in the major base metals development at Black Mountain in the northern Cape

Over the last 10 weeks De Beers has probably spent more than R150m in buying for itself and its associaite, Anglo American Corporation, a 25 percent stake Although this gives them an added interest in established mines at a time when capital costs are rising fast for new ventures and a bigger foothold in Australia and the US, the investment looks expensive.

If Gold Fields pays dividends of 26p gross a share for the year to June, then the De Beers/Anglo portion would come to less than £10m a smaller rate of return than a mining group would normally expect

And, if De Beers/Anglo holds to its undertaking not to seek control or management changes at Gold Fields, then the flow of income from Gold Fields remains outside its control

MOTIVES

All of this suggests that while De Beers/Anglo may well have been looking for safe and long term investments the stalking of Gold Fields had other and perhaps more important motives

Such motives are to be found in the structure o[f] the South African minir[g] industry and the politi[cal] implications of that st[ruc]ture

Anglo's position of dominant power in the industry has in recent years declined relative to the rise of General Mining, representing Afrikaner financial interests. For General Mining to gain direct or indirect control of Gold Fields of South Africa, after drawing Union Corporation into its web would have been a prize indeed

It is believed that General Mining was buying shares in Consolidated Gold Fields last October, as a means of winning this prize De Beers/Anglo also seems to have started buying in October, and it is a fair supposition that the buying was a defensive measure against General Mining — Financial Times

Unicorp holders will benefit

CT 26/2/80

JOHANNESBURG — Apart from a 14,7 percent increase in earnings and four percent improvement in net asset value, there are five main benefits that Union Corporation shareholders will derive by accepting General Mining's offer for their shares, Barclays National Merchant Bank says in the formal scheme documents, released yesterday

The bank, which vetted the bid on behalf of minority shareholders in Unicorp, says these are

- The elemination of any possible conflict of interest between the three existing groups of minority shareholders in Unicorp (51,7 percent owned by Genmin), in Genmin (64 percent owned by Federale Mynbou), and in Federale Mynbou

Under the streamlined structure, Fedmyn will have a 45,4 percent stake in the enlarged Genmin, which will thus be able to allocate funds between itself and a 100 percent-owned Unicorp without having to choose between benefitting one set of shareholders or another

- The injection of the R189m cash from the rights issue This money, which will be provided entirely by Genmin's existing shareholders, will benefit the Unicorp shareholder who exchanges his shares for a stake in the enlarged Genmin
- The enhanced financial resources of the group will be an asset in exploiting new ventures, the Merchant Bank says
- The broader base of mining interests
- The rationalization benefits, especially in relation to applied research in mining, metallurgy and processing of ores, and in marketing operations

The scheme document records that the 80-for-100 terms represented a 14,3 percent premium over the share prices on the Johannesburg Stock Exchange immediately before the deal was announced, with the premium in London being 12 percent

An important warning is added "The circumstances which led to the current exceptionally volatile bullion market are unprecedented and predictions of its future course must take into account the possibility that prices could retreat as rapidly as they escalated" — Sapa

232

214

De Beers/Cons Gold affair is far from over

22/2/80

214

By RICHARD LAMBERT

AT 6.30 on last Tuesday morning, a partner in leading City stockbrokers Rowe and Pitman received an early morning phone call from South Africa

His instructions were to mount a £101m share raid on Consolidated Gold Fields that morning. At 8.30am the operation was under way and by 10am it was all over.

De Beers had bought 11 percent of Gold Fields in 90 minutes which together with the shares which it and other parties had been secretly acquiring over the previous four months added up to a 25 percent interest in the company.

De Beers then announced that it had that morning secured options from the other parties to buy their shares and that half its enlarged holding was to be passed on to a fellow member of Mr Harry Oppenheimer's South African mining empire, Anglo American Corporation.

But although the transaction has been completed, the story is by no means over. The Secretary of State for Trade has appointed inspectors to investigate the ownership of Gold Fields.

The Office of Fair Trading is deciding whether to look into the affair and the Stock Exchange is mounting its own investigation of share dealings in Gold Fields.

These stable doors will be clanging for quite some time to come.

It was early last October that Gold Fields first became aware of odd movements in its share register. The company keeps a record of its outstanding certifications — shareholders applying for new certificates after selling off part of their holding.

At the end of September, the figure was 231 000. A month later it was 1,2m, and by the end of December it was 5,3m. Since these figures did not tally with the number of actual share registrations, Gold Fields become convinced that unknown buyers were accumulating large numbers of its shares and not registering their ownership.

Outstanding certifications in January climbed above 9.5m and late that month Gold Fields applied unsuccessfully to the Stock Exchange for help in finding out what was happening.

A week ago, with the number rising inexorably towards 12½m, Gold Fields made a public statement of its concern, and on Monday it was driven to the desperate step of requesting the appointment of government inspectors.

This is presumably what forced De Beers' hand.

One of the big questions is how this operation was mounted without breaking UK company law which requires that

Anglo American's purchase of a strategic stake in Cons Gold has led to an outcry in some sections of the British press. This is how Richard Lambert of the Financial Times viewed the operation

anyone who buys five percent or more of a company should show his hand. Apart from emphasizing that it took great pains to observe the law, De Beers refuses to elaborate on Tuesday's brief statement. It stands on its reputation, it says.

All the same, the Department of Trade inspectors have not been called off the case and are likely to be asking questions related to Section 28 of the 1967 Companies Act.

Before its share raid, De Beers had just under 5 percent of Gold Fields. According to its statement, it secured on Tuesday options from two unnamed parties to purchase two companies, one of which held 4.9 percent of Gold Fields and the other 3½ percent.

Section 28 says, among other things, that a person shall be deemed to be interested in shares if

- a body corporate is interested in them, and that body corporate or its directors are accustomed to act in accordance with his directions or instructions
- if he enters into a contract for the purchase thereof by by him
- if he has the right to call for delivery thereof by himself or to his order

Whatever the explanation it is hard to quarrel with the statement from Mr Nicholas Goodison, chairman of the Stock Exchange, who said: "It looks as if the intention of company law, which is that a company should be able to discover the beneficial owners of its capital, was being at least temporarily frustrated."

Such behaviour may be familiar on the wilder fringes of the secondary banking sector. In the case of De Beers and its agents, it seems extraordinary.

A separate cause for concern is the way that the vast majority of Gold Fields shareholders were excluded from the buying bonanza on Tuesday morning. Having closed at 525p on Monday night, the buying price for a brief and hectic period on Tuesday morning was 615p.

Immediately after the order was completed the shares fell back sharply and they were pushing down towards 500p later in the week.

De Beers bought its shares on a first come first served basis which inevitably meant that the institutions got the lion's share of the action. Rowe and Pitman told the four jobbers in the stock what was happening at 8.30am, but it was not until nearly an hour later that many leading brokers heard what was going on.

For an hour and a half the City's telephones were humming with specific, privileged price sensitive informatin. It would be challenging to explain to anyone not wise in the ways of the Square Mile why this does not count as insider trading.

A general view among stockbrokers is that in a free market a big buyer (or seller) is bound to get better terms than the maiden aunt in Brighton. This must be true up to a point. But De Beers has spent over £150m on its investment in Gold Fields which is a lot more than Racal is forking out for the whole of Decca.

If the stock market is to be anything more than a place where a handful of big institutions swap shares among themselves, then in cases like this a partial offer available to all shareholders must surely be appropriate. To condone De Beers' action and at the same time to beef about the passing of the small investor is humbug.

Mr Goodison certainly takes the point. Asked whether he ... concerned about the appoi...

SA LAND (2 14) FM 22/2/80

Disclosure needed

Just what is Anglo playing at with SA Land? Shareholders have been fed a steady diet of "nothing can be decided until borehole SRK 1 is completed" And SRK 1, according to the board, has been plagued with difficulties

Now, out of the blue and with SRK 1 and its deflections far from complete, a "potential new gold mine" is announced centred on the old Van Dyk No 5 shaft Shareholders may or may not be delighted with the announcement — but the reporting of SA Land's progress leaves much to be desired

To get the record straight In January 1979, an internal geological report forming part of the preliminary feasibility study estimated that SA Land had available potential Main Reef Leader reserves of 27 Mt grading 14g/t over 120cm The ore, the report reckoned, lay largely in the western part of Withok and partly on the old Van Dyk mine But, as the report pointed out, on the East Rand gold mineralisation runs in generally well-defined shoots and that, historically, the percentage payability of boreholes has been very low

Nicholas Oppenheimer . . . full picture needed

In fact, the Anglo report made it clear that poor drilling results need not be taken adversely Drilling was needed merely to confirm that mineralisation patterns were consistent in the area Thus, if drilling on, say, Withok, showed consistent results, then it was safe to assume that gold mineralisation there would be in line with that on ERPM and Van Dyk

What it appears to mean is that, when chairman Nicholas Oppenheimer reported in March 1979 that "results of borehole SWP 1 were particularly disappointing," he was technically correct The best gold grades were in the fourth deflection giving 192 cm-g/t But could it be that they were only disappointing if taken alone and not in the context of the mine's overall drilling programme?

An outside shareholder seeing SRK 1's results could have been prompted to sell his shares But he has never been fully informed of the objects of Anglo's drilling programme nor of the evaluation of Van Dyk In this case, even a low sampling value can have great significance, especially as, according to the report, average grades of pay and unpay are all remarkably consistent

Perhaps the best thing for Anglo to do now is to reveal fully the data it has on Van Dyk (including any underground drilling results) so that shareholders can make up their own minds on the project There has been a lot of stalling over SRK 1, and now it seems that results from it are unimportant in evaluating the establishment of mining operations What is needed is full disclosure on meaningful exploration and evaluation *Jim Jones*

s, three for building or cartage
for divisional councils (building
rker had ever worked outside the
ollieries in Natal.

Row over De Beers 'raid' on Consgold

Star 24/9/80

The Star Bureau

LONDON — Britain's Trade Minister, Mr Cecil Parkinson told the Commons yesterday the government was disturbed by the way in which the small shareholder had been denied an opportunity to share in the R189-million Consolidated Gold Fields-De Beers "raid"

He said no government action would be taken until three separate investigations were complete

The Opposition Labour spokesman on trade moved the introduction of new clauses into the Companies Bill designed to prevent the "piecemeal and furtive" acquisition of control in large British companies by foreign interests

The spokesman Mr Clinton Davies said the system and the spirit of the law had been flouted by Anglo American which seemed to have its own "shady interpretation" of the rule

A favoured few had shared in price sensitive information in pursuance of a wilt and certain gun,' he told the House

But the Opposition motion was defeated after Mr Parkinson warned against the introduction of 'half thought out measures against a background of comparative ignorance of the facts '

Mr Parkinson admitted that the De Beers raid highlighted a number of questions

De Beers raised the bid price to 615,5 pence from 595 pence overnight, bought 16 5 million shares and then withdrew leaving the Consgold price at 502 pence

Mr Parkinson said he passionately felt that the spread of shareholdings should be encouraged but it was vital that small shareholders had confidence in the market

ABLE 29

cording to previous job, by employer
nd area.

	Area	Number of workers
	Karoo'	24
	Vorcester	1
	Beaufort West	4
	Renosterkop station een Beaufort West and Nelspoort)	1
	Middelburg	1
	Beaufort West	1
	Murraysburg	1
	?	1
	Beaufort West	1
	Middelburg	1
	Queenstown	1
Househol	Beaufort West	1
Vegetable market	Beaufort West	2
Farmers' Co-operative	Beaufort West	1
Nelspoort Sanatorium	Nelspoort	2
Coronation Collieries	Natal	1
	total	44

Note: This total is 44 because some workers listed more than one previous job. Furthermore, four of the workers listed above as having done work other than farm work had also worked on farms before coming to the farm where they were interviewed.

Golden decades ahead for SA

Star 28/2/80 214

Gold, the linchpin of the South African economy, is running out, one hears.

For those who see this as alarming, just hold on and I will try to explain that while this is in fact the case, South Africa will be producing gold into the 21st century — and earning vast amounts from it

Forecasting exactly what South Africa will produce more than a couple of years ahead is extremely hazardous as there are many imponderables, such as what the gold price will do, how many new fields will be opened up, and to some extent what the advent of new technology will bring.

GRADES

Currently South Africa is producing around 700 tons of gold a year. This was the case in 1978 and 1979 and expectations are that this level will be maintained until about 1987 after which it will gradually decline

The South African gold mining industry is in the fortunate position of

Stephen Suckley

Mining

being able to mine to a determined grade based on fluctuations of the gold price.

This does not mean to say that if the gold price suddenly shoots up, grades can be altered overnight.

Precise calculations are done by the various mining houses in coming up with what grades should be mined in the light of a determined gold price

But what does naturally follow is that the higher the gold price goes and the lower the grade of ore mined, the better profitability of the mine

This also has the effect of extending the life of the mine Lower grade areas are mined leaving higher grade ore for leaner times

And this is precisely what South African gold mines have been doing in the recent gold boom period Of course on the profit side one has to take into consideration the effect inflation has had on the working costs of gold mines

ADJUSTMENT

In the latest edition of the Chamber of Mines' "Mining Survey," the chamber's president, Mr D A Etheredge, comments "As the price of gold increases, mines are able to mine ore of lower grade and are in fact obliged to in terms of their mining leases

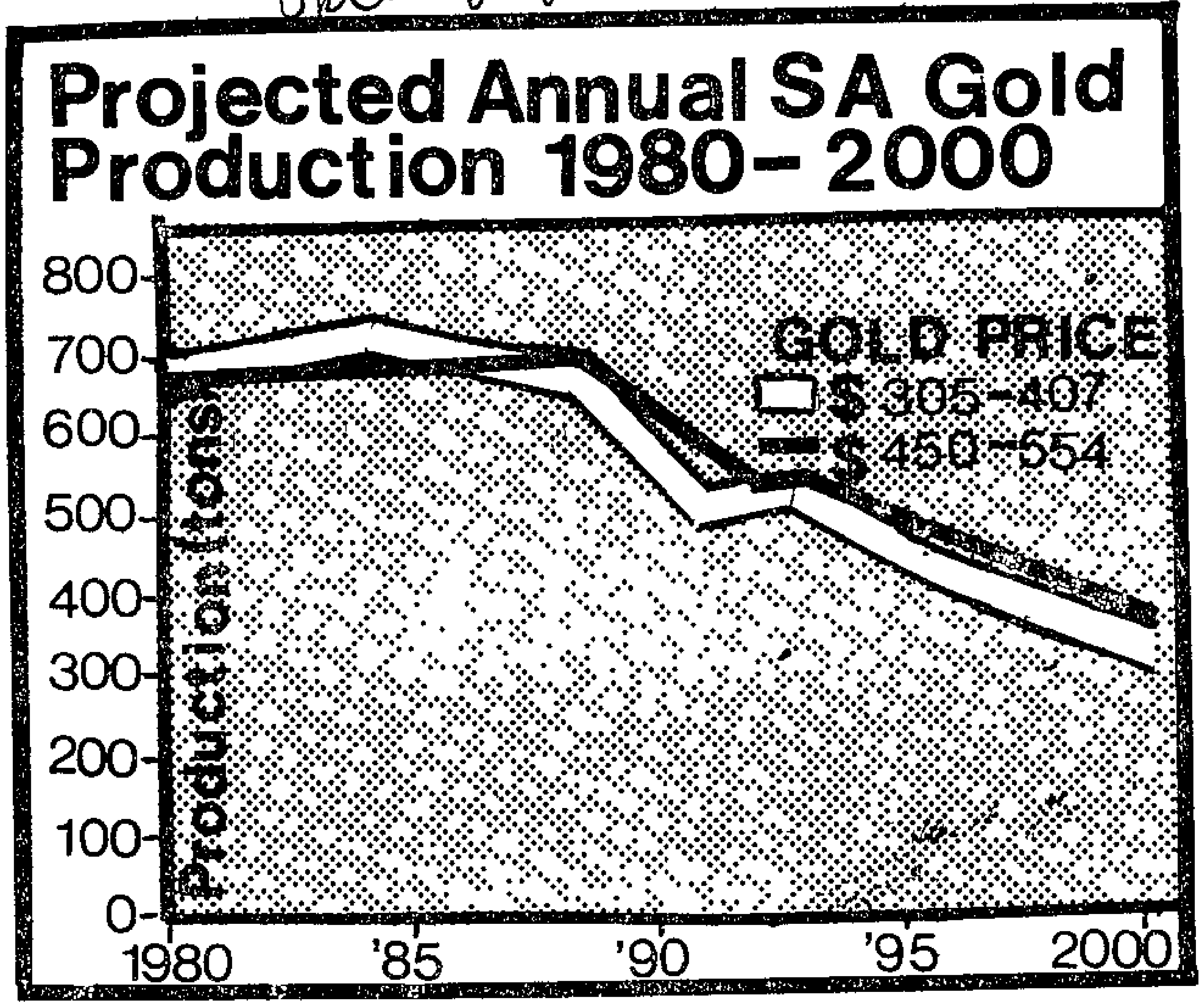
"Low grade ore in areas presently being mined can easily be brought to account but, in general terms, mines cannot react suddenly to large increases in the price of gold"

Mr Etheredge points out that it can take some six to nine months to modify mining plans before a full adjustment is made.

Based on a conservative estimate of 336 dollars an ounce 1980 South African gold production could in fact fall a few tons short of 700 tons

TWO PRICES

And if certain calculations done by the chamber on gold production over the next 50 years are in fact correct, the industry will continue at a healthy rate



production the chamber used two gold prices — a current price of 305 dollars rising to 407 dollars by 1985 and then remaining constant

The second price is 450 an ounce rising to 554 dollars in 1984 and then remaining constant in real terms until the year 2000, as can be seen on the graph

FUTURE

The projected total production figure of 700 tons until 1987 will fall off gradually to about 350 tons by the end of the century

Further conservative estimations show that the cumulative total of production at a gold price close to the current level will be in the order of 15 000 tons over the next 50 years and when an estimate of new production is added from new areas, the figure moves over the 20 000-ton mark

So despite the fact that over the next 50 years production on average will be about half of the gold currently produced both gold and the industry's future in South Africa is certainly assured

And no doubt when the last mill stops grinding and the last ounce is poured, some other commodity will have replaced gold

Dare one suggest platinum?

● The IMF has completed the last of four annual gold sales to member countries

There are 126 member countries and South Africa is included Gold sold was calculated in proportion to members' quotas as at the end of August 1975

In the fourth distribution South Africa "bought back" just over 68 000 ounces bringing its total buy-back for the four sales to 273 856 ounces

ERPM shaft reopening could raise problems

East Rand Bureau

If the price of gold remains at more than R500 an ounce there is a strong possibility that East Rand Proprietary Mines could reopen its shafts off Heidelberg Road in Boksburg.

This could mean that the ERPM might claim servitude rights and lay a railway line through Boksburg's prestige suburb, Parkdene, to connect the Reduction Centre on the western side of the town to the shaft in the east.

This railway line would cross three main roads, Rondebult Road, Trichardts Road, and Heidelberg Road.

The chairman of the Boksburg management committee, Mr Chris Smith, said that this would not be acceptable as far as he was concerned. There was only one answer — the railway line should run underground.

At the town council's monthly meeting last night he said that he was also concerned that about 2 000 black miners would stream through the suburb daily from the compound, also west of Boksburg

The council decided to appoint an ad hoc committee to investigate the matter.

Mr Smith said that the council had received close co-operation from the mining company but the group was entitled to claim its rights and could build a surface railway line for about R500 000 To take the railway line underground would cost about R2-million

If the mining group was not prepared to pay this amount, the council's committee would take the matter to the Minister of Mines.

APPENDIX 4

...T LABOUR OF TONGAAT

...R.C.P. GLASG.
Maidstone,Natal.

...icultural society in which
...nts are primitive, and in
...ry low. Nevertheless,
...ntake of over 4000 recruits,
...h may be of significance.

1. The state of nutrition of the Pondo recruits coming to Tongaat have been eminently satisfactory. Although these people are not giants of men, they are in an excellent state of nutrition, and this may be related to the fact that dietary patterns in the Transkei include the consumption of sweet potatoes and madumbis, in addition to their traditional maize staple diet.

2. On arrival at Tongaat, each new recruit is given a thorough medical examination and is given, as a routine, a vermifuge and a month's course of Vitamin B compound and Vitamin C. He is also innoculated against Tetanus and Typhoid.

3. Any recruit suspected of having tuberculosis is subjected to an X-ray and is isolated and is not returned to the compound to which he was originally directed, nor repatriated back to the Transkei, until he has been rendered sputum negative.

4. It must be borne in mind that Tongaat has a hot humid climate, whereas the Transkei has a cold climate and therefore it is most essential that these people are given a period of physiological and dietary acclimatisation. To cut cane in hot, humid conditions, it is essential that these people be given adequate amounts of first class protein and furthermore, their fluid balances must be maintained, bearing in mind that the sensation of thirst is inadequate to provide sufficient fluid

ERPM looks at shaft

RDM 3/3/80

(214)

By DON ROBERTSON
Mining Editor

EAST Rand Proprietary Mines is investigating the feasibility of reopening the Cinderella East shaft in the south-east of the company's lease area The shaft was abandoned in the mid-1950s

The managing director of ERPM, Mr N A Honnet, says the company has had discussions with the the Boksburg Town Council regarding the possible laying of a railway line for the transport of ore from the shaft to the reduction plant

This line would run through the suburb of Parkdene and has caused a storm in the council It has been suggested that an underground railway be built, but this would cost about R2-million compared with the overland cost of about R500 000.

Mr Honnet would not comment on the possible cost of re-equipping the shaft, or what tonnages might be available as this depended on what gold price was used as a basis

However, it is thought that a gold price of over $600 an ounce would be required to make the area viable Operating costs in the December quarter were $266 an ounce

A decision on whether to go ahead with the re-equipping of the shaft is expected soon

BUSINESS MAIL

Etheredge uneasy on gold price

(214)

RDM 5/3/80.

Financial Reporter

AN admission of a "deep feeling of unease" over the gold boom is made by Mr Dennis Etheredge, the president of the Chamber of Mines. But he says, too, that there is obviously much to smile about.

Mr Etheredge says· " Gold is out of hand as it responds to the appalling excesses of a pretty sick world

"The only favourable thing you can say about the world today is that we are not — yet — engaged in the third world war.

"In the circumstances governments, institutions and ordinary people are nervous and cast around wildly for something of value (something they can run with) and they distrust politicians, power and paper money

"It is gold they want, and to a lesser extent other precious metals and stones. Supplies of gold are limited, so the price soars "

But Mr Etheredge, writing in the newsletter of the SA Institute of Directors, says "My uneasiness is undoubtedly compounded by the fact that people like myself, who know something about the gold market and the factors of supply and demand, can no longer read the market and forecast its trends

"Over the next few months there could be very substantial rises and falls for reasons unconnected with normal market fundamentals.

"Even the gnomes of Zurich — the bullion dealers in the major banks — and the august five who determine the fix in London twice a day admit that they are perplexed and worried

"The fact is that gold is a barometer for the ills of the world. The world's bad news is in the short term good for gold, but in the ultimate bad news is bad even for those who have gold

"So were the price to stabilise at more reasonable levels than those prevailing this is likely to be to the benefit of everyone because it would mean that some sanity had returned to international affairs."

Mr Etheredge says, however "Even a substantial fall from the existing speculative levels of the price of gold would leave South Africa and its gold mining industry in a very comfortable position and poised to expand even more rapidly in the 1980s than in the 1970s.

"Once the mining houses have confidence in a floor price above that which will have been used for planning a year ago I believe there will be considerable expansion activity, some of which in the nature of mining will not come to fruition for several years.

"There is still a lot of gold, mostly low grade, in the Witwatersrand basin and at the right price those deposits will undoubtedly be exploited "

(214)

5/3/90

R35m needed to open Rand Leases

By ELIZABETH ROUSE

THE Anglovaal group is examining the possibilities of reopening Rand Leases (Vogelstruisfontein) mine. Cost could be about R35-million.

Depending on the technical advisers findings underground where operations stopped in 1971 and the works are flooded either the whole mine or part of it would be reopened.

If the study produces a positive result, the lead time to production would be about three years, says Rand Leases.

A preliminary feasibility study indicated that, at current gold prices, it could be a viable venture to reopen the mine. The engineering study into the economics of reopening the mine will be more detailed and will take several months to complete.

However, Rand Leases board says that operations would be particularly sensitive to gold price fluctuations and cost rises. Therefore, until there is sufficient confidence that a gold price well above the break-even point has been established a cautious approach is necessary.

Last year the board kept on knocking speculations about reopening the mine on it own, or that possible suitors for Rand Leases were neighbouring South Roodepoort or Durban Deep.

It turned out that Durban Deep was in the running at one stage and there was talk of Durban Deep's mining ore adjacent to the mines' common boundary. By avoiding old workings there would have been few problems with water inflow.

Some analysts believe that there is high-grade ore averaging 12g/t in the western section. Judging by what was left in the mine, a milling rate of between 400 000 tons and 450 000 tons a year appears possible.

In addition there should be some possibility of exploiting the uranium bearing sand dumps.

But this is all speculation as the mining engineers have no idea at this stage of how favourable underground conditions are for a resumption of mining.

If the go-ahead is given the question arises of raising the funds, which in the next three years will certainly surpass R35 million.

Anglovaal is flush with money at the moment but might not be willing to commit so much to this venture. A rights issue appears to be a better bet.

There are 3 000 000 shares with a nominal value of 2.5c each in issue, after repayment of a total of 90c a share since 1959.

Speculators have been chased up Rand Leases shares from time to time and last week the price reached 190c in active trading. The share eased by 20c to 165c yesterday, possibly because of the general decline in the gold sector.

However, if Rand Leases decides to make a rights issue the punters should put their money where their mouths are.

BUSINESS MAIL RDM 6/3/80

Eight more years for Grootvlei likely

214

Mining Editor

AT a gold price of $400 an ounce, the life of Grootvlei Proprietary Mines could be extended to more than eight years, provided costs can be controlled, says the chairman, Mr W R Weeks, in his report for the year to December.

It is planned to reopen abandoned areas and to increase production during the current financial year to between 1 800 000 tons and 1 900 000 tons from the 1 600 000 tons milled last year

Mr Weeks says, however, that the cost of opening up new areas will add further to operating expenditure, while the need to replace worn machinery and equipment will also affect costs adversely.

In August last year, the company started a drilling programme to investigate the Kimberley Reef horizon To date, drilling in the area has proved one good result and three poor results

"These results confirm our knowledge of the Kimberley Reef horizon on the East Rand basin where values tend to be erratic and occur in narrow pay-shoots "

The grid drilling programme is continuing and four more boreholes are being drilled The programme is expected to be completed by the end of this year

The level of water in the East Rand basin has continued to rise and the company is reviewing the possibility of installing additional pumping capacity

Ore reserves, at a gold price of $285, are estimated at 1 700 000 tons grading 6,1g/t on the Kimberley and Main reefs

The surge in the gold price to well over $600 has warranted a further evaluation of the remaining areas of reef in the Marievale lease area and in adjoining areas, such as East Daggafontein, according to the chairman, Mr W R Weeks

In his report for the year to December, Mr Weeks warns, however, that the cost of re-establishing access to the scattered blocks of ore and the continuation of underground operations even on a limited scale, will be substantial

Initial assessments are that at prices of under $400, major capital expenditure will not be warranted

"At present, the volatile state of the gold market does not justify basing an assessment on prices over this figure and it will not be possible to take any major decisions in this regard until the gold market stabilises "

However, it is estimated that there is sufficient dump tonnage to continue milling into 1981, and at a gold price of $400 underground operations on a limited scale should also be possible during this period

Contrary to earlier expectations, it was possible to continue underground operations in the past year, although only 22% of the tonnage milled was from this source

At No 3 shaft, the values below 5 level persisted, warranting the re-equipping of 7A level

Development in this area has restarted and could possibly add a limited tonnage to ore reserves

At a gold price of $285, reserves are estimated at 200 000 tons at 5,1g/t

Two Unicorp mines get extra boost

STAR 6/3/80

(214)

By Stephen Suckley

Marievale, one of the gold producers in the Union Corp stable, has been able to continue underground operations into this year because of the healthy gold price

According to chairman W R Weeks, the surge in the gold price to well over 600 dollars an ounce has warranted further evaluation of remaining reef areas of the company and adjoining areas such as East Daggas.

But Mr Weeks warns that the cost of continuing limited operations underground and getting areas of interest established would be substantial.

Assessments have shown that below a gold price of 400 dollars an ounce major capital expenditure would not be viable

CAUTION

The instability of the gold market at present has given rise to caution

As Mr Weeks points out "the volatile state of the market does not justify basing an assessment on this figure and decisions will not be taken until there is stability in the market."

Commenting in Grootvlei's annual report Mr Weeks says at gold prices of 400 dollars an ounce and a good relationship between the gold price and costs, the mine's life could be extended by more than 8 years.

PRODUCTION

Again adding a note of caution, Mr Weeks says that in 1980 the cost of opening up new areas will further burden operating expenditure and replacement of machinery will also have an adverse effect on costs.

But plans are in hand to re-open previously abandoned areas and to increase the current year's production to between 1,8 and 1.9m tons

In both Marievales and Grootvlei's case prospects have been made on a conservative basis. So far this quarter the gold price has averaged well over 400 dollars an ounce which would make the position regarding the two mines even more favourable

R200m to be spent on Cooke 3

(214) RDM 7/3/80 (217)

By ADAM PAYNE

RANDFONTEIN Estates gold mine has decided to go ahead with sinking of a big shaft, building of housing and enlargement of the Cooke reduction plant at a cost of R200-million in today's money.

This amounts effectively to the opening of a new mine because of the size of the operation, although in fact it will be an enlargement of the existing Cooke section which itself is a big mine

The shaft will be the long-awaited Cooke No. 3, where uranium will be as important as gold — although this depends on the future prices of gold and uranium

Depending on how the mining is carried out and how the ores are blended from the three shafts, the introduction of reef from Cooke No 3 to the reduction plant should not lower the gold grade initially.

But gold values in the area are lower than in Cooke No. 1 or Cooke No 2 areas, with uranium grades higher.

The planning for this development calls for a bratticed vertical shaft which will link up with the development from the Cooke No. 2 shaft system, followed in the medium term by a ventilation shaft

Production from this section should start in 1985 and build up to a rate of 150 000 tons milled a month This is higher than the present level of production from Cooke No 1 or Cooke No 2 Shaft

The Cooke plant will be expanded to treat this additional tonnage for both gold and uranium

Most of the R200-million capital outlay will be spent over the next six years The average of more than R33-million a year will not be an undue strain because of the tax benefits arising from capital spending

The shaft is needed to maintain the mine's profitability levels when in future stoping from the old Randfontein section ceases and reserves are lowered at Cooke No 1 Shaft

The management has taken the decision to go ahead with Cooke No 3 Shaft largely because of the current high gold price and indications that it will not react too severely if an when it does react.

Randfontein will double capital spending this year with the inclusion of the work on the new shaft

UC INVESTMENTS 232 214 FM 7/3/80

Bright prospects

Activities: *Investment company in the Union Corporation group Holds major stakes in Impala (12%) and Union Corp Evander gold mines Union Corporation holds 48,4% of the equity*
Chairman: *E Pavitt, managing director. H A Smith*
Capital structure: *195m ordinaries of R1 Market capitalisation R238,9m*
Financial· *Year to December 31 1979 Net cash R11,1m Current ratio 1,1 Capital commitments R16m*
Share market. *Price 1 225c (1979-80 high, 1 225c, low, 475c, trading volume last quarter, 407 000 shares) Yields 6,9% on earnings, 4,9% on dividend Cover 1,4 PE ratio 14,4*

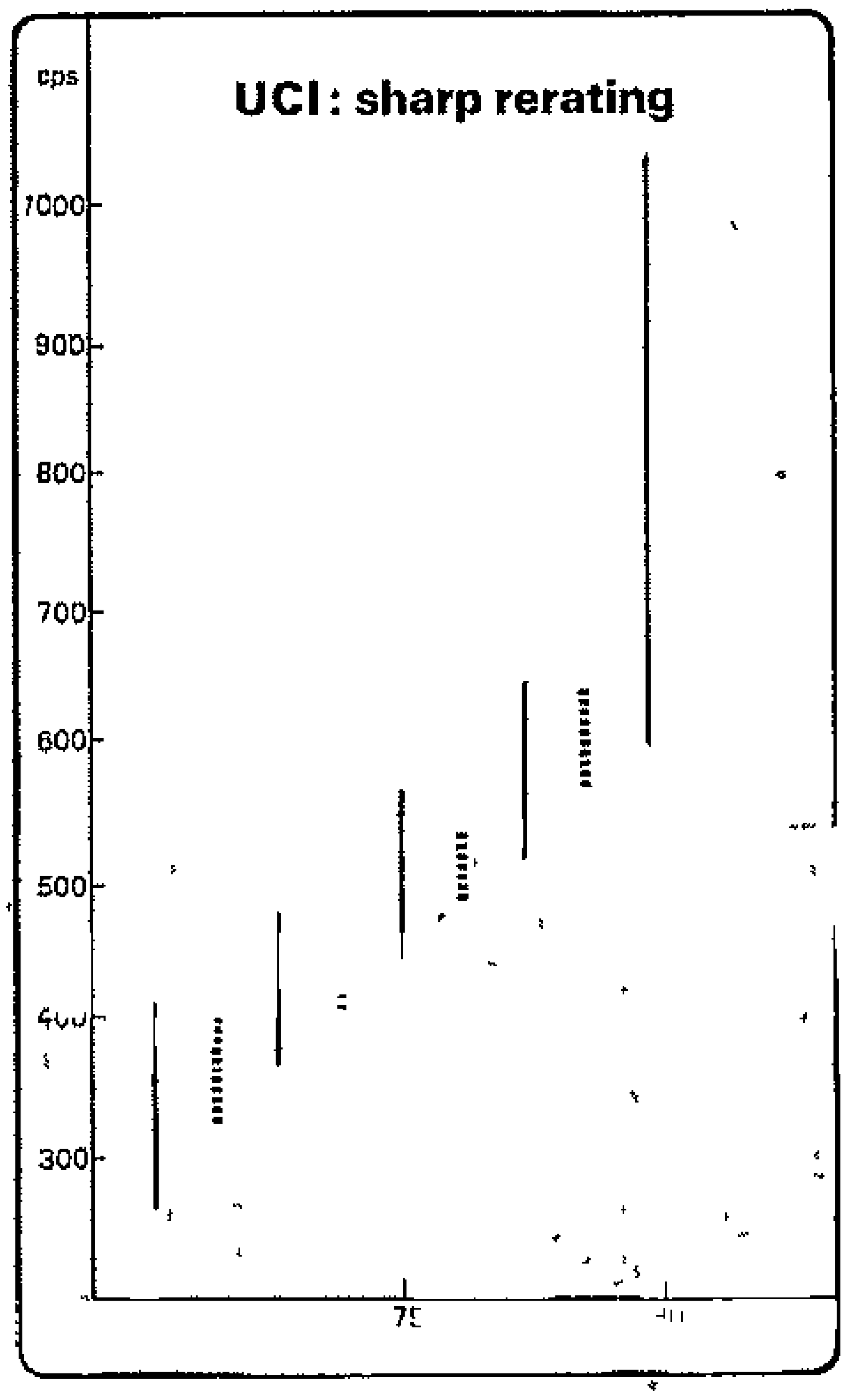
	'76	'77	'78	'79
Investment income (R'000)	7 200	7 190	9 864	14 676
Pre-tax profit (R'000)	6 336	7 243	12 078	17 782
Portfolio value (Rm)	85 3	103 5	127 0	257,3
Earnings (c)	32 4	37 1	61 9	84 9
Dividends (c)	30	30	42	60
Net asset value (c)	430	527	652	1 327

Last year, shareholders in UC Investments saw their investment exceed most expectations to earn a record 84,9c (61,9c) and pay 60c (42c) This year prospects are even better Chairman Ted Pavitt's optimistic annual statement promises that 1980 should beat the 1979 record by "a substantial margin" despite the funding requirements for UCI's stake in Union Corporation's new uranium/gold mine, Beisa

In the year to end-December, the average gold price based on the London afternoon fix was $308, stemming from a range for bullion of $216-$524 Already this year the average is over $600, and even if the price does recede from present levels, UCI's investment income will boom again in 1980. Record platinum sales and prospects, as reflected in Impala's interim statement two weeks ago (*Fox* Feb 22), are further bull points for UCI's dividend income this year Outside of gold, Impala is UCI's largest investment-with a value this week of R49,6m During the year UCI sold 265 000 Impala shares

Investment income in 1979 totalled R14,7m (R9,9m) — a 48,5% improvement stemming from higher dividends, particularly from gold and platinum investments. UCI's major holdings are in the Union Corp Evander mines where dividend income was well up Winkelhaak, for example, raised its distribution 58,9% to 209c (129c) a share, Kinross 34,6% to 74c (55c) and Bracken 18,2% to 52c (44c)

The higher gold price also increased Bracken's life by roughly four years, but UCI nevertheless cut back its holding in this mine by more than half to 831 000 (1,7m) shares This follows on the previous year's reduction of the stake in the lower-life Leslie and an increased investment in Unisel In 1979 the holding in Unisel was again increased and UCI now holds 1,83m (1,76m) ordinaries



Other changes in the gold share portfolio were the disposal of St Helena, a reduced holding in Kinross, a doubling of the investment in Buffels, and the addition of 100 000 Stilfontein shares

Shareholdings in the metal sector were virtually unchanged, while major variations in industrial counters centred on increased investment in Barlow and the disposal of Tiger Oats In the unlisted section, the first R1,5m tranche in Beisa was reflected. During the course of this year and next, a further R16m will be pumped into Beisa, for an ultimate holding of 15%

Prospects for this year include last October's start up of Unisel and the expected maiden dividend from this investment Last year, UCI brought to account its first dividend from Ergo. Also, the industrial holdings should produce higher income, as should the increased holding in Winkelhaak gained when UCI exchanged its prospecting and mining rights over the farms Driefontein and Goedehoop Pavitt says initial drilling results from two boreholes are "most encouraging"

Financing UCI's share in Beisa provides no "foreseeable difficulty" says Pavitt In his previous annual report he stated the funds would come from cash flow and sales from the portfolio, if necessary The initial R1,5m tranche was financed from cash flow, and at end-December UCI was sitting on R11,1m (R5,6m) cash

While there still could be short-term dividend restraint because of the need to fund the stake in Beisa, there appears no reason considering the prospects for higher investment income this year, why a higher dividend will not be forthcoming A setback in gold and platinum prices should not harm dividend income prospects overly much, though share dealing profits could suffer.

Neverthess, yielding an historic 4,9% at 1 225c, UCI should insulate shareholders from the downside risk in direct gold and platinum holdings if prices suffer a severe reaction

Des Kilalea

2.2. (214

Anglo kyk dalk na Simmers

DIE lys van ou goudmyne aan die Witwatersrand wat as gevolg van die hoe goudprys nuwe lewe gaan kry, word al hoe langer Die jongste gerugte is dat Anglo American moontlik 'n aanbod vir Simmer and Jack gaan maak Op die oomblik behoort dié myn aan 'n konsortium sakemanne

Geen bevestiging kon vir die gerugte gekry word nie, maar kenners sê Anglo het sy opsie om Simmer and Jack te koop vir 'n maand verleng Nadere inligting kan moontlik binnekort beskikbaar gestel word

Een van die grootste probleme met die ou myne in die sentrale Witwatersrand-gebied is dat hulle groot probleme met water het Indien Anglo in Simmer and Jack sou belangstel, sal dit beteken dat hy 'n grootskaalse ont-waterings-projek sal aanpak wat al die ou goudmyne in die gebied gaan drooglê

Dit sal 'n enorme projek wees en uit die aard van die saak baie kapitaal verg Sekere kenners meen egter dat daar genoeg ondergrondse reserwes in die gebied is om so 'n poging ekonomies geregverdig te maak

Een voordeel van die ou myne in hierdie gebied is dat hulle nie baie diep is nie en dat baie van die skagte nog in so 'n toestand is dat hulle redelik maklik heropen en hernieu kan word Dit sal waarskynlik baie goedkoper wees as om byvoorbeeld 'n nuwe skag te sink.

Kenners sê hoewel die ertsgrade van die oorblywende reserwes in die myne oor die algemeen baie laag is, kan so 'n projek lewensvatbaar wees indien die goudprys op die huidige vlak van sowat 600 dollars per ons bly

Daar moet natuurlik ook in gedagte gehou word dat die stewige goudprys die mynhuise se koffers in so 'n mate gevul het dat hulle op die oomblik genoeg kapitaal het om sulke projekte aan te pak

Word daar te lank gewag, sal kostestygings moontlik van so 'n aard wees dat hierdie projekte nooit aangepak kon word nie — selfs al behou die goudprys sy huidige vlak

Sou Anglo besluit om so 'n projek deur te voer, sal dit beteken dat die ou goudmyne van die sentrale Witwatersrand, die pioniers in Suid-Afrika se goudmynbedryf, weer almal nuwe lewe kry

Intussen word die lys van ou myne waaraan ernstige aandag gegee word om hulle weer in produksie te bring, al langer

Tot dusver sluit die lys onder meer myne soos Village Main, Rand Leases, Government Areas, South Roodepoort en Sallies in

Die lys van groot uitbreidings by bestaande myne groei ook Die jongste toevoeging tot hierdie lys is Randfontein wat sy besluit aangekondig het dat hy voortgaan met die ontginning van die Cooke No 3-seksies Die uitbreidings, wat sowat R200 miljoen gaan kos, sluit onder meer 'n nuwe skag, vergroting van die Cooke-aanleg asook ander uitbreidinge aan die infrastruktuur soos huisvesting in

Die grootste uitbreidings van hierdie soort wat nog vanjaar aangekondig is, is die by Western Deep Levels, wat sowat R715 miljoen sal kos

— DAAN DE KOCK

214

RDM 10/3/80

Amgold final jumps to 350c

By DON ROBERTSON
Mining Editor

ANGLO American Gold Investment (Amgold), riding high on the gold boom, has increased the final dividend to 350c for the year to February compared with the 150c final paid in the previous 14 months

The total payment for the year rises to 525c from 250c and was made possible by a 83% jump in attributable profits to R127 941 000 from R69 744 000

Investment income from the group's widespread gold portfolio rose by 80% to R133 885 000 from R74 374 000 and included the first dividend payments from Ergo as well as higher distributions from other major investments, including Vaal Reefs, Hartebeestfontein, West Driefontein and Western Deep Levels

These improved dividends were made possible by the higher gold price, which averaged $307,14 in 1979 compared with $193,30 in 1978

The average price for the year to date is $666,08, although it has shown some weakness over the past few days However, if it remains around present levels, the resultant increase in dividends from producers should boost Amgold's earnings in the current financial year

The profit and loss account shows a welcome switch in the interest burden, with interest received rising to R1 292 000 from R602 000 and interest paid falling to R707 000 from R1 741 000

Total income rose to R135 228 000 from R76 749 000 and expenditure fell to R4 662 000 from R4 843,000 No tax was paid compared with R425 000 in the previous period

After the payment of dividends, R12-million was transferred to reserves, boosting the figure to R139-million from R127-million The reserves have been built up over the past few years for the possible development of gold and uranium interests in which the group has a participation It is also involved in exploration in Australia and Brazil

The balance sheet also shows a substantial rise in the market value of listed investments to R2 230-million from R1 095-million, although the book value remains barely changed at R207 157 000 compared with R206 580 000 Unlisted investments, comprising mainly the group's overseas interests, had a director's valuation of R14 571 000 compared with R7 518 000

The cash balance has been built up to R69 501 000 from R24 476 000

Statistically, group earnings rose 83% to 582,8c a share from 317,7c, covering the dividend 1,1 times compared with 1,3 times

At a current price of 8 600c, the shares stand at a discount of 15,5% to the net asset value of 10 177c share at February 29 At the end of the previous financial period, the net asset value was 4 917c

The narrow discount to assets reflects the market's optimistic view of prospects, which must include the possibility of a participation in the any expansion to operations from the recently announced Western Deep Levels No 3 shaft which will mine reserves currently held by Western Ultra Deep, in which Amgold has a 28,96% interest

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 1

13020 BACHELOR OF ARTS YEAR : 2

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL			
~~1342047~~	~~ADAMS~~	~~FADLUNESSA~~	~~110202~~	~~HISTORY II~~	3	(52)	3	1342047
137452E	ALLIX	MARK LORAINE	104101	ARCHAEOLOGY I	ABS		7	137452E
~~140746K~~	~~BOKAINE~~	~~ANDREW-MICHAEL~~	~~107241~~	~~ENGLISH II~~	ABS		1	140746K
120414K	CONRADIE	ELSABE-MARIE	003501 117201	SOCIOLOGY III POLITICAL SCIENCE II	ABS ABS		7	120414K
1384970	DE VILLIERS	JEANINE KAREN	113104	PHILOSOPHY I	2-	(67)	1	1384970
136110W	ESAU	FAIKA	105302	SOCIAL ANTHROPOLOGY II(PRE F)	F	(48)	7	136110W
136962X	ESSMANN	SONJA BRIGITTE	101105 115103	AFR LAN INTENSIVE (XHOSA) ITALIAN INTENSIVE	2- 3	(60) (51)	1	136962X
[illegible]	[illegible]	ELIZABETH ANN	114218	DRAMA II	F	(46)	1	[illegible]
					ABS			113763F

Grade drop for E Drie

(214)

RDM 14/3/80

By ADAM PAYNE

THE grade at East Driefontein, the second richest gold mine in South Africa after West Driefontein, is expected to decline significantly, but indications are that the financial results of the past year will be improved on this year.

Mr Robin Plumbridge, the chairman, says in his annual review that the mine has considerable tonnages of low-grade ore which are immediately available for mining.

The company's mining lease requires that the mine arranges its programme to mine to the average value of the payable ore reserve However, there is a delay between the time when the gold price changes and the time when it changes its mining programme

"In these circumstances it is extremely difficult to make any meaningful forecast of the results of operations for the current year

"Provided there are no unforeseen circumstances, milling should continue at the rate of 210 000 tons a month, but the recovery grade is likely to show a significant decline due to the mining of increased tonnages of low-grade Carbon Leader Reef and the mining of low-grade Ventersdorp Contact Reef, in the latter case as a result of the effect of provailing gold prices on the pay limit".

Mr Plumridge says capital spending in the coming year is estimated at R28 500 000 compared with R25 500 000 last year

A sum of R50-million has been appropriated to the funding of the future heavy capital programme

Tax and lease took 65,8% of profits last year or 362c a share

He appeals to the Minister of Finance in his coming Budget "to take a meaningful step in the direction of reducing the inequitable burden of tax on gold mines".

Reviewing the past year's work, he says the increased tonnage milled almost compensated for the decline in yield and gold production was only 300 kg lower than in the previous year

Working expenditure rose by 17% and increases in unit costs a ton mined were contained at under 10%

BUSINESS MAIL RAND DAILY MA

Vlaks to maintain gold output

214

RDM 14/3/80

By DON ROBERTSON
Mining Editor

GOLD production at Vlakfontein is expected to be maintained at the 1978 level of 857kg in the current financial year, according to the chairman, Mr C T Fenton.

He says in his report for the year to last December that milling of dump material should continue at about 60 000 tons a month at an average grade of 1,2g/t In the previous year, mill throughput was 715 000 tons at a grade of 1,2g/t

However, Mr Fenton is unable to forecast a profit figure because of the erratic state of the gold market It not possible to estimate what revenue will accrue from the sale of redundant assets.

Nevertheless, it is expected that a 10c repayment of capital will be made to shareholders in August Last year, the dividend was increased to 20c from 10c and an unchanged capital repayment of 10c was made

Mr Fenton says it is highly unlikely that the mine, where underground operations ended in 1977, will be reopened. Apart from a few small remnant blocks of ore in isolated areas, the mine has been worked out and usable items of equipment were removed and the shaft was stripped and sealed In addition, the mine has been allowed to flood

The possibility of reopening the West Vlakfonteion claim area is constantly under review. The area contains scattered ore shoots of low value, but considerable sums would be required for an exploration programme

Because of the uncertainty of the gold price, the directors consider that such expenditure is not warranted now

Investigations are being carried out to identify techniques which might enable the slimes dams to be treated, either on their own, or in conjunction with dams and dumps of neighbouring mines.

These investigations, which will be aimed at finding more efficient ways of upgrading the slimes, will take some time to complete

In the year to December, profits rose to R1 838 000 from R1 425 000, equivalent to earnings of 31c a share against 24c previously

STU13-9 EXAMINATION RESULTS I
17000 BACHELOR OF ARTS (HONOURS)
STUD NO SURNAME FIRST
~~1017959X PERAITER SHEILA JOS~~
1207760 RUBIN VIVIENNE
* TOTAL NUMBER OF STUDENTS
DEAN
(1) BRADFORD, H J

UCT

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 4

13010 BACHELOR OF ARTS YEAR : 1 13010

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL			
155148P	JERVIS	JOSEPHINE ALEXANDRA	115103	ITALIAN INTENSIVE	F	(47)	1	155148P
156426D	JONES	TIMOTHY ARNOT	106103	ECONOMICS IA	F	(44)	1	156426D
160764U	JONES	MARK FRANCIS	115101	FRENCH I	UP	(62)	1	160764U
162323N	JOOSTE	LINDA ADELE	114101 116101	RELIGIOUS STUDIES I CULTURAL HISTORY OF W.E. I	ABS ABS		7	162323N
~~157009M~~	~~KATZ~~	~~MARCELLE FAYE~~	~~114101~~	~~RELIGIOUS STUDIES I~~	~~UP~~	~~(54)~~	~~1~~	~~157009M~~
157519R	KENYON	GERDA-MARIE	004101 107101	PSYCHOLOGY I ENGLISH I (PRE-1980)	UP 3NX	(58)	1	157519R
160448A	KOOY	CAROLYN MAY	110101	HISTORY I	UP	(57)	1	160448A
157025E	KOTZE	MONIQUE RUTH	102103	AFRIKAANS EN NEDERLANDS I	F		1	157025E
160168W	KRAMER	JANINE MARIETTA CAROLINE	107101 115101	ENGLISH I (PRE-1980) FRENCH I	3NX F	(48)	1	160168W
~~137458L~~	~~LANCASTER~~	~~DEBORAH ANNE~~	~~103202~~	~~SOCIAL ANTHROPOLOGY I(PRE 1~~	~~UP~~	~~(50)~~	~~1~~	~~137458L~~
159478W	LE ROUX	KAREN JEANETTE	908101	GEOGRAPHY I	ABS		1	159478W
~~156804P~~	~~LOUW~~	~~RIAAN~~	~~102103~~	~~AFRIKAANS EN NEDERLANDS I~~	~~UP~~	~~(50)~~	~~1~~	~~156804P~~
130847A	MAHOMED	RIYANI	004101 105104 ~~107101~~	PSYCHOLOGY I LATIN I ~~ENGLISH I (PRE-1980)~~	F F ~~ABS~~	(43) (46)	1	130847A
137330X	MALHERBE	VIVIENNE NORAH	102101 908101	AFRIKAANS GEOGRAPHY I	ABS ABS		7	137330X
159321A	MALHERBE	GIDEON JOZUA	105103	GREEK & ROMAN LIT & PHIL	ABS		1	159321A
150182R	MARSHALL	JENNIFER MARY	106103	ECONOMICS IA	ABS		1	150182R
155800Y	MARTIN	JENNIFER ANN	004101 103202	PSYCHOLOGY I SOCIAL ANTHROPOLOGY I(PRE 1	UP UP	(52) (50)	1	155800Y
~~157772R~~	~~MARY~~	~~ADRIAN~~	~~601101~~	~~COMMERCIAL LAW A~~	~~ABS~~		~~7~~	~~157772R~~
158259W	MASSARI	RICCARDO EDWARD GREGORIO	115103	ITALIAN INTENSIVE	F	[illegible]		

Deelkraal faces early low grades

214

RDM 14/3/80

By DON ROBERTSON
Mining Editor

IN THE build-up to full production capacity at Deelkraal, grades are expected to be relatively low and costs on the high side, the chairman, Mr R A Plumbridge, says in his report for the year to last December.

The mine came into production in January this year at a milling rate of 50 000 tons a month against a target of 60 000 tons. The failure to achieve target production resulted from severe faulting of the ground to the east of the shaft pillar, which restricted development of payable ore in the area.

Development has progressed beyond this zone and it is planned to build up the milling rate to the plant capacity of 120 000 tons a month by the end of this year.

"Although the average gold values encountered in development to date have been disappointing, it is expected that these will improve. A feature of mineralisation, which has been exposed on both the Ventersdorp Contact Reef and the Deelkraal Reef to date, is the presence of pyrite in unexpectedly high quantities.

"Investigations are being undertaken with a view to floating of the pyrite. This would have the effect of increasing the percentage of gold recovered."

Mr Plumbridge says that because of the limited number of stopes available, selective mining will not be possible and in the early stages of the build-up in production grades will be low. In addition, unit working costs will be high and will remain so until optimum mining and milling rates are achieved.

The planned production rate of 120 000 tons a month is expected to be maintained for a few years and capital expenditure will be kept low until more information is obtained on the deposition and value of the gold in the lease area.

"Depending on the information obtained, which could be sooner than later, and the establishment of a clearer picture of the trend in the gold price, consideration will be given to the timing of the programme for expanding operations at the mine."

A total of 14 914m were developed during the year, of which 2 374m were sampled, grading 3,9g/t over a channel width 166cm.

RAND DAILY MAIL, Saturc

(214) RDM 15/3/80

Unisel maiden 40c

By ELIZABETH ROUSE

UNION Corporation group Evander and Free State mines have increased their March interim dividends by up to 162% on a year ago and Unisel has declared its maiden dividend

The dividends are good However, some mining analysts expected more, based on an average gold price of $600 over the past half-year

Unisel is paying 40c. A dividend of this size from a new producer would have been impossible a few years ago The mine came into production five months ago and money was ploughed back into loans.

Unisel directors propose that in present circumstances about half the amount available for distribution from time to time should be used to repay loans This policy should result in borrowings being substantially repaid by the time the company becomes liable for tax

Bracken is on target with an interim of 37c The payment compares with a 24c interim dividend last year and a 28c final, which made a total of 52c for 1979

Kinross is paying 84c, a rise of over 162% on last March's interim of 32c Estimated payments ranged from 80c to 100c for the optimists Kinross paid a 42c final which made last year's total 74c

Leslie's interim is 29c — up from the 1979 interim of 14c and the final of 18c Estimates ranged from 27c to 35c.

St Helena's 305c interim surpasses its total payment of 300c last year, made up of a 125c interim and 175c final The analysts expected a payment in the range of 300c-325c

Winkelhaak's interim of 194c is below expectations, which ranged from 205c to 225c However, the lift is 142,5% on last year's interim of 80c The final was 125c, which made the total 205c

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 1

10000 MISCELLANEOUS ARTS YEAR : N/A 10000

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL	
~~152327Y~~	~~VAN DER MERWE~~	~~BARBARA LOUISE~~	~~911101~~	~~MATHEMATICS I M102~~	~~F (37)~~	~~152327Y~~

* TOTAL NUMBER OF STUDENTS 1

DEAN

REGISTRAR (ACADEMIC)

UCT

New stoping method a boost for mines

STAR 17/3/80 ~~210~~ 211 214

By Stephen Suckley

South Africa's mining industry, in many ways unique, has come up with existing techniques to suit designing and modifying a number of firsts in local requirements.

A well-established company in South Africa Gold Fields Cementation, which carries out mining, cementation, core drilling tunneling and mechanical mining has come up with a technique for permanent stope support using grout which is a great (a sand/slagment mixture) improvement on previous methods.

LARGE SCALE

The concept of mixing sand/cement grout on surface and then pumping it underground is not a new idea. It has been used for many years for sealing fissure and similar work.

But it had never been done on a really large scale up until 1973 when Elsburg gold mine commissioned CFG to install a plant and pump grout for use in stope supports

Since then the company has erected similar plants at Western areas, Randfontein and at Rustenberg platinum mines.

But as problems arose — and there were no other similar operations on which to draw knowledge — improvements and modifications to the type of group plant operations have been constantly made.

So much so that the company's latest grout plants at Paardekraal and Towlands shafts at Rustenburg and No 2 shaft Western Deep Levels are completely different from previous ones.

Improvements and modifications are usually made to lead to more efficiency and this is what GFC claims for its latest design in plant.

But possibly one of the most important changes or modifications has been the move over to hydraulic pumps pioneered by the company compared with air driven pumps. Important also from the nuisance point of view as the noise created by a batch of six air pumps would frighten away a herd of elephants Hydraulic pumps easily operate at half the noise level which makes working conditions that much more pleasant.

PUMPING

A brief description on how the plant operates runs like this. Sand is handled from stockpile into a batcher using a boomscaper and then fed on to a conveyor belt. The belt discharges a fixed quantity of sand into a 750-litre pan mixer.

The cement and slagment are mixed and water added and the mixed grout is fed into a Dean mixed for final mixing Grout is pumped into agitator tanks and fed to the pumps to be pushed underground.

Because the new plants have been improved, a better quality grout can be obtained and with hydraulics the pumping rate remains constant

At the Paardekraal plant GFC has a standby air pump just in case there is a power failure. If grout becomes stuck in up to 7 kilometres of piping it eats and causes tremendous problems to rectify.

It also means that compressor air can be better utilised underground for the production of ore.

Once the grout gets underground it is fed into porous bags that have been built into steel or timber frames or into skeleton packs for supports.

Mines that are using grout based packs report definite advantages over other methods. These include cost savings, less transport labour, a reduction in support material transported down the shaft and an increase in both tonnage hoisted and broken

According to a spokesman for GFC "We estimate that 40 percent of the gold mines in South Africa are capable of using the grout based pack method"

There is, of course, competition in the industry. GFC's rivals are the Union Corp/Gen Min backed R... operation and Anglo's Shaft Sinkers.

RDM 19/3/80 ~~232~~ 214 ~~215~~

Why Unicorp needs Genmin

By ADAM PAYNE

GENERAL MINING and Union Corporation shareholders will decide at meetings today whether to accept the merger proposals made by General Mining If accepted the resulting combined mining house will be second only to Anglo American Corporation in size

Union Corporation minority shareholders will be asked to accept the proposals for a merger

General Mining shareholders will be asked to approve a rights issue to raise R189-million to finance expansion programmes now being considered by Genmin

An eve-of-poll evaluation of the proposals by a Johannesburg stockbrokers says that Union Corporation shareholders will benefit considerably by the merging of the two groups. They recommend acceptance of the Genmin offer

The report says "The final merging of these groups not only provides a wider spread of interests, both actual and potential, but would also appear to be essential if future capital commitments are to be adequately funded"

Without taking into account the value of General Mining's Northern Transvaal coalfield, which it considers of great future potential, the report says the merger is much needed to give the muscle for future ventures

Without it the individual groups could not embark on these ventures when it is realised that a twin shaft system for Western Deep Levels will cost R750-million in today's money and expansion of Sappi will cost R500-million

Summing up future capital needs the three analysts who compiled the report say "To cover the cost of the Beatrix and Beisa mines, the coal-processing projects and probably certain other gold mines, we arrive at a potential capital commitment over the next five years of about R3 000-million

"This is 1½ times the present combined market capitalisation of the two companies There is thus considerable logic in establishing an asset base capable of bringing such projects to fruition"

The analysts estimate dividends from Union Corporation, as a separate company, at 94c this year, compared with 62c last year, 120c in 1981, and 144c in 1982

After a merger they estimate the dividends at 120c this year, 150c in 1981, and 185c in 1982

The Union Corporation shareholder will thus receive higher income after the merger

A General Mining shareholder's dividends, without the merger, are estimated at 135c this year, 180c in 1981, and 215c in 1982

Thus the General Mining shareholder sacrifices income in the short term as a result of the dilution of equity

His only consolation in the short term is the rights offer which does not fully compensate for the decline in income and net asset value

At a price of 1 850c, Genmin is on a prospective dividend yield ex-offer of 7,1%

UCT

~~153965D~~	~~CLARKE~~				
157789K	COHEN	DAVID	104101 110101	ARCHAEOLOGY I HISTORY I	F F
156503M	COLLIER	LINDSEY JEANNE	911101 916103	MATHEMATICS I M102 ANIMAL BIOLOGY (HALF COURSE)	UP UP
~~153990D~~	~~COLLINS~~	~~BEVERLEY RAYNOR~~	~~116120~~	~~DRAMA I~~	~~F~~
153621E	COUCHER	ROBERT GEORGE RENESON	004101	PSYCHOLOGY I	UP
~~138572X~~	~~COURIE-JAY~~	~~COLETTE~~	~~107101~~	~~ENGLISH I (PRE-1980)~~	~~3NX~~
153796V	DAVIS	CASSANDRA ELAINE	107101	ENGLISH I (PRE-1980)	3NX
~~140457W~~	~~DELAHUNTY~~	~~ANNA TERESA~~	~~900101~~	~~GEOGRAPHY I~~	~~ABS~~
162364E	DOMAN	MICHAEL EDWARD	106102	ECONOMIC HISTORY I	F
~~155931G~~	~~DU PLESSIS~~	~~MARCIA ELIZABETH~~	~~107101~~	~~ENGLISH I (PRE-1980)~~	~~3~~
158919N	DUNCAN	ANDREW SYMON	003101 004101	SOCIOLOGY I PSYCHOLOGY I	F F
156415R	ERASMUS	ARNO JACQUES ERASMUS	601101 910106	COMMERCIAL LAW A STATISTICS IC(HALF CRSE)	F F
~~162310Z~~	~~EVANS~~	~~GAVIN MARK READ~~	~~104103~~	~~AFR LANG INTENSIVE (XHOSA)~~	~~3~~
161480X	FAFAK	GIULIETTA	107101	ENGLISH I (PRE-1980)	3NX
~~153863T~~	~~FARQUHAR~~	~~GILLIAN DEBORAH~~	~~115101~~	~~FRENCH I~~	~~UP~~
152866J	FARRELL	MICHAEL BRUCE	004101	PSYCHOLOGY I	UP
~~157359T~~	~~FINLAY~~	~~PAMELA JOAN~~	~~105104~~ 115102 115103	~~ECONOMICS Ib~~ FRENCH INTENSIVE ITALIAN INTENSIVE	UP UP UP
~~159744K~~	~~FIUKAVANTI~~	~~LUIGINA~~	~~214102~~	~~PHYSICS Ib~~	~~UP~~

More gold for Cons Murch

(217) (214) RDM 20/3/80

By ADAM PAYNE

CONSOLIDATED Murchison, the shares of which rose 120c to 1 020c yesterday, expects to make considerably more from gold this year than last, but gold earnings have up to the present been a small proportion of total revenue.

On its main product, antimony concentrates, the forecast is for the maintenance of production and sales in 1980 at about the same level as last year

Mr Hugh Dalton-Brown, the chairman, says in his annual review that a plant to recover gold from the slag produced in the Antimony Products plant is being commissioned and will result in further increases in gold production soon

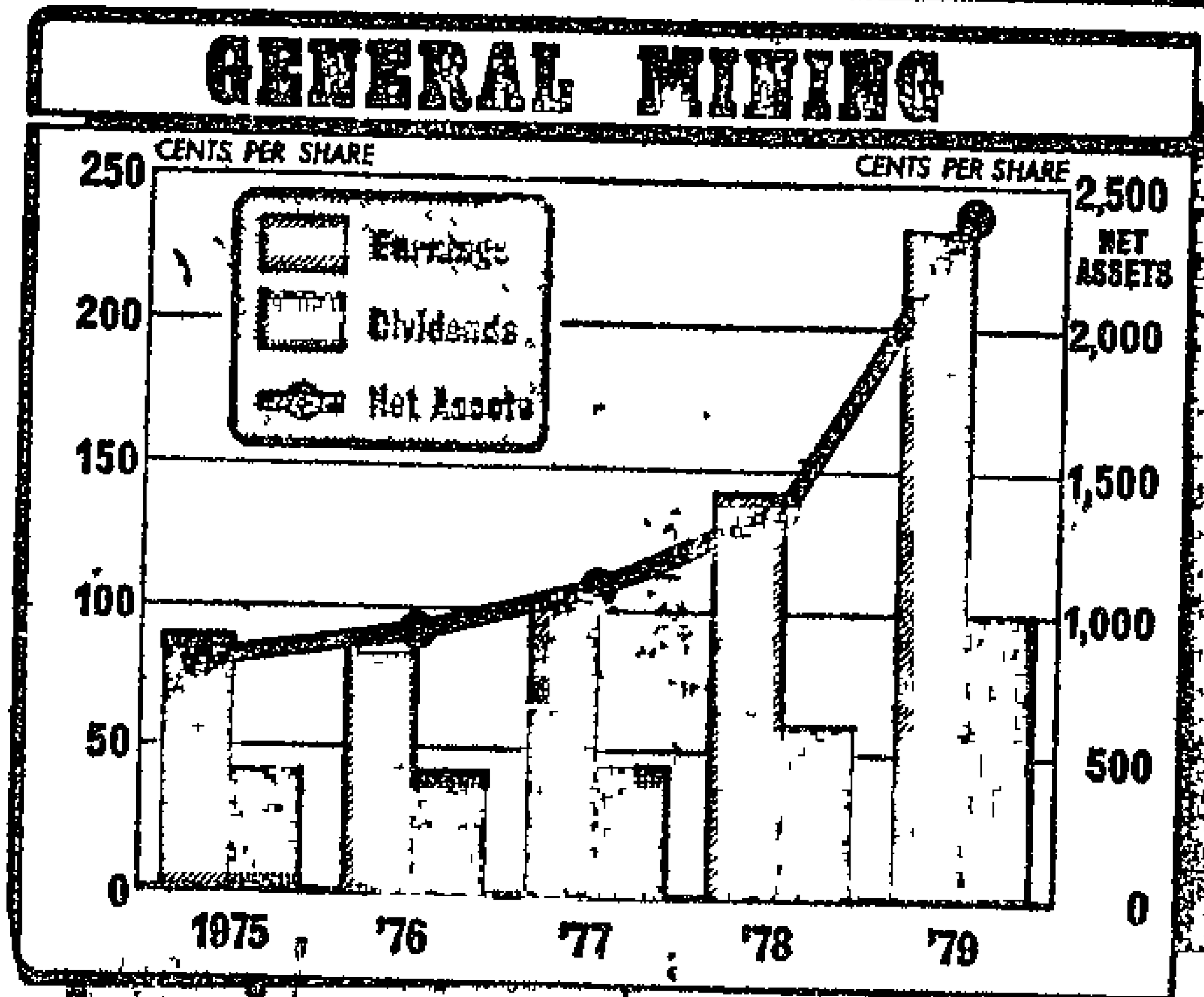
Additional equipment to improve gold recovery in the gravity concentration section of the concentrator has been installed

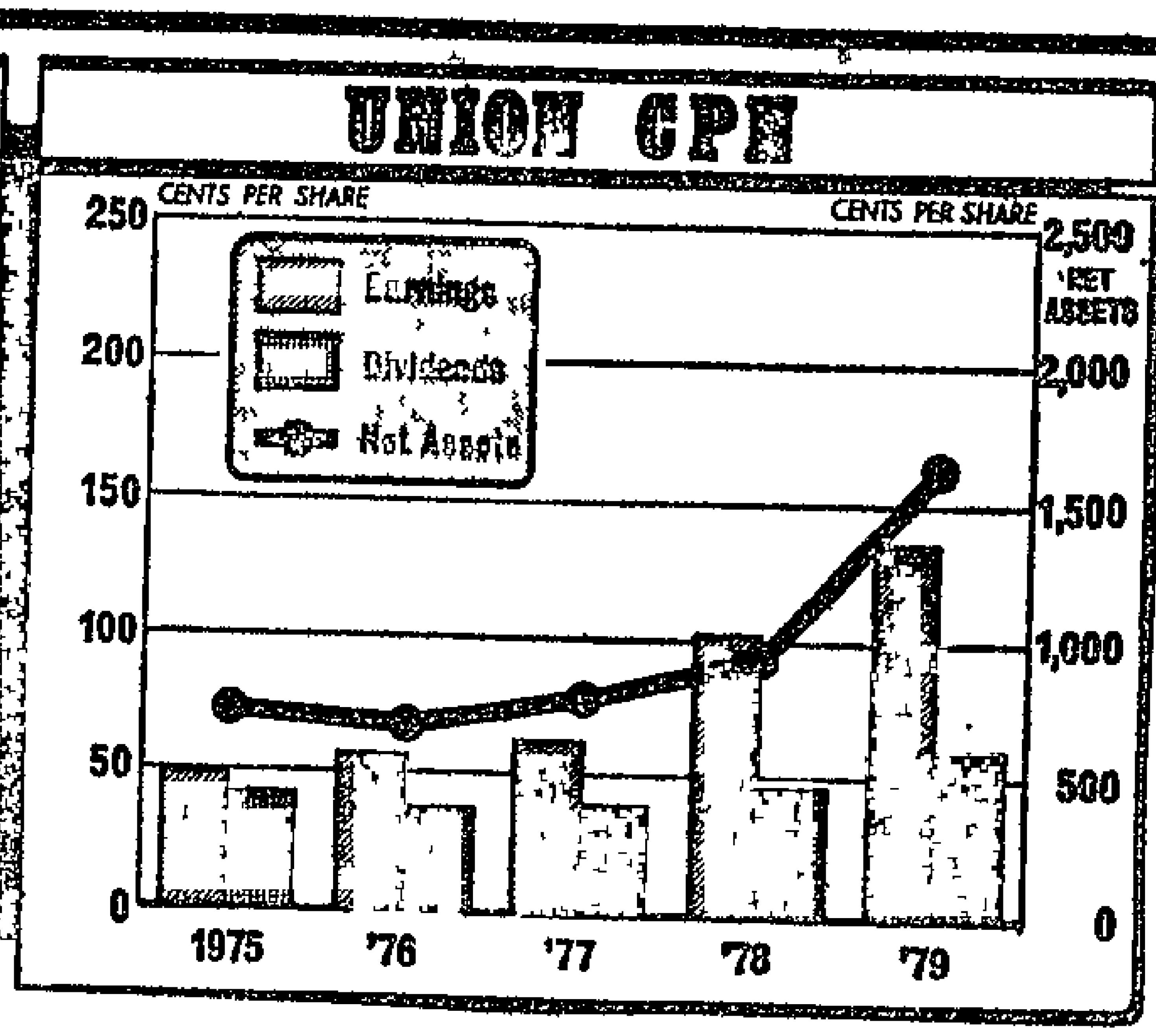
Antimony Products is building two additional kilns for converting antimony sulphide to antimony oxide Antimony Products will then have capacity to treat about 80% of Consolidated Murchison's concentrates

Mr Dalton-Brown says that subject to no unforeseen developments, he hopes that dividends can be maintained at about the 1979 level of 100c in spite of increased capital spending

Reviewing the past year, he says gold sales earned R2 570 000 out of total revenue of R23 250 000

Although prices for concentrates improved slowly, the rate was not sufficient to cover inflation in South Africa Because concentrate sales are made in dollars, there was virtually no increase in the selling price in rands





Unicorp deal through

By DON ROBERTSON
Mining Editor

SHAREHOLDERS of Union Corporation, at a series of meetings in Johannesburg yesterday, cast a big vote in favour of the merger of their company's operations with those of General Mining

The merger will create South Africa's second-biggest mining house with assets of R2 700-million RDM 20/3/80.

Formal completion of the deal requires only Supreme Court approval This will be dealt with on March 25

At a meeting of scheme members, 1 360 shareholders voted, casting 14 357 748 votes in favour of the merger Only 391 245 votes were registered against the deal

Only two shareholders at the meeting queried the deal, with one suggesting that the terms of the offer — 80 General Mining shares for 100 Union Corp shares — be improved

At the following general meeting, four special resolutions and one ordinary resolution giving effect to the scheme were passed unanimously

At a General Mining meeting, shareholders voted unanimously in favour of the acquisition by General Mining of all the shares in Union Corp not already held General Mining shareholders also approved plans to inject R189-million cash into their company through a 30-for-100 rights issue at R15 a share

Durban Deep, ERPM to spend R59m

(214)

RDM 21/3/80

By DON ROBERTSON
Mining Editor

ERPM and Durban Deep, marginal and cash-strapped mines last year, are now sufficiently confident about the gold price to announce major capital expenditure programmes for the next two years at least

This expenditure will realise the full potential of the mines

For ERPM it will involve spending at least R36-million over the next two years, and Durban Deep plans to spend about R23-million over the same period

In spite of this expenditure, the dividends paid by the two mines last year are expected to be beaten in the current financial year, provided the gold price maintains an average above $373 an ounce in the case of ERPM and $350 for Durban Deep

ERPM: The chairman, Mr D T Watt, says in his report for the year to last December that if the gold price remains above $373 for the current year and if it should increase thereafter at a rate sufficient to beat inflationary costs, the mine will enjoy many years of profitable operations

"Under these conditions, there is sufficient ore in situ in the mine at the required grade to support profitable operations for many years It is therefore absolutely essential that the capital expenditure required to enable such ore to be mined should now be incurred "

At this stage, the only unknown factor, apart from the gold price, is the exact milling rate which will offer optimum operating conditions

A study is being carried out to establish this and thereafter the capital expenditure programme will be decided However, Mr Watt says that whatever the investigation shows, it will not have any influence on the capital expenditure projection for the current year of R18-million compared with R4 500 000 in 1979

The capital expenditure will involve an increase in production, which will help to control rising costs

This will be possible through the increase in reserves, based on a gold price of $300. Available reserves are now estimated at 4 396 000 tons compared with 1 421 000 tons last year, grading 7,1g/t over a stoping width of 134cm

Mr Watt says the gold price will remain unstable until the world's political problems are resolved

"I am apprehensive about the likelihood of exaggerated wage demands and increases in the cost of stores and materials, being based on estimates of future gold prices which subsequently prove to be too high

"Such demands, if granted, could be crippling, particularly for low-grade producers such as your company's mine if the gold price drops to unrealistically low levels, even temporarily

"In the year to December, working profits rose substantially to just below the record achieved in 1974 Taxed profits were R13 097 000 compared with R4 583 000, which included State assistance of R12 004 000

Last year, no State assistance was claimed and State loans amounting to R4 400 000, granted in 1977, were repaid

If the gold price holds above $373 in the current year, it is expected that the dividend will be higher than the 100c paid last year

Durban Deep: It is envisaged that capital expenditure in the current financial year will rise to R8 700 000 from R3 100 000 in 1979 and that this will increase to R14-million in 1981 to develop the full potential of the mine.

This year, most of the money will be spent on shaft sinking, the development and equipping of haulages and the installation of equipment to improve the supply of compressed air underground A hostel to house 3 500 workers will also be built

Negotiations were taking place with Rand Leases with a view to tributing the Kimberley Reef on that company's property However, it is now possible that Rand Leases will reopen the mine on its own accord and negotiations have ended

Ore reserves, calculated at $300, have more than doubled to 2 940 000 tons, averaging 5,4g/t over a stoping width of 145,3cm.

The chairman, Mr Watt, says that if the gold price averages at least $350, the mine should have many profitable years ahead, and last year's dividend of 155c should be increased.

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 5

13010 BACHELOR OF ARTS YEAR : 1 13010

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL			
159454V	MCCARTHY	MELISSA JANE	911102	MATHEMATICS IA	3	(50)	1	159454V
152965R	MEHL	ANNETTE ELISABETH INGRID	108102	GERMAN INTENSIVE	ABS		7	152965R
			905102	CHEMISTRY IB	F	(27)		
			916103	ANIMAL BIOLOGY (HALF COURSE)	F	(39)		
157093D	MERCURIO	GIANCARLO	110101	HISTORY I	ABS		1	157093D
155747Q	MICHAELS	KAREN	003101	SOCIOLOGY I	ABS		1	155747Q
			~~004101~~	~~PSYCHOLOGY I~~	~~UP~~	~~(50)~~		
			107101	ENGLISH I (PRE-1980)	3NX			
158469Z	MITCHELL	JANE	118101	CULTURAL HISTORY OF W.E. I	UP	(50)	1	158469Z
157815N	MORRIS	CATHERINE MARIA	004101	PSYCHOLOGY I	UP	(59)	1	157815N
			107101	ENGLISH I (PRE-1980)	3NX			
			115103	ITALIAN INTENSIVE	F	(48)		
150180P	MORT	MELISSA RUTH PRINCE	114101	RELIGIOUS STUDIES I	UP	(62)	1	150180P
150783V	MULLER	SUSAN FLORENCE	110101	HISTORY I	UP	(50)	1	150783V
157521U	MURRAY	ESTELLE	116120	DRAMA I	ABS		1	157521U
137983G	NAKIDIEN	MOGAMAT TOYER	107101	ENGLISH I (PRE-1980)	3NX		7	137983G
157560L	NASH	JENNIFER ANNE	004101	PSYCHOLOGY I	2-	(61)	1	157560L
			115102	FRENCH INTENSIVE	F	(47)		
~~155924H~~	~~NEWMAN~~	~~JENNIFER ANN~~	~~911101~~	~~MATHEMATICS I M102~~	~~UP~~	~~(55)~~	~~1~~	~~155924H~~
157913V	NORMANN	HANSJURG	117101	POLITICAL SCIENCE I	UP	(52)	1	157913V
~~155878H~~	~~O'CONNOR~~	~~SHIPLEY ANNE~~	~~114101~~	~~RELIGIOUS STUDIES I~~	~~UP~~	~~(57)~~	~~1~~	~~155878H~~
162116N	PAM	JONATHAN RICHARD	004101	PSYCHOLOGY I	3	(52)	7	162116N
~~154187V~~	~~PATERSON~~	~~IAN JAMES STEWART~~	~~107101~~	~~ENGLISH I (PRE-1980)~~	~~3NX~~		~~1~~	~~154187V~~
			110101	HISTORY I	F	(40)		
154286C	PETERSEN	DESIRE SHIRLEY	102103	AFRIKAANS EN NEDERLANDS I	UP	(50)	1	154286C
			~~116120~~	~~DRAMA I~~	~~UP~~	~~(50)~~		
[illegible]	[illegible]	[illegible]	905104	CHEMISTRY IM	F	(49)	1	156134L
[illegible]	[illegible]	[illegible]	~~107101~~	~~ENGLISH I (PRE-1980)~~	~~3NX~~		~~1~~	~~150154L~~
			110101	HISTORY I	UP	(50)		
[illegible]	[illegible]	[illegible]	115102	FRENCH INTENSIVE	F	(40)	1	133406G
			~~115103~~	~~ITALIAN INTENSIVE~~	~~UP~~	~~(54)~~		

UCT

Simmer profit lift

(214) RDM 25/3/80

Financial Reporter

SIMMER and Jack Mines boosted turnover by 45% in the year to December, producing a substantial rise in profits to R345 000 from R94 000. No dividend has been declared.

Earnings were 5,11c a share compared with 1,4c previously.

Since September last year, priority has been given to the treatment of surface dump material and the milling rate has been increased to the target of 18 000 tons a month. This resulted in an increase in gold production to 109,06kg from 101,81kg.

Tests are being carried out with a trial carbon-in-pulp plant to treat dump material. If these prove successful, it is planned to increase the capacity of the plant substantially.

Discussions are continuing with certain parties for the exploration and possible exploitation of the reefs underlying the mining lease claims of the group. An announcement is expected soon.

Levy booster for gold-mine dividends

(214)

RDM 27/3/80

By ADAM PAYNE

THE CANCELLATION of the loan levy should give an extra boost to the June dividends of gold mines

The April companies — all in the Anglo American Corporation group — cannot be immediately affected by the loan levy decision, but as the year progresses the benefit to mines over the 12 months is expected to average about 12½% — an increase of that amount of distributable income

For instance, Western Holdings, whose year ends in September, notes in its balance sheet for last year that it set aside R3 475 000, or 30c a share, for loan levy

That was in a year when the gold price and profits were much lower than they are now The sum that would have been set aside this year would have been higher

In the case of Grootvlei, the loan portion of tax in 1979 was R1 303 000 This equals 11c a share

Boards of directors will be more relaxed in the consideration of dividends next month so that these forecasts of interim payments could be conservative The figures in parenthes are the last dividend payments

Free State Geduld 350c (235c) The figure is likely to be higher

President Brand 350c (180c)

President Steyn 200c (117,5c)

Welkom 120c (67,5c)

Western Holdings 600c (375c)

A final of 80c is forecast for Ergo compared with the last dividend of 25c

The average price received by the industry so far in the March quarter is about $640 an oz against actual receipts of $413,5 in the December quarter — an improvement of about 55%

In rand terms this improvement will have been slightly moderated by the small rise in the commercial rate against the dollar from $1,21 to $1,23

Nevertheless, overall working profits inclusive of sundry revenue and uranium income should rise by at least 65% on a quarterly basis

Therefore, the outlook for those mines declaring April dividends is favourable in spite of the recent setback in the gold price which will not unduly affect the average price received over the whole March quarter

Forecasts by a Johannesburg analyst for mines declaring June final dividends with previous dividends in parentheses are

Blyvoor 100c (100c)
Buffelsfontein 250c (160c)
Doornfontein 60c (20c)
Durban Deep 150c (115c)
ET Cons 100c (40c)
Hartebeestfontein 400c (300c)
Kloof 150c (80c)
Libanon 180c (50c)
Stilfontein 120c (100c)
Venterspost 150c (65c)
West Driefontein 450c (300c)

Interim dividend forecasts with the last final in parentheses are

Grootvlei 80c (56c)
Vaal Reefs 400c (320c)
West Rand Cons 15c (10c)
Western Areas 60c (35c)
Western Deeps 275c (225c)
East Driefontein 150c (120c)
ERPM 100c (90c)

Because of the cancellation of the loan levy, as a rough rule forecasts of distributable income available in June, already forecast, can be increased by 3%, those for the six months to September could be increased by 6%, those for the period to December by 9%, and for the year to March, 1981, by 12½%

Sallies expects less gold

214 RDM 28/3/80

Financial Reporter

SA Lands, which is processing waste rock, sand and slimes for the recovery of gold, expects this year to achieve an average mill throughput of 100 000 tons a month, with grades between 1,0 g/t and 1,5 g/t.

Mr Nicky Oppenheimer, the chairman, says in his annual review that this throughput should produce about 1 300 kg of gold compared with 1 595 kg last year.

Operations will be assisted by the use of a mobile screening plant commissioned in January which will upgrade dump material on site.

There should be sufficient gold-bearing material available to enable the company to continue its operations for several years, provided the gold price continues at current levels.

Mr Oppenheimer adds nothing new on the potential new gold mine at Van Dyk No 5 Shaft to be investigated by SA Lands.

The sale of the company's waste rock dump gave a boost to the year's sundry revenue which totalled R1 916 000 (R807 000).

After paying a dividend of 40c, the retained profit carried forward was slightly reduced from R4 701 000 to R4 606 000. The cost of the feasibility study at Van Dyk No 5 Shaft of R1 500 000 will be met from the company's existing funds.

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 2

13010 BACHELOR OF ARTS YEAR : 1 13010

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL			
~~162004R~~	~~BURNE~~	~~SUZANNE ELIZABETH~~	~~106103~~	~~ECONOMICS IA~~	~~F~~	~~(43)~~	~~1~~	~~162004R~~
158955C	CARO	SALLY-ANN	107101 116120 ~~114101~~	ENGLISH I (PRE-1980) DRAMA I ~~CULTURAL HISTORY OF W.E. I~~	F 2- ~~3~~	(40) (60) ~~(56)~~	1	158955C
162195Z	CHAIT	CHERYL	102101	AFRIKAANS	UP	(50)	1	162195Z
~~153965D~~	~~CLARKE~~	~~PENELOPE JILL~~	~~103702~~	~~SOCIAL ANTHROPOLOGY I(PRE 1~~	~~UP~~	~~(60)~~	~~1~~	~~153965D~~
157789K	COHEN	DAVID	104101 110101	ARCHAEOLOGY I HISTORY I	2- F	(62) (23)	1	157789K
156503M	COLLIER	LINDSEY JEANNE	911101 916103	MATHEMATICS I M102 ANIMAL BIOLOGY (HALF COURSE	UP UP	(69) (54)	1	156503M
~~153999D~~	~~COLLINS~~	~~BEVERLEY ROYNON~~	~~116120~~	~~DRAMA I~~	~~F~~		~~1~~	~~153999D~~
153621C	COUCHER	ROBERT GEORGE RENESON	004101	PSYCHOLOGY I	UP	(56)	1	153621C
~~138572X~~	~~COURTENAY~~	~~COLETTE~~	~~107101~~	~~ENGLISH I (PRE-1980)~~	~~3NX~~		~~1~~	~~138572X~~
153796V	DAVIS	CASSANDRA ELAINE	107101	ENGLISH I (PRE-1980)	3NX		1	153796V
~~140457J~~	~~DELAHUNTY~~	~~ANNA TERESE~~	~~904101~~	~~GEOGRAPHY I~~	~~ABS~~		~~1~~	~~140457W~~
		MICHAEL EDWARD	106102	ECONOMIC HISTORY I	F	(8)	1	162384E
		~~MARCIA ELIZABETH~~	~~107101~~	~~ENGLISH I (PRE-1980)~~	~~3~~	~~(57)~~	~~1~~	~~155931U~~
		ANDREW SYMON	003101 004101	SOCIOLOGY I PSYCHOLOGY I	F F	(49) (49)	7	158919N
		ARNO JACQUES ERASMUS	601101 910108	COMMERCIAL LAW A STATISTICS IC(HALF CRSE)	F F	(35) (48)	1	156415R
		~~GAVIN MARK READ~~	~~101103~~	~~AFR LANG INTENSIVE (XHOSA)~~	~~3~~	~~(57)~~	~~1~~	~~162310Z~~
		GIULIETTA	107101	ENGLISH I (PRE-1980)	3NX		1	161480X
		~~GILLIAN DEBORAH~~	~~115101~~	~~FRENCH I~~	~~UP~~	~~(57)~~	~~1~~	~~153863T~~
		MICHAEL BRUCE	004101	PSYCHOLOGY I	UP	(55)	1	152866J
		~~PAMELA JOAN~~	~~105104~~ 115102 115103	~~ECONOMICS IB~~ FRENCH INTENSIVE ITALIAN INTENSIVE	~~UP~~ UP UP	~~(52)~~ (58) (54)	~~1~~	~~157359T~~
			~~914102~~	~~PHYSICS IB~~	~~UP~~	~~(58)~~	~~1~~	~~159744K~~

UCT

Elands well short of output targets

218

RDM 28/3/80

By Adam Payne

MINING and technical difficulties led to big reductions in the 1979 production targets of the Elandsrand gold mine, which started producing at the end of 1978 and was building up to higher tonnages last year.

The difficulties are described by the chairman, Mr H F Oppenheimer, and the mine's technical advisers in the annual report

Tons milled totalled 582 000 with average yield at 5,04 g/t. Gold production was 2 931 kg — or less than half that forecast in the previous chairman's review.

The working profit from the first full year of operations amounted to R6 300 000 and capital spending totalled R69-million

Reductions to the production target set for 1979 were caused by.

- Temporary services planned to be used from the rock/ventilation shaft which was commissioned in September 1978 proved to be less reliable than foreseen and the inadequacy led to severe losses in production time
- The two main production levels — 1920 and 1998 — became congested when mining activities were concentrated in the area immediately north of the shaft pillar
- Possibly the most significant cause was the fact that faulting was more intensive than had been expected This resulted in delays during the development of the raise connections and during the re-establishment of affected stope faces

The grade was lower than planned because of dilution from reef development and from the extremely low values encountered in the unpayable ore reserves

Pay shoots are clearly defined and result in a sharp contrast in value when mining transgresses the limits of these enriched areas, says the report This situation demands a high degree of flexibility in the mining operation, which the mine is not yet able to supply

Gold absorbtion in the milling and treatment plants was greater than estimated and resulted in poor recoveries in the first half of the year While this is no longer a factor, it will again affect the recoveries when the plant extensions are commissioned in 1981

It is forecast that 1 200 000 tons will be milled in 1980 at a recovered grade of 5,77 g/t to produce 6 924 kg of gold (2 931 kg) The milling rate is scheduled to increase from 80 000 tons in January to 120 000 tons a month during the second half of the year.

There will be no flexibility in the mining plan in the current year because of the limited availability of defined ore reserves

However, every effort will be made to accelerate the development programme and diversify stoping operations as rapidly as possible Plans are also under way to extend development and subsequently stoping operations to the lower levels of the upper shaft system in an attempt to improve the mine grade

Total expenditure since the inception of the company reached R241 400 000 by the end of the year of which R184-million was spent on the pre-production phase

Capital spending for 1980 is forecast to be R39-million

STUJ13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 1

14340 BACHELOR OF ARTS/HIGH.DIP.LIBRARIAN. YEAR : 4

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL
~~113860L~~	~~HATTKEY~~	~~JENNIFER ANNE~~	~~144707~~	~~ARCHAEOLOGY II~~	~~F (41)~~
			111706	PRINCIPLES OF LIBRARIANSHIP3	5 (50)

~~TOTAL NUMBER OF STUDENTS~~ 14340 ~~113860L~~

~~REGISTRAR (ACADEMIC)~~

She has failed B.A.

Southvaal wants $358 average

(214)

RDM 28/3/80.

By DON ROBERTSON

SOUTHVAAL holdings requires an average gold price of about $358 in the current financial year if it is to maintain working profits from gold and uranium in the South Lease area at the 1979 level and allow for expected cost increases.

In his report for the year to December, the chairman, Mr G Langton, says that expenditure in the South Lease area this year will be about R65 900 000, including R29 500 000 on the No. 9 shaft system and R16 400 000 on the pressure leach plant

Gold production of 25 500kg is planned from 2 550 000 tons milled at a recovery grade of 10,0g/t Uranium production estimated at 627 tons

Last year's uranium production was up by 45% to 486 tons, but was lower than the target of 530 tons.

More teething problems than were expected were encountered in opening the South Uranium plant, but it is expected that it will reach its designed treatment rate and extraction efficiencies in the middle of this year

A pressure leach plant is being built next to the South Uranium plant aimed at achieving higher recoveries than are obtained by atmospheric leaching

The plant is expected to be in operation by the end of 1982 at a total cost of R29-million

Sinking of the No 9 shaft reached a depth of 1 428m, with commissioning of the shaft expected in mid-1982 The design of the shaft has been changed and the brattice wall has been eliminated and a separate ventilation shaft is being sunk

This will increase the hoisting capacity to 280 000 tons a month from 190 000 tons and will result in considerable savings

STUI3-9

13010 BACHELOR OF ARTS

EXAMINATION RESULTS IN FACULTY ARTS YEAR : 1 AS AT 29 02 80 PAGE 2

13010

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL			
~~162004R~~	~~BURKE~~	~~SUZANNE ELIZABETH~~	~~196103~~	~~ECONOMICS IA~~	~~F~~	~~(43)~~	~~1~~	~~162004R~~
158955C	CAHO	SALLY-ANN	107101 116120 111101	ENGLISH I (PRE-1980) DRAMA I CULTURAL HISTORY OF W.E. I	F 2- 3-	(40) (60) (56)	1	158955C
		CHERYL	102101	AFRIKAANS	UP	(50)	1	162195Z
		~~PENELOPE JILL~~	~~103202~~	~~SOCIAL ANTHROPOLOGY I(PRE 1980)~~	~~UP~~	~~(60)~~	~~1~~	~~153965B~~
		DAVID	104101 110101	ARCHAEOLOGY I HISTORY I	2- F-	(62) (23)	1	157789K
		LINDSEY JEANNE	911101 916103	MATHEMATICS I M102 ANIMAL BIOLOGY (HALF COURSE)	UP UP	(69) (54)	1	156503M
		~~BEVERLEY RUYNON~~	~~116120~~	~~DRAMA I~~	~~F~~			~~153996G~~
		~~COLETTE~~	~~107101~~	~~ENGLISH I (PRE-1980)~~	~~3NX~~			~~158572X~~
		ROBERT GEORGE RENESON	004101	PSYCHOLOGY I	UP	(56)	1	155621C
		CASSANDRA ELAINE	107101	ENGLISH I (PRE-1980)	3NX		1	155796V
		~~ANNA TERESA~~	~~904101~~	~~GEOGRAPHY I~~	~~ABS~~			~~140457W~~
		MICHAEL EDWARD	106102	ECONOMIC HISTORY I	F	(8)	1	162384E
		~~MARCIA ELIZABETH~~	~~107101~~	~~ENGLISH I (PRE-1980)~~	~~3~~	~~(57)~~	~~1~~	~~158931U~~
		ANDREW SYMON	003101 004101	SOCIOLOGY I PSYCHOLOGY I	F F	(49) (49)	7	158919N
		ARNO JACQUES ERASMUS	001101 910108	COMMERCIAL LAW A STATISTICS IC(HALF CRSE)	F F	(35) (48)	1	156415R
		~~GAVIN MARK READ~~	~~101103~~	~~AFR LANG INTENSIVE (XHOSA)~~	~~3~~	~~(57)~~	~~1~~	~~162710Z~~
		JULIETTA	107101	ENGLISH I (PRE-1980)	3NX		1	161480X
		~~LILLIAN DEBORAH~~	~~115101~~	~~FRENCH I~~	~~UP~~	~~(57)~~		~~155865T~~
		MICHAEL BRUCE	004101	PSYCHOLOGY I	UP	(55)	1	152866J
		~~PAMELA JOAN~~	~~106104~~ 115102 115103	~~ECONOMICS IB~~ FRENCH INTENSIVE ITALIAN INTENSIVE	~~UP~~ UP UP	~~(52)~~ (58) (54)	~~1~~	~~157359T~~
		~~VIRGINIA~~	~~914102~~	~~PHYSICS IB~~	~~UP~~	~~(58)~~	~~1~~	~~158744K~~

(219)

RDM 28/3/80

West Deep U-problem

Mining Editor

GOLD production at Western Deep Levels is expected to fall to 46 424kg in the current financial year from 47 890kg in 1979, but uranium output should rise to about 265 tons from 199 tons, according to the chairman, Mr G Langton.

However, he warns in his report for the year to December that because of conditions in the market, the company might not be able to sell its entire uranium production this year

Nevertheless, if the gold price averages about $339 for the year, the record working profit from gold and uranium achieved in 1979 should be maintained

Tonnage milled is expected to ease to 3 175 000 tons from 3 241 000 tons at a grade of 14,62g/t based on the present level of productivity However, it is hoped that further progress will be made in improving productivity The uranium plant is expected to be commissioned in the middle of this year and is expected to treat 2 055 000 tons of material at a grade of 0,129kg/t

Because of the incidence of rockbursts in the deeper sections of the mine, it is planned to provide a systematic pattern of pillars on the Carbon Leader longwalls below 100 level

This will theoretically result in a 15% loss of mineable ore and reduce the life of the mine by three years, but Mr Langton says that the ability to mine safely at greater depths could more than offset this loss

Capital expenditure in the current year is estimated at R59-million, of which R9 800 000 is to be spent on long delivery items for the new shaft system announced in February This figure will increase if the agreement with Western Ultra Deep Levels is concluded

In addition, R2-million will be spent on providing a thickener and three filters for the gold plant to balance the 310 000 tons a month milling capacity and enable an additional 40 000 tons a month of ore to be treated

Taxed profits for the year rose to R160 869 000 from R77 864 000 and dividends were increased to 320c a share from 147,5c

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ST1153-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 1

17000 BACHELOR OF ARTS (HONOURS) YEAR : N/A 17000

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL		
~~101795X~~ (1)	~~FHATER~~	~~SHEILA JOSEPHINE JOHANNA~~	~~105703~~	~~LATIN HONOURS~~	~~2+~~ (-70)	~~4~~	~~101795X~~
1207760 (1)	KUHN	VIVIENNE	109701	HEBREW HONOURS	3	4	1207760

(1) BRADFORD, H J ECONOMIC HIST. HONS 1 80%

* TOTAL NUMBER OF STUDENTS 2

DEAN

REGISTRAR (ACADEMIC)

Vaal Reefs looks to profit boost

R.D.M. 28/3/80

By ADAM PAYNE

BECAUSE of the extraordinary increases in the price of gold, the potential of the entire mining lease area of Vaal Reefs is being re-examined and in particular the possibility of increasing production and profits by the mining on an extensive scale of the Ventorsdorp Contact Reef, says the chairman, Mr Dennis Etherege, in his review for 1979.

The mine's present mining is on the deeper Vaal Reef

The Ventersdorp Contact Reef, which is exploited by mines on the West Wits Line is deposited at Vaal Reefs over large channel widths and is at the relatively shallow depth of about 1 000m, extending over a large area in competent ground

This means that mining operations in the payable areas will be easy and the enviromental conditions good

It will probably be necessary for the company to provide an additional metallurgical plant Initial studies on this expansion will be completed in about six months.

"Vaal Reefs is geared to enter the new decade with confidence," says Mr Etheredge "It is a large company that has undergone significant mergers, expansion, consolidation and restructuring over the past several years and is now in a position to realise the resultant economies of scale

"Investments made over past years and those planned for the immediate future are providing a modern mining complex that can operate efficiently"

Mr Etheredge reports that available profit for the year was R96 645 000 and dividends of 510c a share took R96 900 000

Retained profit fell slightly to R12 214 000 The royalty payment to Southvaal Holdings rose to R66 976 000 (R28 233 000) Royalties will be paid twice yearly in future and Southvaal will pay two dividends a year

Vaal Reefs yields at 8,22 g/t for gold and 0,19 kg/t for uranium were respectively 5% and 14% below 1978 yields

Uranium production rose 213 tons or 20% to 1 273 tons showing its importance to this mine Uranium, working profit rose from R5-million five years ago to R62-million

The new South uranium plant encountered problems, but should attain its design extraction rates by mid-1980

A pressure leach plant is being built which should lead to an improvement in uranium recoveries It should be commissioned in the second half of 1981, with full production being reached by the end of 1982.

STU13-9 15016 B.A./LL.3.

EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 2

YEAR : 1 15016

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL			
1539?2X	[illegible]	[illegible]	105104	LATIN I	F	(39)	1	153982X
156529G	VISSER	VIVIEN ELIZABETH	117101	POLITICAL SCIENCE I	UP	(50)	1	156529G
155547Z	[illegible]	VINCENT CHARLES	104101	PSYCHOLOGY I	ABS		7	155547Z
			102101	AFRIKAANS	F	(28)		
			107101	ENGLISH I (PRE-1980)	F	(44)		
			104101	PSYCHOLOGY I	F	(39)	7	156938B
			102101	AFRIKAANS	UP	(50)	1	157915X
			107101	ENGLISH I (PRE-1980)	3NX			

REGISTRAR (ACADEMIC)

UCT

Vaal dips after mine deaths

DO 29/3/80

214

JOHANNESBURG — Gold shares closed easier in active trading, although select counters firmed on the higher London bullion price, dealers said

Shortly before the close, 26 gold counters were lower and 13 higher Buffels fell 200 cents to 3 000 cents, Harmony 100 to 2 100 after 1 850, P Steyn 100 to 3 525, P Brand 150 to 3 475, and St Helena 125 to 3 725

Vaal Reefs, where 31 miners were killed yesterday, fell 125 to 5700, but production was little affected Despite annual reports yesterday from some Anglo mines, they followed the easier trend

Platinums and coppers eased, and Collieries firmed, dealers said Implats fell 10 to 630, Rusplats 10 to 500, and Lydplats 20 to 300 Messina fell 15 to 410, Palamin 25 to 1575, while Vryheid rose 10c to 300 and Clydsdl five to 715

Antimony counter Cons Murch fell 10 to 950 after 940

In London, the market closed mixed, overshadowed by anxiety over United States silver contract problems, dealers said At 1500 the FT index was down 1,8 at 421,3

Gold shares ended up to $1½ on either side of overnight levels Government bonds showed closing falls ranging to ½ point amid speculation of higher United States prime rates Oils were mixed after early strength while banks also pared opening gains

In Salisbury, the market closed the week's trading on a quiet note in extremely low turnover

The industrial index remained virtually unchanged at 386,88 SPC added 10 cents to trade at 240 whilst small improvements were seen in CIH, Clan Gullivers and Hippo Valey

The mining index closed at 263 95 (263,62) — SAPA-RNS

Mutual funds

JOHANNESBURG — Yesterday's quotations for Unit Trusts (under headings buyers, sellers, yield) were

Old Mutual	310,47	296,32	3,58
NGF	193 72	180,82	3,61
Sage	332,84	308,76	4,66
UAL	327 67	309,22	4,45
Sats	139,80	130,41	4,29
Santrust	307 16	287 00	4,30
Trust	96 32	89,87	4 46
Santam	135 86	126,82	4 27
Syfrets	94,32	88,97	5,45
Guardbank	297 10	297,57	4,26
Standard	205 77	195,47	4,47
Stand inc	103,02	100,49	9,23

— SAPA

JCI gold mines—some optimism about 1980

(214)
Star 1/4/80.

Three annual gold mining reports from the JCI stable are published today

Randfontein's technical advisers say that there are sufficient reserves available on the Bird reefs to maintain the current rate of production from this section for at least four years

Last November the company said grade and tonnage estimates of reserves were considered overstated Following that announcement the share price reacted sharply on the JSE.

Work on the reopening and re-equipping of the number two north shaft was suspended pending detailed investigations into the discrepancies found No single explanation has been found, and investigations are continuing, the report says

During 1979, R7m was spent on improvements to the Cooke plant, and a further R3m is earmarked in 1980, bringing the total cost of this plant to R106m

In today's 1979 annual report of **Western Areas,** the chairman says he is unable to forecast results for the year ahead However if inflation does not accelerate at a totally unpredictable rate, there can be some degree of optimism about 1980

Western Areas' objective of reaching and holding an average production level of 370 000 tons a month has not yet been fully achieved. In considering future dividend distributions, the board will have to take into account the financial restraint associated with the sinking and equipping of two new sub-vertical shafts, the development of a new mine on the uranium-bearing reef, and the construction of a uranium recovery plant.

Elsburg's only source of income is dividends received from Western Areas

214 FM 4/4/80

CHAIRMEN'S REVIEWS

RECORD GOLD PROFITS EARNED BY WESTERN DEEPS AND VAAL REEFS IN 1979

Companies administered by Anglo American Corporation

The following are general comments taken from the annual reviews for 1979 by
Mr H F Oppenheimer, chairman of Elandsrand,
Mr D.A. Etheredge, chairman of Vaal Reefs,
Mr G Langton, chairman of Western Deep Levels, Southvaal Holdings and Afrikander Lease,
Mr N F. Oppenheimer, chairman of S A Land

Gold

On January 2 1979 the gold price, at $225 an ounce, was still recovering from the announcement by the US Treasury two months earlier that it would significantly increase the amount of gold to be auctioned as part of a dollar support programme By February 8 1979 the price had risen to a new record of $254 owing to fears of oil shortages and soaring prices following the Iranian revolution In mid-year, with further rises in the oil price, renewed fears of inflation and widespread political unrest, not only in the Middle East but also in South East Asia and South and Central America, the price of gold regained its upward momentum

Asset protection became the major factor in the rising price of precious metals in general, rather than the weakness of the US dollar as had been the case previously New US legislation recognised the importance of gold in investment portfolios by permitting pension and insurance funds to invest part of their assets in precious metals Reduced Russian sales and continuing strong investment demand with no major reduction in gold fabrication accelerated the upward movement Consequently, at the beginning of October a new record of $437 was set at the same time as the IMF met in Belgrade and studiously ignored the question of gold and its role in international monetary affairs

The storming of the US Embassy in Teheran early in November and widespread growing anti-US sentiment, particularly in the Middle East, boosted speculative demand again and at the end of the year the price closed at $524 The Russian invasion of Afghanistan and further oil price increases thereafter caused a leap of more than $300 to a peak of $850 in only three weeks The price is currently fluctuating between $600 and $700 with support now emerging at prices around $600 If sustained, this could augur well for our industry

There is no doubt that the current high prices are depressing the jewellery trade partly because of consumer resistance but also because of the difficulty of financing working stocks However, because of Intergold's activity the drop in demand is not expected to be as sharp as that which followed the rapid gold price increase in 1974 Krugerrand sales are also being adversely affected and small R1 and R2 coins are being marketed on a trial basis Despite the drop in offtake in fabrication demand, sales of newly-mined gold are being sustained by strong investor demand

The US Treasury sales policy is not at all clear It appears however that unless there is a significant weakening of the dollar in exchange markets, or the US balance of payments worsens, no further sales will take place The current IMF sales programme will come to an end in May and it is not yet known what policy will be adopted with regard to its remaining gold holdings of approximately 3 200 tons

The past year has further entrenched the monetary role of gold in the world economy and even when the political situation is normalised in the Middle East, the price of gold is not expected to drop to last year's average level

VAAL REEFS, WESTERN DEEPS To maintain last year's total working profits from gold and uranium, after allowing for cost escalation, an average gold price of about $356 an ounce is required by Vaal Reefs and about $339 an ounce by Western Deeps

Uranium

Uranium prices showed a further decline in real terms during the year and there was a marked drop in spot market activity towards the end of the year The current

SUMMARY OF OPERATIONS

	Vaal Reefs		Vaal Reefs South Lease Area‡		Western Deep Levels		Elandsrand•	S A Land	
Gold	**1979**	1978	**1979**	1978	**1979**	1978	**1979**	**1979**	1978
Tons milled 000's	**8 183**	7 822	**2 679**	2 595	**3 241**	3 223	**582**	**1 285***	965*
Yield – grams/ton	**8,22**	8,62	**10,29**	9,65	**14,78**	14,17	**5,04**	**1,24**	1,28
Production (kg)	**67 282**	67 438	**27 560**	25 034	**47 890**	45 657	**2 931**	**1 595**	1 236
Cost-Rand/ton milled	**31,88**	28,68	**34,40**	28,66	**37,15**	32,67	**35,49**	**3,17+**	3,33+
Cost-Rand/kg produced	**3 878**	3 327	**3 344**	2 972	**2 514**	2 306	**7 043**	**2 557+**	2 602+
Price received – Rand/kg	**8 183**	5 491	**8 147**	5 559	**8 358**	5 477	**9 270**	**8 099**	5 554
Working profit R000's	**290 870**	146 822	**132 942**	65 111	**280 952**	145 590	**7 151**	**3 072†**	2 077†
Royalty paid	**—**	—	**66 976**	28 233	**—**	—	**—**	**—**	—
Capital expenditure R000's	**103 876**	94 015	**54 992**	58 205	**72 749**	31 068	**69 000**	**426**	—
Tax R000's	**108 678**	37 137	**—**	—	**136 001**	75 492	**—**	**2 137**	1 166
Dividends cents/share	**510**	280	**—**	—	**320**	147,5	**—**	**40**	25
Uranium									
Production (tons)	**1 273**	1 060	**486**	335	**199**	183	**—**	**—**	—
Profit R000's	**61 821**	50 567	**18 674**	11 874	**9 484**	2 341	**—**	**—**	—

‡ Included in Vaal Reefs figures
• First full year of production
* From dumps
\+ Unit production cost (excluding the delivered cost of dump material)
† After taking account of the delivered cost of dump material

surplus has been aggravated by some United States utilities which have decided to reduce their inventories either because their view of the free supply position has resulted in a change in inventory policy or because the high interest rates prevailing at present have made realisation of stock financially attractive

The sale of this material in Europe at relatively low prices has reduced the opportunity for spot sales The present indications are that Vaal Reefs and Western Deeps will not be able to sell their entire available production this year, increased as it will be at Vaal Reefs by the build-up to full production at the new South plant and the additional tonnage from the Afrikander Lease area and at Western Deeps by initial production from the new plant extension Therefore whatever new spot sales are secured in 1980 by Vaal Reefs will only partially absorb production from Afrikander Lease

Furthermore, the predicted oversupply until the mid-1980s is likely to result in a continuing drop in price in real terms This, on the other hand, will undoubtedly cause a delay in the commissioning of some uranium mining projects currently under consideration in other Western countries Nevertheless, our view remains unchanged that uranium and coal offer the only long-term economic solution to the shortfall in the world's energy supply Oil is becoming prohibitively expensive as a source of general purpose energy and consequently the trend towards nuclear and coal based energy is bound to strengthen At this stage however, because of public resistance to nuclear power, there is a definite trend towards planning for coal-fired generating capacity at the expense of possible new nuclear power plants

Labour

With the upturn in the economy, the shortage of skilled workers in South Africa has been aggravated Consequently the Government has been forced to encourage immigration, an action that will permanently remove a good number of skilled jobs from the market which could have been satisfied locally had the training of black apprentices started when the industry was pressing for this change some years ago It is absolutely vital that the recommendations of the Wiehahn and Riekert reports on industrial relations and labour mobility be implemented so that this country should not remain dependent on immigrants to meet its skilled labour requirements in future To achieve this the co-operation of all sectors will be required and particularly that of the trade unions, some of which have already indicated qualified support for the apprenticeship of blacks

VAAL REEFS Mr Etheredge, chairman, comments that the publication of the Wiehahn and Riekert Reports on industrial relations and labour mobility were milestones in labour development in South Africa However, the Government initially adopted a cautious attitude towards the Commissions' recommendations particularly in regard to the admission of black workers to trade unions Fortunately, it has since made important moves in this direction and seems intent on full implementation of all the recommendations, but in terms of an undefined timetable Some matters remain to be considered by the Wiehahn Commission which will be devoting a further report to matters concerning the mining industry in particular Once this has been published and the Government has made its views known, it will be possible to plan for the better utilisation of our human resources and for an improved industrial relations structure Much will depend on the co-operation of the white trade unions, and it is sincerely hoped that they will recognise that it is in everyone's interest, themselves included, that these changes are brought about

Training

The mining industry offers employment opportunities to over 300 000 underground workers and nearly 100 000 surface workers, most of whom have had very little or no formal education The average period of schooling of the black workforce in the industry is only 3,4 years The task of formulating training programmes aimed at improving performance and overall productivity on the mines remains formidable However, success in this field is imperative if the predicted skills shortage is to be minimised

The continuous training of people in itself can and should only be undertaken within a labour structure which enables all individuals to use their accumulated skills to maximum potential Forward developmental planning of the labour force in a new environment where there will be equal opportunities, equal pay for work of equal value, as well as the right to trade unionism, must be approached with some urgency The next decade will see fundamental changes in labour policy which it is hoped will result in the industry being manned by a stable, fully-utilised and well-motivated labour force

Technical research

Research at gold mines administered by Anglo American Corporation is being accelerated to establish satisfactory and practical means of filling mined-out areas with slime residues Different methods of pumping and a variety of additives are being investigated to make the handling of highly viscous pulp possible If these attempts are successful, very large areas of old and current underground excavations can be filled giving a much improved regional support The consequences of this action for the mining industry as a whole could be substantial as it will reduce many of the hazards associated with the mining of large areas at depth It will also lead to more efficient use of ventilation, thereby improving the environmental conditions of current working places The end result could therefore be a substantial improvement in productivity as well as a reduction in underground fatalities and injuries

WESTERN DEEPS Mr Langton, the chairman, says that the major unsolved problem in deep level mining below 3 000 metres is the incidence of rockburst

To a certain extent rockbursts have been limited by longwall mining which minimises the formation of remnants, by good mining geometry and by the use of rapid-yielding hydraulic props Despite these measures however the incidence of rockbursts is still far too frequent and when these occur during the working shift they usually result in injuries and often in the loss of life Besides the human tragedy associated with these events they create an unfavourable image for the mine which in turn results in recruiting problems

Naturally, the majority of bursts occur after the blast when the stope faces are not manned and consequently do not result in casualties However, these bursts normally cause severe damage to the work places which takes time to repair and results in loss of production Furthermore, they have a demotivating effect upon the miner and his team It is estimated that production lost due to bursts in 1979 amounted to 44 000 square metres and as the depth of mining increases the rockburst hazard and losses could become even greater

Recent research has indicated that energy release rates show a linear relationship to the incidence of rockbursts However, the rate of energy release can be effectively reduced either by leaving stabilising pillars or by introducing a suitable fill behind the advancing stope faces

Where stabilisation is provided by a systematic pattern of strike pillars, it has been demonstrated that an 85 per cent extraction rate will result in a 50 per cent reduction in the number of rockbursts This will lead to a more stable mining condition with the potential for improving safety and production performance It is planned to introduce these pillars on the Carbon Leader longwalls below 100 level during 1980 While the effect of leaving barrier pillars will theoretically result in a 15 per cent loss of mineable ore, thus reducing the life of the mine by three years, in practice the ability to mine safely at greater depths could more than offset such pillar loss

At the same time, it is intended to continue experimenting with suitable methods of filling stope workings effectively with crushed waste rock At this stage it must be emphasised that there are numerous technical and practical difficulties involved However, success in this field may well reduce the requirements of in situ pillar support

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The annual reports, which include the chairmen's reviews, may be obtained from Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 2001

Annual General Meetings

The annual general meetings of the members will be held at 44 Main Street, Johannesburg on Thursday, April 24 1980, at the following times

The Afrikander Lease Limited	09h40
Southvaal Holdings Limited	10h25
Vaal Reefs Exploration and Mining Company Limited	10h50
Western Deep Levels Limited	11h25
Elandsrand Gold Mining Company Limited	11h50
The South African Land & Exploration Company Limited	12h15
East Daggafontein Mines Limited	12h40

FM 4/4/80 (p14)

Western Areas Gold Mining Company Limited

(Incorporated in the Republic of South Africa)

A member of the Johannesburg Consolidated Investments Group of Companies

Chairman's Review by P. A. von Wielligh

The annual general meeting of the company will be held in the board room Consolidated Building, corner Fox and Harrison Streets, Johannesburg at 9 15 a m on Monday, 19th May, 1980

I have pleasure in presenting my statement for 1979, a year which was again characterised by dramatic increases in the price of gold As a result turnover increased by some R65 000 000 with a consequential improvement in profits of R47 500 000, compared with the corresponding figures for the previous year

Operations

Mill throughput increased by some 5% from 4 141 000 tons in 1978 to 4 339 000 tons in 1979 The reduction in recovery grade, to 5,3 grams per ton (1978 - 5,6 grams per ton) is in accordance with the company's declared policy of gaining the greatest long-term advantage from increases in the gold price This optimisation of extraction from a multiple reef orebody will result in a considerable extension to the operating life of the mine, provided that the price of gold does not decline significantly below a level of, say U S $400 per ounce in current money terms

Gold production declined marginally to 23 109 kilograms (1978 - 23 184 kilograms) for which an average price of R8 480 per kilogram, equivalent to U S $316 per ounce, was received (1978 - R5 692 per kilogram - U S $204 per ounce)

Working costs rose by some 18% to R119 019 000 from R100 550 000 Contributory factors were the higher milled throughput, an increase of some 13% in labour costs and an unprecedented rise of 32% in the cost of stores The net result was an increase of 13% in unit working costs

The ongoing climate of general inflation, aggravated in 1978 by the imposition of general sales tax, the full impact of which was felt in 1979 has affected many essential items utilised by the mining industry and is a cause for grave concern, particularly in the case of a low grade mine such as that operated by your company A gold price of U S $300 per ounce at 4 grams recovery or U S $250 per ounce at 5 grams recovery is now necessary to break even and it is only the recent sharp increases in the prices realised to a level currently double that realised on average in 1979, which has enabled your company to mine ore that would otherwise not be viable Ore reserves, calculated at an anticipated average price to be realised in 1980 of U S $375, show a substantial increase in tonnage, even though the previously unpay blocks have not been fully developed as yet Sustained gold prices at the current level will result in further significant increases in ore reserves, albeit at lower grade as additional areas and reef bands become viable

Capital Expenditure

Expenditure on essential capital works previously deferred proceeded apace with particular emphasis on the improvement of accommodation for employees At North Shaft development of the Middle Elsburg Reefs continued and the sinking of the 4E sub-vertical shaft commenced At South Shaft access and preparatory development for the sinking of the S V 3 sub-vertical shaft has largely been completed Although net expenditure on mining assets for the year amounted to over R40 000 000 compared with some R14 000 000 in 1978, this marked increase did not materially affect the funds available for distribution to members and will result in considerable future savings It was furthermore considered to be necessary for the maintenance of a tempo of production commensurate with the potential resources of the mine.

Expenditure for 1980 is estimated at some R50 000 000, to be spent mainly on expediting the sinking of the S V 3 and 4E sub-vertical shafts, on the development of the Middle Elsburg mine and the start of construction of the uranium treatment plant.

Development

In the year under review total development increased significantly by some 31%, of which over 10 000 metres was in respect of the Middle Elsburg Reef horizon Although the higher gold prices being realised have made large tonnages of hitherto unpay ore viable these blocks will require development and particular attention will continue to be given to the opening up of the Ventersdorp Contact Reef to the west of the shoreline

Middle Elsburg Exploration

Exploratory drilling from underground continued in order to determine the extent of the reserves of gold and uranium bearing ore Development from the North Shaft, to gain access to the reserves situated above 50 level resulted in two reef raises from 50 to 45 level being holed, with encouraging values being obtained on the E9EC reef Exploitable tonnages exposed by this development have not as yet been included in the computed ore reserves

Uranium Sales Contract

As was announced in the press on 23rd January, 1980 the Nuclear Fuels Corporation of South Africa (Pty) Limited (Nufcor) was able to negotiate a long-term uranium sales contract on behalf of the company An interest-free loan of R30 000 000, to assist in the financing of the construction of treatment facilities and the development of the underground mining infrastructure and reserves, is associated with this contract, with repayments geared to the delivery of uranium oxide concentrates which will commence in 1983

Underground Fires

As a result both of the measures taken to reduce the incidence of underground fires and the implementation of improved fire detection procedures, losses due to fires were of minimal consequence in 1979

Nevertheless, the relatively high exposure of the underground operations to fire is still receiving attention and the installation and commissioning of early warning detection devices is continuing The programme of dividing the mine into separate fire zones was completed during the year

Housing

Accommodation facilities, both for single and married employees, were greatly improved during the year with the completion of additional houses, and more houses are in the process of construction The new primary school at Thabong village is fully utilised

Policy and Objectives

One of the prime objectives set by your board has been the attainment and maintenance of an average production level of 370 000 tons per month Although this has not yet been fully achieved, for a variety of reasons, the management and staff at the mine must be congratulated on their efforts which again resulted in an increase in the average throughput, from 345 000 tons per month in 1978 to 362 000 tons per month in 1979

It is intended that the mine will increase the development and stoping rates at times when the availability of underground labour is surplus to requirements, in order to cater for periods of lower production Although this policy may result in increased working costs and working capital requirements, a reserve stockpile of broken ore on surface is regarded as being a highly desirable form of insuring mill throughput, while the provision of additional working areas underground will enable management to plan production with a greater measure of flexibility

In considering future dividend distributions your board will have to take into account the financial constraints imposed by the capital expenditure entailed in sinking and equipping two new sub-vertical shafts, the development of a new mine on the uranium-bearing Middle Elsburg Reef horizon and the construction of a uranium recovery plant.

The marked increase in the gold revenue currently being received by the mine should, if maintained, enable your company to meet these long-term objectives However, having regard to the many uncertainties prevailing in the world around us and, in addition, to the ongoing investigation with a view to optimising the mine's production capability and grade, I am unable at this stage to forecast results for the year ahead Nevertheless, in the light of the current level of the gold price and provided that inflation does not accelerate at a totally unpredictable rate, I feel that we can look forward to 1980 with some degree of optimism

Dividends

The total declaration in 1979 amounted to 47 cents per unit of stock (1978 – 20 cents) This increase in dividends was possible notwithstanding the accelerated capital expenditure programme and the retention of profits considered necessary to provide for the development of the mine

Safety

The past year has been one of steady progress towards achieving a high awareness of safety throughout the mine and on behalf of your board, I wish to congratulate the management and staff on their efforts These endeavours resulted in the attainment of one million fatality-free shifts in February of this year Furthermore, your mine, together with another South African gold mine, became the first in the world to be awarded five gold stars in terms of the International Mine Safety Rating Scheme

Acknowledgements

In conclusion, I wish to express appreciation of the excellent services rendered by the general manager, Mr J Coetsee, the mine staff, the technical advisers and the technical and secretarial staffs at head office

Johannesburg
17th March, 1980

Elsburg Gold Mining Company Limited

(Incorporated in the Republic of South Africa)

The annual general meeting of the company will be held in the board room, Consolidated Building corner Fox and Harrison Streets Johannesburg, at 10 00 a m , on Monday, 19th May 1980

The Board of Directors of the abovementioned Company draws attention to the Review by the Chairman of Western Areas Gold Mining Company Limited the text of which is published above

Genmin bid to ease the diesel problem

C.T. 9/4/80 (214) (232)

By ADAM PAYNE

JOHANNESBURG. — In the recent merger of General Mining and Union Corporation, one aspect of enormous importance that was virtually ignored — because no projected earnings were possible — was the exploitation of Genmin's Springbok Flats coalfield for oil and chemicals

I am told that when this project comes to fruition the accent will be on providing a product suitable for diesel production and the project would thus be a powerful weapon in reducing the shortage of diesel fuel which threatens to become a serious problem from 1983

Already South Africa is a net exporter of petrol from time to time because more petrol than needed is refined to obtain the much-needed diesel fuel Two important milestones lie ahead in Genmin's drive to launch its coal liquefication project

- Before the year ends, Genmin will know if its coal performs well in coal liquefication demonstration pilot plants overseas, which produce a few tons a day
- Also, during the year the process developers overseas, who have spent probably up to R1 000-million on research and development, will get the first results from their experiments in scaling-up the size of their pilot plants to commercial-size plants

It is obvious that this project will have national strategic implications, and that normal commercial considerations will not be the only criteria in launching it It would be most surprising if Genmin were not already in close consultation with the government

One can expect that the final decision will be an amalgam of strategic and commercial considerations, which might easily involve government financial involvement

Genmin is not aiming to build another Sasol The Sasol process, which involves synthesis of gases, produces the lighter, or white spirits, petrols, with very little of the heavier fuels

Methanols also supply the top fraction of the barrel,

The combination of these two could well lead to a situation where South Africa has to import excessive quantities of crude oil and re-export both the top of the barrel fractions — petrol, and the bottom of the barrel — bunker and heavy fuel oils — to get the required volume of diesel in the middle of the barrel

This is the case for the production of synthetic crudes instead of simply multiplying Sasols

The direct method of coal conversion, with which General Mining's experiments are concerned, broadly involves the crushing of coal and the combination of this with a heavy oil base to form a slurry The hydrogen-deficient coal paste is then gradually broken down to molecular level by very high temperaures (between 400 and 600 degrees C) in a hydrogen-rich "soup" suitable for normal fractionating and refining

I am told that the direct liquefaction processes have worked fairly well in small-scale demonstration plants producing up to a few tons a day

The remaining problems to be resolved lie in the field of engineering scale-up from a few tons a day to hundreds or even thousands of tons a day

This is not simply a matter of making things bigger — the engineering is extremely complex Various overseas comanies and governments have spent sums approximating R1 000-million in total on research and development into these and related processes

To do this is clearly beyond the scope of South Africa's resources, so Genmin will be seeking to license technology once it is proved The first scaled-up plants are due to start test running overseas this year

Genmin coals have been encouraging in laboratory tests and the company has announced that sufficient coal is being sent overseas for fairly long runs in the demonstration plants which produce a few tons a day

Assuming that Genmin is told this year that (1) its coal is suitable for liquefaction in a demonstration plant and (2) that scaling-up experiments by the developers have ben successful, the next logical step would be for Genmin coal to be tested on a large scale in the scaled-up plants

If this is successful then, subject to financial viability, the project would be ready to go If eveything goes right, one could guess this stage being as late 1981

Should further rsearch work be needed at any step the project will obviously move backwards in time

Given the world liquid fuel position, it should be more a question of "when" rather than of "if" the project gets under way

The size of the undertaking is speculative at this stage I am told that even Genmin cannot evisage any particular size

The diesel shortage is so serious that the equivalent of a Sasol 4 could be justified costing between R3 000-million and R4 000-million

On the other hand, it might be prudent with a complex new process to start with the first unit of a modular scheme and build up later A great deal will depend on oil politics and economics

Genmin at its press conference reporting on the Springbok Flats coalfield disclosed that in partnership with Trans-Natal Coal Corporation it has already invested R13 200 000 on the project, building up a picture of the reserves in the area and researching the alternative ways of exploiting them

Briefly, the reserves fall into four fairly distinct zones an area of blend coking coal, areas of medium quality steam coal showing significant concentrations of uranium, extensive areas of medium low-grade steam coal and, lastly, smaller areas of poor-quality coal

Of great interest is the fact that certain of these coals are more reactive to chemical processing than coals in established fields

The company's plan for exploiting the coalfield falls into three separate operations

1 The coal mining phase which will involve general mining (45%) in partnership with Trans-Natal (55%) in the benfication and production of a washed product

2 The exloitation of the carbonaceous content of this coal which has Sentrachem holding a 49% participation with General Mining and Trans-Natal each having a 25,5% share

3 The metallurgical project which processes the uraniferous ash produced by the carbonaceous operation In this case particpation is split evenly between General Mining and Trans-Natal Only part of the coalfield contains the higher concentration of uranium

As to the oil situation generally, even after allowing for various economic and conservation measures, the minimum growth rates for petrol and diesel needs are now estimaed at 2% and 5% annually respectively

Satisfying the country's diesel needs is already a problem and one which is likely to be exaggerated once Sasol 1,2 and 3 are all on steam

If the traditional refineries set their imports of oil at a level which, with Sasol, will satisfy South Africa's total liquid fuel needs, then given the limitation of the breakdown of crude oil by South African refineries, there will be a considerable over-supply of petrol and a critical shortage of diesel from 1983

The government's awareness of this problem can be seen in the additional incentives which are being offered to domestic synthethic fuel processes which specifically favour the production of diesel The gap has to be filled

Gold Fields group lifts profits 54 pc

214

Argus 9/4/80.

PROFIT increases ranging from 44 to 89 percent in the March quarter are reported by eight mines in the Gold Fields group today.

An average of 634 dollars an ounce was received after 400 dollars in the December quarter, which boosted group profits by 54 percent to R527-million before tax

Tax plus State's share of profits jumped to R321-million from R200-million

Taxed profits of R206-million were up 44 percent in the quarter and 89 percent above the R109-million earned six months earlier.

Star performer was **West Driefontein** with profits of R177-million before tax, up 49 percent Net profit was 44 percent higher at R64-million.

East Driefontein raised its pretax profit 44 percent to R154-million and net profit 26 percent to R61-million Yield fell sharply to 15,7 from 18,6 grams

Kloof's profit of R105-million was 56 percent higher before tax and the net figure was up 48 percent to R41-million. Yield dropped to 14,5 from 15 grams and the mine was hit by a high labour turnover

Libanon's profit jumped 75 percent to R33-million before tax, with net profit of R15-million up by 64 percent. Yield was 6,9 grams against 7,1.

Doornfontein boosted its working profit by 77 percent to R34-million before tax and net profit by 53 percent to R12,5-million Yield was unchanged at 8,4 grams.

A new shaft is being considered at **Venterspost,** but no decision has been taken. Profit soared by 89 percent to R15,7-million, with net profit up 70 percent to R6,8-million. Yield was lower at 4,9 (5,1) grams.

The new **Deelkraal** mine had a total profit of R2,8-million while **Vlakfontein,** producing 1,1 grams a ton from surface dumps, raised its taxed profit 63 percent to R1-million.

Tom Hood

C.T. 9/4/80

(21A)

GFSA gold profits soar 44pc to R206m

JOHANNESBURG. — Profits from gold mines in the Gold Fields of South Africa Group were yesterday described as "abnormally high" by deputy chairman of the group, Mr R A Plumbridge — so probably setting the tone for quarterly reports shortly to come from other gold mining companies.

Averaging 634 dollars per ounce for the March quarter, compared with only 400 dollars in the previous quarter, it is little wonder that gold mines in the group increased their profits by 44 percent — from R143-million to R206-million.

This follows the previous quarter's jump from R109-million to R143-million which means that in six months profits nearly doubled.

Grade declined overall by 1,4g/t — from 12,9 to 11,5g/t — and the effect of this decline was offset to some extent by a higher total tonnage milled — 3 225 000 tons, 3,5 percent higher than the 3 117 000 tons milled in the December quarter.

Working costs per ton milled, at R33,23, were 5,6 percent, or R1,75 higher than in the previous quarter, and R3,80, or 12,9 percent, higher than in the quarter ended March last year.

Total profit from gold mining operations was R513-million compared with R332-million in the previous quarter — an increase of 54,5 percent. After taking account of net sundry revenue and profits on the sales of uranium, sulphuric acid and pyrite, total group profit was R527-million, an increase of 53,6 percent on the previous quarter's R343-million.

Tax plus State's share of profits increased by 60,5 percent from R200-million to R321-million. This was 184 percent more than the figure of R113-million for the quarter ended March, 1979.

Comments from Mr Plumbridge, where applicable, plus a summary of the performance of the major mines during the last quarter, with figures for the previous quarter in brackets, are:

WEST DRIEFONTEIN: Ore milled 675 000 tons (same), gold produced 11 812,5 kg (12 711,4), yield 17,5g/t (18,8), cost per ton milled R35,03 (R32,91), profit before taxation and State share of profits R177 674 000 (R119 157 000), net profit R64 375 000 (R44 740 000). "A lot of low-grade ore which is now payable."

LIBANON: Ore milled 420 000 (same), gold produced 2 883,0 kg (2 999,6), yield 6,9g/t (7,1), cost per ton milled R30,35 (R30,31), profit before taxation and State's share of profits R33 523 000 (R19 148 000), net profit R15 441 000 (R9 431 000).

EAST DRIEFONTEIN: Ore milled 630 000 tons (same), gold produced 9 922,2 kg (11 6972,2), yield 15,7g/t (18,6), cost per ton milled R32,63 (R31,42), profit before taxation and State share of profit R154 636 000 (R109 335 000), net profit R61 189 000 (R48 506 000). "Big yield drop and cost increase."

KLOOF: Ore milled 520 000 tons (530 000), gold produced 7 533,6 kg (7 975,7), yield 14,5g/t (15,0), cost per ton milled R37,59 (R35,52), profit before taxation and State share of profit R105 538 000 (R66 898 000), net profit R41 469 000 (R27 890 000). "A high labour turnover."

DOORNFONTEIN: Ore milled 360 000 tons (same), gold produced 3 024,0 kg (same), yield 8,4g/t (same), cost per ton milled R37,52 (R36,10), profit before taxation and State's share of profit R34 023 000 (R19 189 000), net profit R12 588 000 (R8 234 000). Mr Plumbridge said lease area negotiations, now going on for about 18 months, were continuing.

VENTERSPOST: Ore milled 320 000 tons (322 000), gold produced 1 571,1 kg (1 657,2), yield 4,9g/t (5,1), cost per ton milled R34,53 (R32,73), profit before taxation R15 703 000 (R8 298 000), net profit R6 815 000 (R4 011 000). A new shaft at this mine was being considered, but no decision had yet been taken. — Sapa

FM 11/4/80

fox

GOLD QUARTERLIES

Taking the long view

Perhaps more than anything else, gold's peregrinations this year have been exaggerated by the short-term trading of US futures operators. The squeeze on short positions as the old year ended put an after-burner under the zoom to a record $850 on January 21. While the squeeze on long positions, helped by the collapse of the Hunts' attempted silver corner, accelerated the subsequent crash to a one-time low of $460 during the latter part of March.

The lessons learned during the past four months should, many believe, have led to less volatility in futures markets. But futures traders have short memories and with the boot now on the other foot, the long positions are feeling the pinch.

There are other factors of course. Iran has taken a turn for the worse. The Ayatollah, in refusing to take the hostages into government custody has admitted his powerlessness to control radical groups within his country. And President Carter's threat of total sanctions against Iran and seizure of Iranian assets in the US has almost certainly further weakened moderate factions in Iran.

What it means is increased nervousness and a move back into the anonymity of gold by Middle Eastern investors.

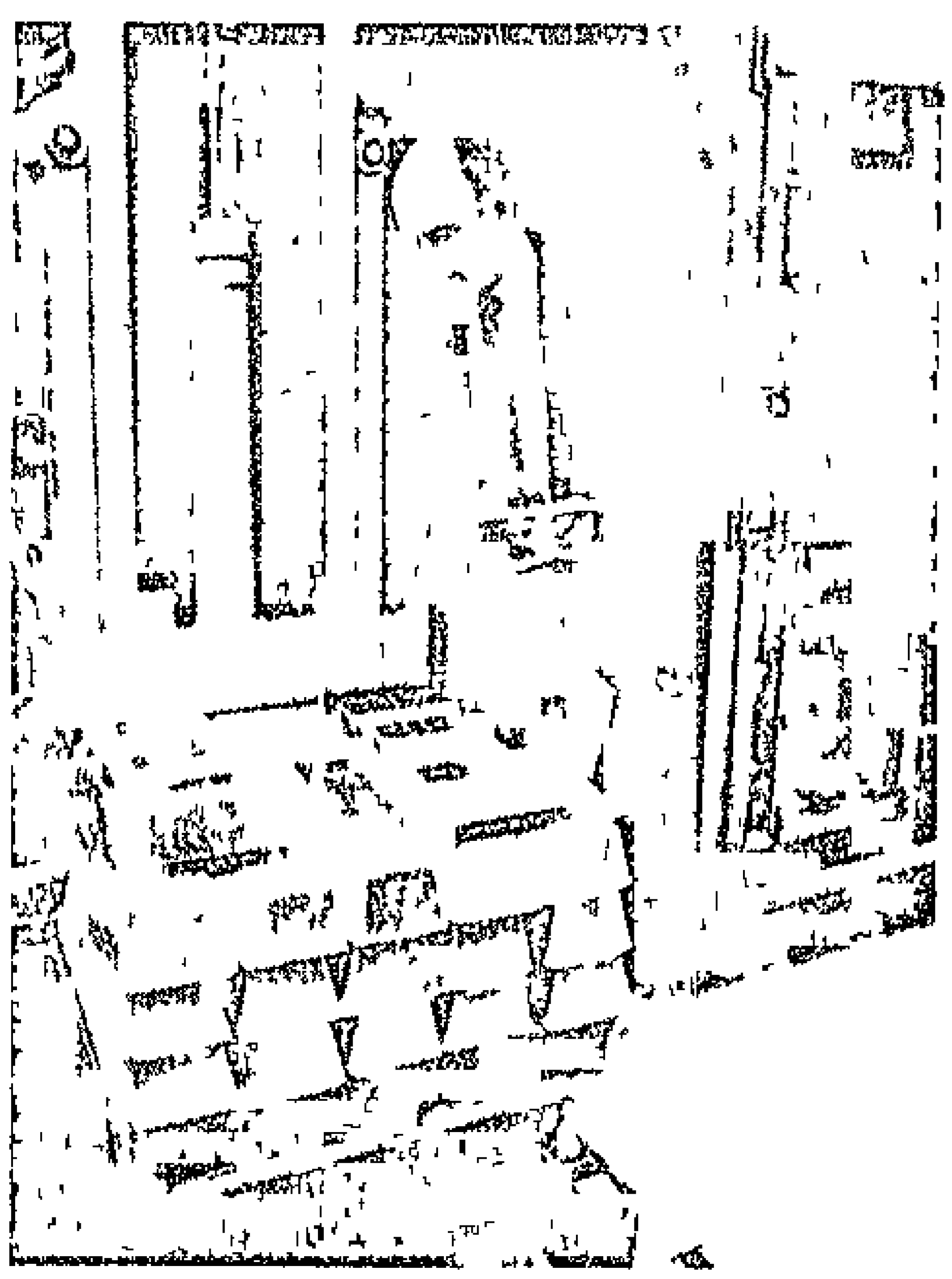
At least for a short while during the past few weeks it seemed that markets were starting to believe the latest round of US anti-inflation measures would work. That was reflected in the dollar's relative strength against other major currencies. But it was, to an extent, a misleading strength. Interest rates are rising fast outside the US, as central banks seek to support their own national currencies, while it is clear that the US has to introduce more substantive measures to control domestic inflation.

With Ronald Reagan breathing down his neck in the run-up to November's presidential election President Carter is finding it increasingly difficult to generate the true credit crunch needed to cool the US' over-heated economy. And that despite prime rates of 20% and more, which are threatening the existence of many US corporations.

So, at least temporarily, US futures markets have taken the view that gold's reaction has been overdone. The hair-trigger reaction to price strengthening since the Easter break has resulted in the rapid closure of potentially loss-making short positions. That is prompting physical buyers to buy now before prices move higher, which in its turn is leading to a re-opening of long positions. As usual, the movement is self-feeding.

This time around, however, movements may not be as exaggerated as they were three months ago. Current US interest rates mean that maintaining futures positions is expensive, with less people prepared to take a speculative risk in addition to losing the opportunity cost of money.

On that basis, unless there is a violent political upheaval in one of the world's sensitive trouble spots, gold may well remain in the mid-$500s for the next few months. And that will mean lower gold mine earnings than in the March quarter when the London afternoon fix averaged $632. In the December quarter mine receipts averaged $307.



Weighing the chances of a bullion advance

If you accept that view, gold shares should be a quiet market for the next few months, with sound buying opportunities on bullion set-backs. And as March quarter earnings from the GFSA mines show, near-term dividend potential is better than good.

Deelkraal: The mine's preliminary 3,4g/t recovery grade is hardly likely to set the market alight. And it adds fuel to the arguments of analysts who fear the mine is unlikely to meet earlier expectations. Development sampling has yet to disclose anything but marginal ore grades, though it should be borne in mind that the shaft was purposefully sunk in a low-grade area. Drilling indicated VCR reserves of 45 Mt which were expected to yield an average recovery of 10,4g/t. What shareholders now want is an early indication that the mine will live up to its promise.

That will have to wait until mining reaches the deeper lower-grade areas of the mine. So for the next few quarters recovery grades could well remain uninspiring. If investors lose interest in line with low recovery grades the shares could present some good near-term buying opportunities especially during periods of gold price weakness. But until recoveries start improving the share remains relatively speculative.

Libanon: Capex should increase fairly significantly in the near future with total spending of some R200m likely over the next five years. That is equivalent to some eighteen months' pre-tax earnings at the March quarter's rate. So if gold stagnates, the impact on distributions is obvious.

On the other hand, operations at Libanon are reasonably flexible, recovery grades can be adjusted fairly easily and costs are well under control. But if gold holds steady recovery grade could fall to around 6g/t over the next year.

With relatively high capex in prospect and lower grades, earnings will be increasingly sensitive to gold price movements. R19,4m (244,4c a share) has been retained from the first three quarters' operations. And though management will be cautious on distributions ahead of the coming capex upsurge, a final of over 100c should be possible after the 50c interim.

Venterspost: Management now appears to be sufficiently confident of the gold price to contemplate sinking an additional shaft to serve the southern part of the mine. Cost is likely to be in the region of R50m, and on completion, the shaft should lead to better and more flexible working conditions.

Meantime, however, unit costs will remain relatively high — they rose 5,5% to R34,53/t in the March quarter — as operations are re-established in old and previously un-pay working areas. While gold maintains its current levels, an extension of operations into the Middelvlei area is not out of court. But it is fairly clear that any shaft sinking needed for such a move will be deferred until completion of the southern developments. Nor, with previously un-pay ore within the lease area now economically viable, is there necessarily any hurry to extend operations into Middelvlei.

Depending on how much management feels will need to be retained for the upcoming shaft sinking, a final of up to 200c could be in prospect following the 65c

(214) FM 11/4/80

X2

interim Eventually recovery grades will probably fall to the 4,0g/t-4 5g/t region

East Drie Though chairman Robin Plumbridge indicated that grades were set to fall this year, few analysts were prepared for the March quarter's fall to 15 6g/t And it seems that there is more to come

Provided gold does not collapse this year should see increased emphasis on mining lower grade Carbon Leader reef and VCR The speed of the decline and its depth will, of course, be determined by just how much of the lower grade reefs is payable As well, much depends on how convenient it is to open up low-grade areas But if the mine decides to accelerate development of the lower grade areas while bullion remains strong, unit costs could accelerate beyond last quarter's 3,9% rise

At current gold prices, East Drie could be reaching the position where all its ore is payable, which effectively puts a limit on grade cutting But over the next couple of years it need come as no surprise if average recoveries are cut to somewhere in the region of 12g/t

Doornfontein Though management is no doubt pleased with the abolition of the 10% loan levy — which is partial compensation for the failure to negotiate a more favourable tax formula for the whole mine — the full impact will be negated by the heavy capex programme in sight for the next couple of years

Heading south

As things stand, capex on establishing operations in ground to be acquired from GFSA south of the present mine boundary should start during the second half of the current calendar year Outstanding authorised capex stood at R71,1m at end-March, pointing to a significant restraint on distributions — particularly if gold decides to fall into the lower $400's

Once exploitation of the new southern area is under way, the next move could be into ground beyond the mine's western boundary But that will probably depend on Main reef ore grades proved within the existing lease area On a quarter-by-quarter basis, Main reef sampling results have been variable So any operations on that reef horizon could well involve selective mining

Provided gold averages $500 during the current quarter, a final dividend of 60c could be paid following the unchanged 20c interim, and that despite retentions ahead of the up-coming capex advance.

West Drie During the first three quarters of the current year, the mine has retained almost R95m — equivalent to 673c a share And though a certain amount of capex will be needed as operations build up on the lower-grade Carbon Leader and Main reefs, it is difficult to foresee this being anywhere near the mine's present cash holdings

Grade is clearly set to decline over the next couple of years But again it would be an illogical step if retentions were being made to even out the future flow of dividends What it boils down to is that a major capex programme is on the cards And prime favourite, as always, is establishment of operations in ground to the north of East Drie

At this stage, and unless management has capex plans which have yet to be announced to shareholders a final dividend of at least 1 000c is well within reach

Kloot. If the mine's R20m capex target is to be met during the current year, R9 1m remains to be spent during the current quarter But that is hardly significant in relation to likely taxed profit Over the next couple of years the bulk of capex could be almost covered by loan levy savings

With completion of much of the work to establish new longwall working faces, mining operations are highly flexible There should be no near-term shocks as far as recovery grades are concerned and little immediate pressure to establish significant stoping operations on the lower grade Kloot reef of the lower Elsburg series What it means is that though there is some scope for a further overall grade reduction below the March quarter's 14 5g/t, any fall will not be significant

The mine is now a steady dividend payer and unhampered by likely capex requirements 181c have been retained from the first three quarter's operations pointing to a possible 300c final following the 80c interim

Vlakfontein A further 10c capital repayment is to be made in August Re-treatment of old dumps is proceeding according to plan In addition to the proposed capital repayment an interim dividend of 15c could be within reach

Tim Jones

RAPPORT 13/4/80 (214)

Goudvelde sit op hope kontant

Dividende kan heelwat hoër

DIE pragresultate van die goudmyne en Goudvelde van Suid-Afrika, wat vandeesweek in hul kwartaalverslae aangekondig is, sal waarskynlik later die week deur die ander goudmyne herhaal word — al is hulle nou nie van die land se rykstes soos Wes-Drie en Oos-Drie nie.

Teen die gemiddelde goudprys van 630 dollar wat vir die kwartaal tot Maart ontvang is, het die myne se winsgewendheid byna verspot geraak. Wes-Drie se bedryfskoste was byvoorbeeld slegs 12 persent van sy inkomste, maar die staat se deel in die vorm van belasting, selfs ná die afskaffing van die 10 persent leningsheffing, was 'n yslike 64 persent.

Presies hoe gunstig die styging in die goudprys die afgelope nege maande die wins van die goudmyne beïnvloed het, word in tabel 1 aangetoon.

Tabel 1

	Kwartale Sept 1979	Des 1979	Mrt 1980
Goudprys ontvang in dollar	320	400	630
Wes-Driefontein	213c	259	433c
Libanon	59c	74c	143c
Oos-Driefontein	50c	65c	106c
Kloof	52c	69c	123c
Venterspos	36c	70c	129c
Doornfontein	40c	59c	116c

Ons werk hier met die sogenaamde verdeelbare inkomste per aandeel. Dit is die wins per aandeel ná belasting en kapitale uitgawes vir die toekomstige groei van die myne, en is normaalweg die bedrag wat beskikbaar is om as dividende uitbetaal te word.

Die tabel vertoon veral aan hoe die ietwat armer myne soos Venterspos en Doornfontein groot voordeel trek uit die hoër goudprys. Maar nou dat sake effens strammer gaan, moet beleggers ook onthou dat dit hul verdienste is wat die meeste geraak kan word.

Die onlangse Begroting het ook nog 'n verdere interessante verwikkeling vir die klompie goudmyne tot gevolg gehad. Met die uitsondering van Oos-Drie en Vlakfontein het hulle almal hul jaareindes in Junie. Daarbenewens het die Minister van Finansies die 10 persent leningsheffing afgeskaf.

Al hierdie myne het egter vir die ses maande wat Desember 1979 geëindig het, nog op hul boeke voorsiening gemaak vir die betaling van die leningsheffing. Nou is dit nie meer nodig nie en kan dié bedrae teruggeskryf word. Dit het natuurlik deels veroorsaak dat die verdienstes in die Maart-kwartaal hoër was as wat anders die geval sou wees.

Die meeste van bostaande myne betaal in Junie vanjaar finale dividende, nadat hulle in Desember verlede jaar maar taamlik suinig was met hul tussentydse dividende.

Hierdie Desember sal dit nie weer nodig wees om te besuinig nie. Die volgende tabel toon hoeveel sent per aandeel elk van die myne beskikbaar sal hê vir 'n finale dividend Tabel 2 se eerste kolom toon die verdienste per aandeel vir die nege maande tot 31 Maart 1980, die tweede kolom die beraamde verdienste vir die Junie kwartaal teen 'n gemiddelde goudprys van 475 dollar per ons, die tussentydse dividend wat reeds verklaar is, word in die derde kolom afgetrek, en dit laat, wat beskikbaar is vir 'n dividend in Junie vanjaar, in die vierde kolom.

Tabel 2

Myn	Reeds verdien	Junie skatting	Des 1979 dividend	Beskikbaar vir Junie 1980 dividend
Wes-Drie	905c	375c	300c	[illegible]
Libanon	276c	100c	50c	[illegible]
Kloof	244c	100c	80c	[illegible]
Venterspos	235c	90c	65c	260c
Doornfontein	215c	80c	20c	275c

Ongelukkig gaan die myne nie alles wat nou beskikbaar is as 'n dividend uitverklaar nie. Die jongste skerp skommelinge in die goudprys het getoon dat dit goeie beleid is om so 'n ietsie terug te hou. Dit sal verseker dat die dividende in die toekoms nie te veel daal as daar dalk 'n verdere skerp daling in die goudprys is nie.

Ander myne het reeds weer groot uitbreidingsprogramme aangekondig en dit is verstandig om meer terug te ploeg Libanon is besig met groot nuwe uitbreidings wat R118 miljoen — byna die koste van 'n nuwe myn — oor die volgende vyf jaar sal bedra.

Doornfontein het ook nou 'n nuwe huurgedeelte bygekry en sy uiters konserwatiewe tussentydse dividend van slegs 20c ná 'n verdienste van 99c per aandeel vir die eerste ses maande van sy boekjaar, toon alreeds duidelik hoeveel teruggeploeg gaan word

Maar ten spyte hiervan gaan die Junie-dividende van hierdie groepie myne baie vet wees. Tabel 3 toon ons ramings van die Junie-dividende teenoor wat werklik in Desember verklaar is en die totaal vir die jaar wat behaal sal word teen 'n gemiddelde goudprys van ongeveer 460 dollar indien die goudprys 'n gemiddeld van 475 dollar handhaaf in die Junie-kwartaal.

Tabel 3

Myn	Des 1979	Junie 1980	Totaal	Opbrengs
Wes-Drie	300c	900c	1200c	[illegible]
Libanon	50c	200c	250c	[illegible]
Kloof	80c	250c	330c	[illegible]
Venterspos	65c	150c	215c	[illegible]
Doornfontein	20c	150c	170c	[illegible]

Oos-Driefontein kan 'n tussentydse dividend van 125c per aandeel in Junie verklaa

RDM 16/4/80

Artisan lack hits growth

By HAROLD FRIDJHON

INCREASED economic growth is being inhibited by the thorny problems relating to the training and use of technical personnel, says Dr Wim de Villiers in his chairman's review of General Mining for the year to December 1979

He says that while the population of South Africa increased by 22% in 1970-1978, and the gross domestic product rose by 31%, the increase in the number of artisans and apprentices was only 5%

A further problem lies in the imbalance between the training content of apprenticeships and the job requirements for qualified artisans This causes dissatisfaction among both employers and employees with the presewnt apprenticeship system

Apart from the fact that the artisan job content does not meet the demands of the workplace situation, the present system makes little distinction between the more advanced specialised trades and more general artisanship

Dr De Villiers says that industry requires a system which differentiates between at least three categories of artisans — general artisans, combined trade jobs (such as general maintenance artisans) and specialist artisans

If such a system could be put into practice, the demand for artisans would be reduced by as much as 40% while the demand for trained aides and assistants would increase by 18% And, says Dr De Villiers, this should lead to the better use of the limited number of trained artisans in the economy

Reviewing the progress of the General Mining group last year, Dr De Villiers says that the turnover of the group amounted to R3 202-million Group income before tax rose from R152-million to R218-million with earnings a share 56% higher at 235c and with dividends 67% up at 100c a share Net asset value was 2 428c a share compared with 1 367c in 1978

Dr De Villiers reports that a satisfactory growth rate has been maintained since 1971 Earnings a share have grown from 39c in 1972 to 235c last year, a compounded growth rate of 29,3% a year

Dividends are up from 18c to 100c — a growth rate of 27,8% a year — and the net asset value a share rose at a compounded rate of 23,6% a year from 550c to 2 428c

214

RDM 16/4/80

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ oz	Revenue $ oz
HARTIES	717	11,2	44,73	152	659
December	718	11,2	42,39	142	421
ET CONS	83	6,2	26,57	163	674
December	89	6,3	24,54	147	436
LORAINE	413	3,1	34,79	427	629
December	383	3,6	36,01	377	453

Harties profit 50% higher

By HAROLD FRIDJHON

THE HIGH gold price in the quarter ended March resulted in all three of the Anglovaal mines earning record profits. Hartebeestfontein's figure was more than 50% higher at R45 800 000, the ET Con profit rose by 67% and at Loraine profit increased nearly 2½ times

Hartebeestfontein's gold production was marginally lower as mill throughput eased fractionally and grade was unchanged. The big leap in working profit from gold — R60-million to R107-million — was slightly diminished by a fall in uranium profit from R10 100 000 to R3 400 000

With the greatly enhanced overall profit tax rose from R42 600 000 to R69 900 000, which in percentage terms was an increase from 58% to 60%

Costs a ton milled were up by 5,5% from R42,39 to R44,73 A fraction of the increase is accounted for by the easing of the milling rate, but it is believed that the mine was carrying an excess of labour on its books

Capital expenditure was maintained at R4 600 000, which is roughly the average of the past three quarters

Development values were average

Loraine: Production through the mill rose sharply as the programme to use the plant's full capacity by treating surface dumps, in addition to ore from underground was implemented

Because of a fire in the No 3 shaft area — for which an insurance claim has been made — extra ore was drawn from the dumps bringing the total milled up to 413 000 tons, an increase of 30 000 tons. This sharply reduced costs a ton milled which came down from R36,01 to R34,79

Bottom line profit went up from R2 800 000 to just under R7-million Capex was R500 000 higher at R1 500 000

Average development results were down because of poorer values from the B reef which is very variable

E T Cons: A lesser tonnage drawn from the slimes dam for re-treatment caused the mill throughput to fall The yield, too, was fractionally lower But working costs were higher largely because of the reduced tonnage The higher tax paid was proportional to the increased profit, the rate was about 53%

Prieska Copper Mines: The failure of a rod mill motor caused ore milled to drop from 781 000 tons to 709 000 tons with a consequent reduction in the production of both copper and zinc concentrates But the dispatch of copper concentrates was almost 50% higher at 30 450 tons Zinc concentrates shipped, however, were slightly lower

These sales, combined with the receipt of agterskots on earlier shipments and the higher prices received, from gold and silver, sent operating profit up to R8 100 000 from R3 200 000 in the December quarter

Capital expenditure at R1 941 000 was roughly the same as in the previous quarter

BUSINESS MAIL

ERPM soars to pre-tax R29m

(2145)

RDM 11/4/80

By ADAM PAYNE

BOOSTED by the high gold price received of $273 an oz, ERPM more than quadrupled its pre-tax profit from R6 800 000 in the December quarter to R29-million in the March quarter

This performance by an old mine with low capitalisation and high gearing was the outstanding feature of the Rand Mines quarterly reports

ERPM's earnings a share rose to 208c from 126c after allowing for capital spending and in the previous quarter the payment of loan levy

The mine has paid its State loan and at this rate of earnings will soon more than pay back in tax the State aid it received over the years and which kept it from closure

The mine reported a rise in grade which is against the normal trend in the quarterlies as grade has been dropped where possible in line with the high gold price

Unit costs rose 6% at this mine in the quarter and 5,7% on average in the group This rise is high and is causing anxiety because it does not include the new wage rates which will come into effect soon for white workers and later for black mineworkers

It includes higher wages for returning skilled black mine workers and includes the cost of stores and increased insurance costs

ERPM's capital spending rose from R1 500 000 to R2 100 000 Estimated total capital spending for the remainder of this year is R15-million which will not be an excessive burden in earnings a share if the gold price remains high

With costs an oz at $302, ERPM is well placed to continue profitable operations with the gold price anywhere above $350 an oz

Harmony: Rand Mines big Free State gold and uranium producer reported a slight drop in tonnage milled and grade and revenue from uranium was down from R10 million to R4 400 000 The uranium fall is of no significance and was due to irregular deliveries Aggregate uranium profits for the year should be maintained

The fall in tonnage milled at this mine and Blyvoor is ascribable to the dislocation of the yearend holidays which fell into this quarter and not into the December quarter

Harmony's drop in tonnage was more than offset by the higher gold price which resulted in pre tax profits jumping from R49-million to R82-million

Tax took R44 900 000 compared with R23-million in the previous quarter, leaving net profit up 42% at R37 400 000

With a drop in yield gold production was lower Unit costs rose only 3% to R29,53 a ton — the lowest cost increase reported by the four group mines

On the uranium side, the mine treated a virtually unchanged 1 200 000 tons of pulp, from which slightly lower production emerged because of a lower grade

Capital spending dropped slightly from R8 100 000 to R6 300 000 The estimated total capital spending for the remainder of the current year to June 30 is R7 000 000 of which R2 400 000 will go to the new uranium plant

Blyvooruitzicht: Tonnage milled dropped from 496 000 to 482 000 because of the holidays This coupled with a fall in grade from 9,50 g/t to 9,05 g/t resulted in lower gold production

The drop in grade at this mine which practises long walling was not planned, but the management expects the grade to return to former levels

Costs rose 10% from R35 78 a ton to R39,35 a ton not only because of the lower tonnage but because of the increasing general costs

Uranium profit rose from R1-million to R5 600 000

Taxed profits totalled R64-million (R37-million) and net profit was R26 500 000 against R16 700 000

Capital spending was virtually unchanged at R3 500 000 Total capital spending for the remainder of the current year to June in R4 100 000

Durban Roodepoort Deep

Tonnage milled was disappointing at 484 000 against 516 000 Grade was slightly lower and the two factors resulted in a fall in gold production

Because of the high gold price, working profit from gold more than doubled to R13 100 000

Influenced by the lower tonnage, unit costs rose 8% to R30,85 a ton There was a phenomenal rise in tax from R722 000 to R6 900 000, leaving net profit up 36% at R6 400 000 — not such an outstanding performance as that at ERPM

Durban Deep has now repaid its State loan

The estimated total capital spending for the remainder of the year is R8 100 000

On a group basis Rand Mines in the quarter earned a net profit of R84 300 000, or R30-million higher than in the previous quarter

The State took R104-million in tax compared with R44-million in the previous quarter — a rise of 134%

The average price of gold received rose from $425 an oz to $654 an oz The most disappointing feature was the increase in costs from an average of R31,35 a ton to R33,14 a ton

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ oz	Revenue $ oz	Net profit R000s	EPS after capex costs
HARMONY	1 795	4,23	29,53	262	660	37 432	116
December	1 802	4,48	28,65	227	[illegible]	26 326	81
BLYVOOR	482	9,05	39,35	165	663	26 486	86
December	496	9,50	35,78	138	329	16 690	46
DURBAN DEEP	484	3,80	30,85	334	628	6 464	251
December	516	3,87	28,53	274	374	4 631	154
ERPM	670	6,18	41 10	302	673	13 971	203
December	674	6,02	38 73	203	314	6 820	123

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Tax estimates blur Randfontein results

By ADAM PAYNE

ALTHOUGH Randfontein's March quarterly results are poor at first glance, with reduced net profit, a closer examination shows that an overstated tax deduction distorted the results.

	Tons milled 000s	Yield g/t	Costs ton milled R	Costs $ oz	Revenue $ oz	Net profit R000s	EPS after capex cents
RANDFTN	986	5,3	32,76	236,1	630,0	28 533	417
December	1 036	5,5	30,29	206,3	415,5	30 780	420
WEST AREAS	1 054	4,7	32,47	263,8	630,6	24 935	52
	1 085	5,1	29,05	213,9	440,2	34 216	13

Although pre-tax profit was up 57% from R37 962 000 to R59 728 000, taxed earnings fell to R28 533 000 from R30 780 000 in December with a tax deduction, calculated conservatively at R31 195 000 compared with R7 182 000 in the December quarter.

This was because the company decided to estimate the tax on the basis of the actual capital spending in the quarter of only R6-million, whereas in fact quarterly expenditure during the year will average R11 500 000, resulting in much lower tax.

Because of the low spending in the past quarter, expenditure in the remaining quarters will be higher than the R11 500 000 average.

Therefore lower tax can be expected in the remaining quarters, unless the gold price jumps into the $700 an oz area resulting in much greater profits.

But tax was not the only anomaly in the results. The most disturbing feature — which could apply to some other mines still to report — was the increase in unit costs of 8,2% in the quarter.

This was because of the drop in tonnage and apparently because the mine had substantial cost increases in the pipeline which came into effect. These included labour charges, insurance and stores.

In the view of Mr Veryan Blane, senior manager finance and administration at Johnnies, annual costs are likely to rise by more than 15%.

Because of these factors, Randfontein's results were not sparkling. The high gold price, however, kept the working earnings high.

Tonnage went down because of problems experienced in the rock-hoisting facilities at Cooke No 1 Shaft, which took several days to rectify, and because of a fire in the surface electrical sub-station at Cooke No 2 Shaft which affected all underground operations at that shaft for two days.

Both Millsite plants continued to operate at full capacity on underground ore from the Randfontein section and stockpiled ore from surface. Further improvements to the operation of the Cooke recovery plants were achieved and the capacity of the uranium plant is now matching that of the gold plant.

The attainment of optimum recovery efficiencies is top priority and it is likely that this goal will be achieved in April.

Because of the company's decision to match gold and uranium production at the Cooke plant and because of the inability of Cooke No 1 And No 2 Shafts to match the 250 000 tons a month capability of the Cooke Plant, the quarterly milling rate is expected to be about 1-million tons instead of the 1 050 000 tons that had been the target and which the plant can handle.

A ventilation shaft is being sunk between Cooke No 1 And 2 shafts which will enable an increase in production from the section, but by the time this is possible at the beginning of next year there will be less ore available for the Millsite plant, with the exhaustion of the stockpile.

The overall grade of 5,3 g/t (5,5 g/t) is expected to be the level at which the mine will operate in the short term.

Grade at Cooke No 1 Shaft cannot be lowered because all the ore is payable. Cooke No 2 has been able to lower its grade in line with the high gold price.

On the uranium side, there was an increase in production because of higher efficiency, but profits were marginally down because shipments fluctuate.

In development at the the old section, the mine is exploring the Bird Reefs which have shown low gold values but which could still marginally be profitable for the whole enterprise.

At Cooke section there has been a return to high levels in development results at Cooke No 1 Shaft.

Cooke No 2 Development also improved, but not to the same extent.

Western Areas results, like those for Randfontein, were adversely affected by the decision to base the tax deduction on actual capital spending instead of on an annualised basis which would have been more favourable.

Because of this, tax jumped from R1 052 000 to R24 029 000.

Capital spending for the year is estimated at R50-million whereas only R4-million was spent in the past quarter.

Consequently, the rate of spending in the remainder of the year should be considerably higher and this should result in a significant reduction in the rate of tax.

Working profit was up because of the high gold price. Net profit declined because of the tax allowance.

The mine's milling rate suffered from high turnover of labour which resulted in a drop in productivity while men were being trained and acclimatised.

Grade continued to be lower because of the maintenance of ore supplies from the lower grade northern area. It is unlikely to drop heavily, but it could be marginally lower.

The concentration on the northern section will continue until the mine exploits the Middle Elsburg Reefs in the south for both gold and uranium.

The mine has yet to determine the size of its uranium plant which will depend on the grade expected from the Middle Elsburg Reefs.

Spending on the uranium plant will be only R10-million this year, but will rise next year when final decisions on its size are taken.

The main capital spending this year will be on sub-vertical shafts for opening up the Middle Elsburg Reefs.

The management confidently expects the R4 465 000 profit to be approximately doubled in the current and following quarters as the payments for deliveries get into full stride.

The price a kg in terms on the long-term sales contracts is negotiated annually and will be lower this year than in 1979.

However, Randfontein's management is well satisfied with the 1980 price negotiated in the middle of last year.

Unit working costs were up seriously at 11,7% in the quarter, but total working costs presented a better picture with a rise of 8,6%.

The unit working costs were affected by the lower milling rate.

Underground drilling results were not reported because it is believed that a sounder picture will be available from development. However, the drilling results exceeded expectations.

. . . and Rand Mines also fares well

S Star 16/4/80

(214)

Boosted by an increase of more than 50 percent in the average price for gold received, Rand Mines group producers performed very well during the quarter.

Total profit of the four mines, **Blyvoors, Durban Deep, ERPM** and **Harmony** amounted to R84,3m — some R30m higher than in the previous quarter.

Again, the tax man took an enormous slice of the golden cake amounting to R104,4m—R60m higher than during the previous six months.

Star performer in the group was ERPM which increased pre-tax profits more than four fold from R6,8m to R29m.

Taxed profit, after tax and State's share of R15m was left at nearly R14m — more than double that of the previous quarter.

There was a seasonal drop off in tonnage milled to 3,3m tons from 3,4m at the group's mines and as a result gold produced was 4,6 percent lower at 16 698 kgs.

There was a substantial increase in the average price received for gold from 425 dollars an ounce to 654 dollars.

In line with other quarterly results costs were a disappointing feature rising to an average R33,14 per ton milled from R31,35 — an increase of 5,7 percent.

Both the group's coal producers did well in the quarter with tons sold by Witbank over the 2m tons mark.

Increased sales from Welgedacht and Witbank left profits after tax higher in both cases.

is used, that is, how many are allowed on board, and (b) he is allowed to charge a price for access to the boat, and (c) keep the receipts. A private-property scenario permits those conditions. Private ownership of firms is dominant in most non-socialist countries and will be examined in more detail later.

Employees or Renters?

The same situation could be described differently. Instead of saying *fishermen rent* the boat, we could say the boat *owner hires* the fishermen. In the latter case, he must pay them four plus a said portion of fish each to fish on his boat while he keeps the total catch, minus those wages. Of a total catch of 34 fish with five people, each is paid four fish, a total wages bill of 20 fish, leaving him 14 fish. There is *no* difference in this example between fishermen renting the boat or the boat owner hiring fishermen as employees!

Is there, then, no difference between Macy's hiring clerks as *employees* or the clerks *renting* Macy's building and facilities and paying rent (and inventory-use costs) to the owners out of the total daily sales—leaving the clerks with the same income in either case? No difference, *if there is certainty about the output performance.* But someone must bear the consequences of mistaken estimates of the catch, and that does make a difference. For the moment, the important point is the identity between the two payment methods, renting and hiring—assuming certainty about performance.

Uncertainty about the prospective catch introducing enough (or the boon of catching more than enough) fish to pay for the day's rent and have at least four fish. If the boat owner hires the fishermen, he (the employer) bears the risk for the *day* on which he has guaranteed the fishermen at least four fish. Why do we emphasize "day"? To see, look again at the rental case: The rent set the *following* day for use of the boat will be adjusted to match the *expected* net catch. If the rent is set per day, the fishermen lose only one day's error in estimated catch. But the boat owner will suffer or enjoy the entire *future projected changes* in catch, as profits or losses in the value of his boat. The boat owner cannot escape projected future change—not even by selling off his ownership, because the new buyer will adjust his offer price to take all that into account. By making *short-term* rental arrangements, the renters who use the boat avoid being stuck with an unexpectedly bad future. As employees, on the other hand, they are always guaranteed four fish, which they could always catch from shore, regardless of the fortunes on the ocean deep. You can probably conjecture that if the boat were for sale it would be bought only by a person who was more optimistic about the potential catch, or who thought he knew better than anyone else how to use the boat so as to get the largest catch—or maybe the best kind of fish.

Public, Communal Property

Scene Three of our saga opens with the public enviously confiscating the boat owner's rights. The boat is declared public property for public ... owner's personal profit

It's a record run for the Anglovaal mines...

STAR 16/4/80 (214)

Following the pace set by producers in the Gold Fields group, gold mines in the Anglovaal stable, all recorded record profits in the quarter ended March

Figures were achieved despite generally lower tonnages and grades

Harties, the group's uranium and gold producer, stood out as the shining light with a taxed profit some 15m higher at R45,8m This was achieved despite a lower tonnage milled a lower gold production and higher working costs

Loraine, the gold producer with an assessed tax loss certainly benefited from the increase in the gold price, especially since there was no tax charge

Ore milled was 2 000 tons higher at 113 000 in the quarter but there was a marginal decrease in gold produced Costs were lower and the end result was a profit of R6,95m compared with R2,8m in the previous quarter

Record results at Loraine were achieved despite a fire in No 3 shaft area which had a serious effect on underground operations In order to combat this dump reclamation was used to counterbalance the shortfall

E T Cons which is a State assisted mine also reached a new high in quarterly profitability Both tonnage milled and gold production were lower but working profit from gold operations rose by R2,7m to R6,9m

After an unchanged charge to prospecting and a higher tax rate net profit was left at R3 3m (R2m)

The groups copper operation Prieska despatched over 7 000 tons more copper and zinc in the quarter

Final payments on earlier shipments and higher gold and silver prices led to a R5m jump in operating profit with net profit a similar amount higher at R8 0m

Gold sales from antimony producer Cons Murch continued over the R1m mark during the quarter ended March but lower sales from its main business left taxed profits substantially lower

Gold sales at R1,25m compared with R1,2m the previous quarter, but lower sales of antimony concentrates and cobs left profits from this source at R1 5 (R3,4m)

Profit before tax fell from R2,9m to R1,8m and after a reduced tax charge taxed profits were left over 60 percent down at R1,4m

of 14 fish is divided will be important, as we shall see.

On a *social* maximum output (no-waste) criterion the optimal number of fishermen on the boat is four or five. (There could be five, since the marginal product, four fish, with a fifth crewmember on the boat would exactly offset the lost marginal product, four fish, from the shore. For arithmetic convenience we shall arbitrarily take the larger crew size whenever there is this equivalent double possibility.) The *no-waste social-maximum output* rule is to enlarge the boat crew until the marginal product on board decreases to that on shore. (When people aren't fishing, they sleep, eat, rest, and bask in the sun. Only fish are produced and consumed.) In Figure 9-1 the marginal social gains are the areas of plus signs in the first four marginal-product bars.

eight fish, four more than each could catch on shore. He will not tolerate four men (counting himself) on board because the average (which each gets) on board would fall from 8 to 7.5 and he would have less fish—even though the social total would increase. The fourth would enable six more fish for a net social gain of two over the total if that fourth person had stayed on shore. The self-interest of the boat controller here prevents a larger social catch. Indeed, if we changed the rules and allowed *all* those who are on board to decide whether any more will be allowed to come on board, the outcome is the same. The first three would not admit any more, because another person reduces the average to be shared by all from 8 to 7.5.

This is a characteristic problem of socialist firms; "workers" control the enterprise *and share* the net income equally, and newcomers are admitted only by permission of the existing group. This is also a common danger in many labor unions and professions; longshoremen, electri-

(b) Manual labour is hired locally from week to week.

(d) All the plant needed for Southampton has been owned for some years. £1,6000 is the year's depreciation (straight-line) in the financial accounts. If the Hull job is taken, less plant will be required, and the surplus items will be hired out for the year on similar work at a rental of £750. Interest is based on a memorandum entry, at 5% of original cost, in the cost records.

(f) Office and general expenses amount to about £1,800 every year.

Required:

A revised budget (if you think revisions are called for), adhering as far as possible to the same order as that used for the data above, showing which job you (as a director) prefer, with short notes explaining your guiding principles and any calculations. Both jobs would last 12 months; no other jobs are being done or are likely to be offered.

Cons Murch sees more gold

214

RDM 17/4/80

MR H DALTON-BROWN, chairman of Consolidated Murchison, told shareholders at the annual meeting in Johannesburg yesterday that the new plant to recover gold from Antimony Products's slag produced 7,2kg of gold in the March quarter. However, goldoutput is expected to improve substantially in the rest of the year.

Revenue from gold in the March quarter at R1 246 000 was not much higher than the December quarter's R1 157 000, but gold recovery from the new slag plant started late in March, as did the mechanised section for the recovery of free gold in the main plant.

Furthermore, the December quarter was extraordinary because gold revenue was 46% of the year's total after the receipt of large payments for gold in concentrates shipped earlier in the year.

Replying to questions, he said neither of the new plants was operating at capacity, but the mine was expecting a 10% increase in recovery of free gold and an additional 10kg monthly from the slag plant.

Since April, 1974, the mine had accumulated several thousand tons of slag from Antimony Products's plant. The new slag plant was capable of treating more than the current arisings and it was expected the reserve would be depleted over the next two years.

The company was conducting a geochemical exploration programme over all its numerous claims. This soil sampling programme disclosed the anomaly east of the March shaft that was mentioned in the annual report.

The area now required wagon-drilling and, should this lead to encouraging results, it would be followed up by more expensive diamond drilling. — Sapa

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ oz	Revenue $ oz	Net profit R000s	EPS after capex cents
BRACKEN	210	4,4	21,95	191	596	3 721	26
December	195	4,6	21,45	175	408	2 209	14
GROOTVLEI	415	3,8	21,40	216	636	7 463	65
December	415	4,2	19,89	182	428	5 370	40
ST HELENA	500	8,0	26,90	129	633	20 859	217
December	500	8,4	25,48	114	410	13 599	122
LESLIE	280	3,1	22,21	275	624	3 137	19
December	260	3,4	22,07	244	409	1 749	10
KINROSS	400	5,8	24,64	163	609	10 447	57
December	400	5,8	23,50	152	413	6 501	30
WINKELHAAK	535	6,7	19,83	114	600	17 602	144
December	525	7,9	18,90	101	406	11 745	79
Marievale	240	1,5	8,87	227	637	1 704	38
December	240	1,6	8,16	192	421	1 082	21
UNISEL	220	6,2	32,20	199	654	14 731	52
December	194	6,2	29,77	181	421	6 880	16

62% better for Unicorp

214

RDM 17/4/80

By DON ROBERTSON
Mining Editor

LIKE the rest of the gold-mining industry, Union Corporation mines were hit by the rise in unit costs in the quarter to March, but this did not spoil a record quarter, with total profits up by 62,1% over the previous three months.

The improvement stemmed from the higher gold price received of $621 an ounce compared with $412 in the previous quarter and from a small rise in the tonnage milled This more than offset the higher costs, which were aggravated by the deliberate cut in recovery grades at most mines Gold production dipped by 1,9%

Unisel continued to show its muscle, and after only six months of production, is well into the big league Profits rose by 114% and capital expenditure was reduced to a minimum Earnings rose substantially

Building up to full production, tonnage milled for the quarter was 220 000 compared with 194 000, although unit costs rose by 8,2% Fluctuations in cost figures can be expected until the mine settles down to its maximum production rate

In development on the Basal Reef, 689m were sampled averaging 110,8g/t over 165cm

Kinross was the best performer among the Evanders, showing a substantial profit rise This was achieved on an unchanged mill throughput and grade which, together with the higher gold price, more than compensated for the 4,9% rise in costs

The profit bonanza, however, attracted higher tax of R17 078 000 compared with R9 943 000

A total of 647m were sampled in development, averaging 15,9g/t over 49cm

Winkelhaak also did well with a 50% rise in profits This was made possible by an increase in tonnage milled which helped to keep costs in check and reduce the effects of the decline in grade. Nevertheless, gold production was well down Tax took a bigger share

Development was slower, but results were better with 371m sampled grading 20,8g/t over 57cm

Two boreholes were completed in the quarter, one to the north-east of the No 5 shaft and the other to the east of the shaft The second intersected the Kimberley Reef at 593m assaying 7,9g/t over 213cm

Bracken recorded a more normal 2,3% rise in costs, brought about by the rise in tonnages milled As a result, gold production increased in spite of a modest decline in grade to 4,4g/t from 4,6g/t

Tax, however, absorbed a bigger bite of profits, severely reducing the benefits of the higher working revenue

In development, 57m were sampled, averaging an surprisingly high 83,g/t over a narrow 22cm

Leslie showed the biggest percentage increase in profits with a 79,4% rise

This reflected the marginal rise in working costs achieved through a healthy rise in tonnage milled to 280 000 from 260 000 which offset the drop in grade The higher gold price compensated for the drop in production

A total of 426m were sampled in development assaying 34,6g/t over 20cm

Marievale did well to overcome an 8,7% rise in costs and show a 57,5% improvement in profits

The higher costs resulted from the increased proportion of more costly underground tonnage and less surface material being handled as well as the rise in the cost of stores and renewals to meet the higher maintenance costs this year

Tonnage milled was unchanged and grades were marginally down However, tax took a bigger bite

Grootvlei also suffered from a hefty rise in costs of 7,6% which took into account the reopening of previousaly mined areas to remove ore now payable at the higher gold price In addition, renovations and improvements to the reduction works and other surface installations added to costs

Milled tonnage was unchanged, but the cut in grade resulted in a fall in gold production Working profits were, however, well up, although tax reduced this advantage.

Five boreholes in the programme to evaluate the Kimberley Reef were completed, but gold and uranium results from all were disappointing

St Helena reduced grade marginally and with tonnage unchanged, gold production was lower Costs rose 5,6%, but this had little effect on the higher working profits Biggest drain on profits was the increase in tax, which moved to R32 495 000 from R20 442 000

In development, 300m were sampled, averaging 22,8g/t over 96cm

RDM 17/4/80.

217 215 214

Platinum boosts Western 136%

Mining Editor

WESTERN Platinum, a member of the Lonrho group, has benefited from the platinum boom and has boosted working profits for the six months to March by 136% to R15 665 000 from R6 644 000 in the first half of the previous year.

Sales for the six months amounted to R26 151 000 compared with R17 621 000 Overall costs fell to R10 486 000 from R10 977 000 Unit costs, however, rose by 9,5% to R14,84 a ton milled from R13,55

Production in the half-year was well up after an increase in tonnage milled to 651 000 tons from 587,000

Platinum production increased to 1 293kg from 1 160kg, palladium to 563kg from 514kg and other precious metals from 254kg to 284kg Nickel output rose to 829 tons from 743 tons, copper to 520 tons from 471 tons Cobalt production for the first time amounted to six tons

The pace of development increased to 11 754m advanced, of which 6 160m were sampled assaying 4,87g/t of platinum group metals over a channel width of 96cm

Duiker Exploration, which operates the coal activities of Tweefontein and Witbank Consolidated collieries, has maintained profits in the quarter to March — R1 354 000 compared with R1 372 000 in the December three months

Earnings were equivalent to 12,1c a share compared with 12,4c, but the company will benefit by an additional R57 000 in the quarter after the abolition of the loan levy, which in its case, takes effect from October last year

Sales of steam coal were up to 608 909 tons from 581 282 tons, and anthracite sales were 133 145 tons against 133 375 tons Asbestos sales were unchanged at 2 502 tons

Bosveld Tin Mines became a wholly owned subsidiary in March Bosveld owns the dormant Klipwal gold mine near Piet Retief and it is planned to reopen the mine at an estimated cost of R5-million over the next two years The mine is expected to come into production at the rate of 84 000 tons a month and produce 400kg of gold annually

Corsyn Consolidated, a subsidiary of Coronation Syndicate, had a taxed profit of R4 99 000 in the quarter to March compared with R2 853 000 in the December quarter

Working profits at the Acturus, Mazoe and Muriel gold mines and the Inyati copper mine were well up on the previous quarter's figures with total working profit at R6 118 000 against R4 240 000

Tonnage milled at all mines was 118 000 against 119 000, producing 466kg (493kg) of gold and 827kg (857kg) of copper

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ oz	Revenue $ oz	Net profit R000s	EPS after capex cents
BUFFELS	800	8,04	41,34	195	641	32 312	230
December	798	8,23	40,73	185	408	21 967	115
STILFONTEIN	480	9,00	42,25	178	664	19 535	141
December	493	8,52	42,65	187	409	10 026	57

Lively Stilfontein doubles profit

RDM 17/4/80 (214) ~~(217)~~

By ADAM PAYNE

STILFONTEIN and Buffelsfontein mines contained costs and stepped up profits and earnings a share in the March quarter Stilfontein's earnings a share almost trebled and net profit nearly doubled

The mining policy now being adopted will lengthen the mine's life significantly beyond the five years forecast in the report for 1978

In addition it will be a uranium producer through its subsidiary, Chemwes, for about 20 years

In the March quarter the tonnage milled was slightly lower than in December This was because of a deliberate policy to mine judiciously in the richer Kromdraai area and conserve ore there

The mine is opening up blocks of previously unpayable ore which will now be exploited, so lengthening the mine's life as it has large quantities of low-grade ore

In opening up the old areas the opportunity was taken in the quarter to sweep out gulleys, yielding rich material which sent the average grade up to 9 g/t (8,52 g/t)

This level of grade cannot be expected to continue as lower-grade areas are exploited and ore is conserved in the Kromdraai section

The effect of the programme in the March quarter was to reduce costs a ton milled from R42,65 — one of the highest in the industry — to R42,25

The management does not expect this level of costs to remain static There will be inflationary cost rises

Gold production was up because of the higher grade and a high price of $664 an oz was received, resulting in a net profit of R19-million (R10-million)

With earnings a share at 141c compared with 57c in the previous quarter, a Johannesburg analyst forecasts an interim dividend in June of 120c followed by a final of 280c

Buffelsfontein's tonnage milled was little changed, grade was marginally lower and costs a ton milled were only 1,5% up in the quarter Costs a centare mined were 3% higher

Net profit was R32-million (R22-million) and earnings a share were 230c compared with 115c in the December quarter

The analyst forecasts a final dividend in June of 400c

West Rand Consolidated showed little change in its net profit at R2 502 000 (R2 864 000)

Even at a gold price of $604 an oz received, it showed a loss of R2 681 000 on its gold operations Uranium earnings were R2 901 000

Costs an oz of gold mined were $767, estimated from the total working costs and the amount of gold produced

Of the 181 500 tons milled in the gold section, 25 000 tons were from surface dumps at an average recovery grade of 1,2 g/t

In the uranium section the effects of increased sorting by radiometric sorters were shown in the lower tonnage treated and the higher recovery grade

Chemwes, the uranium plant serving Stilfontein principally, with Buffelsfontein holding a minor share, sustained a net loss of R3 458 000 compared with a loss of R1 861 000 in the previous quarter The operation has still to get into its stride

The increase in the loss occurred because there was no revenue during the quarter whereas there was a small sale at the end of the previous quarter

(b) Manual labour is hired locally from week to week.

(d) All the plant needed for Southampton has been owned for some years. £1,6000 is the year's depreciation (straight-line) in the financial accounts. If the Hull job is taken, less plant will be required, and the surplus items will be hired out for the year on similar work at a rental of £750. Interest is based on a memorandum entry, at 5% of original cost, in the cost records.

(f) Office and general expenses amount to about

Double for Wit Nigel

RDM 18/4/80

(214)

Mining Editor

WITWATERSRAND Nigel has almost doubled its profits in the quarter to March to R1 298 438 from R668 421 in the previous quarter in spite of a small decline in gold production.

Tonnage milled was 74 900 compared with 73 500, but because of the cut in grade to 3,212g/t from 3,303g/t, production dipped to 240,6kg from 242,8kg Revenue, however, was higher at R3 814 717 from R3 089 365, and costs were R2 549 279 against R2 441 944 Costs rose by 2,46%

In development, 1 315m were sampled, assaying 26,97g/t over a channel width of 40,4cm

Production in January declined to 69kg, but this has been improved on and it is expected that output will be about 80kg a month. Capital expenditure in the current year to June is expected to be about R250 000 above the estimated R2 300 000.

The precementation borehole at the No 10 shaft has reached a depth of 300m without intersecting any significant water fissures

FS Ged interim 475c

(214)
RDM 18/4/80

By ADAM PAYNE

THE surprise of the Anglo American Free State interim dividends declared today is the 475c from Free State Geduld compared with a forecast of about 350c

The mine made an almost full payout from earnings of 487c a share in the half-year The interim last year was 185c

Other Anglo American interims are excellent, with the exception of President Brand which is not as high as the forecast They are

President Brand 320c (115c at the same time last year) compared with the forecast in Business Mail of 350c Earnings were 326c

President Steyn 280c (65c) compared with forecast of 200c Earnings were 285c

Welkom 130c (42,5c) compared with the forecast of 120c Earnings were 131c

Western Holdings 675c (600c) compared with a forecase of 600c Earnings were 660c

The fact that the payouts are almost as high as earnings suggests that the directors are confident that profits will continue at high levels with a high gold price

BUSINESS

Taxman's scoop from Anglo mines

STAR 18/4/80 ~~320~~ (214)

By Stephen Suckley

Sparkling results from producers in the Anglo American group have indeed made the March quarter another golden period for the gold mines of South Africa

The quarter throughout has featured lower tonnages milled, declining yields and in most cases lower gold produced and higher working costs — yet, in many cases, record profits due to the favourable gold price

And certainly the 12 mines in the Anglo group have been no exception

Taking a look at the six mines comprising the Free State operations shows that the average gold price in the last quarter was 631 dollars an ounce, up from 408 dollars in the previous quarter — an increase of 55 percent

Thus, revenues were lifted to R521,3m an increase of 40,7 percent and this was achieved in the face of a drop in gold production of nearly two percent from the 34 066 kg achieved in the December quarter

PROFIT

Grade was reduced at five of the mines while overall workings costs rose by 6,9 percent to R132,2m

Profit before tax showed an extremely healthy 56,7 percent increase to R408,5m

There is no doubt that this quarter has seen a swelling of the State's coffers from tax and lease considerations and a big slice of the action has come from the Anglo group

And when one sees the enormous amount of R224m in tax, an increase of 60,7 percent over the previous three months, it is easy to see why the gold mining chiefs were disappointed with the lack of tax concessions for them in the recent Budget

This mammoth tax charge left taxed profit for the six mines at R184,2m

With the bonanza given by the gold price over the last few quarters most producers in the industry have opted for higher capital expenditures

In Anglo's case during the first quarter of the year capital expenditure rose by 10,2 percent to R55,8m

A brief look at the individual mines and operations of the Free State contributors shows that

○ The tonnage of slimes treated at the **Joint Metallurgical Scheme** was substantially higher at 1 173 000 tons compared with 638 000 tons previously

This was due to the extension to the plant which was put into commission and operated at rated capacity

Both uranium oxide and gold production were higher but total profit for the quarter was only R1 8m higher at R10 8m reflecting the lower level of uranium sales

○ **Free State Geduld** was the only mine to increase its gold production (from 8 899 kgs to 8 963) but workings costs per ton milled increased by nearly R2 a ton milled to R39 12. Taxed profit rose from R33 8m to R49,4m

○ **President Brand** the most profitable of the Free State producers in the Anglo camp also increased gold production marginally on lower tons milled but a higher yield. Price received on gold sales was a healthy 632 dollars an ounce

Profit from gold operations rose from R57,4m to R94 2m. After sundry expenditure and profits from the joint metallurgical scheme pre-tax profit shot up from R58,1m to R94,7m. The tax man's bite was felt and after his slice net profit was R47m against R32,7m

○ **PRESIDENT STEYN'S** tonnage milled yield and gold production were all lower, but due to the soaring gold price (the company received 628 dollars an ounce for its sales) at the end of the day taxed profit was lifted from R22,7m to R32m

Production at the mine was significantly affected during the quarter by a breakdown in the power supply from Escom. The mine was also dogged by a seismic disturbance in February which affected production from the No 2 shaft

○ At Free State Saaiplaas taxed profit rose from R5m to R7 9m. Production at this mine during the quarter was also affected by disruptions in the Escom supply while the much lower grade (2 81 g/t compared with 3,49 in the previous quarter) was due to the milling of low grade surface rock dump

○ Western Holdings, the other lucrative Free State Anglo mine notched up a taxed profit of R35,7m which was up over R15m on the previous three months. On a profit of R94,6m the State took a grand slam R58,9m, up from R39,3m

Record interim dividends have been declared by five of the Free State gold mines administered by Anglo American Corporation and are payable to shareholders registered on May 2, 1980

The dividends declared, with a comparison of previous interims and finals, are

	1980 Interim	1979 Final	1979 Interim	1978 Final	1978 Interim
Free State Geduld	475c	235c	185c	185c	130c
President Brand	320c	180c	115c	85c	65c
President Steyn	280c	117,5c	65c	50c	30c
Welkom	130c	67,5c	42,5c	40c	[illegible]
Western Holdings	675c	375c	270c	225c	190c

of 14 fish is divided will be important, as we shall see.

On a *social* maximum output (no-waste) criterion the optimal number of fishermen on the boat is four or five. (There could be five, since the marginal product, four fish, with a fifth crew-member on the boat would exactly offset...

GOLD QUARTERLIES

Costs rampage

214 FM 18/4/80

The stage was set by the GFSA group last week, but if the cost increases reported this week by the other houses are anything to go by, gold producers are set for a massive cost crunch this year

Escom has already announced an 8,17% tariff hike for the Transvaal and OFS, which will especially hammer those mines which have been switching from diesel to electric-powered haulage equipment And in the up-coming round of wage negotiations, the mines are unlikely to escape lightly Particularly as far as skilled workers and underground officials are concerned, the industry's recent expansion has resulted in staff shortages So it seems as if no-one will be in the mood to accept other than substantial wage hikes

Then there are stores and supplies, forming the third factor of the cost equation They are galloping ahead in line with inflation

Not that this should be any great cause for worry if it looked as though the gold price was set for another solid advance Costs could then be contained by mining greater tonnages or extracting lower-grade but readily accessible ore But gold is in a dither, at least in the short term, while many mines are heavily committed to capex programmes

So pessimistic investors might foresee a period of dividend constraint and lighten their gold holdings

That could be the smartest move Bears of gold are talking the price down to the $300 level as the US anti-inflation moves start to bite, and the apparent continuation of high interest rates increases the attractions of holding paper money But that view seems to be ultra-cautious, if not downright unpatriotic

After a brief decline below $500 this week bullion recovered smartly There appears to be strong support at the $500 level particularly from industrial users who ran down inventories earlier this year and are prepared to bear high inventory carrying costs, if they gain some protection from future price increases

Then there are the increasingly edgy buyers in the Middle East Members of the region's ruling families who fear that they could soon be turfed out of their countries have been taking rising kickbacks on oil sales and turning the cash into anonymous gold.

Certainly a successful US grappling with domestic inflation will lessen gold's attractions, but that has to be balanced against no improvement in the world's political situation

Randfontein Attaining rated monthly capacity at Cooke section is just out of reach A lower 1 Mt quarterly milling rate from Cooke and Randfontein sections combined is targeted for the next few quarters It means little scope for spreading external cost increases (power, stores and labour) while provided gold does not collapse, further grade reductions are forecast for the next few quarters

Cooke 1 is almost completely payable but there is still scope for less selective mining — meaning lower grades — at Cooke 2, while the Randfontein section is marginal with fixed overheads almost entirely carried by Cooke

Profit pressures

What this means as far as dividends are concerned remains to be seen But with up-coming wage increases for all employees, recently announced Escom tariffs, and strongly rising stores costs, the March quarter's 8,2% unit cost advance to R32 76/t (R30,29/t) could be the precursor of overall cost increases of anything up to 20% for the year as a whole

The mine made a relatively high tax provision during the quarter as record gold income was coupled with low capex of only R5,9m Tax incidence should be lower for the rest of the year with some R10m capex likely this quarter and a further R15m in each of the following two

Then there is the 150 000t/month Cooke No 3 shaft and extensions to the Cooke plant Some R10m is earmarked for that this year, with the remainder of the estimated capital cost spread over the following four years

Partly offsetting higher anticipated capex and costs should be improved uranium profits They are restrained by deductions to repay the $103,8m consumer loans, but future quarterly profits should be double the March quarter's R4,5m

If gold averages $500 for the rest of the year, management might play safe and

214 FM 18/4/80

raise the interim to 450c to be followed by a similar final

Western Areas: Though a R30m consumer loan has been arranged for the mine's uranium developments (R10m has already been drawn and a further R10m is due in both July and January) the new facility's capacity has still to be determined Underground development has yet to give a true indication of the uranium-bearing Middle Elsburg reefs' production capacity, while uranium deliveries are slated to start in 1983

Depending on tonnages drawn from the Middle Elsburgs, where gold grades average about 2g/t, by the time uranium production is under way overall gold recovery could fall to 4g/t or less

Meantime, R50m capex is planned this year (partly offset by R20m loan drawings) while only R4,1m was spent in the March quarter So as with neighbouring Randfontein the remaining three quarters of this year will see lower gold recoveries and higher capex Maintaining mining tonnages at the mine's North shaft, in any event, means accepting less selective mining and lower mill head grades

Dividend policy will depend largely on management's views on the gold price But a repeat of the April quarter s record profit and 152,1c available earnings is most unlikely this quarter Capex should remain relatively heavy until 1983, while the March quarter's 11,8% unit cost advance to R32,47/t (R29,05/t) gives a highly discouraging view of likely near-term cost trends At this stage, and unless gold breaks well above $500 and stays there, it is probably safest to assume an ultra-cautious payout policy

Durban Deep· The mine's (and the share's) performance should be highly geared to the gold price over the next few quarters For though the State loan has been completely repaid, R8,1m capex is planned for the final three quarters of the year

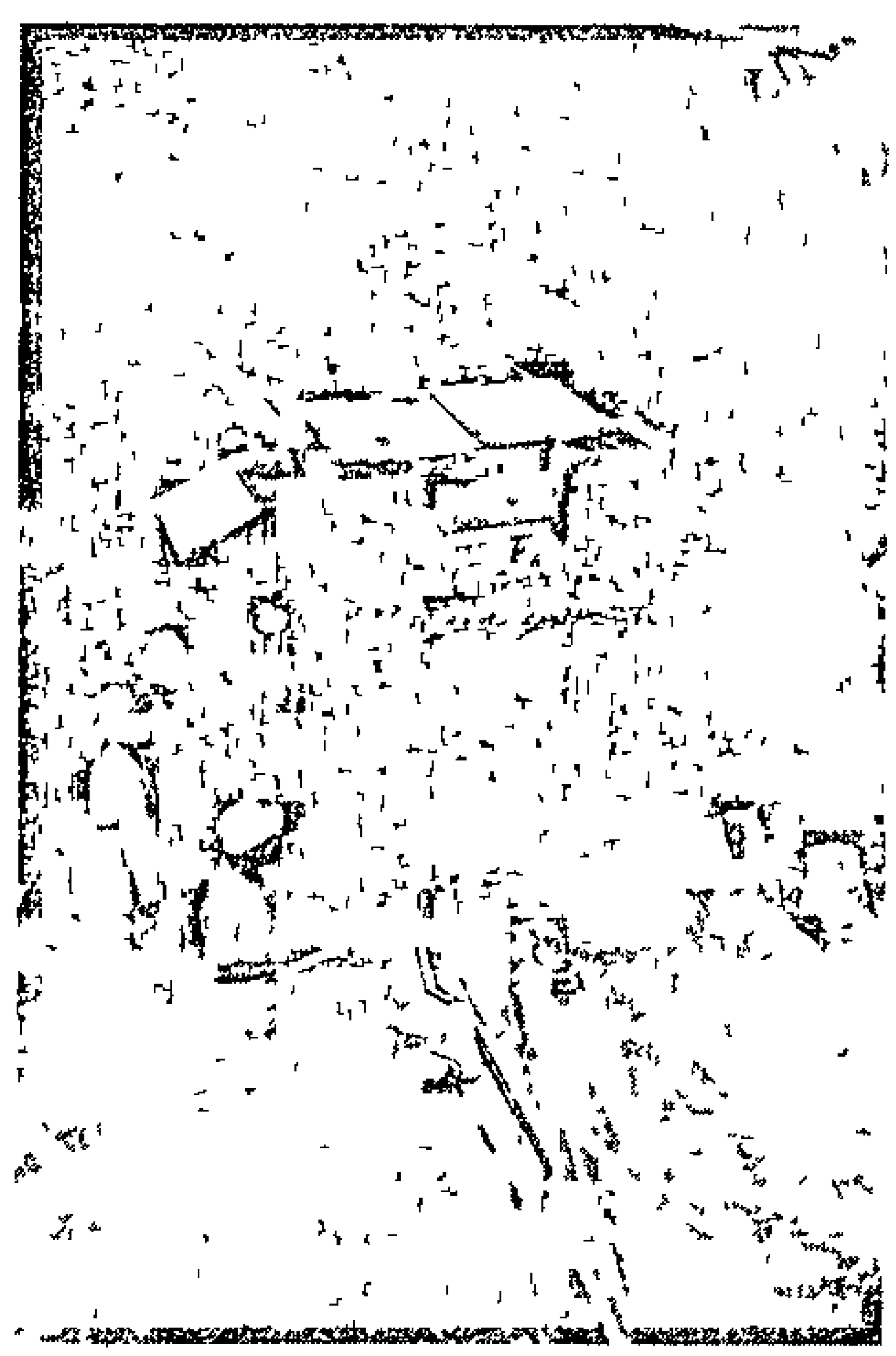
Not that it should present much of a problem After capex and the loan repayment, the mine was left with retentions of R3 5m from the first quarter's operations However earnings were based on an average gold price of $632 Grade could be reduced from the first quarter's 3,5g/t, while mill throughput remains constrained by the need to hoist relatively large waste tonnages from development necessary to establish additional stope faces The effect of all-round higher costs has yet to be seen

As usual, the share is best suited to investors wanting to speculate on the gold price

ERPM Like Durban Deep, ERPM has repaid its entire State loan Though this constraint on distributable earnings has been lifted, the mine is planning capex of R15m during the year's remaining three quarters R7,7m was retained from the first quarter's operations, but it is not possible to foresee a repeat performance in the near term

Surprisingly, recovery grade rose to 5,2g/t (5,0g/t) during the March quarter, though this appears to have been achieved by more selective mining, with a 6,2% unit cost rise to R41,19/t (R38,79/t) Grade can possibly be maintained for a short while, though it will be no surprise if it falls to around 4g/t once the current capex and development programme is completed Distributable earnings remain highly geared to the gold price

Blyvoor The recovery grade's drop to 9,1g/t probably sets the pattern for the next few quarters, while during the current quarter the mine may have difficulty in containing unit cost advances following the March quarter's 10% rise to R39,35/t



Their wages will dig deeper into profits this year

If so, and if gold continues to hover around the $500 mark until end-June, a final dividend of only 150c could be in prospect

In any event, future capex will be limited to that required simply to maintain production So though further grade drops are in prospect as operations concentrate increasingly on the poorer western section of the mine, earnings should be fully distributed However, investors should keep the mine's relatively short Carbon Leader reef life potential in mind when buying the shares

Harmony With only R7,6m capex planned for the final quarter, R6m-odd seems to be carried forward to next year If so, that could mean total capex approaching R25m in fiscal 1981 And it is not unlikely that this will be coupled with a gold recovery grade drop to 4g/t-odd

On the other hand, it is reasonable to assume uranium revenue of well over R40m next year with steady increases, as old low-price contracts are completed Despite abolition of the loan levy, the tax bite will be increasingly felt as the capex programme winds down over the next couple of years

Loraine It is not clear how much of the March quarter's mill throughput increase and recovery grade drop to 3,1g/t (3,6g/t) was attributable to increased rock dump retreatment rates So there is the possibility that with less ore drawn from the dump, this quarter's costs will reverse the March quarter's 3,4% decline to R34,79/t (R36,01/t)

Over the next few years the mine has the potential for better cost control than many others The programme for placing the mine on a sounder operational footing continues, though accompanied by relatively high development rates which have to be absorbed in working costs Despite the quarter's profit advance it is probably safest to assume that earnings will be retained in full for the next couple of years, until the programme for opening the mine's northern Elsburg reefs is completed

ET Cons: Lower mill throughput led to an 8,3% unit cost increase to R26,57/t (R24,54/t) However, that need not be too much of a worry Throughput should recover with fewer disruptions from seasonally high labour turnover In addition, improved milling facilities should result in better gold recovery efficiencies No mention is made of the possible re-opening of an old mine in the area, but I understand this is being planned

Capex plans

If the year's planned R2m capex programme is to be completed, the mine will need to spend R1,1m this quarter That should not unduly restrain the final dividend, as the mine has retained R3,9m (93,6c a share) from the first three quarters' operations Depending on retentions to fund next year's plans, a final dividend of up to 100c could be paid

Harties The mine is operating smoothly, though with prospects of a steady grade decline to around 8g/t over the next five years In the short term, advantage is being taken of higher than expected gold prices to mine lower grade ore, meaning that this year's planned 11,4g/t recovery grade is unlikely to be achieved Next year a grade drop to below 11g/t is in prospect The mine's recent capex programme to improve uranium production is all but complete, and future capex should simply be at levels needed to maintain production At the same time, expanded uranium output should enhance operating profits

From the first three quarters' operations 543,4c have been retained, pointing to a final dividend of about 700c after the 300c interim

Jim Jones

Ergo pays 85c final

214 RDM ~~217~~ 18/4/80.

By Don Robertson

EAST Rand Gold & Uranium (Ergo) has declared a final dividend of 85c for the year to March, making a total of 110c compared with the single payment of 25c in the previous year

Profits for the year were R64 900 000 compared with R16 465 000

In his last chairman's statement, Mr Harry Oppenheimer said that if the gold price held up a distribution of at least 50c could be expected However, the market expected better results from the company and a final of about 80c was forecast The extra 5c will however please the many believers in the scheme

The directors say the performance of all sections of the plant improved considerably as a result of modifications

The tonnage of slimes treated rose by 13% to 18 400 000 and gold production was 54% higher at 5 763kg, beating the target for the year by 263kg

Uranium production at 273 tons was 73% higher than the previous year and well above the target production of 200 tons

The average gold price received for the year was $422, which nearly tripled gold revenue to R66-million from the previous year's R22 500 000 Revenue from the sale of uranium and sulphuric acid amounted to R28 200 000 compared with R23 300 000

Total revenue more than doubled to R94 200 000, and the cost of sales was well held, increasing by only 5,8% to R29 300 000 against R27 700 000

The policy of including the value of sulphur (in pyrite) and sulphuric acid produced and consumed in the production process in costs and sales at market-related prices has been discontinued and the figures have been amended

W Deep and Vaal Reefs shoot up

(214)
RDM
18/4/80.

By ADAM PAYNE

WESTERN DEEP Levels and Vaal Reefs showed increases of 165% and 145% in earnings a share in the March quarter compared with December, benefiting from the high gold price and high tonnages milled

Although Ergo achieved record production, the earnings a share increased by a lesser percentage — 68% from 35c to 59c

SA Lands, which earns its profits from milling rock dump material, increased its earnings a share by 171% from 7c to 19c Apart from this performance, it has possibilities of opening a new mine from the Van Dyk No. 5 Shaft and working its old No 1 Shaft again

Vaal Reefs: With slight improvements in tonnage milled and grade compared with the previous quarter, gold production was 3,7% higher

Because of this rise in output and the gold price at $666 an oz, working profit from gold more than doubled to R215-million

Unit costs rose 6% to R36,20

Uranium production rose to 439 tons (368 tons) because of the build-up of throughput and improvements in recoveries in the new South plant However, lower uranium sales lowered profit to R5-million (R15-million)

Capital spending was lower at R19-million (R41-million) and this, coupled with higher profits, caused the tax provision to nearly triple to R96-million leaving taxed profits of R81-million (R77-million)

Capital spending is normally low in the first quarter of the year and the March quarter figure does not indicate a slowdown in planned capital activity

In the South lease area, grade improved to 10,97 g/t (9,44 g/t) and production rose 18% This high grade is not expected to continue for the rest of the year

Uranium production increased to 190 tons (141 tons) The surplus subject to royalty rose to R88-million for the quarter against R122-million for the whole of 1979 The royalty to Southvaal Holdings, payable on a half-yearly basis, was estimated at R48-million for the March quarter

Afrikander Lease: Nearly 10 tons of uranium and 18 kg of gold were produced in the quarter No uranium oxide was sold and a loss of R144 000 was incurred on operations

A royalty equivalent to a quarter of the minimum annual royalty of R50 000 has been provided for The royalty is, however, calculated on the financial results for the full year

Western Deep Levels: Although the area mined was maintained at 190 000 sq m, grade decreased by 5% to 14,3 g/t from the previous quarter's abnormally high 15,06 g/t and gold production was lower at 11 951 kg

Unit costs rose steeply by 7% to R39,99 a ton milled

An average price received on gold sales at $673 an oz ($407) pushed up gold working profit to R184-million (R109-million)

Uranium production dropped to 47 tons (53 tons), reflecting lower grade in tonnage treated and profit from the sale of uranium fell to R1 500 000 from R3-million

Capital spending was lower at R5-million (R31-million) while tax more than doubled to R117-million, leaving taxed profits of R71-million (R62-million) Capital spending is normally low in the March quarter and the R5-million does not indicate a slowdown in planned work

Detailed design work for the new shaft is under way and site preparations will begin soon

Ergo: For the third successive quarter production was raised to a record level In spite of a small drop in the tonnage of slimes treated, uranium production rose to 77 tons (70 tons) and gold production to 1 696 kg (1 450 kg) Following an overhaul of the larger of the two acid plants, production of sulphuric acid was raised

Revenue from gold was 74% higher at R29-million while revenue from uranium and sulphuric acid sales improved slightly to R7-million Profit for the quarter increased to R28 500 000 (R15 500 000)

Elandsrand: Gold production increased to 1 335 kg (1 129 kg) because of an improvement in grade to 5,66 g/t (5,28 g/t) and in tonnage milled to 236 000 (214 000)

The high unit working cost for the quarter of R40,07 a ton milled is expected to drop in the remaining quarters of this year as the mine's production is increased

A price received of $634 an oz boosted revenue, and profit for the quarter more than doubled to R12 500 000 (R5-million)

SA Lands: Higher tonnage with an improvement in grade to 1,23 g/t (1,04 g/t) pushed gold production up by 21%

Profit before tax rose from R1 100 000 to R2 700 000, but tax more than tripled leaving a profit of R1 300 000 (R800 000)

As part of the detailed feasibility study into a potential new gold mine in the area west and south of Sallies previous mine workings, a hoist to examine the Van Dyk No 5 Shaft has been obtained, the headgear has been ordered and power supply to the site has been arranged

The last deflection of borehole SRK 1, which started at a depth of 2 950m has been completed and only negligible values were encountered

No further drilling in the hole is to be undertaken and the surface drilling programme has been terminated

Free Staters storm home

214

RDM 18/4/80.

By DON ROBERTSON
Mining Editor

THE high gold price received by Anglo American's Free State gold mines allowed most to reduce grades considerably in the March quarter yet show sharp improvements in profits in spite of a 6,9% rise in costs

But the higher profits also attracted a sharply increased tax bill which rose by 61,7% to R224-million to leave total profits of R184-million

The average gold price received was $631 compared with $408 in the December quarter, but with the decline in recovery grades, gold production fell to 33 497kg from 34 066kg from a mill throughput of 4 137 000 tons compared with 4 056 000

Western Holdings did particularly well in raising tonnage milled, but in spite of this, the drop in grade resulted in a decline in gold production However, the higher mill throughput, helped to keep the cost rise in check and although total revenue rose sharply, costs were barely changed

Income from the Joint Metallurgical Scheme was R1 681 000 against R426 000, but the tax provision soared to R58 903 000 from R39 263 000

In development, 788m were sampled grading 2,91g/t gold and 0,09kg/t uranium over a channel width of 164,5cm

Free State Geduld maintained its position as the lowest cost producer on a dollar an ounce basis at $118 compared with $109 previously

This, together with the higher gold production which was achieved from an increase in tonnage milled and a moderate drop in grade, pushed profits higher

The share of profits from the JMS was R1 692 000 compared with R1 049 000, but tax took R61 147 000 against R39 945 000

Sampling of development on the Basal Reef showed gold values of 50,40g/t and uranium values of 0,57kg/t over 24,7cm Values on the Leader Reef were 2,55g/t gold and 0,07kg/t uranium over 138,5cm and on the Kimberley Reef 11,42g/t gold and 0,09kg/t uranium over 174cm

At the end of the quarter, sinking of the No 5 main shaft had reached a depth of 1 609m The ventilation shaft bottomed out at 1 776m

President Steyn was significantly affected by a breakdown in the Escom power supply from the Everest sub-station Damage to the No 2 sub-incline shaft system following a seismic disturbance also affected production The system was repaired by the end of March

This resulted in a drop in tonnage milled, together with a drop in caused a decline in gold production to 5 969kg from 6 356kg

Nevertheless, the higher gold price left revenue well up and in spite of the higher tax bill profits improved substantially

Development on the Basal Reef showed gold values of 38,47g/t and uranium grades of 0,35kg/t uranium over 52,9cm On Leader Reef development gold grades were 4,19g/t and uranium grades 0,22kg/t over 128,4cm On the A Reef, gold values were 11,15g/t and uranium 0,32kg/t over 70,5cm

President Brand maintained production at a barely changed rate, but the higher recovery grade resulted in an increase in gold production to 7 747kg from 7 701kg

Revenue from gold rose substantially and the share of profits from the JMS was higher at R3 071 000 against R2 803 000 In spite of the higher tax provision, profits were well up

Gold values of 13,60g/t and uranium values of 0,0[illegible]kg/t over 105,6cm were proved in development on the Basal Reef, and the Leader Reef showed gold values of 3,28g/t and uranium values of 0,15kg/t over 121,2cm

Pre-sinking operations at the No 5 shaft have been completed, with the shaft now at a depth of 60,3m Preparations for full-scale sinking are under way

Welkom reduced recovery grades considerably and the increase in tonnage milled was not sufficient to offset this, resulting in a drop in gold production

However, revenue rose to R42 628 000 from R30 613 000 and in spite of an increased tax bill, profits were well up

Development on the Basal Reef proved gold values of 45,65g/t and uranium values of 0,71kg/t over a narrow 13,8cm On the B Reef gold graded 2,36g/t and uranium 0,16kg/t over 66cm, while on the Leader Reef, values were 4,60g/t gold and 0,25kg/t uranium over 116,4cm

Free State Saaiplaas lifted tonnage milled, but the lower grade left gold production down The breakdown in the Escom supply reduced production by about 5%, and the drop in grade reflected the milling of low grade surface material

Profits, rose to R7 940 000 from R5 058 000, but capital expenditure remained high at R13 495 000 compared with R14 075 000

Development on the Basal Reef showed gold values of 7,81g/t and uranium values of 0,21kg/t over 104,3cm, while on the Leader Reef, gold values were 4,00g/t and uranium 0,17kg/t over 103,9cm

Joint Metallurgical Scheme treated 1 173 000 tons of slimes compared with 638 000 tons to produce 209 060kg of uranium oxide against 143 157kg The profit was R10 800 000 against R9-million, again reflecting the lower level of uranium sales

How mines keep the costs down

SUN. TRIB (FIN) 20/4/80 (2/4)

By JACK BRICKHILL

THE mining industry is containing the rise in costs despite escalating increases in goods and labour.

Last year, the cost of a ton milled increased by only 11 percent to R30,18 This was better than expected and compares with R27,14 in the previous year.

The first March quarterly results, produced by Gold Fields of South Africa last week, show that cost rises continue to rise on their mines at a reasonable pace although wage awards in the next few months will add considerably to the cost pressures. Costs rose by 12,9 percent from the March 1978 quarter to R33,23 a ton

The cost control enabled GFSA to boost taxed profit by 44 percent from the previous quarter to R206 million on a gold price of 634 dollars an ounce. The average price is likely to be much lower this quarter but enormous profits will still be earned if costs are contained

A Chamber of Mines spokesman says a greater level of efficiency has been achieved in the last year.

But the industry is concerned particularly about the cost of steel and labour. Wage negotiations with the 500 000 workers in the industry have started and are expected to continue for months.

Talks with white miners have also started and will be followed by talks with mine officials and then black workers.

RAPPORT 20/4/80 (214)

Junie-dividende beloof baie

GOUDAANDELE het Vrydag skielik gunstig begin reageer op die skitter resultate wat die afgelope twee weke aangekondig is. Dit kon ook nie juis anders nie.

Dividendopbrengste van tussen 12 en 18 persent vir plaaslike beleggers wat gestyg het tot meer as 20 persent vir buitelandse beleggers wat finansiële rand gebruik, moet eenvoudig 'n gunstige invloed op aandelepryse hê.

Die reuse-tussentydse dividende van die Anglo-groep se Vrystaatse goudmyne het waarskynlik die belangrikste bydrae gelewer en tot hernieude vertroue in goudaandele. Die ander myne het wel vroeër goeie kwartaalverslae kon publiseer, maar dit is nog nie in hoër dividende omgeskep nie. Anglo het hier die pas aangegee en daar bestaan nou min twyfel dat veral die ryk myne in die Goudvelde-groep nog beter dividende in Junie vanjaar gaan verklaar. Ons het reeds verlede week geskat wat hierdie dividende sal wees.

Onderstaande tabel toon die jongste dividende wat Vrydag deur die Vrystaters verklaar is. In alle gevalle is dit sommer ver bo die finale dividende wat verlede jaar in September verklaar is. Die totaal vir die afgelope jaar gee aan beleggers teen huidige aandeelpryse 'n opbrengs waaroor hulle beswaarlik kan kla.

Verlede week het ons daarop gewys dat selfs die ryk myne in die Goudvelde-groep nog baie voordeel kan trek uit die rekord-goudprys van ongeveer 630 dollar per ons wat in die Maart-kwartaal ontvang is.

Tabel 2 wat die styging in die verdeelbare verdienste per aandeel van die ander goudmyne oor die afgelope drie kwartale weergee, toon dat soos verwag, die armer myne se winste nog vinniger gestyg het. Dit is veral interessant om te sien wat Durban Deep en E. R. P. M. gaan vermag, ondanks baie hoë kapitaaluitgawes.

Die Evander-groep kry egter swaar en hul resultate stel teleur as die hoë goudprys in ag geneem word. Unisel lyk skielik baie interessant. Die myn se produksiemasjien loop nog nie heeltemal glad en volstoom nie, nogtans gaan dit in die Maart-kwartaal 52c verdien. Indien dit gehandhaaf kan word, begin 'n dividend van 150c tot 175c per aandeel al baie moontlik lyk. Dit sal 'n opbrengs van minstens 15 persent sal gee, en dit vir 'n nuwe myn met 'n lang lewe.

In Tabel 3 gee ons 'n skatting van die ander uitstaande finale dividende, wat in Junie vanjaar verklaar moet word. Die opbrengs teen huidige pryse is selfs nog beter as wat nou deur die Vrystaters behaal is, en dit is veral Buffels wat na 'n skitterende kopie lyk. Dit is heelwat moeiliker om die tussentydse dividende vir Junie te skat, omdat die onlangse skommelinge in die goudprys waarskynlik sal lei tot oorkonserwatisme by baie van die myne.

Die skerp kostestygings wat die meeste myne in die Junie-kwartaal ervaar het, kan ook amok maak met verdeelbare verdienstes later in die jaar indien die goudprys nie by bly nie. Die tabel toon nogtans dat goeie dividende verwag kan word van E R. P. M, Grootvlei, Stilfontein en veral Western Deep Levels, wat na ons mening een van die meer ondergewaardeerde goudmyne is.

Tabel 1

MAART-DIVIDENDE

MYN	SEPT. 1979	MAART 1980	TOTAAL	OPBRENGS
Freguls	235c	475c	710c	12,7%
Pres Brand	180c	320c	500	12,9%
Pres Steyn	117,5c	280c	397,5c	10,7%
Welkom	67,5c	130c	197,5c	13,1%
Western Holdings	375c	675c	1050c	14,8%
Ergo	25c	85c	110c	12,1%

Tabel 2

VERDEELBARE VERDIENSTE PER AANDEEL (LAASTE DRIE KWARTALE)

MYN	SEPT. 1979	DES. 1979	MAART 1980
ANGLOVAAL			
E T Cons	29	39	62
Harties	207	269	367
Loraine	9	11	33
UNION CORP			
Grootvlei	24	47	64
Marievale	18	24	38
Kinross	25	35	57
Bracken	16	16	26
Leslie	11	11	19
Winkels	68	91	139
St Helena	85	139	215
Unisel	-	16	52
GENERAL MINING			
Stilfontein	33	64	141
Buffels	78	124	230
RAND MINES			
Blyvoors	40	50	107
Durban Deep	53	123	152
E.R P M	62	92	192
Harmony	42	61	128
J C I			
Randfontein	296	416	417
Western Areas	16	13	52
ANGLO			
F S Geduld	115	220	304
Pres Brand	70	203	297
Pres Steyn	64	117	184
Welkom	33	55	83
Western Holdings	193	240	452
Ergo	18	35	69
Vaal Reefs	107	192	324
Elandsrand	-		6
Western Deep	93	125	263

Tabel 3

MOONTLIKE SLOTDIVIDENDE IN JUNIE

MYN	VERDIEN VIR 9 MAANDE TOT 31 03 1980	VERDIENSTE. JUNIE 1980 SKATTING	DES. 1979 DIVIDEND	BESKIKBAAR JUNIE 1980	MOONTLIKE JUNIE-DIV.	TOTAAL AFGELOPE 12 MAANDE	OPBRENGS OP HUIDIGE PRYS
Blyvoors	197	75	100	174	150	250	17,5%
Buffels	432	170	160	442	400	560	17,0%
Harties	843	300	300	843	650	950	16,0%

MOONTLIKE TUSSENTYDSE DIVIDENDE IN JUNIE

MYN	VERDIEN IN 3 MAANDE TOT 31 03 1980	VERDIENSTE JUNIE 1980 SKATTING	BESKIKBAAR JUNIE 1980	MOONTLIKE JUNIE-DIV.	DIVIDEND DES. 1979	TOTAAL AFGELOPE 12 MAANDE	OPBRENGS OP HUIDIGE PRYS
Durban Deep	152	80	232	115	115	230	8,2%
E R P M	192	120	312	175	90	265	10%
Grootvlei	64	50	114	90	56	146	15,5%
Marievale	38	30	68	55	45	100	20,4%
Randfontein	417	325	742	350	350	700	10,0%
Stilfontein	141	100	241	200	100	300	17,6%
Vaal Reefs	324	260	584	350	320	670	11,7%
Western Areas	52	35	87	40	35	75	9,8%
Western Deep	263	210	473	350	225	575	15,7%

Bold plan to revive gold mines

20/4/80

(Business) S Times

(3124)

AN EXCITING new gold mining operation — with the potential to treat up to 1-million tons of ore a year — could make mining history by 1985.

By JOHN SPIRA

This follows a deal in which Joe Berardo's Johannesburg Minerals Corporation (JMC) has been injected into listed cash asset company Skye, which falls under the Peter Gain/USAT Trust umbrella

JMC, in conjunction with Messina (Transvaal) Development Corporation, has lodged application for the acquisition of some 33 000 claims in the East Rand — claims which span the lease area of 12 defunct gold mines

Such claims, which were allowed to lapse by the mining houses when they became unviable at a $35 gold price, covered stalwart old mines like Springs Mines, Brakpan Mines and Modder B

Although application for the claims has not yet been approved, I understand that Mr Berardo is optimistic that JMC/Messina will be granted a major share of the claims — principally because it was the first to make application and because it is able to satisfy the Government Mining Engineer that it has the expertise and resources to develop the areas in question

The areas covered by the claims contain numerous inherent advantages, making their revitalisation a potentially attractive proposition

These plus factors are that

- Because mines had formerly operated in these areas, the geology of the ground has been fully mapped Accordingly, expenditure on exploration will not be required, while vital parameters such as ore reserves, grades and the nature and depth of the reefs are extensively documented
- Grade varies between 5 g/t and 7 g/t — values which were too low to generate a profit when gold stood at $35 but which, at current prices for bullion, could yield highly satisfactory results Such values are, in fact, more or less in line with SA industry averages
- The enormous expense involved in sinking shafts will not be necessary as shaft systems already exist

At the same time, it must be appreciated that the costs of re-equipping the shafts and underground workings and of constructing one or more milling plants will not be insubstantial

Such expenditure could be met in part by Messina, with the possibility of funds for the remainder being raised via a rights issue

An added benefit to Skye is that JMC is already producing a useful cash flow through an arrangement by which JMC's dump material is treated by Sallies on a profit-sharing basis at a rate in excess of 40 000 tons a month

This operation is worth some R400 000 after tax per quarter to JMC, enabling Skye to forecast conservative earnings of 10c a share and a dividend of at least 7c in the year to December 1980

That the forecasts are conservative can be gauged from the fact that they are based on a gold price of $400

In terms of the deal between JMC and Skye, the latter will acquire 90% of JMC and certain other of Mr Berardo's gold interests for the issue of 4,5-million ordinary and 0,75-million deferred shares plus R1-million in cash The remaining 10% is held by Government Areas

Subject to the granting of the East Rand claims for which JMC has applied, a further 1,5-million deferred shares may also be issued to the vendors of JMC The deferred shares do not rank for dividends until January 1982

In a related deal, Skye is to issue a further 0,85-million ordinary shares and 0,85-million deferred shares for slimes and precious metals claims in the Benoni district

These are held by Southern Prospecting, a company in which stockbroker, Jim Wilson, has a major stake

Upon completion of these transactions, Skye's share capital will rise from the present 3,1-million to 8,4-million ordinary and up to 3,1-million deferred shares

Subject to approval by the JSE, the shares are expected to be relisted during the course of this week

Some six months will probably elapse before it is known whether or not JMC is granted the mining claims for which it has applied And thereafter, a further two to three years will no doubt be required before meaningful quantities of ore begin to pour out again from the old faithfuls

But in the meantime, the company has a wealth of dump and slimes material at its disposal and these can be sweetened by ore from the rich surface outcrops which occur on many of the old East Rand mines

Altogether, Skye looks to be in for an exciting, although somewhat speculative, future

Randfontein looks to higher dividend

RDM 22/4/80.

(214)

BY ADAM PAYNE

RANDFONTEIN Estates' chairman, Mr Bernard Smith, displays much caution in his dividend forecast for 1980, made in his annual review.

After pointing out that repayments of uranium consumer loans have to be made and that the company plans on capital spending of R46-million this year, he says "If the gold price continues at current levels and provided working costs do not escalate to unprecedented levels, particularly as a result of the present negotiation of wage increases, then Randfontein should be in a position to further enhance the dividend payments in 1980"

Last year's dividend total was 600c compared with 450c in 1978 At 600c the shares, standing yesterday at 7 100c, yield 8,4% a year

A bull point in the review is the statement that in the near future the uranium plants should be producing at a rate of 700 tons a year, placing the mine among the top uranium producers Vaal Reefs produced 1 270 tons last year

The annual review deals fully with technical problems at the Millsite and Cooke plants and discusses the discrepancy between yields from the old Randfontein section and sampling records between 1955 and 1964, on which the exploitation of the old section was decided

Outstanding points from the review are ● The grade fell in 1979 from 11,4 g/t to 6 g/t as the tonnage milled from the Randfontein section increased There was also a drop in grade at Cooke No 2 Shaft in line with the high gold price

Further reductions in gold grade must consequently be expected if the gold price remains at the current level

● The mine's uranium search in association with Johnnies in the Karoo has revealed the presence of a number of relatively high-grade ore deposits of limited extent The exploration and evaluation of the areas held under option is continuing with particular emphasis on their operation as a group of small mines

Should this prove feasible, Randfontein may participate in a pilot scale project to determine the parameters that might apply to such an operation

Mr Smith says that because of the discrepancy between yields and sampling records in the old Randfontein section, there will be a reduction in throughput as well as recovery grade from underground at that section

This will result in a reduction in the mine's total uranium production until the Cooke No 3 Shaft can be brought into operation from 1985

Because of this shortfall in uranium production, arrangements are being finalised in terms of which this quantity of uranium will be supplied by other South African producers, thereby enabling the company to meet its commitments to customers in full The producers have accepted the terms of the company's sales agreements

Mr Smith recalls that the Cooke uranium plant has been slow to meet acceptable operational targets

Adverse factors were the failure of rubber linings in the leach section, leading to the systematic withdrawal of tanks for re-lining, the failure of filters to perform because of excessive downtime and also a lack of adequate filtration capacity

Finally, there was an initial shortfall in capacity in the ion-exchange area due to corrosion and inadequate clarification

These problems were compounded by a shortage of skilled technical and operational staff

"However, throughput now matches that of the gold plant and the emphasis on improving recovery efficiencies will continue"

Discussing the difference between sampling records and results in the old Randfontein section, Mr Smith points out that mining at the time the sampling was carried out was in a well-defined zone or ore shoot in which the highest grade of ore was mined

Current operations have been throughout the Randfontein section In spite of this and other factors, the reason for the discrepancy between sampling and mining results cannot be fully ascertained

From a practical point of view the Randfontein section appears to be capable of continued production on a modest scale of about 70 000 to 80 000 tons milled a month for the next four years and certainly longer if a decision is made to re-establish the No 2 North Shaft to give access to deeper levels in the mine

At current gold and uranium levels, and based on current recoveries, these operations are, and could continue to be marginal

They are, however, worthwhile as they will contribute to the uranium supply needs of the company's sales contracts

Iint of bigger SA stake

2~~30~~ 214 RDM 23/4/80

By NEIL BEHRMANN

IDON. — A report in The ly Telegraph suggests that ; of 9 900 000 shares of Condated Gold Fields are held a South African insurance npany, Fidelity Life and by London merchant bank, mbros.

The Daily Telegraph mining editor wonders whether Barlow Rand or Dr Anton Rupert are behind these stakes

However a Consgold spokeswoman was not able to verify the theory.

The spokeswoman admitted that shares held by security nominees now amount to 38 537 000 shares or 26% of Consgold issued share capital

When De Beers raided the market a couple of months ago the company's admitted stake was 36 950 000 shares or just under 25% of the share capital

The Daily Telegraph assumes that Anglo is building up its stake, but the spokeswoman commented that the holdings were under the cover of security nominees so it was difficult to detect the identity of the purchaser

Gold back in the money game — Amgold

(214)

RDM 25/4/80.

By DON ROBERTSON
Mining Editor

THERE are sufficient interrelated and compensating elements in the intricate equation of supply and demand to ensure a relatively strong market for gold in the year ahead, according to Mr J Ogilvie Thompson, chairman of Anglo American Gold Investment.

He says in his report for the year to February that although investment and speculative demands are volatile, the supply position cannot be taken for granted Russian sales to the open market have declined, the four-year programme of International Monetary Fund sales is nearly complete and no US Treasury sales have taken place since November

Last year, the decline in Russian supplies was made up by sales from the IMF and the American Treasury, and demand for investment and speculative purposes more than doubled

But the most significant development recently, says Mr Ogilvie Thompson, is the re-emergence of gold as the single most important component of international reserves

"There can be no doubt that gold has been effectively remonitised, its role as a basis for international debt settlement, financing of trade deficits, security for official borrowing, expansion of the European Monetary System, new IMF schemes and in the financing of the Opec-induced payments deficits has assumed noteworthy proportions

"In the long term therefore, the perceived advantages of gold as a politically neutral and secure asset are bound to gain further ground"

And with this in mind, Mr Ogilvie Thompson says that the very substantial increase in the price of gold has prompted further examination of the expansion prospects in the industry

"Even at prices significantly below the current levels, possibilities exist for the development of ore bodies which have not previously been viable

In assessing the outlook for the gold market this year, the impact on fabrication demand by the higher gold price in dollar and other currency terms, cannot be ignored, he says

The sensitivity of demand to high prices is apparent, but the relationship is complex When the price rose above $400 last year, most experts believed that this would have a definite effect on consumption and that it would fall, although not by as much as it did in 1973 and 1974

"Despite recent fluctuations, and especially in the light of recessionary prospects, this view cannot be disputed and implies the need for corresponding gains in the investment area if supplies at 1979 levels are to be absorbed at around current prices"

The outlook for the uranium market in the short term, however, is not too bright

The oversupply situation is expected to last until the middle of the year and is expected to result in a continuing drop in prices

The oversupply resulted from the delay in the construction of nuclear plants because of long licensing lead times and the general fall in the demand for energy because of the economic downturn

In addition, some American utilities have been reducing inventories either because their view of the supply position has changed their inventory policy, or because high interest rates have made the realisation of stocks attractive

Of concern to the mining industry is the problem of maintaining costs and the shortage of skilled labour.

Last year, the rise in unit costs was held to 11%, but Mr Ogilvie Thompson warns that it will be difficult to maintain this lower level of rises because of the projected rise in the cost of steel, fuel and other items

It is estimated that there is a shortage of 1 040 skilled workers in the industry Even allowing for the Government's efforts to attract immigrants, the industry will be hard pressed to cope with the increasing scale of operations in the future

"The cost to the economy of retarding expansion as a result of inadequate skilled manpower will be enormous and there is a danger that, unless major changes are forthcoming, such a restriction to the economy's growth might well occur."

The group's exploration programme continues apace Prospecting has started in several areas in the Transvaal, including the Barberton area, but it is too early to comment on the indications, he says In addition, the company is participating with other mining houses in several interesting joint prospecting ventures

Exploration for uranium in the Karoo in conjunction with the Spanish Nuclear Fuel Company has continued to be of interest, but appraisals of the deposits at Henkries in the north-west Cape and Tubas in South West Africa indicate that these are unlikely to be economic in present market conditions

The gold prospecting effort has been increased in Australia and New Zealand, and in Brazil, the company is participating in gold investigations At the Morro Velho group of mines relatively large additional reserves were proved during the year which should result in a large increase in production over the years

Attributable profits in the year to February rose to R127 948 000 from R69 744 000 in the previous 14 months, equivalent to earnings of 582,8c a share against 317,7c The dividend was raised to 525c from 250c

RAPPORT 27/4/80 (214)

VSA-bank leen glo miljoene aan SA

Van FRANZ KEMP
WASHINGTON

AMERIKA se tweede grootste bankkorporasie, Citicorp, wat glo tussen 1972 en 1978 1 278,4 miljoen dollar aan die Suid-Afrikaanse Regering geleen het, is skerp aangeval weens sy finansiele verbintenis met Suid-Afrika.

Dit het gebeur pas nadat die Suid-Afrika-Stigting 'n studieverslag in Washington uitgereik het oor die omvang van die grootskeepse Amerikaanse veldtog om die onttrekking van beleggings in Suid-Afrika aan te moedig

Die verslag dui daarop dat die veldtog, wat in 35 state deur sowat 50 000 aktiviste gesteun word, binne die volgende paar maande in 'n meer intensiewe en gekoordineerde vorm as in die verlede verskerp sal word

Die verslag is verlede week uitgereik en Citicorp is deur die organiseerder van Amerika se „Big Business Day" in Washington in die sogenaamde „korporasiesaal van skande" verdoem

Citicorp, een van elf groot Amerikaanse sake wat as deel van die landwye protesdag teen die korporasiestelsels gekruisig is, is uitgesonder omdat hy „die invloed en belange het wat strek van wolkekrabbers in Manhattan tot die olievelde van Venezuela en die goudvelde van Suid-Afrika"

Die organiseerders sê „Citicorp het die twyfelagtige onderskeiding dat hy die wêreld se grootste lener aan Suid-Afrika is"

Die „Big Business Day" was die hoogtepunt van die pogings van die vyande van Amerika se korporasiestelsel Onder die organiseerders tel Ralph Nader, kampvegter vir die verbruiker, en vakbonde soos die United Farm Workers of America, die American Federation of State, County and Municipal Employees en die United Auto Workers

In Washington het die organiseerder hul „korporasiesaal van skande" onthul Ander groot sake in die saal is onder meer Castle and Cooke DuPont, Occidental Petroleum, Grumman, Exxon en US Steel.

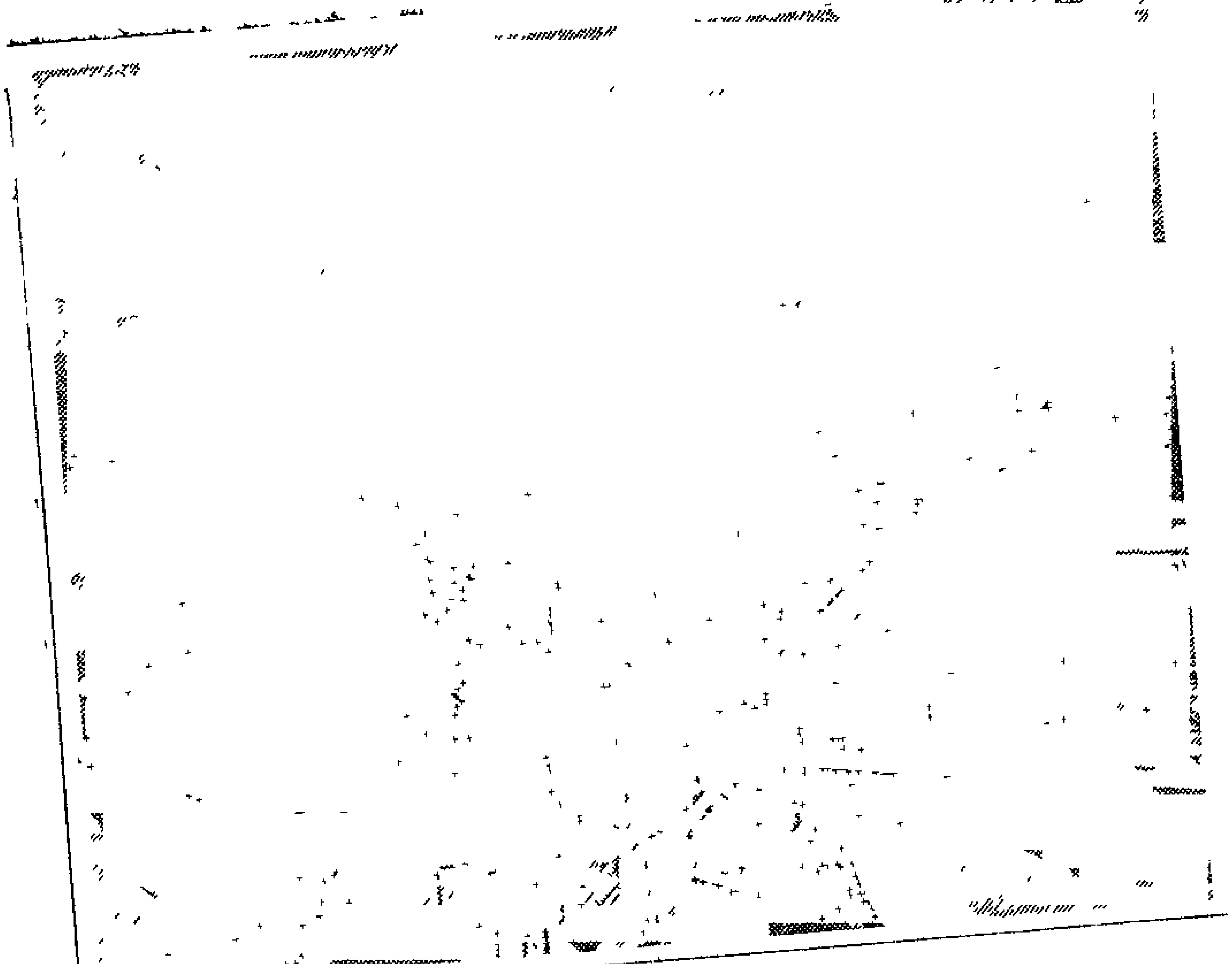
Citicorp se voorsitter, Walter Wriston, ~~is ook~~ vir kritiek uitgesonder omdat hy hom aangesluit het by die direksie van Minorco, die buitelandse arm van Anglo American

Citicorp se beleid teenoor Suid-Afrika het in 1978 verander en nou word lenings hoofsaaklik vir „konstruktiewe" projekte toegestaan So is byvoorbeeld verlede jaar 200 000 dollar vir 'n swart behuisingskema en 'n hoer skool in Soweto geleen

Die inligting dat Citicorp tussen 1972 en 1978 1 278,4 miljoen dollar aan die Suid-Afrikaanse regering geleen het, kom van die Corporate Data Exchange, 'n navorsingsmaatskappy van New York wat 'n verslag gepubliseer het oor Amerikaanse lenings gedurende dié tydperk aan Suid-Afrika

Die verslag is verlede week in die „skandesaal" uitgestal Daarvolgens is die ander groot Amerikaanse leners aan Suid-Afrika gedurende die tydperk van ses jaar die volgende:

Manufacturers Hanover 945,9 miljoen dollar, Chase Manhattan 591,8 miljoen dollar, J P Morgan 521,8 miljoen dollar, Kidder Peabody 513,2 miljoen dollar, Smith Barney 353,3 miljoen dollar, Whiteweld Holdings 232,8 miljoen dollar, First Moston 202,2 miljoen dollar, Pefco 175,8 miljoen dollar, en BDA 118,0 miljoen dollar



Extra heavy duty thickeners at Village Main

Village Main extension

STAR 28/4/80

214

Envirotech recently completed work on the installation of three 23 m extra heavy duty thickeners at the Village Main Reef gold mine

The thickeners will form part of a processing circuit in the heart of Johannesburg designed to treat two dumps containing about 8 tons of sand

Based on sampling results, the sand dumps — which will give the mine a new lease of life — are claimed to have an average sample value of 1,07 g/t of gold and indications are that a recovery of about 75 percent should be achieved

The three thickeners form part of a major plant extension costing about R2,9m designed to achieve a production rate of 60 000 t/month. Village Main Reef is the closest mine to the centre of Johannesburg

ER Cons offer at 32c

214 LDM 30/4/80

NEW shares in East Rand Consolidated will be offered at 32c a share in the proportion of two new 10p shares each for every five shares held at close of business on May 9, East Rand Cons said in a statement.

The rights issue is subject to approval by members at an extraordinary meeting to be held on May 2 of the proposed increase in authorised capital and to the granting of listing of the new shares by London and Johannesburg stock exchanges, it said.

The new shares will rank pari passu with existing shares except that they will not qualify for the recommended dividend of 1,05p per share for 1979 — Reuter

214

MINING - Gold

1-5-80 - 31-12-80

214

AMGOLD

Broad growth spread

Activities *Anglo's major gold and uranium investment vehicle Holds most of the group's strategic gold mine company stakes, both in-house and in mines controlled by other groups Holds 10,9% of GFSA Participates in Anglo's gold and uranium exploration programme worldwide Anglo and its subsidiaries hold 47,8% of the equity*
Chairman *J Ogilvie Thompson*
Capital structure *22m ordinaries of R1, 25m red cum prefs of 10c Market capitalisation R1 866m*
Financial· *Year to February 29 1980 Net cash R62m Current ratio 1,1 Capital commitments Nil*
Share market. *Price 8 500c (1979-80 high 10 500c, low, 3 150c, trading volume last quarter, 29 000 shares) Yields 6,9% on earnings, 6,2% on dividend Cover 1,1 PE ratio 14,6*

	[illegible]	'77	† 79	80
Investments				
Book value (Rm)	148	185	207	208
Market value (Rm)	613	766	1 103	2 246
Investment income (Rm)	46 9	45 2	74 4	133 9
Earnings (c)	207	189	318	583
Dividends (c)	180	165	250	525
Net asset value (c)	2 882	3 415	4 916	10 181

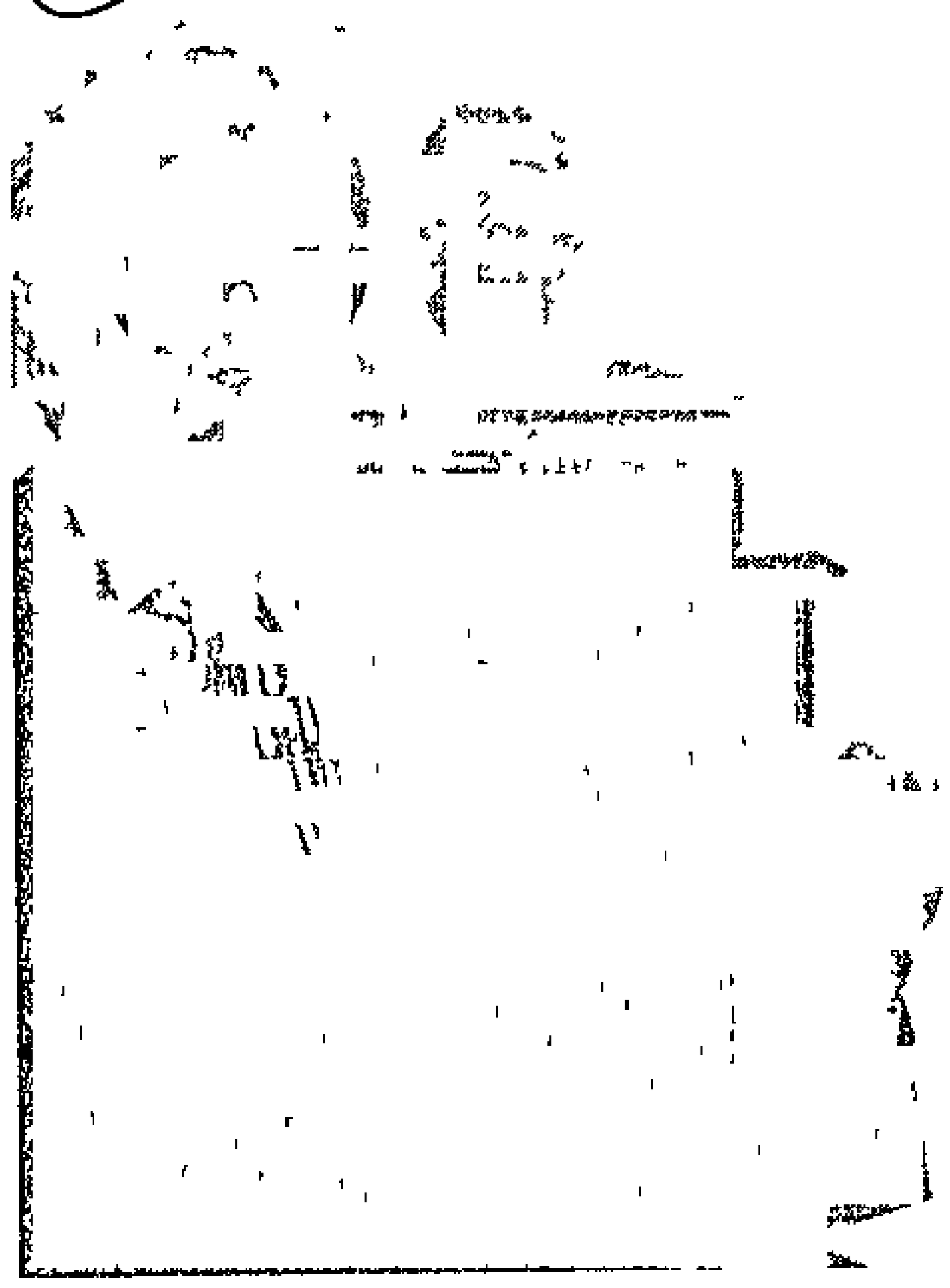
* 12 months to December 31 † 11 months to February 28

The booming gold price allowed Amgold to increase its dividend by more than even the most optimistic forecasts last year And though bullion is currently highly volatile, it is almost certain that for the year to end-February 1981, it should average at least the $304 17 of last year This augurs well for a total payout at least equalling the 525c declared last year Chairman Julian Ogilvie Thompson avoids a forecast, but he believes there are "sufficient interrelated and compensating elements" to ensure a "relatively strong" gold market in the current year

This view takes into account the effective remonetisation of gold and the continuing battle with inflation and growth in the US The Middle East continues to be a factor in plumping for a higher gold price, particularly after last week's abortive US bid to free the hostages and the EEC support for diplomatic measures to secure the hostages' release

However, the re-emergence of the Soviet bloc as a gold seller could upset the supply/demand balance which Ogilvie Thompson thinks will have to rely on growth in the investment sector this year if supplies are to be absorbed, given the possible fall-off in industrial and fabrication purchases at higher prices

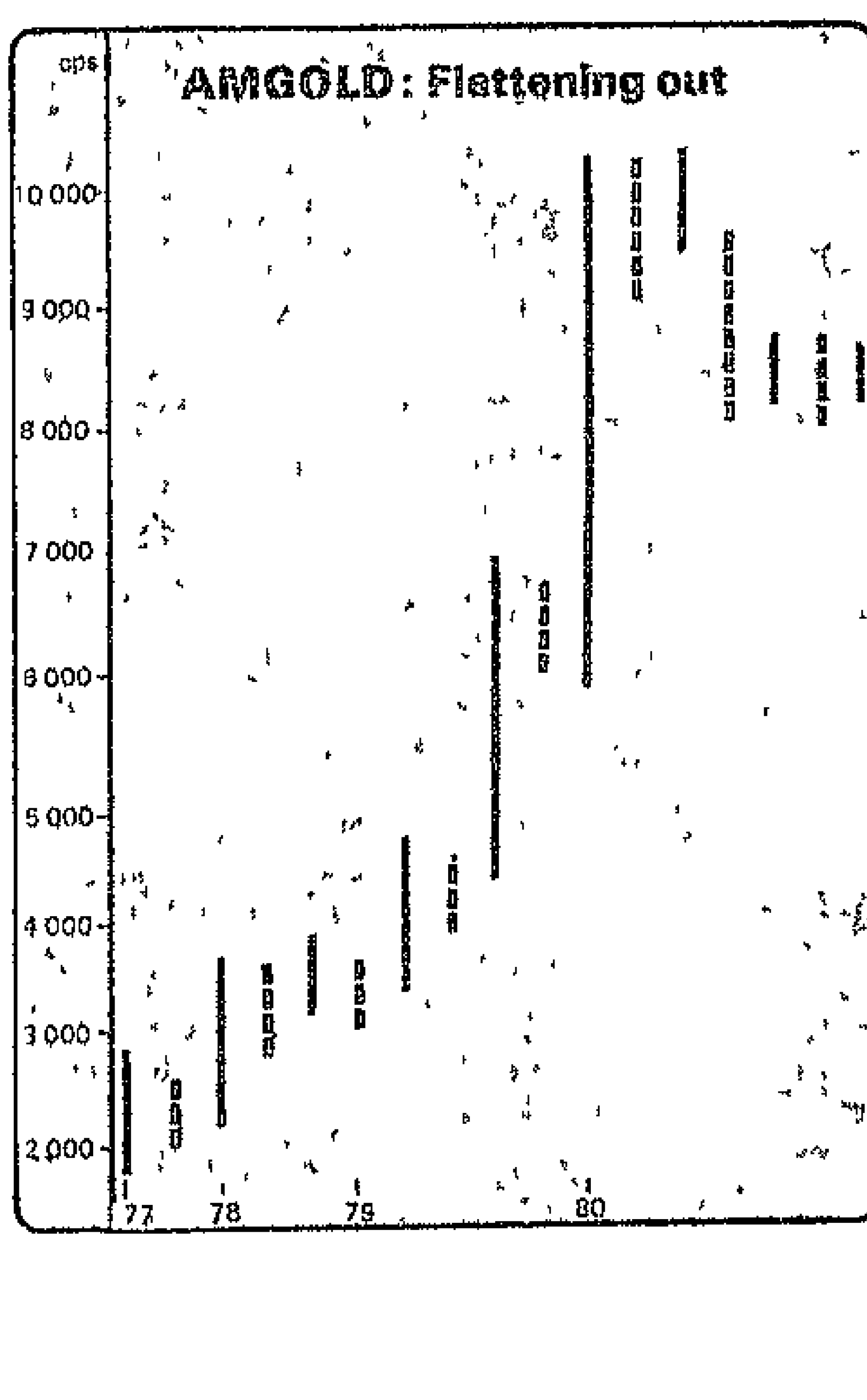
With the strong bullion price, Amgold's investment income increased 80% to R133,9m (R74,4m) This also reflected success in group mining investments in holding cost increases down to the level of



Ogilvie Thompson looking for relative strength

inflation in SA As the bullion price increased, so mining shifted to lower-grade ore Thus while total mill capacity of the gold mining industry rose 6,9% gold produced fell to 702,8 t (704,5 t) as grade dropped 7 5% to an average 8 19g/t The slower rate of increase in working costs which was a feature of 1978-79 continued last year, and average costs per ton were only 11% higher(13 7%) Coupled with lower-grade and higher tonnages milled, the unit cost of gold recovery increased 20,4% to R3 464/kg or $129 29 an ounce

Uranium profits however, suffered with lower prices and consumption not increasing as previously expected This follows slower growth in energy consumption world-wide in view of the general economic downturn and the time taken to grant



licences to erect nuclear power stations — a position aggravated by the Three Mile Island incident Ogilvie Thompson says the over-supply is expected to last into the mid-Eighties, with a continuing drop in real prices

The past year saw a significant improvement in Amgold's cash position At end-February loans to Anglo and cash totalled R67,1m (R24,5m) The booming gold price also meant that, by end-February the value of the group's portfolio was R2 246 4m (R1 102 6m) and net worth per share 10 181c (R4 961c)

Longer-term prospects are tied to the gold price and new mining developments The major projects in hand include Elandsrand Deelkraal and Unisel which have recently come into production, while Amgold has a 1% interest in Beisa scheduled to come into production in 1981 Other developments include the new shaft at President Brand participation in a possible mine at Beatrix, Western Deep's expansion, a potential mine at SA Lands based on the old Van Dyk mine plus developments at Doorns, Libanon and Afrikander Lease

Amgold participates in exploration carried out by the Anglo group The rate of exploration has increased considerably and Ogilvie Thompson says it will escalate further this year This includes possible exploitation of the low-grade gold and uranium deposits in the Erfdeel/Dankbaarheid block on which exploration is far advanced The exploration programme has also been extended to other parts of the OFS (probably Jeanette and the Bothaville Break) with encouraging results In the Transvaal prospecting has started in the Barberton area, though Ogilvie Thompson says it is too early to comment on results obtained so far It is known however, that Anglovaal has drilled four holes in the areas of interest and is the lead house there

Provided the gold price remains around present levels, the outlook this year is encouraging The industry might find cost containment difficult in view of likely administered price increases, such as in steel products Longer-term developments at mines in which Amgold has a stake could inhibit distributions, but with the wide gold portfolio spread this should not impact severely on Amgold's own dividends provided bullion remains firm

The share price has more than doubled to 8 500c, after a peak of 10 500c, in the past year (3 725c), reflecting the quality of the group's gold portfolio Assessing this year's prospects is difficult in view of the varying influences on the gold price Ogilvie Thompson avoids any real forecast, but in view of the fact that last year's gold dividends were based on $307,14 gold, and this year's average bullion price to date is over $622, the stage seems set for a total payout over 600c

Des Kilalea

BORLAND*LIST

361:A FERREIRA, JAN A.
362:D 1965
363:T RESEARCH REPORT ON A PHONETIC ANALYSIS OF SOME COMP
364: HEIR PHONEMIC REALIZATIONS.
365:P TYPESCRIFT.
366:C K-MEYER CT 7 309 : VERY DETAILED PHONETIC STUDY, TS
367: ZULU, XHOSA, VENDA, TSONGA.
368:L 1500
369:S PHONETIC
370:A GODFREY
371:D 1915
372:T MENTIONED _TONE_ IN XHOSA.
373:C DOKE 16
374:L 1541
375:S TONOLOGY
376:A GODFREY, ROBERT
377:D 1934
378:T REV. JOHN BENNIE, THE FATHER OF THE KAFIR LITERATU
379:P BS 8 : 123-34.
380:C BENNIE'S MS GRAMMAR OF 1832 NOW IN LIBRARY OF UNIVE
381:L 1541
382:A GREGORIO, G. DE
383:D 1882
384:T CENNI DI GLOTTOLOGIA BANTU (SUD-AFRICANA).
385:P TORINO, LOESCHER, 151P.
386:L 1000
387:S PHONETIC.
388:W A496.3702 GREG
389:A HOMBURGER, L.
390:D 1914
391:T ETUDE SUR LA PHONETIQUE HISTORIQUE DU BANTOU.
392:P PARIS, CHAMPION, 396P.
393:C INCLUDES XHOSA AND OTHER BANTU LANGUAGES.
394:L 1000
395:S
396:A AFRICAN STUDIES.
397:D
398:T
399:L
400:S
401:A
402:D
403:T DY OF LITERARY XH
404:P SIS.
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406:S
407:A
408:D
409:T
410:P
411:L
412:S
413:M
414:A
415:D
416:T TURE OF AFRICAN CL
417:P AU 50 : 279-9.
418:C REFERS TO XHOSA ETC.
419:L 1000
420:S TONOLOGY

Cooke 3 now under way

STAR 5/5/80

214

Randfontein Estates Cooke number 3 shaft which will boost the mine's operating capacity by 150 000 tons a month at a cost of R200m is officially under way

Turning the first sod at the site of the new shaft, Johnnies Chairman Sir Albert Robinson commented that the project represented virtually a new mine in itself being double the size of mines introduced in the Free State in the early days.

Expenditure on the shaft will be funded internally, the bulk being spent over a six year period with some R10m being expended this year Full production is expected to be reached in 1985

Initially a 9 metre diameter circular vertical shaft will be sunk to 1 360 metres, to link up with haulages being developed from the Cooke number 2 shaft.

Following this a ventilaton shaft will be sunk to supplement ventilating capacity.

RAND DAILY MAIL, Thursday, May 8, 1980

Stilfontein makes the dirt pay

~~232~~ 214

RDM 8/5/80

Financial Reporter

STILFONTEIN will speed up the rate of development in previously unpayable areas, says the chairman, Mr F J Fritz, in the annual report

A further tributing arrangement is being made final with Hartebeestfontein whereby Stilfontein will obtain the right to mine about 150 000 centares next to the mine's north western boundary

Development of this area is expected to cost R668 000 this year

The Chemwes plant in which the company has an 85% share holding was brought into full production last year four months ahead of schedule Uranium output is above contractual commitments, but further sales should be achieved this year

He is confident that the gold price will allow Stilfontein to make greater use of its lowgrade ore and that the mine's uranium will be of substantial benefit in the years ahead

Costs will increase by milling lower-grade ore (working costs were almost R40 a ton last year) and operational efficiencies will have to be improved The report shows that the ore reserve pay limit of 2 666 000 tons with a gold grade of 11 61 g t and uranium grade of 0 18 kg-t is based on a gold price of $380

Stilfontein's taxed profit leapt by 69% to R25 200 000 in the year to last December from R14 900 000 in 1978 and the dividend total was increased to 135c from 66c The mine received an average gold price of $305 against $197 in 1978 which pushed working profit up to R139 688 000 from R93 557 000

Chemwes results were not consolidated because production started towards the end of 1979 and limited quantities had been sold by the yearend

(214)

RDM 8/5/80

Dumps doomed by R40m gold plan

By SIMON WILLSON, Industrial Reporter

JOHANNESBURG'S southern skyline will be changed over the next four years by a R40-million project, announced yesterday by Rand Mines, to recover gold from mine dumps on Crown Mines property.

Work costing more than R1-million will be carried out this year, and will ultimately include excavations at the Rand Mines Properties 'A' dump — a familiar landmark to city motorists.

The well-grassed dump, which looms over the M2 motorway, will be completely levelled within four years.

All the dumps in the Crown Mines area are at present well-covered with grass and some trees — and with the residential suburb of Mayfair only about a kilometre away from the recovery site, Rand Mines officials say they are well aware of the environmental implications of baring the dumps to the elements, with the consequent risk of raising clouds of dust.

Mr D T Watt, head of the gold division of Rand Mines, said yesterday: "We have organised the work to cause the minimum amount of atmospheric pollution and run-off caused by rain. The excavations will, in fact, expose even less of the surfaces of the dumps than is exposed now.

"In addition, all the excavations will incorporate sealants in the water spray system, which will have the effect of consolidating the surface of the exposed sand without interfering with the metallurgy of the recovery operation," Mr Watt said.

Rand Mines, as technical advisers to Rand Mines Properties, is to supervise the technical and logistical aspects of setting up the project, which will require a new plant to be established south-east of Crown Station.

The plant will be ready in two years.

The decision to go ahead with the retreatment project for the dump material follows projections of the likely course of the gold price, which indicated that recovery of the gold in the dumps would be economical at today's bullion price.

Rand Mines says the estimated total working costs of reprocessing the sand dumps should be between R3,50 and R4 a ton at current prices. The corresponding break-even gold prices, at the present dollar-rand parity, are $274 and $313 an ounce.

The company expects the project to yield a "satisfactory" profit if the gold price continues to increase, on average, at the same rate as operating costs.

It is calculated that there are about 50-million tons of treatable material at Crown within a convenient operating radius of the plant site.

The treatment rate has been set at 4 400 000 tons a year at full production, with an expected average gold yield over the life of the project of 0,5g a ton — recovery efficiency of more than 70%.

South Roodepoort bonus issue

RDM 9/5/80 (214)

By ELIZABETH ROUSE

SOUTH Roodepoort intends to make a 10-for-100 bonus share issue instead of paying a dividend for the year to June 1980.

The company needs to conserve cash for development of the new mine in the Gauff shaft area. The quarterly report says mining should start before the end of the year.

Results from the new mine, where average grade is 5 g/t, could be volatile as its mining operations are highly susceptible to the gold price. However, some investors should be willing to take to bonus shares to widen their stake in what could be rewarding if the gold price stays high.

South Roodepoort paid a final of 10c last year after an interim of 60c. The 70c total was covered 1,74 times by earnings and it is obviously unacceptable to distribute so much when financing a new mine, although the cost is estimated at a conservative R12-million.

South Roodepoort swung from a working loss of R235 000 in the December quarter to a working profit of R215 000 in the March quarter, ending with a net profit of R288 000 compared with R9 000 in the previous quarter.

Profits were adversely affected by the failure of a hoist motor in January. There is an outstanding insurance claim of R331 087 for losses sustained because of the failure.

Some waste rock will be sold for R200 000, plus a monthly royalty.

But current mining operations alone cannot sustain spending at South Roodepoort. Net profit for the nine months to last March was R686 000 and capital spending amounted to R1 224 000.

FM 9/5/80

214

RM PROPS

The golden dawn

After several years of waiting and some false starts, the RM Props faithful are to be rewarded with gold production from the old Crown Mines dumps Basically, the company plans to recover gold and some pyrite from an initial 50 Mt of sands dumps on Crown Mines, treating an annual 4,4 Mt in a brand new plant at an overall average gold recovery grade of 0,5g/t There is no uranium worth talking about

But that is not the end of the story, and it is a fairly safe bet that the company's published estimates have erred on the side of caution For a start, initial treatment is limited to the Crown Mines dumps — those of CMR and City Deep will follow later, though they in their turn will require additional plant And then there is the question of initial gold recovery grades, which will have an important bearing on the project's present value

Capex in fiscal 1980 is planned at only R1m, to be followed by R29m next year and R10m in 1982 Production is slated to start in the September 1982 quarter, with full capacity operations planned for 1983

No details are yet available on the project's likely split between internal and debt funding But it is planned to repay borrowings over five years, so any dividend restraint resulting from debt repayments need not be unacceptable Then there is the dump retreatment schedule The initial plan is to start treatment at a recovery grade of 0,7g/t, with a gradual decline thereafter

However, if gold averages only \$500, based on the company's estimated treatment cost range of R3,50/t to R4,00/t, that indicates an initial profit of over R4,70 per ton milled, or an annual R21m pre-tax in 1983 and 1984

On that basis, the tax shield should not last for much more than two years, followed by tax based on a Y=60-480/X mining tax formula from 1985 onwards

Just how much will land in shareholders' pockets, however, will depend on planned borrowings to fund the project At end-September 1979 RMP's consolidated balance sheet showed net-current assets of only R4,8m, while from the six months to end-March 1980, consolidated taxed earnings were R2,3m So even if dividends are pegged at last year's 17c — which absorbed R2,1m — it could be that loans of up to R30m will be needed to fund the gold project

That is planned to be repaid over the operation's first five productive years, with the bulk probably falling due during the early years of the tax shield What seems likely, if my estimate of borrowing requirements is correct, is that anything up to R12m could be repaid in each of the years 1983-1984, followed by R2m a year in the next three years

Even so, that means distributable earnings of around R9m — equivalent to over 70c a share — in the first two years of production Thereafter, with the loss of the tax shield and a recovery grade drop to the 0,5g/t average for the project, annual earnings at \$500 gold should be in the region of R5,2 million After an annual R2m loan repayment, that points to additional distributable earnings of at least 25c a share in 1985-1987 and 42c a share after that

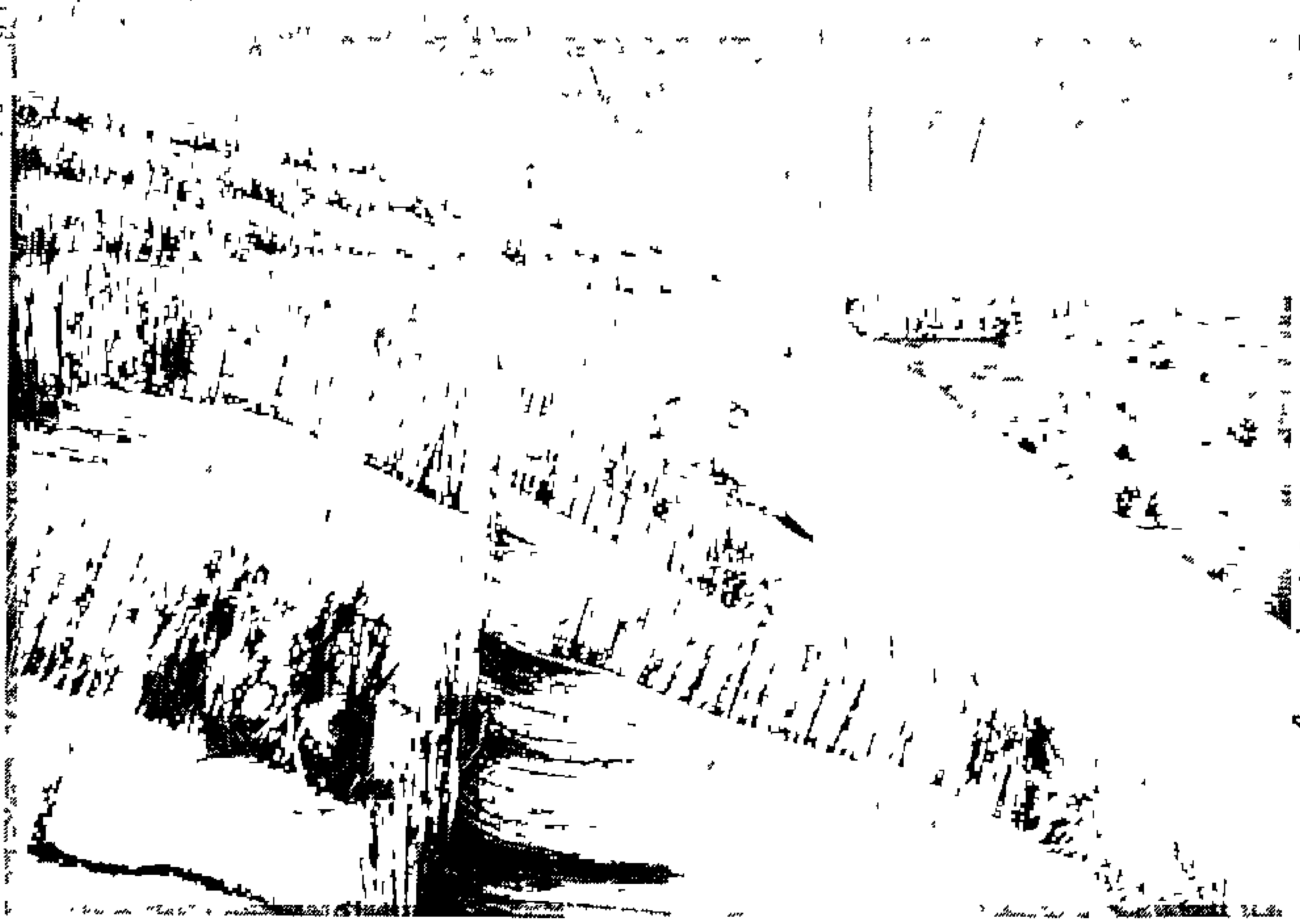
After hitting 600c on Wednesday on speculation over the company's plans, the share weakened to 570c at the day's close They could come back even further on fuller analysis of the proposals But it should be remembered that operations are not limited to the 50 Mt of sands dumps forming part of the initial project

On the three mines owned by the company there is over 150 Mt of treatable material at recovery grades in the region of 0,5g/t

And there still remains the possibility of re-starting underground operations Investors' appetites for that have probably been whetted by Rand Leases' recent announcement of investigations into the possibility of re-starting underground operations And unlike Rand Leases which has sold all its plant, the Crown Mines shafts have been kept in working order

It may be premature, but could it be that the cash flow from dump retreatment will be partly used to return underground operations to production?

Jim Jones



Crown Mines . . . returning to life

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TC Lands doubles profit

RDM 9/5/80

214 215 217

By ADAM PAYNE

TRANSVAAL Consolidated Lands, a Barlow Rand subsidiary with wide mining interests, has almost doubled its attributable profit for the six months to March compared with the same time last year, and has declared an interim dividend of 65c (42c) which is more than five times covered by earnings of 349c a share.

The attributable profit of R25 521 000 for the half-year compares with R13 432 000 in the half-year to March 1979 and R20 988 000 in the second half of the year to September

Prospects for the second half of this year are bright with a forecast that profit levels should be maintained and that the final dividend should be at least 120c (93c), making a total of 185c (135c)

As TC Lands has exceeded dividend forecasts, this prediction should prove to be conservative

On a total of 185c for the year the yield on yesterday's share price of 4 000c would be 4,6% This is a low yield, but TC Lands in the past has grown strongly in profits and share appreciation from year to year and this performance should be continued, particularly if the gold price remains high

Income from coal will be much higher this year than in previous years

The main increases in income in the past six months came from gold and coal investments Turnover, which covers sales of asbestos, chrome, coal, fluorspar and timber, jumped by 73% to R130-million, helped by income from the new Duvha Colliery which contributed nothing last year

It was helped on a much smaller scale by income from the asbestos division which owns Cape Asbestos

Rietspruit Colliery, jointly owned by TC Lands and Shell, was in production for only a short while in the previous financial year but contributed to turnover throughout the past six months

In its gold investments, TC Lands benefited by a trebled final dividend from Harmony and by higher dividends from other gold holdings

COMMENT TC Lands did slightly better than expected from its asbestos division which is good news at a time when sections of the asbestos mining industry are struggling

Whether asbestos will be better than the platinum investment which was sold to buy Cape Asbestos remains to be seen — depending on what dividends the platinum companies declare this year.

When TC Lands held its platinum shares, dividends were small and were passed on occasion

The asbestos interests have good potential.

The coal picture here is excellent with increasing output from Duvha which serves Escom, and rising exports from Rietspruit.

Rietspruit exports last year totalled 2 600 000 tons and they are expected to rise to 4 800 000 tons this year and 5 500 000 tons by the middle of 1983.

A pointer to the strength of TC Lands investments is the fact that the market value of its listed investments rose from R69-million at March 31 1979 to R127-million at March 31 this year.

Oppenheimer talks on the Cons Gold deal

'We blocked the mystery bidder'

(214) ~~(223)~~ RDM 13/5/80

By NEIL BEHRMANN

LONDON — Mr Harry Oppenheimer has confirmed that De Beers and Anglo bought 25% of Consolidated Gold Fields to block another bidder

In an interview with the Sunday Telegraph here, Mr Oppenheimer said he had been uneasy about Gold Fields for several years

The only protection against a major predator was its size Yet, for a big oil company or even a large mining company flush with gold profits, this was not neccesarily sufficient, said the Anglo American chairman

Last October (when Business Mail and Cape Times first published the unusual activity), De Beers noticed a big buyer in the London market

The immediate thought was that it must be General Mining However, Mr Oppenheimer decided that the bidder was not an Afrikaans mining house

"Nonetheless, we decided someone was going to go for it and if so, it would upset the whole balance of power," said Mr Oppenheimer "It was never the intention of De Beers – and the whole operation started as a De Beers as opposed to an Anglo American, one – to take control "

"But I wouldn't like someone else to control it I wouldn't like us to control it either, as it would be politically unwise to bring under one roof 70% of the South African mining industry."

Mr Oppenheimer reckons that the balance of power is something worth paying for

"We are substantially the biggest mining group in South Africa, and a lot of business comes to us because of our size Obviously our position would be affected if another group were as big "

If it was not General Mining, who else was in the market? Mr Oppenheimer says he still does not know It might have been an oil company – Atlantic Richfield and Exxon were both mentioned – and that would not have pleased the Anglo men

"That would not have been to our advantage," says Mr Oppenheimer He believes that someone without any knowledge of the South African mining scene, might have disturbed the delicately developing balance

Mr Oppenheimer has now tied up Cons Gold and the offshoot GFSA His two companies, De Beers and Anglo have just under 25% and have stopped buying

Recently, there were reports that undisclosed nominees in Cons Gold register had increased, but Mr Oppenheimer has not confirmed that the buying has emanated from the Anglo stable

However, Mr Oppenheimer has now gone on record as saying that he would not rule out increasing the stake to 29,9%, "in the future "

Yet, that will be the maximum holding, "unless someone were still to bid ".

The Sunday Telegraph calculates that with Cons Gold ruling around 462p, the Anglo paper loss is £38-million on the £150-million purchase which was made in February

De Beers — market overlooks the hidden riches

RDM 16/5/80

216 74 232 214

LONDON. — There is a major anomaly in the mining share market which cries out for rectification, writes Andrew Wilson in the Sunday Telegraph

For years platitudious arguments have held sway rather than fact — and it is frequently difficult for the major investment funds to reverse their long-held beliefs and even more so those of their trustees

To begin at the beginning The world's most efficient monopoly is that of the Central Selling Organisation which can count among its customers every significant diamond producer other than Ghana

Even the Australians are likely to join the list of those who receive monthly cheques in respect of the Ashton mine when it begins to produce marketable quantities of diamonds later this year

Ghana's production of 1 500 000 carats has a gem content of only 15% and these are not of high quality That leaves the CSO selling revenue in 1979 of $2 598-million (R2 192-million)

By far the largest proportion came from gemstones and this is where the CSO's parent, De Beers, really scores At present, it produces around 45% of world gemstones from its mines in Southern Africa

But as pointed out here before, this proportion will rise over the next few years so that its share will exceed 55% with the major variables or unknown being Australia

But the evidence from there indicates that Ashton could best be compared with the Orapa mine in Botswana with an 80% industrial diamond content

Industrial diamonds have prices around 200p a carat at a crude approximation whereas a poor quality gemstone would start off a hundred times higher in the uncut form

But there now appears to be some pressure on supplies worldwide This has encouraged De Beers to develop synthetic alternatives, including one incorporating boron nitride for use in machining hardened steels This points to a higher cash contribution from this source to De Beers revenue in future years

Part of the adverse market sentiment to De Beers arises from the historically high proportion of profits gleaned from South West Africa at Consolidated Diamond Mines Until recently, these accounted for over a quarter of net group profits But in 1979 this had declined to 18% accompanied by a decline in diamond output of 246 000 carats to 1 650 000

While the future of South West Africa remains a little uncertain, De Beers is still plugging ahead to evaluate new reserves although CDM's life expectancy is now the equivalent of 10 years at 1979 production levels unless there are significant discoveries

The shortfall is to be made up from that part of the De Beers group which I have found the most exciting — Namaqualand which is to the south of the Orange River There too, as at CDM, the ancient marine beaches contain large quantities of diamonds, although for some inexplicable reason these tend to be smaller than those on the northern bank

But the deposits seem to extend ever farther south with desposits at Mitchells Bay, 65 km away from the mines at Kleinzee appearing to have the potential to be a significant contributor to group profits

The heavy concentration on research is leading to greatly improved diamond recoveries Treatment of the old spoil dumps at Kimberley saw a sixfold jump in the quantity recovered in 1979 at 335 000 carats At the nearby Finsch mine, a switch from an open pit to underground mining will lead to a 2-million carat increase to 4 500 000 carats, so that with the discoveries in Botswana, De Beers output by 1983 will have risen from 14-million to 18-million carats

So far, so good Will diamond prices hold? The market is quiet at present, with the amounts being offered at the sights being reduced Against reduced volume, however, the 12% increase in prices announced in February, coming in the wake of a 13% rise last September, appears to be sticking

At this stage, it seems fairly safe to assume that diamond profits will be much in line with the R831-million of last year But from here on, the inherent strength of De Beers begins to show itself On a balance sheet basis, the mines and plant are valued at a mere R155-million, whereas on a realistic basis their value is nearer R1 000-million This is computed on the basis of De Beers earning 60% of its diamond profits from its own operations

Once De Beers had only its cash balances to fall back on But in return for being treated as the Anglo American cash milch cow for several years, it has now accumulated an outstanding investment portfolio In addition to cash on hand of R981-million at the end of December, it had 38,5% of Anglo American and 15,9% of Minorco

The overall portfolio excluding cash was worth R2 304-million at the yearend which generated income of only R82 700 000, or a mere 3,6% But that was a year when gold averaged only $307 compared with the average for the first four months of this year, calculated on a perhaps artificial daily basis, of $603,25 an ounce Income from this source will explode in 1980 helped by the acquisition of a net 12½% of Consolidated Gold Fields

It says much for the De Beers cash flow and profitability that it did not have to seek Reserve Bank permission to buy the Cons Gold stake, the amount of cash accruing through double taxation relief was sufficient — and we are talking of sums of around £150-million being held outside South Africa not required for diamond stockpile financing, which were used effectively to help fund Anglo's 12½% stake as well

The links between Cons Gold and De Beers/Anglo are to become closer The probable appointments to the Cons Gold board of Mr Julian Ogilvie Thompson from South Africa and Mr Neil Clarke from Anglo/Charter Consolidated will be balanced by Cons Gold chief executive Mr Rudolph Agnew taking his place around the table at 44 Main Street

At this stage, investment income should improve by over R100-million to R240-million This leaves pre-tax profits around R1 200-million and earnings showing a positive trend with a rise from 206c a share to 220c, depending on tax

The dividend total could well increase from 72,5c to 80c a share This would cost R288-million which dividend income alone covers over 1,4 times, leaving the diamond profits in for nothing So one has an investment yielding a prospective 11,5% with the shares at 348p, covered by assets of R12,50 a share

The discount against the mining-finance house such as UC Investments or Amgold is unjust and De Beers emergence as the world's largest investment holding company has still to be realised

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RDM 20/5/80 (214)

Four-month gold output hits R3 300m

By HOWARD PREECE
Financial Editor

GOLD production was worth more than R3 300-million in the first four months of this year — over half the level for the whole of 1979

But the volume of production was 117 544 ounces lower in April than in the corresponding month in 1979

That brought the total shortfall in production for the first four months of 1980 to just over 250 000 oz compared with the previous year, according to figures from the Chamber of Mines released through Reuter

For January to April, the progressive figure for gold output this year was about 7 223 000 oz against 7 475 682 oz in the 1979 period

The average gold price so far this year has been about $595 at the London fixings

If all South Africa's gold production this year had been sold at this price then – with an exchange rate of R1 equals $1,25 – the value would have been some R3 332-million

In fact, however, the price has ranged as high as $850 and down to $480 and gold is not sold at even quantities each day

The Minister of Finance, Senator Owen Horwood, has announced that South Africa will hold gold off the market at any time it thinks this would be advantageous to the price

So, with both withholding (or selling out of reserves now possible features each month) there is no precise way of identifying the value of net gold output ahead of the official figures from the Reserve Bank

The figures from the Chamber of Mines are usually at slight variance with those from the Reserve Bank, and it is the bank that offers the final definitive statement

Even with these qualifications, however it is patently clear that gold sales this calendar year are already set on record levels

The marginal fall in gold production is a result of the high price and the decision by most mines to lower their grades

This helps to lengthen the life of mines

The value of net gold output last year was R6 003-million — over 50% higher than the previous record level of R3 864-million in 1978

If gold were to match the performance of the first four months of this year over the remaining eight months, output in 1980 would be worth approximately R10 000-million

However, it is possible — but not certain — that the average gold price for May to December will not reach the level of the average for January to April

Even so, it is an obvious chance that gold output this year could yet again be 50% up on the previous year at R9 000-million for 1980

When it is recalled that total imports last year, oil and all, were less than R10 000-million and will this year probably be around R12 000-million, the enormous impact of gold on the balance of payments can be readily seen

Kloof fire

(24) RDM 22/5/80

AN UNDERGROUND fire, which began last Thursday at Kloof gold mine, has been sealed off, but about 20% of daily production is being lost, says Gold Fields of South Africa.

It is hoped that the fire, in the 55 longwall stope, will burn itself out in a fairly short time, but it is not intended to reopen or disturb the area to check before this weekend.

A GFSA spokesman says that only yesterday morning could an accurate assessment of the output loss be made.

The mine is covered by loss of profits insurance in the event of fire for up to 30 days, although equipment is not insured against fire damage.

Big Transvaal search for new goldfield

STAR 26/5/80

214

By John Cavill, Financial Correspondent

LONDON — Three mining houses have joined in a hunt for a major new goldfield in the eastern Transvaal, according to London stockbrokers James Capel and Company

The houses are Anglo-Vaal and Middle Wits, which have linked up with the British-based Selection Trust to explore a 5 000 ha area "lying within a triangle bounded by Machadodorp, Pilgrims Rest and Nelspruit and to the north west of Barberton," says Capel's latest Mining Newsletter

Selection Trust holds the mineral rights which it bought for R2-m says Capel's.

SURVEY

At present the Barberton area is being actively worked by only one company, Eastern Transvaal Consolidated (which is 47,4 percent owned by Anglo Vaal) It is concentrating on expansion at the New Consort, Sheba and Agnes mines

Capel, however, believes that drilling in the exploration zone has already "indicated the presence of reef deposits similar in nature to the Black Reef which outcrops, and has been extensively worked, on the central and West Rand

"Mineralisation is thought to extend over an area larger than the Evander field

"The Geological Survey publication, Mineral Resources of the Republic of South Africa mentions that the Black Reef series of the Transvaal system occurs in the north eastern Transvaal and that prospecting ditches and adits in the Kaapsche Hoop and Coetzeestroom area had disclosed value of 10,8 grams a ton over 1,1 metres and 9 5 grams a ton over 1,75 metres

"In another exposure 228 gra s a ton were obtained over 0,45 metres Significantly, uranium occurs in the reef investigated

"It seems that the three companies are looking for an 'outlier' goldfield, similar in size to Evander but occurring at a relatively shallow depth of 3 000 feet (914 metres)

"Values could exceed 7 grammes a ton (the average grade at Evander) but with uranium content

Early exploration of the Kaapsche Hoop area was we understand, discouraged by the refractory nature of the ore and low recovery This is, of course, no longer a problem," says Capel

The newsletter says Selection Trust (at 650p), Anglo-Vaal (at 36 dollars) and Middle Wits (at 9 50 dollars) have moved up "partly, we imagine, on the back of these rumours

"All companies are small in relation to, say, Anglo American and GFSA, and are highly geared to a substantial find of this nature "

Midwits in Transvaal gold search

(214) RDM 27/5/80.

Financial Reporter

MR Clive Menell, chairman of Middle Witwatersrand (Western Areas), which is in partnership with Anglovaal and others in prospecting ventures, confirmed yesterday that exploration was being carried out for gold in the Eastern Transvaal and other parts of South Africa

But he would neither confirm nor deny London reports giving values of gold reef intersected by drilling in the Eastern Transvaal

However, he denied that Anglovaal and Middle Wits had linked with the British-based Selection Trust to explore a 5 000 ha area

"The mention of Selection Trust is a mystery" he said "We were not aware that they were in the area They are not working with us"

Mr Menell said that as soon as there were any significant results to report shareholders of Middle Wits and Anglovaal would be informed If there was nothing to report no statement would be made

"Until we report it would be wrong to speculate on reef intersection values It is before time to talk We have several prospecting ventures under way around the country and this is one of them"

It will be recalled that at the Middle Wits annual meeting in October last year a shareholder held up a newspaper cutting reporting gold discoveries in the Eastern Transvaal and asked "Is this report true or false?"

Mr Menell replied "Neither"

Middle Wits spent considerable sums in prospecting last year and is spending more this year

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Kloof fire hit 20pc of output area

(214)

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RDM 27/5/80

Financial Reporter

THE AREA affected by an underground fire at the end of last week in Kloof gold mine was opened up during the weekend and it was found that the fire had burnt itself out.

The fire affected about 20% of the mine's production area

Small areas of localised high rock temperatures and some pockets of gas remain. Steps are being taken to cool these areas and to blow out the pockets of gas.

Stoping in the upper levels of the longwall is expected to resume today, and production in the remainder will be resumed gradually over a fairly short period

The fire broke out in the 55 longwall stope on Thursday night and was promptly sealed off

● **FEWER fires are occurring on South African gold mines because of greater attention to loss control procedures.**

The Chamber of Mines' rescue training service reports that there were 138 fires last year, a 23% reduction on the number reported in 1978

The number of times on which staff of the rescue training service were called out to help in extinguishing a serious blaze dropped by about 25%

The RTS believes that this improvement can be attributed to a greater awareness of the financial losses involved, which, in turn, has led to greater efforts being made to adhere to strict loss control procedures and to the elimination of the common causes of serious fires

During 1979 electric cable or switchbox failures and faults, probably often the result of falls of hanging, were responsible for a large proportion of the fires

The next most important causes were accidents involving the use of cutting torches and carelessness in using igniter cord

It is estimated that about 50% of the known causes of fires was a failure to adhere to mines' safety standards, while 40% were electrically orientated

The human element or error is responsible for about 70% of all mine fires

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UK to tighten up after Anglo raid

RDM 28/5/80

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LONDON — The UK Panel on Takeovers and Mergers wants legislation to require investors buying shares in a company, when acting in concert with each other, to disclose their total holding when their joint stake reaches 5% or more, says the chairman, Lord Shawcross

He says the panel's annual report measures are also necessary to ensure that companies are not kept in ignorance for long when investors deliberately delay registering their purchase of shares

Lord Shawcross says market raids are equally worrying though more difficult to deal with

He says these disclosure problems arose during the recent creeping acquisition of about a 25% interest in Consolidated Gold Fields by Anglo American Corporation of South Africa and De Beers Consolidated Mines

It was later open to institutions and others, who had been privately notified of Anglo American's above-market offer, to come back into the market at lower prices and repurchase shares which they had sold at record levels to the Anglo American group

Lord Shawcross says the definition of foreign companies which are not subject to the UK takeover code when receiving a bid was redefined after the abolition of foreign exchange controls last autumn

Foreign companies are now generally defined as non-residents incorporated abroad, or where the head office, central management and control are outside Britain Irish companies listed on the London Stock exchange remain subject to the code in this context

Previously, foreign companies were defined as those not subject to UK foreign exchange controls

Lord Shawcross says a revised takeover code, taking account of several current concerns, will be published towards the end of 1980 Revisions will be on a smaller scale than the last revision in 1976

The panel plans to consider the current proposal in the US whereby buyers of more than 10% of a company's stock during a limited period would have to tender for the balance The possibility of requiring partial bids will also be reviewed

At present, UK takeover rules require a general offer when an outsider acquires 30% or more — Reuter

SMALL MINES FM 30/5/80

What a dump! (214)

Dump recovery has become something of a fad since the gold price moved to its new high plane But it's not only the big fish (like Anglo American with its Ergo project or Rand Mine Properties) who hope to cash in A number of small operators are also getting in on the act, hoping to make a killing from the gold dumps too small to interest the big mining houses

Hillrand's Nellmapius . . . there's gold in them thar dumps

Latest trier is a group with rights to two dumps estimated to contain 450 000 t of gold-bearing waste at the old Worcester mine in the Barberton area The group comprises Hillrand Business Brokers (with 30%) and two partners who do not wish to be named at this stage

The first gold was poured this month and, says Hillrand MD John Nellmapius, "we are now processing six tons an hour, working 10 hours a day "

Nellmapius claims gold content of the 300 000 t dump is running at 1,86 g per ton, and that of the 150 000 t dump at 1,5 g per ton Assuming 60% recovery in the large dump (335 000 g), an amazingly high 95% in the small dump (215 000 g), and a gold price of $460 per ounce (R12 per gram) Nellmapius reckons the total take could be R6,6m

The group has already sunk R600 000 into the venture, he says, and at an operating cost of R4,50 in the large dump and R2,50 in the small dump, operating costs would run out at R2,7m, leaving a potential pre-tax profit over the 3,5 years it would take to extract the gold of R3,3m Simple

But there are some question marks What if the gold price doesn't hold $460? What if the gold content turns out to be nearer 1g per ton, a figure which experts say is closer to the average for SA dumps? What if recovery is only 50%? A combination of these factors would make a very big difference to the profitability of the venture

Says Nellmapius "We have completely grid-drilled the dumps That gives us a very accurate grade estimate which is supported by our present head feed As far as the size of the dumps is concerned we reckon our estimates are accurate to within 20 000t

Laboratory tests he adds show that a gold recovery rate from the sand of 78% should be attainable At the moment we are only recovering 60% but we expect to improve this

The Worcester mine was worked for 12 years between 1905 and 1916 during which time 640 000 tons of ore were milled and 151 000 ounces of gold recovered for a revenue of $610 000

The Hillrand group acquired dump rights and 13 mining claims at the foot of the Worcester mine in 19[illegible] It is planning an exploration programme of surface and underground geological mapping, sampling and extensive geophysical surveying and diamond drilling

If the results are encouraging it hopes to negotiate an option with the owners of the claims of the Worcester mine

Nellmapius says too that his group would consider approaches from prospective investors if the group decide to acquire other dump material available to it and it needed additional capital

"But we are not in the market to sell shares" he says "We have not produced a prospectus The proof of the pudding"

Anglo profit, dividend go soaring

(214)

RDM 3/6/80

BY DAVID CARTE
Deputy Financial Editor

BOOSTED BY soaring gold and energy prices, as well as industrial recovery in South Africa, Anglo American Corporation pushed up taxed profits by R104-million, or 51%, to a record R306 600 000 (1979:202-million) in the year to March 31

Anglo's preliminary results, released yesterday, also reveal that the value of assets controlled by South Africa's biggest private sector corporation rose 60%, or R3 000-million, to R8 000-million (R5 000-million).

Investment income rose 46% to R321 400 000 (R220 600 000) and interest earned and fees 38% to R113 900 000 (R82 800 000) Pre-tax profit rose 44% to R382 500 000

The tax rate rose only slightly, but minorities took a smaller portion of income with the result that taxed attributable profit rose 52% to R306 600 000 (R202-million) Earnings a share rose 50,8% to 136,1c (90,2c) and the dividend 52% to 70c (46c)

Had Anglo equity accounted all its associate companies, Mr Gavin Relly, deputy chairman of Anglo, pointed out, earnings would have been 260c This underlined the quality of earnings, he said.

The balance sheet shows shareholders' funds with investments at cost up 16% to R1 109-million, loans, reflecting mainly deposits by subsidiaries, up 161% to R1 590-million (R609 400 000) and cash deposits up roughly in line by 150% to R1 370 400 000 (R547 800 000)

Mr Relly said Anglo was "extremely pleased" with the results

Because Amgold had recently changed its yearend and certain Free State gold mines came to account some time ago, Mr Relly said these results were based on an average gold price of "not more than $306"

The published figures include the 12,5% stake Anglo acquired in Consolidated Gold Fields recently This made little difference to the income statement, but boosted investments in the balance sheet

The market value of investments rose 65% to R5 058 200 000 (R3 071 400 000) Anglo refuses to disclose the price at which it and De Beers acquired the 25% of Cons Gold they bought between them

Mr Relly said Anglo and De Beers were not keen to increase their Cons Gold stake above the current level, as once the holding exceeded 30%, an offer would have to be made to all Cons Gold shareholders

Not included in income were extraordinary investment profits of R16 400 000 Offsetting this, Anglo provided another R22-million against the loss-incurring Cleveland Potash mine in the UK and a further R3 800 000 against Botswana RST Mr Relly said further provisions here and at Botrest were unlikely unless metal prices fell out of bed The Cleveland mine was working well technically, but variations in grade posed a continuing problem

Questioned, Mr Relly said there was "nothing sensational" to report on Anglo's prospecting in the Free State He said the much higher prospecting cost (R17 200 000 against R11 800 000) reflected higher costs and intensified exploration worldwide.

Asked about Anglo's intentions in sugar, he said "... have a very substantial int... in the sugar industry, but don't have anything grandiose in mind"

Mr Relly said the house view on the gold price was "no better than yours", but he personally was bullish because the US had to pay for its oil imports with something and the holders of dollars would continue to want to diversify their assets He believed the gold price had performed remarkably well and there remained more upside potential than downside

Anglo watchers have been expecting good results and the numbers probably measure up to expectations But considering the low average gold price that went to make up these spectacular results, there must be a lot already in the coffers of Anglo, which is not reflected here. And then there is the high quality of the earnings, and Anglo's spread

On the new dividend, Anglo yields 4,8%, which makes it attractive compared to other mining houses But a buy or sell decision rests ultimately on one's view of gold, diamonds, coal, uranium, and the South African domestic economy ahead of a recession in the US

Stoppage won't hit output

(214)

NDM 4/6/80

Financial Reporter

THE stoppage of work at Stilfontein's Scott shaft because of unrest among about 4 500 Black mine workers, will not affect production, which should be maintained for a week.

Production at the mine's other two shafts has been raised to meet the shortfall and ore will be drawn from stockpile to feed the mill

This is a disturbing event in the booming performance of Stilfontein

Shareholders have benefited by a phenomenal rise in the share price because the mine went into the rich Kromdraai area and because it entered into the uranium business with the building of the Chemwes plant

The mining policy is to lengthen the life significantly beyond the five years for gold mining forecast in the report for 1978.

The uranium life will extend for more than 20 years

In the March quarter the tonnage milled was slightly lower than in December. This was because of a deliberate policy to mine judiciously in the Kromdraai area and to conserve ore there.

Zoom go finals of ET Cons, Harties

(214)

RDM 4/6/80

By ADAM PAYNE

AS A POINTER to excellent June dividends to come from the gold mines, because of the sustained high gold price, Eastern Transvaal Consolidated has lifted its final dividend by 214% to 110c (35c) and Hartebeestfontein has raised its final 150% to 725c (290c).

These payments are in line with Business Mail forecasts of 100c for ET Cons and 700c for Harties

ET Cons' 110c final brings the year's total to 150c (50c) giving a yield of 12% on yesterday's share price

The share has risen strongly from 910c two months ago to 1 250c yesterday on expectations of a good final and also fuelled by reports of possible gold mining developments in the Eastern Transvaal

Hartebeestfontein's final of 725c brings the year's total to 1 025c (400c) giving a yield of 13,9% on yesterday's price

Harties' shares, like those of ET Cons, have risen strongly in the past two months from 5 600c to 7 250c on expectations of good results, following no drop in grade in the March quarter and a 50% rise in net profit because of the high gold price Since then the price has remained above $500 an oz in the current quarter

Harties' final takes into account the use of loans totalling R8 250 000 (R7 040 000) to fund capital spending

Zandpan, the investment company whose main holding is Hartebeestfontein shares, has declared a final that was 151% higher at 1 236c (49c) to make the year's total 173c (67c) yielding 14% on yesterday's price of 1 210c

The company's estimated profit for the year, after paying no tax, is R22 557 000, compared with the previous year's R8 743 000

Keeping an eye on Stilfontein

214

RDM BY ADAM PAYNE 4/6/80

BUT FOR the recent rise in the gold price, the gold share market would have taken a severe knock because of the country-wide demonstrations and detentions, followed yesterday by the "strike" at Stilfontein

The gold price has shrouded these developments but attention now will be focused on Stilfontein to watch developments in the work stoppage

With tension as a background, many investors have turned to charts and forecasts

In the forecast line, some analysts have been saying that a break in share prices is due after the big rise Possibly, the Stilfontein affair will trigger this break

In spite of this, investors are advised to sit tight because when present problems are over, hopefully without serious action, the market is expected to go higher

In that case the so-called marginal mines, with low capitalisation and low grade, are expected to outperform the big high-grade mines which have already had a good run on dividend prospects

As to the gold price, Dr Clive Roffey, the chartist who is attending a congress in New York, in his last newsletter said that during his absence until June 10 he expects bullion to reach the $630-$670 level

"This point will be the most critical in the whole of this current up-move," he wrote

"As soon as the bullion price goes through $613 the bears will be out in force calling the up-move merely a bear market technical rally

"Shareholders will be inundated with advice to sell and clear out of the gold market

"My advice remains the same gold positions should be held through the correction which is likely to occur once bullion has reached the $630-$670 level

"This correction is likely to be a down-move of about $50 taking the price back to $580-$620 level

"It is at this point that the bear massacre will really begin when bullion strongly turns and shoots back upwards through the $630-$670 peak in a final climax to the 1976-1980 bull run

"The immediate short-term move is still to $550 to be followed by a $10-$12 correction prior to moving to the $630-$670 level"

Buffels final 430c

(214) RDM 5/6/80

By ELIZABETH ROUSE

BUFFELSFONTEIN has maintained its status as the star in the General Mining stable — its final dividend is way beyond market expectations at 430c, making a total of 590c for the year.

Gold-mining analysts' estimates for the final ranged from a conservative 300c in Johannesburg to 390c in London

The 430c final compares with a 120c final paid last year, which made 1979's total payment 200c The doubling of Buffels December interim payment to 160c augured well for a good increase in the 1980 final, but few expected such a large nugget

Stilfontein's interim dividend should also please the market.

Clydesdale stars in Genmin's coal stable with a higher than expected final. The other Genmin mining company dividends are in line with market estimates.

Stilfontein's interim has been lifted to 160c from 35c and compares with a 100c final which brought 1979's total payment to 185c Analysts' estimates for the 1980 interim ranged from 150c to 160c on expected earnings of 400c a share for this year.

WR Cons has declared an unchanged 7,5c interim. Last year's final was 10c. Nothing exciting was expected from this source.

Clydesdale's final is 30c (18c), bringing the total to 45c against 26c paid last year. At most the market was expecting a 35c total for 1980, but some investors must have been anticipating a good final as the shares took off on Tuesday against a dull coal sector trend

Trans-Natal has lifted its final by 2c to 16c, making a total of 30c compared with 24c paid last year

The mining holding company, Sentrust, with its mixed mining-chemical portfolio, appears to have witheld funds for possible developments. However, the lift in the final to 37c from 24c, bringing the total to 55c from 38c, puts the share on a good historic yield of 7,9%

Cuts in the asbestos companies' interims were expected. Gefco's interim is down at 7,5c (20c) and Msauli's interim is 17,5c (20c)

Randfontein interim 450c

RDM 6/6/80

214

By ADAM PAYNE

RANDFONTEIN has declared an interim dividend of 450c (250c) which will be welcomed by the market which had been looking for 400c to 450c

If the company is able to pay a similar final to total 900c, the yield on yesterday's share price of 7 000c would be 12,8% The total dividend last year after a 350c final was 600c

The mine has at last got its Cooke gold-uranium plant operating at capacity after drawn-out commissioning problems, so that production over the next six months should be higher than in the past half-year

Gold grade should be maintained at the level of the March quarter unless a higher gold price leads to lower pay limits Uranium sales' revenue will flow at a higher level with greater sales now that the plant is at full bore

With these plus factors ahead, earnings a share should be higher than in the past six months provided, of course, that the gold price maintains a similar or higher level

Earnings a share after tax and capital expenditure were 417c in the March quarter

One should not overlook the fact that the mine will have to spend R46-million on capital development this year Current capital spending would have been taken into account in the dividend declared today

Western Areas interim of 40c will not be as well received as Randfontein's payment Estimates had varied from 50c to as much as 80c, but the latter figure did not make sufficient allowance for the withholding of funds for capital spending

Capital spending totalling R50-million for 1980 is planned so that the board will have withheld funds heavily for this purpose

Earnings a share after capital spending and tax were 51c in the March quarter

As part of the capital programme, two sub-vertical shafts are being sunk and virtually a new uranium mine is being developed on the Middle Elsburg reefs at the North Shaft A uranium plant is being built, but this will not be a drain on funds as a consumer loan is available

Western Areas is more vulnerable to a fall in the gold price than Randfontein and is much more able to reduce grade when the gold price climbs

In spite of these factors, I expect it to pay a higher final than today's interim — provided the gold price does not slump

Even assuming a final of only 40c — balancing the interim — the yield on yesterday's share price of 870c would be 9%

Elsburg, which is linked with Western Areas, is paying a interim of 26c (7,8c) The total last year was 30,55c

Elsburg is an indirect way of investing in Western Areas On the basis of its shareholding of 19 631 950 Western Areas shares, Elsburg is worth 65% of the price of Western Areas

Randfontein sparkles —pays 450c

(21U) STAR 6/6/80

By Jean Moon

No one can be disappointed at Randfontein's 450c interim dividend, which compares with 250c in June last year

On Thursday's closing price, the increased payout puts the share at a handsome 11,4 percent yield, taking last year's final into consideration.

Even if the price of gold averages around 500 dollars an ounce in the second half of this year, Randfontein's earnings will be well in excess of those last year

It can only be hoped that Randfontein, along with some other of the JCI mines, has been able to do something about their huge tax burdens which were in evidence in the last set of quarterly figures

Elsburg's interim of 26c compares with last year's half year distribution of 7,8c a share The yield on Thursday's closing price improved to 8,3 percent

Western Area has pushed its interim up from 12c a share to 40c, which puts the yield at 8,6 percent

AT Cons the sizzler of Anglovaal

By Jean Moon

Four more dividends have been declared by the Anglovaal group, which are enough to gladden anyone's heart.

Anglo Transvaal Consolidated pushed its total payment for the ordinary and A shares 53 percent higher to 230c a share, following the declaration of a 180c final.

The estimated consolidated after tax profit and minority interest was 59 percent higher at R37,1m which is equivalent to 867c a share.

The higher profits mainly stem from increased mining company dividends.

The participating preference shares received a 95c dividend which is 30c higher than last year, and brings the total to 125c which compares with 85c last year.

Anglovaal Holdings increased its final dividend by 6c to 18c making a total of 22,5c a share which is 55 percent higher than last year's total of 14,5c a share

Anglo Transvaal Industries raised its annual dividend by 42 percent to 34c a share and has reported a consolidated after tax profit of R25 2m, which is 44 percent higher than last year.

Middle Witwatersrand has declared a final dividend of 45c producing a total of 65c a share, which compares with last year's distribution of 35c a share The consolidated taxed profit was 87 percent higher at R13,5m

STAR 10/6/80 (214)

ERPM pays 175c dividend

By Jean Moon

Shareholders in the Rand Mines group gold mines received a pleasant surprise with the announcement of dividends.

Blyvoor's final of 185c is almost treble that of a year ago, and together with the interim of 100c, puts the dividend yield at a highly attractive level of 14,6 percent on last night's closing price.

ERPM has declared an interim of 175c, which compares with last year's 10c. The dividend yield on yesterday's closing price has risen from an unattractive 2,8 percent to 7,5 percent when last year's final of 90c is taken into consideration.

Durban Roodepoort Deep's 160c interim compares with last year's figure of 40c. Together with last year's final of 115c the share now yields 7,6 percent on yesterday's closing price.

In the case of Durban Deep and ERPM, the dividend announcements point to increased profit retention in order to facilitate long term continuity of profitable mining operations. Further retentions can be expected at the year end in order to assist in financing capital expenditure programmes.

In the case of Blyvoor, shareholders are enjoying some of the benefits flowing from the funding of capital expenditure from the consumer loan, with tax advantages.

But the mine is back to financing its own capital expenditure next year, so profit retentions can be expected.

* * *

Musgrove and Watson, the travel subsidiary of the Freight Services group, sold airline tickets to the value of more than R3 5m in May to set a new South African record which is three times higher than the best figure previously achieved by any travel agency.

STAR 10/6/80 (214)

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Question 3 (a)

According to the Fisher quantity theory of money we must assume that we have full employment, full price flexibility, money is regarded as a medium of exchange and all money is used for spending.

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Blyvoor pays 185c final

RDM 10/6/80

By ADAM PAYNE

BLYVOOR has declared a final dividend of 185c (65c) which is higher than analysts' expectations of 150c, to make a total of 285c for the year.

At yesterday's share price of 1950c this gives a yield of 14,6% a year which is in line with the better yields in the present gold market

The dividend reflects the benefits of the mine's uranium consumer loan in addition to the higher gold price.

One can assume that some retentions have been made towards capital spending in the second half of the current financial year to June 1981

During the second half the mine will have to finance its capital spending which will call for heavier retentions from profits at that time

Blyvoor's interim of 100c was higher than expected so that investors are well pleased but one should not overlook the fact that the mine has a limited life with indications that recovery grade will continue to decline as mining in the lower-grade western section goes ahead

The grade has declined from 14,4 g/t in the June quarter of 1975 to 9,1 g/t in the March quarter this year

An improvement in uranium profits should be maintained even though the uranium market is weak, and contracts are frequently linked to the current price

ERPM has declared an interim dividend of 175c compared with forecasts of 150c out of forecast earnings of 380c.

This is a reasonable dividend from a mine which has had to increase retentions from profits for its capital spending programme of R36-million in the next two years.

The directors say that increased retentions will be needed by both ERPM and Durban Deep to assist in financing their capital spending programmes and to enable them to go ahead unhindered by temporary adverse fluctuations in the gold price

The 175c interim compares with last year's interim of 10c and final of 90c

Durban Deep had declared an interim of 160c which will disappoint the market where analysts had been looking for 200c out of earnings of about 400c.

This compares with the 40c interim and 115c final from Durban Deep last year. Durban Deep's management envisages that capital spending this year will rise to R8 700 000 from R3 100 000 in 1979 and that it will increase to R14-million in 1981 to develop the full potential of the mine

Most of the capital spending will be on shaft sinking and development of haulages A hostel to house 3 500 workers will also be built

West Drie final tops forecast

(2 14)

RDM 17/6/80.

By ADAM PAYNE

FINAL dividends from GFSA gold mines are as expected, except for a better payment from West Driefontein than forecast in Busines Mail and a lower than expected payment from Libanon.

The dividends with last year's finals in brackets are.

Doornfontein 100c (40c) from forecast earnings with retentions from the interim stage of 320c This makes a total of 120c for the year, providing a yield of 7% on yesterday's share price of 1 700c. The heavy retentions for development to the south of the lease area have knocked the yield.

Kloof 240c (80c) from forecast earnings with previous retentions of 276c to make a total of 320c, providing a yield of 9,55% on yesterday's share price of 3 350c. It has not been necessary to make big retentions and the payment is only 10c lower than the Business Mail forecast.

Libanon 150c (100c) from forecast earnings with retentions of 340c to make a year's total of 200c, giving a yield of 8% on yesterday's share price of 2475c. The large retentions are needed to cover the sinking of No 4 surface and No. 4 sub vertical shafts in the northern area of the lease.

Venterspost 135c (30c) from forecast earnings and retentions of 200c, to make a total of 200c, giving a yield of 10,8% on yesterday's share price of 1 850c Analysts had expected 150c, but retentions for the probable sinking of another shaft — not a costly one — are higher than expected.

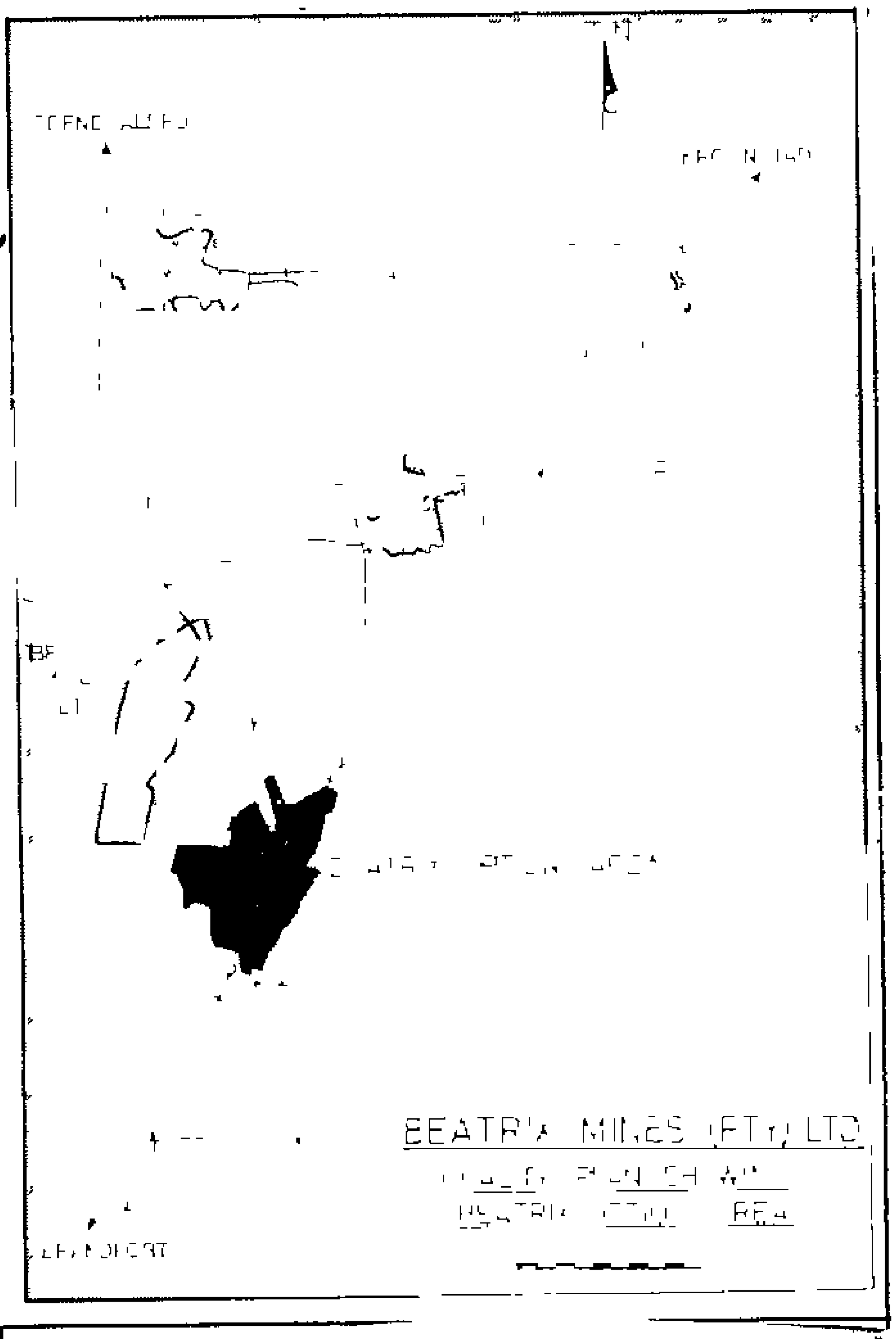
West Driefontein 850c (415c) conpared with Business Mail's forecast of 700c. Earnings with retentions were forecast at 1 030c. The interim dividend was disappointing at 300c because of the need to conserve funds for probable expansion into "North Driefontein".

The year's total of 1 150c gives a yield of 12% on yesterday's share price of 9 450c, which is excellent for a great mine with prospects of an extended life

East Driefontein has declared a 120c (55c) interim from forecast earnings of 215c. The payment is lower than forecast by 30c because of heavier than expected withholding of funds for capital spending, which is estimated at R28 500 000 this year

(214) RDM 12/6/80

R320m Beatrix go-ahead



By HOWARD PREECE

UNION Corporation has decided to go ahead with the Beatrix gold mine in the Free State at an estimated R320-million cost at today's prices.

The mine, which will certainly cost well over R400-million after inflation, is expected to come into production in five years' time.

An unofficial estimate suggests that Beatrix could produce around 375 000 ounces of gold a year

Mr Ted Pavitt, the chairman of Unicorp, said yesterday that Beatrix would be the lowest-yielding gold mine ever started in South Africa

"That is an indication of our confidence in the gold market and a reflection of our traditional ability to contain costs," he said

A statement from Unicorp said "The prospective lease area is underlain at a mean depth of 1 000 m by a gold bearing reef with an indicated average value of 942 cm.g/t.

"At the estimated milling width of 145 cm the planned mining rate of 2-million tons a year adequate tonnage is available for a life in excess of 20 years.

"The extraction of uranium oxide is not economically justifiable under current market conditions

"Two shafts will be sunk at the sites where pre-grouting is nearing completion and the mine will provide employment for 550 whites and 7 000 blacks"

Mr Pavitt said that Unicorp had no immediate intention of asking shareholders for funds to help finance the expansion of Beatrix

Development costs in the first year would be low and could easily be financed by Unicorp from existing cash flow.

But, Mr Pavitt said, if market conditions made it sensible to raise money ahead of need this would be done.

He said Beatrix would be about the same size as Kinross or St Helena, other mines in the Unicorp group.

"That is the size we find best suited for our management approach."

According to one estimate, Unicorp will need to raise about R200-million in outside capital

There will be an equity issue, but the bulk could well come through varying loan funds.

Unicorp has formally to apply to the Mining Leases Board for approval of Beatrix.

(214) FM 13/6/80

GOLD DIVIDENDS FM 13/6/80

Cautious approach

If there were few surprises among the latest batch of gold dividend declarations, it is encouraging that most of the mines appear to be basing their planning on gold being supported above the $500 level. That, however, has not meant that earnings have been fully distributed ahead of up-coming capex programmes — developments which could come under strain if gold enters a period of prolonged weakness.

At least for the present, mine managers generally expect that upside pressures from higher and uncertain oil prices and falling US interest rates will at least counterbalance downward pressure as the US recession deepens.

But that is only one point of view. Though bearish opinions were muted during gold's run up through $600 over the last couple of weeks, the bears point to Wednesday's drop to $595 as supporting their earlier theory of one more solid advance before a steady decline to the mid-$400's by year's end. Though the recent advance has been fuelled by oil price fears, it was triggered by unrest in SA and the brief work stoppage at Stilfontein.

Bullion's rise was in part stalled by gold selling in the Middle and Far East (remember January?). But perhaps more to the point, as overseas bullion traders see the tension in SA relax, another security factor in the gold price could be removed.

In the meantime, while gold remains above the $500 mark, dividend prospects should continue as a solid underpin to share prices. That is especially so if mine managers continue to take the view that capex can be easily funded from future earnings.

Even so, no-one appears to be going overboard on payouts. Taking a line, for example, through GFSA's June year-end mines on fiscal 1980's results, older mines such as Venters and Libanon have distributed less than they earned in the first three quarters after tax and capex. Both, of course, are heading towards significant capex increases.

Six months ago West Drie was criticised for its parsimonious interim payout. That has been made up with the final, but East Drie appears to be taking the same line. Its 120c interim is little more than the 105,2c the mine earned in the March quarter. So if the mine follows the distribution pattern set by neighbour West Drie, a solid final could be in prospect come December.

At the other end of the scale, veteran producers ERPM and Durban Deep are making sure that nothing interferes with the capex programmes needed to ensure continued and increased operations at the mines. After earning a distributable 193,5c in the March quarter, ERPM declared an interim of 175c, indicating retentions of up to 200c during the first half. Durban Deep was marginally more generous, declaring a 160c interim after March quarter earnings of 152,1c.

Elsewhere, Western Areas, which is faced with some heavy capital spending to inaugurate uranium production, declared an interim below first quarter earnings of 51,8c.

At least for the next few months, investors who have any fears over gold price trends should perhaps opt for mines such as Buffels and Blyvoor. Both mines appear to be paying out the bulk of their earnings as, apparently, is Harties.

At this stage of the game, bullion could move either way. As I see it, there are no compelling reasons for being either a near-term bull or bear. But if gold does weaken over the next six months, higher grade producers with relatively small capex programmes will have better defensive qualities than lower-grade producers whose relatively heavy capex plans could compound reverse gearing effects.

Jim Jones

WHAT THEY PAID

	June 1979	December 1979	June 1980	Earnings after capex and loan levy June 1979 March 1980	Price	Yield on last two div	Year end
			c				
ANGLOVAAL							
ET Cons	35	40	110	121,5	1 300	11,5	Jun
Hartebeestfontein	290	300	725	761,4	7 575	13,5	Jun
GENERAL MINING							
Buffelsfontein	120	160	430	422,5	4 600	12,8	Jun
Stilfontein	35	100	160	231,7	1 975	13,2	Dec
WR Cons	7,5	10	7,5	22,2	635	2,8	Dec
GFSA							
Doornfontein	40	20	100	214,4	1 635	7,3	Jun
East Drie	55	120	120	220,7	2 875	8,3	Dec
Kloof	80	80	240	243,9	3 375	9,5	Jun
Libanon	100	50	150	277,0	2 400	8,3	Jun
Venterspost	30	65	135	235,4	1 800	11,1	Jun
West Drie	415	300	850	905,8	9 500	12,1	Jun
JCI							
Randfontein	250	350	450	1 133,8	7 300	11,0	Dec
Western Areas	12	35	40	80,6	840	8,9	Dec
RAND MINES							
Blyvoor	65	100	185	192,7	1 950	14,6	Jun
Durban Deep	40	115	160	321,7	3 300	8,3	Dec
ERPM	10	90	175	346,3	3 300	8,0	Dec

FM 13/6/80

(214)

GOLD FIELDS GROUP

DECLARATION OF DIVIDENDS

The following dividends have been declared in South African currency, payable to members registered in the books of the companies concerned at the close of business on 27 June 1980

Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend No	Amount per share cents
Interim Dividend		
East Driefontein Gold Mining Company Limited	14	**120**
Final Dividends		
Doornfontein Gold Mining Company Limited	47	**100**
Kloof Gold Mining Company Limited	21	**240**
Libanon Gold Mining Company Limited	59	**150**
Venterspost Gold Mining Company Limited	80	**135**
West Driefontein Gold Mining Company Limited	55	**850**

Dividend warrants will be posted on or about 4 August 1980

Vlakfontein Gold Mining Company Limited. No dividend has been declared by this company. As announced in the press on 22 April 1980, a special resolution was passed at the adjourned annual general meeting held on 18 April 1980, providing for the reduction in the authorised and issued capital of the company from 80 cents per share to 70 cents per share and for the repayment of capital (No 3) of 10 cents per share to members registered in the books of the company at the close of business on 27 June 1980. The approval of the South African Exchange Control authorities has been obtained in regard to payments to registered members who are non-residents of the Republic of South Africa, such payments to be made at the rate of exchange applicable to Financial Rand or, in the case of emigrants from the Republic, to a Blocked Rand account with the applicable Authorised Dealer. Subject to the reduction of capital being confirmed by the Supreme Court of South Africa, it is the intention that cheques/warrants in respect of this repayment of capital will be posted on or about 4 August 1980 to members at their registered addresses or to such other addresses as may be advised to the company by 27 June 1980. Existing dividend mandates will not apply in respect of this repayment.

Standard conditions relating to the payment of dividends, and the conditions relating to the repayment of capital by Vlakfontein Gold Mining Company Limited, are obtainable at the share transfer offices and London office of the companies.

The registers of members of all the above companies will be closed from 28 June to 4 July 1980, inclusive.

Head Office

Gold Fields Building
75, Fox Street
Johannesburg
2001

By order of the boards,

GOLD FIELDS OF SOUTH AFRICA LIMITED
Secretaries

per D J White

10 June 1980

Grootvlei pays 92c

(214) RDM 19/6/80.

By ELIZABETH ROUSE

INTERIM dividend declarations fron Unicorp's two Witwatersrand gold mines, Grootvlei and Marievale, are in the lower range of estimates and therefore unexciting for the market

Grootvlei is paying 92c against analysts' expectations of a payment between 90c and 110c The 1979 June interim was 36c and the final 56c, which brought the total to 92c for 1979

Marievale has declared a 55c interim Estimates were in the 50c to 55c region and not much progression in its dividend payments was expected This producer paid a 40c interim and a 45c final in 1979

Most June interim dividends have been on the conservative side because of mine managements' caution about the gold price holding up at current levels Most of the mines have big capex programmes as well

Ergo just fine on $440

(214)

RDM 20/6/80.

By ADAM PAYNE

ERGO needs an average gold price of $440 an oz to maintain last year's operating profit, after allowing for unit cost increases arising from inflation and lower grades.

This encouraging forecast is made by Mr Harry Oppenheimer, chairman of Ergo, in his annual review

In the year to March 31 last — the second year of working — the operating profit rose by R46 900 000 to R64 900 000, or 162c a share Dividends totalled 110c and the remainder was used mainly for capital spending, with 2,6c a share being retained profit at the yearend

With Mr Oppenheimer's prediction that $440 an oz is needed to maintain profit, anyone with faith in a gold price of more than $500 will expect an excellent year for Ergo

A Johannesburg analyst expects a total dividend of 170c after capital spending at a gold price of $500 an oz, giving a return of 18,7% on yesterday's share price of 910c

At $550 an oz he expects 195c, yielding 21% on yesterday's price and at $600 he looks for 210c, to yield 23%

Mr Oppenheimer reports that with the completion of treatment of Springs No 2 dam, with a grade of 0,75 g/t, operations have moved to the lower-grade Springs No 1 dam, with an estimated grade of 0,63 g/t

In spite of the expected reduction in the average gold grade of slimes treated from 0,81 g/t to 0,79 g/t, the target for the coming year has been set at 6 000 kg of gold — 4% higher than last year

Targets for the company's other products are 240 tons of uranium and 500 000 tons of sulphuric acid and oleum

Although these targets, with the exception of uranium, fall below those envisaged in the prospectus, experience indicates that the revised figures are closer to the production levels which can be achieved with existing technology and plant capacity

Efforts are continuing to improve technical efficiencies

Reporting on the year to March 31, Mr Oppenheimer says the targets set at the beginning of the year for gold and uranium production were exceeded and the plant is operating on a consistent basis.

Because of the higher throughput, working costs at R1,56 a ton of slime treated were only 11% higher in 1978-79

Mr Oppenheimer says in his review, written on May 30, that he believes the gold market will take some time to recover from the events of the past few months and the price in the immediate future may still be determined largely by perceptions of political climate

"Because price stability is essential to a manufacturing industry such as gold fabrication, it is very desirable that the current consolidation in price dampens further speculation so that fabrication demand can revive "

He discusses the decline in uranium prices in the face of a market surplus which is likely to continue

He says "In spite of the current depressed market it is clear that nuclear and coal-based energy sources will remain in the foreseeable future the only viable alternatives to oil

"Demand for uranium is therefore bound to strengthen even if prices take some time to recover "

New look Skye could earn 11,8c a share

~~232~~ 219

RDM 24/6/80.

Deputy Financial Editor

ONCE IT has been reconstituted into Egoli Consolidated Mines, Skye, Mr Peter Gain's cash shell, will earn 11,8c per share and pay not less than 7c a share on an average gold price of $400 per ounce.

This projection is contained in the transmuted listing statement published today

Earnings are forecast to rise with the gold price as follows on a gold price of $450 - earnings 13,7c, $500 - 15,6c, $550 - 17,5c, $600 - 19,4c No forecasts are given for earnings on a gold price lower than $400 per ounce

These projections are based on an assumed average grade of 1,31 grams per ton of sand processed and a production rate of 40 000t per month being attained

After the reverse takeover of Skye by Johannesburg Mineral Corporation, Southern Prospecting and others for the issue of 5 350 000 new shares, deferred shares and cash and the injection of various mining assets, Egoli Consolidated Mines will have just over 10-million shares in issue

Its major assets will be 5 853 000 tons of gold bearing sand dumps and slimes dams with an average grade of 1,14 grams of gold per ton and other mining assets,

At the current 135c, the share yields a prospective 5% - assuming an average gold price of $400 per ounce

Rhocorp golden harvest

(214) ~~272~~

RDM 26/6/80.

By ELIZABETH ROUSE

RHODESIAN Corporation benefited from its gold holdings in the first six months of the year and taxed profit at £467 000 for the six months to last March surpassed the previous year's £465 603

Taxed profit for the previous comparable six months was £102 093

The substantial profit rise stemmed from higher dividends received from Falcon Mines and Olympus Consolidated Mines, together with improved income from investments in the diverse portfolio of the South African subsidiary

Rhocorp will have to depend on gold for its fortunes in the second half of the year because of the state of Zimbabwe's agriculture and depressed tobacco prices.

The interim report says the tobacco crop has been average as to yield and quality, and tobacco is in world oversupply First maize reapings indicate that the yield may be a little below that of last year.

Rhocorp's profits in South Africa and Zimbabwe cannot be remitted to the UK. A name change is being considered

Golden Dumps for Govt Areas

(2̶3̶2̶) (214) RDM 26/6/80

Financial Editor

GOVERNMENT Areas is acquiring the Golden Dumps mining interests on the East Rand of Mr L C Pouroulis and changing its name to Consolidated Modderfontein Mining

In a related deal Govt Areas is selling its holdings in Johannesburg Mineral Corporation (Pty) and Mantech (Pty) to Mr Peter Gain's Skye group

Govt Areas is listed on the Johannesburg Stock Exchange under property and is on the outside fringe of marginal gold-mining ventures

It incurred a loss of over R1-million in 1979

Mr Pouroulis is managing director of Govt Areas and the deal basically links the two interests even closer

Dr Charles Ferreira of Mercabank, which has a minority stake, is the chairman of Govt Areas

The statement issued by Mercabank says Mr Pouroulis is selling his mining interests to Govt Areas for 4 300 000 shares valued at about R6-million.

That puts a 139c a share value on Govt Areas against yesterday's stock exchange price of 195c.

It says the JSE will be asked to approve the name change to Consolidated Modderfontein and to have the company listed under the gold-Witwatersrand sector.

Govt Areas will get 500 000 ordinary and 83 333 ordinary deferred shares in Skye and R131 111 cash for the assets listed above

The statement says. "The acquisition of assets from L C Pouroulis will have a positive influence on the earnings a share of Govt Areas, but the extent thereof cannot be established at this stage

"The acquisition of the Skye assets should have no material influence on earnings a share"

COMMENT: The gold boom has given new life to plenty of old or dying mines and it is possible that the enlarged Govt Areas might get firmly on its feet

But the group has to be highly speculative from a shareholder view until much more detailed information is available

British journal claims: RDM 28/6/80

(232) (214) (55)

Oppenheimer link in BP, Sel Trust, Cons Gold deals

BY NEIL BEHRMANN

THE CHIEF executive of Consolidated Gold Fields, Mr Rudolf Agnew, said of the Financial Weekly report. "It is total fiction from a Cons Gold point of view."

A BP spokesman said "We are not prepared to comment on speculative stories."

An Anglo American spokesman declined to comment.

The City editor of Financial Weekly said the sources were "impeccable"

LONDON — British Petroleum originally wanted to buy Consolidated Gold Fields, according to a British journal, Financial Weekly

It suggests that Mr Harry Oppenheimer blocked BP's approach to Cons Gold and in a quid pro quo is backing BP's bid for Selection Trust

Financial Weekly says "The discovery of a secret meeting aboard HMS Belfast last November confirms that British Petroleum, which has launched a £400-million-plus takeover bid for Selection Trust, initially wanted to buy another mining-finance house, Consolidated Gold Fields

"The meeting adds weight to City speculation about the informal arrangements made between the British oil giant and South African mining magnate, Mr Harry Oppenheimer, over a complex carve-up of the mining sector

"Almost as soon as the UK Government decided upon its £290-million sale of BP shares to the public last November, a secret meeting was negotiated between BP and Cons Gold on board HMS Belfast, moored in the Thames and a daytime London tourist attraction The Friday evening meeting was attended by nine senior executives from each company

"In the ensuing months Cons Gold shares became the subject of continuous rumours of a stock accumulation culminating in the famous February £150-million dawn raid by Mr Oppenheimer's De Beers Consolidated and Anglo American finance groups

'By open-market purchases of Cons Gold shares they amassed a defensive stake of 26%

"It is considered significant that the dawn raid was launched almost at the same time as final payments were due on the Government's sale of BP shares — a point in time when BP would be free of prospectus restraints

"Mr Oppenheimer has in subsequent comments expressed the view that he believed the predator lurking in the background of Cons Gold's share activity was not the rival South African General Mining group, but a major international oil company That oil company was clearly BP "

Having been blocked in its Cons Gold move, BP turned its attention to Selection Trust, whose largest single shareholder is the Oppenheimer-controlled Charter Consolidated, which holds 27,23% It has close links with De Beers and Cons Gold

Mr Oppenheimer, therefore, has considerable influence over the terms Selection Trust will accept from BP And, having prevented a takeover of Cons Gold, City suggestions are that, subject to acceptable bid terms, Mr Oppenheimer will support BP's move into Selection Trust

BP has been anxious to pursue long-term expansion and development of its mining interests, but few City observers believed that BP would be keen to go back into South Africa

However a takeover of Cons Gold would not have precluded a hive-off of a large part of its South African assets to provide backing for Cons Gold's recent expansion in world-wide mining, in energy equipment and its extensive business providing drilling and servicing rigs for the oil industry

The "Gold Fields group" is said to hold a large stake in the Ultramar oil group now enjoying success in both the North Sea and Canada And so Mr Oppenheimer s unwillingness to see a BP-controlled Cons Gold is understandable

BP's ultimate bid terms for Selection Trust are expected to be a mixture of cash and loan stock worth upwards of £400-million which would be underwritten and probably have options for conversion into ordinary stock This would water down the UK Government stake — split between 25,69% owned by the Treasury and 20,13% in the hands of the Bank of England

Before the article appeared several stockbrokers thought that a quid pro quo deal between Mr Oppenheimer and Cons Gold made a lot of sense — especially as Mr Oppenheimer told the Sunday Telegraph that the original bidder for Cons Gold was not General Mining and "might have been an oil company"

CANDIDATE MUST enter in (1) the number of each question ...d (in the order in which it has ...swered); leave columns (2) and ...k.

Internal	External
(2)	(3)

... the block on this cover the number of ... you are answering

3 Blue or black ink must be used for written answers. The use of a ball point pen is acceptable Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used

4 Names must be printed on each separate sheet (e g graph paper) where sheets additional to examination book(s) are used.

... pieces of paper or other material may be brought into the examination room unless candidates are so instructed.

2 Candidates are not to communicate with other candidates or with any person except the invigilator

3 No part of an answer book is to be torn out

4. All answer books must be handed to the commissioner or to an invigilator before leaving the examination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Gold tops in grand year for Anglo

214 ~~216~~ ~~217~~ ~~189~~ ~~215~~ ~~232~~

RDM 30/6/80.

By DAVID CARTE

Deputy Financial Editor

ANGLO AMERICAN Corporation produced 36% of South Africa's gold, 35% of its coal and 41% of its uranium in pushing up taxed profit 52% or R104-million to R306 600 000 in the year to March, says the annual report.

Pre-tax profit rose 44% to R382 500 000, earnings a share 50% to 136,1c and the dividend 52% to 70c Had Anglo equity accounted, earnings would have been 260c a share

The market value of investments rose to R5 058-million (R3 071 400 000), while assets employed totalled nearly R8 000-million The total market capitalisation of companies administered by Anglo rose to R11 000-million

Anglo's own market capitalisation rose 73% to R2 929-million

Even though all divisions, except level-pegging diamonds, achieved vastly improved results, the gold division outstripped all others, contributing 52% of group income, compared to 37% in 1979

Diamonds were the second biggest profit contributor, weighing in with 19%, compared to 28% in 1979

Even though Amic pushed up earnings 62% to a record, industrial investments contribution fell to 13% from 17% Coal's contribution also dropped from 6% to 5% in spite of a 25% rise in Amcoal's earnings Finance contributed 4% (1979 7%), and platinum and other mining 2% (1%) each

A geographical breakdown of profits shows that South Africa's contribution rose from 74% to 81%, while the South West African contribution fell from 5% to 3% The rest of Africa contributed 5% (7%) and North America 4% (6%)

Gold production declined marginally to 260 019 kg, and uranium production rose 253t to 2 149t Working revenue of the gold mines rose 47% to R2 151 200 000 in spite of increased working costs, working profit rose 78.2% to R1 274 600 000 Dividends paid totalled R350 600 000 (R194 700 000)

During the year the South uranium plant at Vaal Reefs was commissioned and a R715-million additional shaft system and gold plant at Western Deep Levels was announced Both the Joint Metallurgical Scheme and Ergo were operating satisfactorily

While total mine output rose by 2-million carats to 13 900 000 carats, diamond sales by the Central Selling Organisation were about the same as in 1979 — $2 598-million This was a $46-million improvement in dollars, but a R27-million decline because of exchange rate movements

While De Beers diamond account income was R125-million lower because of lower stock profits and higher working costs, interest and dividend income compensated and equity earnings at R741 900 000 were almost the same as 1979's

In coal the most important development was the securing of contracts to supply two new 1 800 MW Escom power stations Sales rose 23% to 36 300 000t and pre-tax profit 25% to R104-million

Among industrial holdings, Highveld Steel, incorporating a full year's results of Rand Carbide for the first time, lifted earnings 30% to R27 300 000 Scaw Metals, Boart International and Mondi Paper all achieved record results, and Sigma became South Africa's biggest vehicle maker, selling nearly 59 000 units A 35% stake in Haggie Ltd was acquired

The report says mining and engineering studies of the possible exploitation of low-grade gold and uranium deposits in the Erfdeel-Dankbaarheid block, north of Free State Saaiplaas, are "far advanced", and other Free State prospects are encouraging

Boreholes are being sunk south and south-west of Vaal Reefs with the aim of confirming reserves Exploration near Klerksdorp yielded mixed results, and further drilling south of Western Areas yielded similar gold values to those obtained previously But much more work is required to confirm the gold grades of a number of reefs at great depth.

Coal reserves improved in the year, increasing by 995-million tons to 7 700-million run-of-mine tons Amcoal's target of reserves of 9 000-million tons is expected to be met by the end of 1982

Further encouraging results have been obtained from the copper, lead, zinc discovery in the Sperrgebiet in South West Africa and further drilling is planned this year

Anglo increased its stake in Amgold from 48% to 49%, in Amic from 44% to 49% and in Australian Anglo American from 37% to 41% Mainly as a result of the Charter Minorco restructuring, the holding in Anglo American of Canada fell to 22% from 39% and in Minorco to 32% from 40%

Apart from the acquisition of a 12,5% stake in Cons Gold, the most important additions to the investment portfolio were 7-million Rusplat, 1 200 000 Shangani Mining, 800 000 Anglos, 1-million Huletts, 3-million Sasol and 400 000 Tongaat Sales included 200 000 Deelkraal and 210 000 Loraine

Anglo is being for sued with 28 other uranium marketing companies in America by Westinghouse Corporation for allegedly violating anti-trust legislation Anglo has refused to take any notice of the suit as it argues that it is not subject to the jurisdiction of the US It is not perturbed at an injunction not to remove assets from the US, saying it has none there

The report does not mention it, but Mr Gavin Relly said at the time of the preliminary report these results were obtained on an average gold price of $306

The report also does not describe prospects This is the prerogative of the chairman, Mr Harry Oppenheimer, who reports in August But with gold still so high, prospects can only be brilliant

Erfdeel may be new OFS mine

(214)

RDM 1/7/80.

By ADAM PAYNE

HIGHLIGHT of Anglo American Corporation's annual report on prospecting was the guarded optimism on Free State prospecting and on the feasbility study into opening a mine on the farms Erfdeel/Dankbaarheid

The prospecting is south of the goldfield and even further south than Union Corporation's new Beatrix and Beisa mines In the Theunissen area numbers of drilling rigs can be seen and Anglo says the results of drilling in the southern area have continued to be encouraging However, further exploration work is needed to evaluate results

The more immediate possibility of a new mine is on the farms Erfdeel and Dankbaarheid

The gold values in boreholes on these farms have been low but uranium values have been good With the rise in the gold price the feasibility studies now being carried out by Anglo American Corporation should be positive

Unless there is a big decline in the gold price my guess is that a new mine will be established relying on a pooling of resources to make it viable

To do so, will call for some concessions from the Government Mining Engineer as in the case of Vaal Reefs' establishment of Southvaal and of Afrikander Lease

As the uranium market is flat the exploitation of the uranium on Erfdeel and Dankbaarheid at present is problematical

Just as Afrikander Lease is being developed by Vaal Reefs out of tax savings, the same could be done by Western Holdings, which has high pre-tax profits, developing Erfdeel-/Dankbaarheid by charging capital spending against profits and gaining by big tax savings

On the practical mining side, I am told that both Western Holdings and Welkom are installing Sortex equipment for sorting waste from gold-bearing reef This will be of value in the exploitation of the wide Leader reefs on these mines, taking away the waste and reducing the quantities of ore sent for gold recovery

A suggestion made to me is that Western Holdings' ore, reduced in quantity after sorting, could be piped or conveyed to Welkom mine and part of Western Holding's large plant would be available for treating ore from Erfdeel

Such a complicated financial and mining arrangement with a new shaft system on Erfdeel and economies by using Western Holdings' plant have called for many studies which are now being undertaken

The area drilled on Erfdeel-/Dankbaarheid is held 60% by Amgold and 40% by Duiker Exploration

The drilling was carried out over four years and was on three farms — Erfdeel, Dankbaarheid and Homestead — north of Free State Saaiplaas' mining lease area

The drilling was carried out to investigate the Leader and Kimberley reefs which gave poor results and the Basal reef which gave better results

For example, in borehole DNK 4 on Dankbaarheid, 2 400 m slightly west of north of the northernmost beacon on Free State Saaiplaas' lease area, intersections of the Basal reef gave values of 21,18 g/t over a narrow 6,8 cm equal to only 144 cm-g/t

The narrow reef means that much waste will have to be mined with the ore in which case the use of Sortex will be valuable.

In borehole WLD4 on the farm Erfdeel 188, about 1 100 m north, north-east of the north-eastern boundary beacon on Free State Saaiplaas, Basal Reef results varied from 26,61 g/t over 17,1 cm with core loss, to 41,07 g/t over 19,7 cm, or 809 cm-g/t These values were not encouraging when the gold price was between $100 and $200 an oz although at that time the uranium market was much stronger

Should Anglo be able to exploit the uranium as well as the gold on these farms, the probability of a mine is strong, but even if Anglo is forced to rely on gold alone, there is confidence that a mine will be opened

City Deep, Crown Mines and CMR

(214)

RDM 4/7/80.

Three old mines may be born again

By ADAM PAYNE

THE possibility of reopening the famous old Rand Mines producers — City Deep, Crown Mines and Consolidated Main Reefs — is being investigated by a team of Rand Mines Properties' mining engineers and supporting experts

The mines, which are subsidiaries of Rand Mines Properties, closed in 1977 when State aid was withdrawn They are among the oldest mines of the Witwatersrand and still have big reserves of ore below the water level

Shareholders have been told that the company is investigating the potential of the three mines, I believe that three plans will be considered for exploitation of ore

First, RMP's study team is looking at the ore which remains in situ underground above the water level which comes up to 19 Level, or 980 m below surface.

To mine these ores would not be capital-intensive as there are shafts and haulages, and working costs would not be high

Old plans are being studied to establish the tonnage available which is mainly in blocks The approximate grade is known from previous mining

That is only half the problem The major consideration is the degree to which the ore is scattered, posing mining and cost problems For instance, if 10-million tons is available but is in scattered blocks between CMR's western boundary near Florida, and City Deep's eastern boundary beyond Kazerne, it would not be attractive for mining

RMP is, I believe, gaining a total appreciation of the situation and is working out a strategy to see if it would be a viable proposition to mine from existing workings above the water level

The second proposition is to consider the lower reef horizons that are not under water and not interconnected with the old workings

Bird Reef of low grade is of interest Had it been higher grade it would have been mined in earlier days The outcrop grades about 2 g/t

RMP is looking at the information available on these reefs, the upper ore bodies of which have some wide channels Mining engineers will evaluate the viability of exploiting these low-grade reefs

The mining would be through existing shaft systems and the attractive feature of these reefs is that they are unmined ore bodies, not scattered among old workings, so that mining could be concentrated

However, a less attractive fact is the probable low grade of about 2 g/t

One can expect the mining experts to investigate whether there are bands within the reef horizons that may be more payable than the average This is done in mining Kimberley reefs

The third proposition is to look at problems and costs of dewatering the mines to exploit reefs below the present water level To carry out dewatering and development of these reefs at depths will be a costly operation, depending to what extent the mines are dewatered

It may be possible to mine fairly substantial blocks of ore without dewatering the whole compartment, which extends from ERPM in the east to the border of Rand Leases and Durban Deep in the west Water from the compartment overflows into ERPM

Dewatering will provide a challenging problem calling for the sinking of a deep shaft to be used exclusively for dewatering In addition, all water pumped to surface will have to be treated because it carries a high concentration of iron After treatment it could be fed into the Vaal catchment area

Phase One, which is making a detailed study of the survey documents and plans, will be completed before the end of this year

Depending on what emerges from that work the study team will then go into Phase Two to decide on the viability of mining either above the water level only or mining below the water level If mining is carried out below the water level the reefs above it will also be exploited

Phase Two should be completed about the end of next year

All the possibilities will be examined — even that of establishing a super mine embracing all three mines and going to depths below the present water level

There are variations in the reef characteristics which might mitigate against one big super mine The Bird reefs at CMR, for instance, are high in uranium value and also carry gold On City Deep some of the pyritic quartzites would enable the mine to produce pyrite as a bonus

In earlier days these mines exploited the Main Reef, the Main Reef Leader and the South Reef which are now flooded There was limited work on the Kimberley reefs which are shallower and variable in values Values on the Main Reef, Main Reef Leader and South Reef are said to average about 4 g/t.

A yield of 4 g/t at a gold price of $600 an oz should in round figures provide revenue of R60 a ton, but costs of mining at depth after dewatering would be high ERPM, a deep mine, has costs of about R41 a ton milled

The reefs above the water level are the main focus of present study Being shallow, they could be mined economically even without a big tonnage milled The problem would be to find enough ore for profitable exploitation without spreading over big distances

If these reefs are exploited mining will be carried out through existing shafts

A milling rate of at least 50 000 tons a month would be needed for viability, provided the ore is sufficiently accessible and provided there is enough ore for a life of 15 years Therefore, reserves of about 10-million tons of ore would be needed

No 5 Shaft on Crown Mines, where stoping stopped in 1977, will be the main shaft for any mining in that area It could be recommissioned without great problems. Key hoists and winders throughout the property have not been sold

The remnants of the upper horizons on all three mines were left in mining in the early 1920s Full records and plans are available

However, one of the big tasks is sorting out the archives to get an accurate picture of the situation below ground

If any of the three plans — mining in previously worked areas, mining away from previous workings and mining below the water level — or all of them are adopted new accommodation or renovated accommodation would have to be provided for black mineworkers because the old compounds are not up to present-day standards

214

STAR 8/7/80

Anglo aims at stake in North Sea oil

By Michael Chester, Financial Editor

The Harry Oppenheimer empire, run from the Anglo American Corporation base in Johannesburg, may soon spread to the rich North Sea oilfields.

The chance of the stake-in oil seems almost certain to have been the crucial key to the record-breaking R750-million takeover by British Petroleum of the international mining house, Selection Trust, that was agreed to in London yesterday.

Mr Oppenheimer held the high cards in the deal because of the Anglo American control of Charter Consolidated, which in turn held control of Selection Trust.

The takeover looks bound to end in a mines-for-oil swop.

It has long been known that BP, like most other oil giants, is anxious to diversify in the long term, using vast oil profits to gain a foothold in alternative energy sources such as coal and uranium as well as minerals in general.

Selection Trust, based in Britain and with mining interests spread worldwide, was an obvious choice.

But the price may well be an exchange for a slice of the Forties Field, the biggest and perhaps richest of the North Sea oil strikes.

John Cavill reports from London that stockbrokers regard the chance of the oil stake as "the cherry on the cake" which swung the takeover deal.

● Page 18 — Charter may get stake in North Sea oil.

THE ARGUS, FRIDAY JULY 4 1980

FINANCE

HUGE RISES FORECAST IN MINE PAYOUTS

ARGUS 4/7/80 214 249

HUGE rises in interim dividends from gold mines are expected next week when mining houses begin to announce their half-year results.

Goldfields will be first with the figures, followed by Anglo American mines the week after.

Brokers here and abroad have been doing their homework and differ little in their projections.

Vaal Reefs is expected to pay 550c against 190c last year

Though Vaal Reefs might have had some problems disposing of its uranium production, the sharply higher gold price is sure to offset this.

Dependent on Vaal Reefs results are Southvaal which receives its income from a 55 percent royalty agreement, and Afrikander Lease, with a five percent royalty agreement.

An interim of between 120c and 180c for Southvaal is likely from half-year earnings which could touch 200c. This will be its first interim.

L Messel of London believes Afrikander Lease will pay a 2c dividend, though local brokers feel Anglo will be reluctant to pay anything until the financial year end because of the problem of selling its uranium production.

HIGHER EARNINGS

Western Deep, Messel forecasts, will pay an interim of 345c against last year's 95c. While gold production is expected to fall marginally and uranium production to rise, market factors indicate significantly higher earnings of around 450c.

There is, however, the cost of a R715-million Ultra Deep shaft. Some brokers believe financing will be met from internal cash flow and others say funding will be through a tie-up with Ultra Deep Levels and some possible bridging finance from Anglo.

Elandsrand may pass the interim, say brokers. The new mine's start up problems will militate against high earnings.

Tom Hood

Rand Mines may reopen three old city mines

STAR 4/7/80 (2/4)

By Geoff Shuttleworth

Rand Mines is investigating the possibility of reopening three old mines on the Witwatersrand though the full study will only be concluded in early 1982 at the earliest.

The study is being conducted into the viability of remining Crown Mines, City Deep and Consolidated Main Reefs areas, which were all closed down in 1977 when State assistance was withdrawn.

Mr Paul Forbes, joint managing director of Rand Mines Props, the company holding the three properties, said this and confirmed the existence of a two phase plan to investigate mining possibilities.

TWO PHASES

Mr Forbes said there was little likelihood that the studies would be completed before the end of 1981 and only then would effective costing exercises be looked at since the cost of labour, mining stores and other expected inflationary increases could only be fully built into the feasibility study then.

The study is to be completed in two phases — the first dealing with extensive researching backed by underground investigation and the second which will be dependant on the results of phase one look at the possibility of mining below the current water level, or of staying above it.

Mr Forbes said it was far too early to give indications of an average grade of ore in particular areas or at what average gold price mining could be considered a proposition.

Brokers said that because the final results and recommendations of the survey would only be made known in 1982, it was difficult to ascertain with any degree of accuracy whether costs of inflation would outweigh advantages of a higher gold price.

PRICE

They said there was no guarantee that gold would remain above 600 dollars an ounce in 1982 and long range forecasting was an impossible task.

They noted, however, that the share price was likely to show an appreciation of up to 15 percent, though some discounting of the news of the survey had already been made.

The share opened at 710c up 10c from last night's close but below the week's high of 720c earlier in the week.

Industrial giants plan joint supermine

214
STAR
5/7/80

By Michael Chester,
Financial Editor

[illegible] have started on the creation of a supermine involving the expenditure of hundreds of millions of rands to exploit an important new gold and uranium discovery.

The discovery is about 10 km east of Welkom under two farms — Erfdeel and Dankbaarheid — which adjoin the existing Free State mining complex

Industrial sources forecast an enormous operation likely to provide at least 8 000 new jobs

Talks on the venture are being handled by teams from the Anglo American Corporation, which is headed by Mr Harry Oppenheimer, and Lonrho, the international conglomerate with interests throughout Black Africa and Western Europe

Both of the huge groups have stakes in the mineral rights to the Erfdeel/Dankbaarheid area and a form of joint venture is envisaged

But a strict security curtain has been drawn across the negotiations as the two teams discuss how best to tackle the project from financial and production angles

First leak

The first leak that talks were under way came today when Anglo American asked for the suspension of share dealings in three of the gold mines it administers in the area — Free State Saaiplaas, Welkom Gold Mining Company and Western Holdings

The request went not only to Johannesburg Stock Exchange but also to the stock markets in London and Salisbury.

The link with Lonrho, which is headed by the controversial Mr Tiny Rowland, emerged when Duiker Exploration Company, one of its subsidiaries, also asked to be suspended on the three key markets

In turn it was confirmed that Anglo American and its interests own 60 percent of the Erfdeel/Dankbaarheid mineral rights and Duiker owns the balance

Exploration of the area has been going on for some time But, even though the ore is of low grade, high bullion prices on world markets have clearly made it worth mining

Gold stood at 667 dollars an ounce in London last night

The combination of the companies that have suspended themselves on the stock markets suggests that a scheme is being worked out to pool existing resources at the three Anglo American mines to keep down the costs of the new venture

Without a form of pool agreement on facilities, the new mine could cost about R500-million, according to industrial sources. But sharing resources could hold costs down to about R200-million

Spokesmen on both sides in the talks have decided to play their cards close to their chests until agreement is reached

All that was released today was a statement saying

"The complexity and far-reaching effects of the scheme, which involves discussion between three major gold mining companies and two mining groups, is such that any breach of security could result in speculation in the shares of the companies most directly involved and have the effect of jeopardising the scheme to the detriment of all shareholders

"An announcement will be made as soon as possible in regard to the outcome"

Gold shares suspended

N/E ARGUS 5/7/80

(214)

JOHANNESBURG — The committees of the Johannesburg and Zimbabwe stock exchanges and the council of the London Stock Exchange had been asked to temporarily suspend dealings in the shares of Duiker Exploration Ltd, Free State Saaiplaas Gold Mining Co Ltd, Welkom Gold Mining Co Ltd and Western Holdings Ltd, a spokesman for Anglo American Corporation said in Johannesburg today.

Negotiations were at present in progress to determine whether the Erfdeel/Dankbaarheid area could be exploited in conjunction with other mines in the area, notably Saaiplaas, Welkom and Western.

Discussions were taking place between the gold mining companies and mining groups involved and an announcement would be made when they had been concluded, the spokesman said — Sapa

Anglo and Lonrho plan mine

214 227
222 RDM
7/7/80

Financial Editor

THE ANGLO American Corporation is poised to start a new OFS gold and uranium mine. Lonrho is also involved

Top-secret discussions are going on between three major gold-mining companies and the two mining groups about the new mine (reported in the Rand Daily Mail, July 1) expected to be developed on two farms near Welkom

To prevent speculation, applications were made over the weekend for the mining shares Welkom, Western Holdings, FS Saaiplaas and Duiker to be suspended from the stock exchanges in Johannesburg, London and Salisbury

See page 10

Anglo poised for new mine

214 ~~217~~ ~~232~~

RDM 7/7/80.

Financial Editor

ANGLO American is poised to go ahead with a new gold and uranium mine in the Free State. The decision was anticipated in last Tuesday's Business Mail by Adam Payne.

Over the weekend Anglo asked the London and Johannesburg stock exchanges to suspend the listings of Free State Saaiplaas, Welkom and Western Holdings Lonrho is also involved in the plan through Duiker Exploration

A new mine now looks certain to be developed on the farms Erfdeel and Dankbaarheid, about 10 km east of Welkom

It is adjoined by FS Saaiplaas and Welkom Western Holdings would be involved on the milling side.

Anglo American Gold Corporation (Amgold) holds 60% of the Erfdeel-Dankbaarheid area and Duiker 40%

A statement said "The complexity and far-reaching effects of the scheme, which involves discussion between three major gold-mining companies and two mining groups, are such that any breach of security could result in speculation in the shares of the companies most directly involved and have the effect of jeopardising the scheme to the detriment of all shareholders

"An announcement will be made as soon as possible in regard to the outcome "

It will, however, be most surprising if a decision to go ahead with developing the mine is not taken

There are rarely instances when developments reach this point without all the fundamentals being fully known

In this case, however, there are some complicating factors to be resolved between the various parties

What is clear is the pace at which the new gold rush is going

•Business Mail reported last week that three famous old mines — Crown Mines, City Deep and CMR — have a chance of a new lease of life

•GFSA has been given a new lease formula for Doornfontein to boost development there

•Union Corporation has taken the decision to go ahead with the Beatrix mine in the Free State

•Anglo is sinking a new shaft at President Brand

•In the biggest development of all Anglo is to spend R715-million at Western Deep Levels for a new shaft and treatment plans

•GFSA is widely expected to announce soon construction of the new North Driefontein mine adjoining East Driefontein and West Driefontein mines

•Randfontein, of Johnnies, is spending R200-million to open Cooke No 3 section

60 tons of red gold a by-product

(214)

RDM 8/7/80

BY ADAM PAYNE

A FEATURE of Consolidated Gold Fields' "Gold 1980" report is its investigation into Russian production, which is usually cloaked in secrecy.

The outcome of this investigation is that 60 tons a year of Russia's gold is a by-product of other mining

The 60 tons is part of a total production thought to be at the lower end of Gold Fields' estimate of between 280 and 350 tons a year.

At the various stages of production of other metals, plants in the USSR do not receive credits for the gold extracted from base metal ores, thus reducing average gold recoveries.

Mine mill managers received no credit for gold content of concentrates, smelter managers are judged primarily by the output of their principal products, and prices paid for gold do not compensate for capital spent on increasing by-product recoveries

Finally, prices depend on production costs, not supply and demand.

Permitted profits are uniform, so high-cost operations are subsidised to bring them in line with other producers There is thus, no incentive to reduce production costs.

The biggest source of by-product gold is the USSR's copper mines, which produce an estimated 44 tons a year

The largest of these is Kalmakyr in Uzbekistan, which, assuming a gold grade of 1 g/t and 75% recovery, produces 17 tons a year.

Eight mines in the Urals produce 13,45 tons a year between them, the largest being Gay with five tons

Gold is thought to come from five more copper mines which produce 8,5 tons a year.

In addition, 14 Soviet lead-zinc mines produce 16 tons a year The most productive of these is Kurgashinkan mine in the Almalyk complex near Tashkent, which produces an estimated 2,7 tons annually

GFSA June profit down on March

(214)
RDM
9/7/80

By ADAM PAYNE

TOTAL after-tax profits of GFSA mines declined by 14,6% from R206-million to R176-million in the June quarter from the March quarter

Three main factors contributing to this drop in profits were

- The lower gold price at R13 814 a kg, or $558,5 an oz, at the present rate of exchange compared with R16 479 a kg, or $633 an oz, at the average exchange rate in the March quarter
- The steep rise in costs led Mr Robin Plumbridge, chairman-elect of GFSA, yesterday to express fears that the cost increases this year could threaten to approach those in 1975 after the 1974 gold-price boom
- The mining of lower grades on some mines because of the high gold price contributed to lower earnings

Another feature of the reports was the high retentions when dividends were paid West Driefontein kept back R25-million Libanon retained R16 million, Doornfontein R22-million and East Driefontein R33-million

Each of these mines has a big capital spending programme and the managements have taken advantage of the high gold price to hold back substantial sums

The March quarter results were much higher in profits, largely because of the exceptional gold price in January

The adjustment of grade to the new conditions had only started in the March quarter and was continued in June Yield at West Driefontein, East Driefontein and Venterspost was lower

This process of dropping grade is continuing and has not yet been completed The mines have to try to make adjustments while maintaining productivity

At some mines the adjustments will be considerable because there are large quantities of low-grade ore that have become payable at the present gold price The greater costs reflect the increase in wages given to union men from May The increases for officials take effect from June, but the past quarter's results do not reflect the increase in black wages which takes effect from July

Therefore, the full effect of the various wage rises has yet to be felt

Reports from the individual mines are

West Driefontein. — The fire at this mine, which started on June 30, did not affect results The area has been sealed off and the management believes the fire has been extinguished The effect on production in this quarter will be minimal The yield at West Driefontein is dropping because the mine has considerable tonnages of low-grade ore which are now payable

Profit fell 19% and unit costs rose 6% in the quarter, which is a probable portent of equally bad figures in the industry for the remaining quarters of this year

Further similar increases will cause the annual rate to easily exceed 20% In 1979 after the 1974 gold boom the annual rise was 27%

Mr Plumbridge, questioned about "North Driefontein" where an extension of mining is expected, said GFSA was still evaluating the ground and was trying to determine how best to bring it to account

Deelkraal — The milling rate was raised and management is confident it will continue to rise

Grade was marginally higher because some of the dilution of ore was reduced Profit was down because of the lower gold price

No 1 sub-vertical rock winder was commissioned at the end of the quarter This will allow the mine to undertake full-scale development work from this lower shaft Better values are expected at depth than those encountered in the upper shaft

GFSA has increased the area under option to Deelkraal on the eastern side of No 1 Shaft as this will be needed by Deelkraal

Development results on the Ventersdorp Contact Reef were higher in the quarter Development has moved out of the faulted area on the eastern side of the shaft and payable but low-grade ore is being sampled

East Driefontein — The mine achieved a milling rate higher than its capacity Grade continued its downward trend as the mine adjusted its pay limits

The mine suffered a particularly sharp drop in the price received from $662 an oz to $553 an oz, which was reflected in the 21% drop in net profit

The mine expects to start full-scale sinking of No 2 sub-vertical shaft this quarter and the site is being prepared for No 5 Shaft

The unexpended balance of authorised capital spending is R45-million

Kloof. — The mine lost tonnage because of a fire and will claim insurance The yield was unchanged because Kloof, which practises long walling, is not sensitive to a change in pay limit

The yield of 14,5 g/t is in line with the management's expectations

No 3 Shaft was out of action from March 16 to May 26 because of an accident

Venterspost — The mine achieved its objective of increasing production by milling to its capacity of 345 000 tons with the result that unit costs fell marginally although total costs increased because of the spending called for in entering low-grade areas

Yield dropped, which was not surprising as the mine being marginal has considerable tonnages of low-grade ore

The management is continuing its investigation into improving ventilation at No 3 tertiary shaft and is considering various schemes

Doornfontein — Production and yield were unchanged The mine is not sensitive to pay limit changes

Profits were lower because of the decline in the gold price Tax has been recalculated under the more beneficial new mining lease granted at the end of June

The management has decided in view of the accumulation of greater funds than expected to sink No 3 surface shaft into the southern section of No 1 A sub-vertical shaft pillar and to sink a new sub-vertical shaft from 25 Level to 47 Level

With the sinking of the new sub-vertical shaft it will be necessary to sink only one sub-incline instead of two as previously planned

Because of the higher gold price and the accumulation of more funds the mine has been able to adopt the best technical plan

The higher price has also lengthened the life of the old mine and the granting of a lease over the new southern area lengthens it considerably

Libanon. — Yield was unchanged in the quarter, but is likely to be lower in the present quarter

The major capital spending programme for shaft sinking has not started although there has been expenditure on hoists

Vlakfontein — The mine bought in more tonnage from outside sources than previously Output was marginally up, but the price received was substantially down Production was up, but profits were down

GFSA is planning what the ore reserves on the mines will be under different pay limits and will show these in tables in the forthcoming annual reports

All set for Anglo super-mine scheme

RDM (214) 11/7/80

By ADAM PAYNE

IT IS expected that Anglo American Corporation will shortly announce the scheme for mining the farms Erfdeel-/Dankbaarheid 6 km to the east of Welkom and adjoining the northern border of Free State Saaiplaas mine.

The shares of Welkom, Western Holdings, FS Saaiplaas and Duiker Exploration have been suspended while final negotiations have been under way

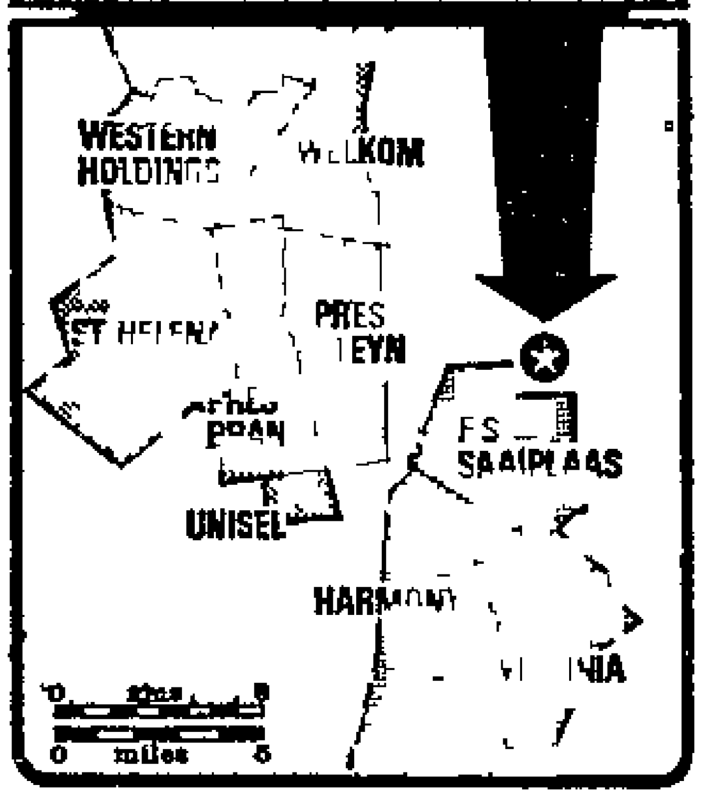
Duiker is involved because it holds 40% of the mineral rights of the Erfdeel/Dankbaarheid farms, and Anglo American Corporation and associates hold 60%

Duiker is controlled by Lonrho Mr Oppenheimer, chairman of Anglo, commented yesterday that he was pleased that Lonrho intended to follow its interests

It is expected that the scheme will propose the involvement of Western Holdings on the financial side because it makes high pre-tax profits and it could fulfil a similar role to that of Vaal Reefs when it launched Southvaal and Afrikander Lease

As Western Holdings has not got a long life, although its work could be extended on the Leader Reef, it could also be involved on the recovery side

NEW GOLD PROSPECT



The Erfdeel/Dankbaarheid area is under the arrow pointing towards Free State Saaiplaas mine, the northern border of which adjoins Erfdeel/Dankbaarheid farms.

treating slime pumped from Erfdeel/Dankbaarheid

A farming area separates Welkom from Erfdeel/Dankbaarheid, but Welkom — like Western Holdings — could be involved on the recovery side

The last borehole results to be announced in the Erfdeel-/Dankbaarheid area were from the borehole HS 5 on the farm Homestead 668, about 1 000 m north-north-west of the northernmost beacon of the Free State Saaiplaas mining lease area

This borehole had low results on the Leader Reef but encouraging values from deflections into the Basal Reef

Deflection No 8, intersection 4, at the depth of 2 034 m, assayed 31,40 g/t over 40,1 cm equal to 1 259 cm g/t The uranium value was also high at 1,02 kg/t or 40,92 cm kg/t

A higher cm g/t value was obtained in deflection 9, intersection 5, with 57,63 g/t over 35,4 cm equal to 2 040 cm g/t The uranium was also high in value than that in the other deflection at 1,94 kg/t equal to 68,77 cm kg/t

Deflection 10, intersection 6, assayed 46,22 g/t over 38,6 cm, equal to 1 784 cm g/t with uranium value similar to that in deflection 8

Borehole DNK 4 on the farm Dankbaarheid 187, about 2 400 m slightly west of north of the northernmost beacon of the Free State Saaiplaas mining lease area, had lower values on the Basal Reef

The highest was in deflection 14, intersection 13, which assayed 20,58 g/t over a narrow 19,1 cm equal to 393 cm g/t

RDM 11/7/80

Hurt miners serious

Staff Reporter 214

A SPOKESMAN for the Elandsrand Gold Mine near Carletonville said yesterday the 11 miners injured in a methane gas explosion at the mine on Wednesday were still in a serious condition in hospital

Mr C H Labuschagne, 28, is the only injured miner who has so far been named

Two men died in the explosion, which occured nearly 2km underground They were Mr H Vrey, 44, a Carletonville shift boss, and a black man

The spokesman said the names of the blacks killed and injured could not be released because he had not had confirmation that their next-of-kin had been informed

R400m mine to rival Vaal Reefs

RDM 12/7/80 (214) ~~(217)~~ ~~(232)~~

By HOWARD PREECE

THE proposed Anglo American/Lonrho gold and uranium mine in the Free State will effectively become physically part of an enlarged Western Holdings which will mean a complex rivalling Vaal Reefs as the largest in the world.

It is expected to cost around R400-million to bring the new mine — in the Erfdeel/Dankbaarheid area in the Free State — to production, probably in 1986

A statement last night said the mine would have an eventual production of 200 000 tons a month and that it had a low-grade gold and uranium deposit of 62-million mineable tons of ore at a recoverable gold grade of 4,5 g/t

It said "consideration will be given to treating the plant residues containing 0,2 kg of uranium per ton at a later stage"

A company is to be formed to finance the cost of Erfeel/Dankbaarheid

This company and Western Holdings will share gross revenue and gross working expenditure for Erfdeel on an 85%/15% basis

Shares in the new company will be held 44,5% by Anglo American and associates, 36% by Duiker (of Lonrho), 10% by Western Holdings and 9,5% by Amgold

Welkom and FS Saaiplaas are involved in the development and what is intended is that Welkom will absorb FS Saaiplaas

For its part, Welkom will simply be an investment company rather as Zandpan is to Harmony or Elsburg to Western Areas

There will be thus be the new company, Western Holdings, Welkom and Duiker in the new mine

What may surprise some observers is the extent of Lonrho's participation through Duiker

From its 36% stake in the key new company, Duiker will have a claim to 30% — 85% of 36% — of the profits of the super-mine

Duiker has 40% of the Erfdeel rights Lonrho will, of course, have to chip in its full share of the development costs, but is obviously confident (and why not?) of financing that

Anglo said "It is announced that agreement in principle has been reached regarding proposals for the development of a mine of 200 000 tons a month in the Erfdeel/Dankbaarheid area as part of a larger complex that will result from the merging/rationalisation of operations in the areas currently being mined by FSS, Welkom, and Western Holdings and for the formation by the mineral right holders of the Erfdeel-/Dankbaarheid area of a new company to finance the cost of turning this area into account

"The operating lives of Welkom and Western Holdings, while dependent to some extent on the gold price, are nevertheless relatively limited and studies have shown that benefits would arise from an amalgamation of their mining leases which have a common boundary"

Although the statement makes no mention of tax, there are major advantages to putting all the developments into a single group

There are also, of course, normal rationalisation benefits

The statement said "This would result in greater flexibility in mining operations, particularly along the joint boundary, and would enable the most economical use to be made of their combined hoisting and treatment facilities

"The mineral rights of the Erfdeel/Dankbaarheid area are jointly held by African & European Investment (a subsidiary of Anglo American), Orange Free State Investment Trust (a subsidiary of Amgold) and Duiker Exploration

"This area is regarded as a low-grade area incapable of supporting an independent mine at foreseeable gold prices"

Hence the complex schemes involving the various interested groups to get the super-mine

The shares of Duiker, FSS, Welkom and Western Holdings will be relisted on Monday

The fact that such a large low-grade development is going ahead shows, like Union Corporation's Beatrix development, how much faith the mining houses have in the gold price — or at least how far the price has soared to give huge safety margins

RDM (1201) (~~RR~~) (24)

Blast victim named

12/7/89

Staff Reporter

THE name of the other miner killed in a methane gas explosion at Elandsrand Gold Mine near Carletonville on Wednesday has been released

He was Mr Mtutuzelo Gcava, of Thabankulu, Transkei He is survived by his wife

A spokesman for the mine said the 11 miners who were severly burnt in the explosion were all still in a serious condition in hospital

Mr C H Labuchagne, 28, who is in the Cottesloe Hospital in Johannesburg, is the only injured man who has been named

The 10 black miners injured are all in the Western Deep Levels Hospital, Their names are being withheld until their next-of kin have been informed

West Deep to to raise R120m at 12%

RDM 12/7/80

(214)

By HOWARD PREECE

WESTERN Deep Levels gold mine is to raise R120-million in 12% debentures as part of its R715-million expansion programme.

This means that ordinary shareholders will not have their dividends as resricted over the next few years as was originally supposed

Western Deep and Western Ultra Deep Levels are the two mines most directly affected by the expansion and both are in the Anglo American group

Wit Deep, in the GFSA stable, has a smaller involvement

GFSA also has 10% of Wesern Ultra Deep

A statement from Anglo last night said "On February 12, 1980, Western Deep Levels (WDL) and Western Ultra Deep levels (WUDL) jointly announced that WDL was to sink a new shaft system in the southern portion of its lease area, and was to construct a new gold plant with a rated mill capacity of 160 000 tons a month at the site

"At the same time, the two companies would enter negotiations for the incorporation into the WDL mining lease of that portion of the WUDL mineral right area which could be reached from the new shaft system

"The mineral rights in respect of this area are held by WUDL, but Witwatersrand Deep has a 22,5% participation in 1 024 hectares

"Wit Deep is also party to the agreement

"In return for the right to mine the extension to its lease area, WDL will allot to WUDL and Wit Deep a total of 550 000 shares of a special class, in the proportion of 454 078 shares to WUDL and 95 922 shares to Wit Deep, the division reflecting the companies' respective interests in the area

"Such shares will be issued, credited as fully paid, immediately upon the approval by the Minister

"The holders of these new shares will be entitled to receive a special dividend per share, equal to the sum of the dividends per existing ordinary share declared by WDL during the period between the date of creation of the new shares and their issue.

"The board of WDL proposes to finance the after-tax capital cost of the new shaft system by raising R120-million in the form of debentures, carrying interest at the rate of 12% and by using its own surplus cash resources and short-term borrowings to finance the balance

"Consequently, dividends are expected to remain much the same between 1980 and 1985 as they would have been without the new shaft

"The debentures will be offered as follows WDL shareholders R60-million, WUDL R49 536 000 and Wit Deep R10 464 120

"As soon as the necessary formalities are complete, it is proposed that WDL shareholders will be invited to subscribe for R60-million debentures in the ratio of R240 debentures for every 100 shares held

"In order to coincide with WDL's capital expenditure programme on the new shaft WUDL and Wit Deep will only be called upon to subscribe for their proportions of the debentures, amounting to R60-million, during 1981 and 1982 in four instalments of R15-million each

"All the debentures will be redeemed by way of eight annual drawings between 1986 and 1993

"The 550 000 shares to be allotted to WUDL and Wit Deep will not qualify"

Talks clear way for Free State supermine

STAR 12/7/80

214

Michael Chester
Financial Editor

The London-Johannesburg talks of the past week between Anglo American Corporation and Lonrho have succeeded in the creation of a new company to launch the new "supermine" east of Welkom.

The new mine will be in the Erfdeel and Dankbaarheid area — about 11 km east of Welkom. It is 4 130 ha in extent and contains a low-grade gold and uranium deposit consisting of about 62-million mineable tons of ore with a recovery of 4,5 grams a ton.

The cost of the new venture could be as high as R400-million and it is likely to create at least 8 000 new jobs — mainly for black workers.

It will take about six years to bring the area into production.

Agreement has been reached in the merger talks that the initial shareholders of the company will be the mineral right holders and their subparticipants who will offer Western Holdings a 10 percent subscription right in the equity.

The issued capital will be held approximately as follows:

- Anglo American Corporation of South Africa Limited and participants — 44,5 percent,
- Anglo American Gold Investment Company Limited — 9,5 percent,
- Duiker Exploration Limited — 36 percent,
- Western Holdings Limited — 10 percent.

London newspaper reports said at midweek that Anglo American Corporation made a multi-million rand offer to take over the Duiker stake in the new mine from Lonrho.

But Mr Tiny Rowland was said to have rejected the offer and said he was prepared to put more than R200-million into the new mine.

Lonrho experts who handle the exploration estimated that the mine will finally yield around 500 000 ounces of gold a year plus 500 000 kg of uranium oxide.

RDM 14/7/ 214

Gencor back with Fedmyn

GENERAL Mining Union Corporation has again become a subsidiary of Federale Mynbou, an investment company listed on the Johannesburg Stock Exchange, in a R82-million series of deals

Until March, Fedmyn owned 63,38% of General Mining Then, when Genmin issued new shares to buy out the minority shareholders in its Union Corporation subsidiary, that stake fell to 41,38%

However associates of Mynbou held a further 5,92% of General Mining Union Corporation

Most of these shares have now been bought by Mynbou, raising its direct holding in Gencor to 50,05%

In exchange for R26 900 000 of its non Gencor investment portfolio Mynbou has acquired 1,88% of Gencor — equivalent to an average cost of 1 790c a Gencor share A further 37,79% has been bought for R55 300 000 in cash at a cost of 1825c a Gencor share

These deals restored Mynbou's control over Genmin, but left it with a R22 600 000 cash shortfall

This is to be funded through the placing with Nedbank of R25-million of special cumulative redeemable preference shares

These shares, which are to be redeemed no later than June 1987, will not be listed on any stock exchange They have a fluctuating coupon that starts at a floor level of 6,5% and has a ceiling of 12%

Announcing the placing Mynbou said "The special preference shares will not have any significant effect on the expected future dividends of existing holders

"In addition, the directors expect that Mynbou will have adequate funds to redeem the special preference shares out of profits on or before the fixed redemption date"

West Deep seeks R120m for shaft

STAR 14/7/80

214

By Geoff Shuttleworth

Western Deep Levels is to raise R120m in the form of debentures to finance the after tax capital cost of the new shaft and plant in the southern portion of its lease area at a rate of 12 percent

In terms of the tie up between Western Deep, Western Ultra Deep Levels and Witwatersrand Deep R60m will be offered to Western Deep, Western Ultra Deep R49 5m and Witwatersrand Deep R10,5m

The balance of the financing will be met through Western Deep's own surplus cash resources and short term borrowings and, as a consequence, dividends are expected to remain much the same between 1980 and 1985 as they would have been without the new shaft, Anglo American said

In terms of the agreement, Western Ultra Deep will cede to Western Deep the right to mine the Ventersdorp Contact Rees over an area of 1 321 hectares, subject to the approval of the Minister of Mineral and Energy Affairs

The mineral rights in the area are also held by Witwatersrand Deep which has a 22,5 percent participation in respect of 1 024 hectares

Anglo American said that it is estimated the area to be incorporated into the Western Deep lease area will contribute some 59 percent of the additional gold recovered

Detailing other financial arrangements, Anglo American said that in return for the right to mine the extension, Western Deep will allot to Western Ultra Deep and Wits Deep a total of 550 000 shares of a special class, in proportion of 454 078 shares to Western Ultra Deep and 95 922 shares to Wits Deep

These shares will be issued as fully paid, and shareholders will be entitled to receive a special dividend per share, equal to the sum of the dividends per existing ordinary share declared by Western Deep during the period between the date of creation of the new shares and their issue

Upon payment of the special dividend, these shares will become ordinary shares and rank pari passu with existing Western Deep shares

Commenting further on the debenture issue, Anglo American said it is proposed that Western Deep shareholders will be invited to subscribe for the debentures in the ratio of R240 debentures for every 100 shares held

Western Ultra Deep and Wits Deep will only be called on to provide their proportion of the debs during 1981 and 1982 in four instalments of R1,5m each and all debs will be redeemed by way of eight annual drawings between 1986 and 1993

The 550 000 shares to be allotted to Western Ultra Deep and Wits Deep will not qualify for the debenture issue to Western Deep shareholders Options will be open to Western Deep shareholders to subscribe for one million shares at R60 a share between 1986 and 1990

Durban Deep the Rand Mines star

(214) RDM 15/7/80

By ADAM PAYNE

RAND MINES gold producers had an oustanding quarter in June in terms of tonnage milled and satisfactory results in the face of a lower gold price, which averaged $542 an oz compared with $656 an oz in the March quarter.

Features of the quarterly reports were

- A rise in tonnage milled at Durban Deep from 484 000 tons to 548 000 tons, which enabled the mine to reduce unit costs by 4% to R29,72 a ton milled
- A rise in uranium revenue at Harmony from R4 400 000 to R10 100 000, reflecting increased sales The tonnage of uranium pulp treated also rose although grade was marginally lower

Greater tonnages were milled on all the mines because the June quarter is one day longer than the March quarter

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ oz	Revenue $ oz	Net profit R000s	EPS after capex cents
HARMONY	1 898	4,26	30,73	291,6	558	31 827	92
March	1 795	4,28	29,53	262	660	37 432	116
BLYVOOR	530	8,90	37,89	172	558	20 722	72
March	482	9,05	39,35	165	663	26 486	96
DURBAN DEEP	548	3,47	29,72	347	565	5 857	196
March	484	3,50	30,85	334	628	6 444	251
ERPM	588	5,08	43,82	349	554	10 684	147
March	570	5,18	41,19	302	673	13 971	298

Great emphasis is placed on attaining high tonnages at ERPM and Durban Deep because of their low yields and, in the case of ERPM, high unit costs and because, with cooler weather, productivity improves in the June and September quarters

There was little change in yields but because of the higher tonnages milled gold output rose 5,9% However, total profit throughout the group was down 18,25% because of the lower gold price

Unit costs were up 3,9% — a figure which is likely to be higher in the current quarter when the full effect of wage rises is felt

Reports from the mines are

Blyvoor.— Unit costs were lower because of the higher tonnage milled The yield was slightly lower at 8,9 g/t in spite of the fact that the mine practises longwalling

The mine is moving its stoping away from the eastern high-grade section to the west where grade is lower

The drop in yield will continue as mining moves westwards, not in a spectacular way but progressively and gradually.

Gold income was lower because of the drop in price and the mine's uranium sales profits were down from R5 600 000 to R2 100 000.

There was a slight drop in uranium grade and sales were lower.

Earnings a share dropped from 96c to 72c

Harmony.— Yield was virtually unchanged but tonnage was higher so that gold production improved although revenue and profit fell with the gold price Unit costs rose 4%

Capital spending for the year ending June 1981 is estimated at about R25-million

Durban Deep.— Yield was almost maintained and with the higher tonnage milled production increased

Helped by the higher tonnage, unit costs dropped from R30,85 to R29,72

In spite of the lower gold price, net profit was not seriously down and earnings per share did not fall too heavily — from 25,13c to 19,63c

Total estimated capital spending for the remainder of the year to December if R6 200 000

ERPM. — Yield dropped more markedly than at Durban Deep from 5,18 g/t to 4,08 g/t. But a greater tonnage milled increased gold production but did not prevent a rise in unit costs from R41,19 to R43,82

This is a cause for concern to both management and shareholders

Earnings a share fell from 298c to 147c — the biggest fall in earnings in the group (See table above)

ERPM's estimated total capital spending for the remainder of the year is R12-million ,

A statement published with the quarterly reports says that in future quarterly development results and the reporting of ore reserves will now only appear in the annual financial statements of the four mines

Due to the system of mining, the statement says quarterly development results can be misleading It is known, for instance, that because of the mining pattern at Blyvoor, much of the development there is devoted to airways and services

The statement adds that ore reserves are a function of the gold price on which they are based and that in view of the fluctuations in the gold price, the traditional form of reporting is no longer appropriate

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ oz	Revenue $ oz	Net profit R000s	EPS after capex cents
RANDFONTEIN	999	5,1	35,02	270,1	532,6	30 995	315
March	986	5,3	32,76	236,1	630,0	28 533	417
WESTERN AREAS	1 081	4,5	34,85	304,9	542,5	17 177	16
March	1 054	4,7	32,47	263,8	630,6	24 934	52

214

RDM 16/7/80

Randfontein eps knocked by capex

By ADAM PAYNE

RANDFONTEIN mine is the first reporting on the June quarter's result so far to post a net profit increase, mainly because tax was down to little more than a third of the previous quarter's As with other mines, gold profit was down because of the lower gold price and a small decline in grade-Tonnage was up

However, earnings a share, which is the figure the shareholder examines most carefully, were lower at 315c (417c) because more capital spending reduced the attributable figure from R22 589 000 in the March quarter to R17 031 000 in June

On the technical side, all is going well for Randfontein, but the bad news is that unit costs rose severely at 6,9% for the quarter This could be partly due to conservative accounting and to the big amount of development carried out

However, Mr Veivan Blane, financial director of Randfontein and Western Areas, believes the present quarter will be equally bad and guesses, personally, that unit cost rises for 1980 will be up about 27% year-on-year for Randfontein and about 29% for Western Areas

These are disquieting figures and mean that the gold price has to rise firmly to maintain profit at existing levels

Because of its lower yield, Randfontein's gold production dropped 2,5%, but revenue was only 80% of the previous quarter's because of the lower gold price Profit from gold was 63% of the March figure and profit from uranium was 59% higher than in March

Uranium production, as promised, was raised with the plant now operating to design capacities and efficiencies Therefore, shareholders cannot expect any further significant increases in tonnage

Uranium profit of R6 737 000 is an indication of figures to be expected in the future, although receipts will depend on dates of shipment

Capital spending rose to R13 961 000 (R5 944 000) and the dividend declaration was 65% of net earnings after capital spending

As to future capital spending, the management reckons on R60-million for the year or R40-million in the past two quarters Heavy retentions were made to help meet this spending which could be increased toward R70-million because of inflation

The allowance for tax could be about R15 million in each of the two remaining quarters, depending largely on the gold price and profits

Development of the twin underground haulage systems on 118 and 128 levels to link Cooke No 2 and No 3 shafts went ahead at a fast pace in the quarter The programme calls for 16 km of development between the shafts with haulages and return airways on two levels It will take up to two years before this development links up with Cooke No 3 Shaft

Development results on the E2 Reef in the Cooke Section were marginal and the mine has no intention of mining it

Development advance on the UEIA reef was down because of a water bearing dyke Gold values at Cooke No 1 were better and they were maintained at Cooke No 2

Pre-sinking at Cooke No 3 Shaft was down to 61 m and the plan remains to commission the shaft in 1984 with production in 1985 and full production in 1986

At the Randfontein old section, the mine is still drawing on stockpiles at No 16 and No 32 shafts but the stock is likely to be finished at the end of the present quarter

The depletion of the stockpile will mean a fall-off in uranium production Randfontein will not increase underground production, but it will probably make up the shortfall by reclaiming uranium from slimes and gold from sand dump material

Western Areas.— Tonnage was up and yield was lower with the management gaining more confidence about a future floor price level for gold

A drop in yield is easy at Western Areas because the stoping width is merely widened to take in more lower-grade ore

Working costs were up 7,3% in the quarter — again partly because of conservative accounting Tax was down 42%, but in spite of this after-tax profit was 31% lower because of the lower yield and gold price Earnings a share fell drastically from 52c in the March quarter to 16c in June

When uranium is produced these big drops on the gold side should be usefully cushioned

The mine has retained R11-million for capital spending in the second half of the year after paying out 58,8% from net earnings in dividends

Capital spending is estimated at R50-million for the year, but it will probably be nearer R60-million with several major projects under way — the sinking of three sub-vertical shafts and the building of the uranium plant, which will be started this quarter

The second R10-million tranche of the R30-million interest-free loan raised to help in building the plant was received on July 1

In development, emphasis is being placed more on the Upper Elsburgs as the mine has achieved satisfactory ore reserves on the Middle Elsburgs The average value on the Elsburg Massive Reefs was 6,5 g/t (7 2 g/t)

Vast tonnages become available, particularly to the east at this mine, as pay limits are reduced, showing that Western Areas can benefit more by a gold price rise than Randfontein

Borehole results on E9 and EC reefs, which will be the main gold-carriers to be mined, have been good

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ oz	Revenue $ oz	Net profit R000s	EPS after capex cents
HARTIES	740	10,9	46,84	174	564	36 265	266
March	717	11,2	44,73	152	659	45 840	367
ET CONS	75	7,0	33,30	191	573	3 085	36
March	83	6,2	26,57	163	674	3 301	62
LORAINE	401	3,2	38,34	485	570	2 934	11
March	413	3,1	34,79	427	629	6 950	33

Harties Anglovaal's best

RDM 16/7/80. 214

By ADAM PAYNE

FOR shareholders the best performance in the June quarter of the Anglovaal mines was that by Hartebeestfontein, where earnings a share declined by 28% compared with March At Loraine the decline was 67% and at ET Cons 42%

As with other groups, net profits were down because of the lower gold price, but yields were maintained — and even improved at ET Cons

Tonnage was well up at Hartebeestfontein and lower at ET Cons and Loraine

ET Cons unit costs rose by 25% in the quarter, but this is a misleading figure It occurred because the mine suspended dump retreatment.

Loraine costs rose 10% in the quarter partly because of the lower tonnage and at Hartebeestfontein, with a higher milling rate, they were a more respectable 4% up.

This rise at Hartebeestfontein was ascribed to the slightly shorter working quarter, higher wages and bigger royalty payments

Points from the mines' reports are

Haartebeestfontein. — Tonnage rose because of the upgrading of the plant Yield was only marginally lower The mine has been stoping in an area where grades are high, but pay limits can be expected to be reduced, although this mine has not the flexibility in this direction of other mines.

Harties net profit for the financial year to June rose by R71-million to a record R135-million

Profit from uranium and pyrite decreased to R26-million (R31-million), but non-mining income rose to R18-million (R7-million)

ET Cons — Milling fell from 83 800 tons to 75 400 tons because of the suspension of dump retreatment

To permit current ore and calcined concentrates to be treated separately so that recovery efficiencies could be improved, it was necessary to use that section of the plant formerly employed for dump retreatment

Because of higher yield, net profit was only 7% down, but earnings a share were hit by capital spending.

Profit for the year to June was a record R10-million (R4-million). Unit costs were fairly well contained in the year.

Loraine. — This mine, which is a chartist's favourite, had a disappointing quarter Hoist breakdowns caused underground tramming delays leading to a 12 000-ton decrease in ore milled at 401 000 tons

Higher unit costs, aggravated by lower mill throughput, had the net effect of reducing unit working profit by almost R10 to R6,73 a ton

Net profit fell heavily to R2 934 000 (R6 950 000)

Overall development results showed that 426 m were sampled, yielding 18,7 g/t (8,2 g/t) over an average narrow channel width of 23cm, equal to 421cm g/t (356cm g/t)

Outstanding capital commitments at March 31 totalled R17-million (R11-million), the increase being brought about by additional contracts placed in connection with the No 1B Shaft system and the deepening of the No 5 Shaft from 37 to 50 level,

It is expected that this capital spending will be incurred over nine months

Preparatory work on sinking and equipping the No 1B Shaft system, which will enable the northern Elsburg reefs to be mined, is well advanced

Harties Anglovaal's best

RDM 16/7/89 (219)

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R1 800m to be spent on gold mining

(214) RDM 16/7/80.

By HAROLD FRIDJHON

A TOTAL of R1 800-million in 1980 money will be spent over the next seven to 10 years by gold-mining companies in the Anglo American group on major expansion projects and on a number of possible new developments, says Mr Oppenheimer.

"If the gold price is maintained our intention would be to increase the rate of capital spending above the current level of about R480-million a year, so far as other resources, particularly of manpower, allow," says Mr Oppenheimer.

Projects mentioned by Mr Oppenheimer include.

▲ The new shaft at Western Deep Levels to exploit Carbon Leader and Ventersdorp Contact reefs to a depth of 3 800 m in the southern part of the WDL lease areas and the VCR in the Western Ultra Deep area, and the increase of mill capacity by 160 000 tons a month at a cost of R714-million Other developments may follow.

▲ At Vaal Reefs studies are under way on the economics of expanding operations to exploit previously unpayable VCR reserves

▲ SA Lands has completed a preliminary investigation into the establishment of a new East Rand mine The first phase would involve reopening the Van Dyke No 5 Shaft so that more extensive exploration can be undertaken

▲ Free State Geduld has the potential to develop large low-grade tonnages, particularly in the north. Payable ore reserves in this area together with those at No 5 Shaft, which is to be commissioned late in 1981, could increase tonnage through both mills to 524 000 tons a month A new shaft system in the north-east might be justified, further increasing milling capacity

▲ The No 5 Shaft at President Brand will probably now be used to increase tonnage milled and treatment facilities will be expanded accordingly.

▲ Discussions are progressing to develop a medium tonnage low-grade mine in the Erfdeel/Dankbaarheid area

▲ Promising results have emanated from exploration for gold and uranium, particularly in the south of the Free State Goldfields where interesting values have been obtained in several reefs.

▲ Extensions of gold-bearing reefs have been located south and west of Vaal Reefs and drilling north-west of Klerksdorp has disclosed relatively low but interesting gold values in reefs at shallow depths Results of drilling south of Western Areas are encouraging, but more work has to be done there

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Anglo's spread of projects total R1 800-m

STAR 16/7/80

214

Anglo American projects in hand and those in the early stages of viability studies together represent capital expenditure of some R1 800m in 1980 money terms, spread over the next seven to 10 years, Mr Harry Oppenheimer said

By Geoff Shuttleworth

He said in the annual review for the year ended March 31, 1980 that if the gold price is maintained the company's intention would be to increase the rate of capital spending above the current level of R480m a year as far as other resources, particularly of manpower, allow.

Citing projects at hand he noted the R715m to be spent on the ultra deep shaft system at Western Deep and expansion to the plant and added that this may be followed by further developments to gain access to all the ore within the mine's lease area.

STUDIES

At Vaal Reefs initial studies are under way in regard to the economics of expanding operations to exploit the significant reserves of previously unpayable Ventersburg Contact Reef ore

Sallies has completed a preliminary investigation into the establishment of a new mine on the East Rand The first stage would involve the opening up of the old Van Dyk number five shaft, which is currently being examined and from which more extensive exploration of the area can be undertaken

F S Geduld which has a very extensive lease area, has the potential to develop large low-grade tonnages, particularly in the north

Payable ore reserves in this area, together with those at the No 5 shaft, which is to be commissioned in late 1981, could increase tonnage through both mills to 425 000 tons a month

In addition it seems probable that a new shaft complex in the north-east of the lease area will be justified, resulting in a further increase in total milling capacity

The No 5 shaft at President Brand will probably be used now to increase the mine's milled tonnage and, treatment facilities will be expanded accordingly The shaft was initially to have been a service shaft only

Intensive exploration for gold and uranium has yielded some promising results, particularly to the south of the Free State gold fields where interesting values have been attained in several reefs Mr Oppenheimer noted

Extensions of the auriferous reefs of the Vaal Reefs mine and drilling north-west of Klerksdorp has disclosed relatively low but interesting gold values in reefs at shallow depths

Results of the drilling south of Western Areas continues to be encouraging but further work is required to assess the potential of these reefs which occur at greater depths

In addition he said that discussions with the authorities in regard to the establishment of the Erfdeel/Dankbaarheid mine are in progress and negotiations will shortly commence with those affected by the proposals

Turning to uranium mining prospects Mr Oppenheimer said it is doubtful that further uranium production plants or extensions to existing plants will be undertaken in South Africa until the mid to late 1980s

He noted that uranium spot prices have declined to 32 dollars a pound from a peak of 58,5 dollars in April 1976

He also said there was a continued resistance to nuclear energy in most Western European countries

Zimbabwe teams set to probe again

Anglo American Zimbabwe's prospecting teams are now being built up again and are expected to resume exploration work in the near future Mr Oppenheimer said in the annual review

He did not elaborate further but added that Wankie Colliery is now involved in a further substantial expansion in order to supply a new thermal power station there

Other mining enterprises include the Bindura Nickel Corp through which three mines and a smelting and electrolytic refinery are operated while Rhodall, which recently became the first company to acquire a stock exchange listing after independence, has three chrome mines and a ferrochrome plant

In the field of agriculture, Hippo Valley Estates, a sugar producer, suffered severe setbacks during the period of low prices, but is now expanding to take advantage of new markets opened up by Zimbabwe's accession to the International Sugar Agreement, he added

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South Roodepoort spells out new mine

(214) RDM 17/7/80

By ADAM PAYNE

SOUTH ROODEPOORT mine, whose shares have fluctuated strongly on the Johannesburg Stock Exchange, has announced its plans for opening its proposed mine north of the Saxon fault

At the same time, I am told that Johnnies, which has rights to the lower Kimberley and deeper reefs south of the Saxon fault at South Roodepoort, is carrying out surface drilling to determine values for a feasibility study into opening a big mine south of the fault

If a mine is established, a shaft will be sunk and a reduction works will be built at heavy cost because the reefs are deep

Rights to these reefs are held about 17% by Randfontein, about 70% by Johnnies and 10% by other parties, with South Roodepoort company entitled to participate to the extent of 3%

As to the smaller mine north of the Saxon fault, South Roodepoort says over the past year about R1 500 000 has been spent on refurbishinbg plant and machinery and on the development of the Gauff Shaft and nearby areas These latter areas constitute the proposed mine

This spending has been funded from the company's resources

In the following six months an estimated R600 000 will be spent on further development work in the new mine area

It is expected that funds for this work will be generated from the company's resources

On the west side of the Gauff Shaft drilling indicates a grade of 4g/t About 60m of development is needed to reach the poisition of the first reef intersection

On the east side of the Gauff Shaft reef has been intersected with good results

Production in the Gauff Shaft area will start in September

Saxon Shaft will be dewatered by the end of July and production should start by the end of the year

South Roodepoort has issued a disappoint6ing June quarterly report showing sa loss of R2 000 compared with a profit of R288 000 in Matrch

Working revenue declined to R1714 000 (R 2 013 000) and costs were up at R2 017 000 (R1 798 000)

Although tonnage milled was higher, yield was down at 1,79g/t (2,1g/t) Gold production was down and unit costs were lower at R33,66 (R35,49).

The year's figures to June 30 were more encouraging, reporting net profit at R684 000 and development and capital spending at R1 516 000

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ oz	Revenue $ oz	Net profit R000s	EPS after capex cents
GROOTVLEI March	435 415	3,7 3,8	22,11 21,40	241 216	541 636	5 502 7 463	44 65
KINROSS March	400 400	5,8 5,8	24,03 24,64	166 163	552 609	8 686 10 447	48 57
WINKELS March	545 535	6,4 6,7	19,84 19,83	124 114	539 600	14 444 17 602	110 144
BRACKEN March	216 210	4,0 4,4	22,52 21,95	221 191	537 596	2 852 3 721	20 26
LESLIE March	315 280	3,0 3,1	22,34 22,21	294 275	544 624	2 639 3 137	16 19
MARIEVALE March	240 240	1,4 1,5	9,64 8,87	277 226	558 637	1 071 1 704	24 38
ST HELENA March	535 500	7,8 8,0	27,18 26,90	140 128	556 633	16 830 20 859	172 217
UNISEL March	220 220	6,2 6,2	32,90 32,20	213 199	554 654	9 985 14 731	35 52

Unicorp mines escape the big eps drop

214

RDM 17/7/80

By ADAM PAYNE

THE feature of Union Corporation's June quarterly reports was the small drop in earnings a share in the face of lower gold revenue compared with the earnings declines in other groups

This was because the mines had little capital spending and earnings a share escaped deductions on this score, and secondly because cost control helped to prevent too much profit erosion

Another feature was that the mines which were running down tonnage when the gold price was low or falling — Bracken, Leslie and Grootvlei — have all shown an increase in tonnage in line with their prospects for longer lives

Because of tonnage increases on most mines, the group's average rise in costs was only 2,7% which is the lowest so far reported by any group

Costs at Grootvlei and Marievale were burdened again because, with their extended lives, they have to rehabilitate plant which was set aside when they were marginal

Reports from the mines are

Grootvlei. — The mine's report on the last four boreholes in the lease area east and north-east of the underground workings is not encouraging

A total of 12 boreholes have been completed in the drilling programme laid out to evaluate the Kimberley Reef horizon in a large unmined area

The four holes drilled in the past quarter are positioned north-east of No 3 Shaft and north-west of No 6 Shaft

These intersections were at shallow depths between 485m and 593m and the highest value was 10,4 g/t over 55cm equal to 573cm g/t which is not exciting

Of the eight boreholes drilled in the programme only one was spectacular with a value of 78,87 g/t over 23cm equal to 1814cm g/t and two others were marginal

One can assume that the mine will follow up the good result, but it is disappointing that values over a wider area were poor

Even though this area has not revealed worthwhile Kimberley Reefs, which in any case are erratic and spread out and could be missed, the mine's life is still officially estimated at eight years and mining observers with slide rules estimate it at about 12 years

Grootvlei's earnings a share in the quarter were 44c (65c)

Kinross — This mine has the distinction of reducing unit costs from R24,64 in March to R24,03 a ton milled in June, even though tonnage milled was unchanged

Earnings a share dropped 16% to 48c

Winkelhaak. — There was virtually no change in its mining performance Because of the lower gold price net profit and earnings a share were lower, but not seriously

Bracken — The mine raised tonnage but decreased yield and ended up with earnings a share 24% lower at 20c

Leslie — Tonnage was raised by 12% to 315 000, yield was virtually unchanged as were costs a ton Earnings a share declined 16% to 16c

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ oz	Revenue $ oz	Net profit R000s	EPS after capex cents
BUFFELS	822	7,81	42,58	211	543	28 053	155
March	800	8,04	41,34	195	641	33 312	230
STILFONTEIN	482	9,00	43,90	190	560	13 192	94
March	480	9,00	42,25	178	664	19 535	141

First profit by Genmin's Chemwes

(214)

RDM 17/7/80

By HAROLD FRIDJHON

THE two General Mining gold mines, Buffels and Stilfontein, have produced reports which conform to the overall pattern which has emerged from the June quarter's results — profits lower with the gold price, a determined effort to push production and where possible to reduce grade. The Chemwes project turned in a profit of R1 484 000.

Details from the two mines are

Buffelsfontein. With the larger tonnage through the mill unit costs were only 3% higher, but with the drop in grade from 8,04g/t to 7,81g/t production of gold was lower This affected dollar costs an ounce produced which rose by 8% Revenue an ounce produced fell by 15%, which was to be expected

The mine received an average of $543 an ounce for gold compared with $641 in the March quarter

Actual working costs were 5,8% higher

Working income from gold dropped from R74 244 000 to R55 252 000, but uranium profits improved from R1 582 000 to R4 232 000 The tax rate dropped as capex went up from R7-million to R11-million

Taxed profit dropped from R32 312 000 to R28 053 000

Development values for both gold and uranium were marginally higher

Total ore reserves which have been calculated at $500 an ounce have increased from last year's 8 870 000 tons to 11 457 000 tons, but the value has fallen to 1 549cm g/t from 1 685cm g/t for gold with uranium values lower at 48,31cm kg/t compared with 52,49cm kg/t previously

The report says that the development of the Strathmore Shaft system is progressing according to schedule

Stilfontein: Actual working costs were well contained, rising by only 4,3% Units costs moved up 3,9% as the tonnage milled was slightly higher

With grade unchanged, gold production was a little bigger This meant that dollar costs an ounce produced were only 6,7% higher, probably much of this being accounted for by the lower-valued dollar

The tax factor was higher in spite of the capex being virtually unchanged around R1-million In March, the tax man took 61,6% of the profit, in June tax rose to 65,6%

Taxed profit for the quarter was R13 192 000 compared with R19 535 000 in March The mine received $560 an ounce for its gold in the June quarter compared with $664 in March

Development values for gold were marginally lower on both the Vaal and VCR reefs In the case of uranium values there was an improvement in the VCR, but values on Vaal Reef were lower

The ore reserves were revalued at June 30 at a price of $500 an ounce This had the effect of raising total tonnage from 5 436 000 to 6 281 000 with gold values at 1 182cm g/t (1 283cm g/t) and uranium at 17,88cm g/t (20,04cm g/t)

Chemwes has made a spectacular profit turnaround From a loss of R3 459 000 this enterprise produced its first profit — R1 484 000

The plant treated 854 000 tons of pulp (859 000 tons) and produced 175 229kg of uranium oxide at an avergae yield of 0,21kg/t In the previous quarter production was 168 838 kg at an average yield of 0,20kg/t

Anglo gold interims soar

(214)

RDM 18/7/80.

By HAROLD FRIDJHON

SENSATIONAL dividend increases have come from the interim declarations by the Anglo American Transvaal mines. Vaal Reefs is to pay 620c against 190c last year, Western Deep Levels will pay 400c compared with 95c and Southvaal is declaring a maiden interim of 170c. Southvaal's annual payment last year was 140c.

These payments are far and away higher than the market had expected The best expectations for Vaal Reefs was 450c after last year's final of 320c, but this estimate did not take into acccount the high January earnings from the soaring gold price

Vaal Reefs paid out well The earnings a share for the six months after tax and capex were 643c With the final dividend of 320c, the present interim puts the share on a yield of 11,8%

Western Deep Level's performance did not lag too far behind The 400c interim follows a final of 225c last December. The market had been looking for 300c The earnings a share were 430c for the six months, after tax and capex With the final, the interim now puts the share on a 10,5% yield basis

Sallies will pay an interim of 35c compared with 20c in December and 20c last June

Southvaal's 170c interim comes from a revised agreement with Vaal Reefs to pay royalties on a six-monthly basis Royalties received for the six months to June amounted to R89 880 000, compared with R66 976 000 for the full year to December

Taking interetst earnings into account and deducting administration expenses and tax, the net earnings were R52 145 000 for the half-year compared with R39 279 000 for the last full year The earnings a share for the six months were 200,6c, which means that 30,6c has been retained

The first repayment of capital from Southvaal was to have been made in the second half of 1980, but this will now be deferred at least until 1981 because Southvaal has undertaken to lend, interest-free, 55% of any deficit incurred in any half-year in the Vaal Reefs South Lease area

Pres Steyn the OFS star

214
RDM
18/7/80

By ADAM PAYNE

PRESIDENT STEYN, as the star performer among Anglo American Corporation's Free State mines, in the June quarter increased its net profit to R34 142 000 (R32 021 000) with earnings a share of 183c (184c)

This achievement is the reward of years of work in overcoming problems at the big No 4 Shaft — problems which were aggravated by several fires

The shaft, with its higher-grade ore, is now making its full contribution to the mine's performance

Tonnage milled was raised 10% to 962 000 and an improvement in grade raised gold production 16,5% to 6 954kg

This was enough to offset the drop in price received on sales so that gold revenue rose to R99-million (R96-million).

The improvement in grade came as a result of the richer ore mined from No 4 Shaft, which is operated on semi-longwall system.

With longwalling there is less flexibility for reducing grade when the gold price rises.

All six Free State mines performed well, increasing tonnage milled by 7,7%.

The increased tonnage offset drops in grade at five of the mines so that gold production rose to 2,2% to 34 230kg.

However, an average price received on sales of gold at $543 ($631) an oz meant that the mines' gold revenue dropped by 5% to R496-million.

Average working costs a ton milled dropped by 1,1% to R31,61 Provision for tax was 9,6% lower and taxed profits overall were 6,2% down compared with March at R173-million

Joint Metallurgical Scheme. — With a greater tonnage treated uranium oxide production amounted to a record 244 815kg (209 060kg) and gold production rose to 608kg (591kg)

Profit for the quarter was virtually unchanged at R10 700 000, again reflecting the lower level of uranium sales

Free State Saaiplaas. — The mine increased its milling, but was affected by a drop in grade

Gold production was higher, boosting gold revenue to R16 900 000 (R16-million) Costs increased to R12-million (R9-million), bringing working profit down to R4 700 000 (R6 900 000)

Costs were high because the mine is spending its resources to bring No 3 Shaft to production It is expected that stoping will start soon and that reef will be hoisted towards the end of the year

At present dump material is being put through the mill so keeping grade down

The loan facilities of up to R30-million granted to the company by President Brand and Anglo American Corporation have been reduced at the request of Free State Saaiplaas to R16-million and the period has been extended to December 31

Western Holdings. — The mine set a quarterly record by milling 860 000 tons The increased tonnage offset a slight drop in grade so that gold production was increased.

Because of the lower gold price, gold revenue fell to R107-million (R112-million) and taxed profit was 11,8% lower.

President Brand. — Tonnage milled dipped to 820 000, as it has stopped sending ore to President Steyn for milling.

Preparations for full-scale shaft sinking on the No 5 Shaft are well under way

Welkom. — Tonnage milled was increased, there was a slight decrease in yield and unit costs were lower Net profit was 12% lower than in March.

Free State Geduld. — The mine increased tonnage, but dropped grade by more than one gram a ton. Because of the increased tonnage, unit costs were lower and gold output was not too severely affected by the big drop in grade. Working profit was little changed but a reduction in taxation of nearly R10-million helped the mine to return a high net profit — only R2-million lower than in March

Vaal Reefs steps up June profit

(214)

RDM 18/7/80

By ADAM PAYNE

ANGLO AMERICAN Corporation's June quartely reports are marked by two outstanding performances — those of Vaal Reefs and President Steyn — and for a generally high standard of production.

Vaal Reefs stepped up tonnage on a big scale and posted a fourfold increase in uranium profit

In spite of the lower gold price and reduced working profit, it achieved a higher net profit, aided by a big drop in tax

The mine milled 54 000 tons more in the quarter in the north section and increased tonnage in the south by more than 100 000

As a hot mine it benefits particularly in productivity during the cool quarters

Yield was higher in the north, but lower in the south

Profit from uranium was R19-million compared with R4 780 000 in March

These results, combined with those in March, resulted in earnings a share of 643c for the six months

Points from the Vaal Reefs report are

Gold production was boosted by 6,7% to 17 332kg (16 239) in spite of a slight drop in average grade to 7,7 g/t

The price received on gold sales dropped to $546 an oz from the March quarter's $671 resulting in a 17,7% fall in gold revenue to R238-million (R289-million)

Working costs rose by 8,7% to R80-million to leave a gold working profit of R158-million (R215-million)

A maiden interim royalty payment of R89 900 000 for the six months to June was made to Southvaal Holdings Previously royalty payments were made on an annual basis

Profit before tax was down on March, but a lower tax provision of R70-million (R96-million) resulted in net profit at R82 868 000 — R1 845 000 higher than in March

Operations in the Afrikander Lease area resulted in a loss of R1 100 000 for the quarter (R100 000) and provision has been made for a royalty equal to a quarter of the minimum annual royalty of R50 000

The royalty is calculated effective from January 1, 1980, but is payable only when the results of operations for the full year have been determined

Capital spending for the June quarter amounted R22-million and for the six months to June totalled R42-million

The mine's capital spending, particuarly in the South and Afrikander Lease areas, is not therefore reaching the levels expected in the 1979 report when capital spending was estimated at R125-million for 1980

A commensurate increase in the rate of capital spending is not expected in the rest of the year and an adjustment to the target may be made at the end of the third quarter by which time the capital expenditure programme will have been reviewed

Western Deep Levels — Gold production dropped to 10 925kg (11 951kg) because of a drop in grade to 12,94 g/t (14,30 g/t)

The grade achieved for the first six months is one g/t below the forecast of 14,62 g/t because of an increase in waste mined as a result of dykes and faulting on the Carbon leader longwalls

There was not an actual decrease in grade in the reef, but there was dilution

The position is not expected to improve much before the year-end and the forecast grade for the year has been revised to 13,80 g/t Tonnage milled during the year is, however, to be increased to 3 300 000 tons from 3 200 000 tons

Because of the lower gold price, gold revenue fell 31% to R149-million, but provision for tax was less than half that in the previous quarter and net profit consequently did not fall too severely

Extensions to the uranium plant to increase the treatment capacity to 260 000 tons a month were commissioned in the quarter

Capital spending for the year to December is now estimated at R73-million (R59-million), of which R33-million will be incurred on the new No 1 Shaft

Elandsrand — Gold production rose 17% to 1 565kg because of an improvement in grade to 5,86 g/t (5,66 g/t) and a 13% increase in tonnage milled

Lower gold revenue and an 11,8% increase in working costs brought gold working profit down R11-million (R13-million)

The mine has had bad luck with pressure bursts and some mechanical breakdowns which have slowed down mining and increased costs

Ergo — Slimes treated dropped to 4 200 00 tons (4 500 00 tons) because of a need to remove a build-up of scale in the water pipelines servicing the dams

Consequently pyrite production was reduced, but output is now back to normal

Ergo is commissioning an effluent treatment plant which will greatly reduce the build-up of scale in water pipelines

Ergo's total revenue dropped to R31-million (R36-million) and profit for the quarter was 19% lower at R23-million (R28 500 000)

SA Land — A drop in tonnage milled was largely offset by the improved grade of 1,26 g/t

Taxed profit for the quarter was virtually unchanged at R1 200 000

An amount of R534 000 was spent on the feasibility study to determine the viability of the potential gold mine centred on the Van Dyk 5 Shaft Shaft examination is under way

East Daggerfontein — Increased royalties raised the June income to R424 000 (R83 000)

These reflected better payments resulting from the company's agreement with Grootvlei to participate in exploratory mining operations being carried out by Grootvlei

The surplus after tax was R165 000 (R25 000)

General Mining Union Corporation Group

Gold Mining Companies' Reports for the Quarter ended 30 June 1980

All companies mentioned are incorporated in the Republic of South Africa

STILFONTEIN
Gold Mining Company Limited

Issued capital – 13 062 920 shares of 50 cents each

Operating results		Quarter ended 30 6 1980	Quarter ended 31 3 1980	6 months ended 30 6 1980
GOLD				
Mined	*(m²)*	143 720	136 534	280 254
Ore milled	*(t)*	482 000	480 000	962 000
Gold produced	*(kg)*	4 340,000	4 320,000	8 660,000
Yield	*(g/t)*	9,00	9,00	9,00
Working revenue	*(R/t milled)*	129,47	156,72	143,07
Working costs	*(R/t milled)*	43,90	42,25	43,08
	(R/m² mined)	147,23	148,53	147,86
Working income	*(R/t milled)*	85,57	114,47	99,99
Gold price received	*(R/kg)*	14 131	17 330	15 715
	($/oz)	560	664	609

The above figures exclude ore processed for Buffelsfontein Gold Mining Company Limited

Financial results (R'000)	Quarter ended 30 6 1980	Quarter ended 31 3 1980	6 months ended 30 6 1980
GOLD – Working revenue	62 406	75 224	137 630
– Working costs	21 160	20 279	41 439
– Working income	41 246	54 945	96 191
Sundry income	657	501	1 158
Tribute and royalty payments – net	(3 600)	(4 500)	(8 100)
Income before taxation and State s share of income	38 303	50 946	89 249
Taxation and State's share of income	25 111	31 411	56 522
Income after taxation and State s share of income	R13 192	R19 535	R32 727
Capital expenditure	957	1 096	2 053
Dividend declared	20 901	—	20 901

Development		Quarter ended 30 6 1980 Vaal Reef	VCR	Quarter ended 31 3 1980 Vaal Reef	VCR	6 months ended 30 6 1980 Vaal Reef	VCR
Advanced	*(m)*	8 782	160	8 017	146	16 799	306
Advanced on reef	*(m)*	1 215	160	1 429	146	2 644	306
Sampled	*(m)*	975	120	1 068	117	2 043	237
Channel width	*(cm)*	26	61	22	58	24	59
Average value							
– gold	*(g/t)*	55,4	2,5	76,7	3,5	66,5	3,0
–	*(cm g/t)*	1 423	154	1 672	203	1 553	178
– uranium	*(kg/t)*	0,882	0,093	1,207	0,089	1,052	0,090
–	*(cm kg/t)*	22,67	5,70	26,31	5,13	24,57	5,42

Ore Reserves as at 30 June 1980

	Available	Unavailable	Inaccessible	Total Mine
Tons (000 s)	2 702	231	3 348	6 281
Stope width – cm	120	120	120	120
Value				
Gold				
g/t	11,15	12,15	8,64	9,85
cm g/t	1 338	1 458	1 037	1 182
Uranium				
kg/t	0,166	0,181	0,133	0,149
cm kg/t	19,91	21,76	15,92	17,88

Ore reserve pay limit is calculated at an estimated gold price of R13 070/kg ($500/oz)

REMARKS

Capital expenditure

Commitments in respect of contracts placed R172 000
Amounts approved not yet spent R3 655 000

Dividend

On 4 June dividend No 52 of 160 cents per share was declared to members registered on 20 June 1980 Dividend warrants will be posted on or about 7 August 1980

Chemwes Limited

(A subsidiary of Stilfontein Gold Mining Company Limited)
Issued capital – 1 000 shares of R1 each

Operating results		Quarter ended 30 6 1980	Quarter ended 31 3 1980	6 months ended 30 6 1980
Pulp treated	*(t)*	854 000	859 000	1 713 000
Oxide produced	*(kg)*	175 229	168 838	344 067
Yield	*(kg/t)*	0,21	0,20	0,20
Financial results (R'000)				
Net income (loss)		1 484	(3 459)	(1 975)

REMARKS

Capital expenditure

Commitments in respect of contracts placed R760 000
Amounts approved not yet spent R4 409 000

ST. HELENA
Gold Mines Limited

Issued capital – 9 625 000 shares of R1 each

Operating results		Quarter ended 30 6 1980	Quarter ended 31 3 1980	9 months ended 30 6 1980
GOLD				
Mined	*(m²)*	109 964	95 021	315 819
Ore milled	*(t)*	535 000	500 000	1 535 000
Gold produced	*(kg)*	4 173	4 000	12 373
Yield	*(g/t)*	7,8	8,0	8,1
Working revenue	*(R/t milled)*	107,70	132,54	110,70
Working costs	*(R/t milled)*	27,18	26,90	26,53
	(R/m² mined)	132,25	141,53	128,98
Working income	*(R/t milled)*	80,52	105 64	84,17
Gold price received	*(R/kg)*	13 720	16 519	13 676
	($/oz)	556	633	554

Financial results (R'000)	Quarter ended 30 6 1980	Quarter ended 31 3 1980	9 months ended 30 6 1980
GOLD – Working revenue	57 620	66 270	169 929
– Working costs	14 543	13 448	40 733
– Working income	43 077	52 822	129 196
Sundry income	713	532	1 989
Income before taxation and State's share of income	43 790	53 354	131 185
Taxation and State's share of income	26 960	32 495	79 897
Income after taxation and State's share of income	R16 830	R20 859	R51 288
Capital expenditure	242	140	572
Dividend declared	—	29 356	29 356

Development		Quarter ended 30 6 1980 Basal Reef	Leader Reef	Quarter ended 31.3 1980 Basal Reef	Leader Reef	9 months ended 30 6 1980 Basal Reef	Leader Reef
Advanced	*(m)*	1 590	174	1 701	178	5 165	610
Advanced on reef	*(m)*	219	99	301	76	889	270
Sampled	*(m)*	216	90	300	67	825	225
Channel width	*(cm)*	79	106	96	163	97	121
Average value							
– gold	*(g/t)*	12,3	8,0	12,6	4,2	12,5	6,1
–	*(cm g/t)*	975	852	1 209	690	1 209	735

REMARKS

Capital expenditure

Commitments in respect of contracts placed R941 000
Amounts approved in addition to commitments R1 303 000

Dividend

Dividend of 305 cents per share was paid on 16 May 1980

KINROSS
Mines Limited

Issued capital – 18 000 000 stock in units of R1 each

		Quarter ended 30 6 1980	Quarter ended 31 3 1980	9 months ended 30 6 1980
Operating results				
GOLD				
Mined	(m²)	100 422	88 005	286 724
Ore milled	(t)	400 000	400 000	1 200 000
Gold produced	(kg)	2 320	2 320	6 960
Yield	(g/t)	5 8	5,8	5,8
Working revenue	(R/t milled)	79,84	92,97	78,96
Working costs	(R/t milled)	24,03	23,65	23,55
	(R/m² mined)	95,71	107 51	98,57
Working income	(R/t milled)	55,81	69,32	55,41
Gold price received	(R/kg)	13 620	15 890	13 497
	($/oz)	552	609	525
Financial results (R'000)				
GOLD – Working revenue		31 935	37 189	94 756
– Working costs		9 611	9 461	28 262
– Working income		22 324	27 728	66 494
Sundry income		349	192	753
		22 673	27 920	67 247
Tribute and royalty payments – net		244	395	849
Income before taxation and State's share of income		22 429	27 525	66 398
Taxation and State's share of income		13 743	17 078	40 764
Income after taxation and State's share of income		R8 686	R10 447	R25 634
Capital expenditure		71	100	443
Dividend declared		—	15 120	15 120
Development – Kimberley Reef				
Advanced	(m)	3 068	3 079	9 560
Advanced on reef	(m)	535	670	2 000
Sampled	(m)	451	647	1 893
Channel width	(cm)	62	49	52
Average value – gold	(g/t)	15,2	15,9	18,4
–	(cm g/t)	940	778	957
The above includes the following development for No 2 shaft area				
Advanced	(m)	1 562	1 588	4 998
Advanced on reef	(m)	135	145	513
Sampled	(m)	104	148	494
Channel width	(cm)	60	41	38
Average value – gold	(g/t)	21,2	17,2	32,3
–	(cm g/t)	1 271	704	1 227

REMARKS

Capital expenditure

Commitments in respect of contracts placed R344 000
Amounts approved not yet spent R6 670 000

Dividend

Dividend of 84 cents per unit of stock was paid on 16 May 1980

UNISEL
Gold Mines Limited

Stated capital – 28 000 000 shares of no par value

		Quarter ended 30 6 1980	Quarter ended 31 3 1980	9 months ended 30 6 1980
Operating results				
GOLD				
Mined	(m²)	34 771	30 804	92 326
Ore milled	(t)	220 000	220 000	634 000
Gold produced	(kg)	1 364	1 364	3 928
Yield	(g/t)	6,2	6,2	6,2
Working revenue	(R/t milled)	85,56	106,00	87,74
Working costs	(R/t milled)	32,90	32,20	31,70
	(R/m² mined)	208,16	229,97	217,67
Working income	(R/t milled)	52,66	73,80	56,04
Gold price received	(R/kg)	13 680	17 055	14 094
	($/oz)	554	654	548
Financial results (R'000)				
GOLD – Working revenue		18 824	23 320	55 627
– Working costs		7 238	7 084	20 097
– Working income		11 586	16 236	35 530
Sundry expenditure		1 601	1 505	3 934
Income		R9 985	R14 731	R31 596
Capital expenditure		106	246	2 692
Dividend declared		—	11 200	11 200

		Quarter ended 30 6 1980		Quarter ended 31 3 1980		9 months ended 30 6 1980	
Development		Basal Reef	Leader Reef	Basal Reef	Leader Reef	Basal Reef	Leader Reef
Advanced	(m)	2 036	22	1 961	7	7 435	29
Advanced on reef	(m)	878	3	619	7	2 718	10
Sampled	(m)	838	—	689	6	2 595	6
Channel width	(cm)	164	—	165	196	160	196
Average value – gold	(g/t)	7,6	—	10,8	2,7	9,8	2,7
–	(cm g/t)	1 243	—	1 778	537	1 566	537

REMARKS

Capital expenditure

Commitments in respect of contracts placed – Nil
Amounts approved in addition to commitments R200 000

Dividend

Dividend of 40 cents per share was paid on 16 May 1980

BUFFELSFONTEIN
Gold Mining Company Limited

Issued capital – 11 000 000 shares of R1 each

		Quarter ended 30 6 1980	Quarter ended 31 3 1980	Year ended 30 6 1980
Operating results				
GOLD				
Mined	(m²)	226 011	214 493	890 010
Ore milled	(t)	822 000	800 000	3 204 000
Gold produced	(kg)	6 415,764	6 432,197	25 826,377
Yield	(g/t)	7,81	8,04	8,06
Working revenue	(R/t milled)	109,79	135 40	101,18
Working costs	(R/t milled)	42,58	41,34	41,00
	(R/m² mined)	154,85	154,20	147,60
Working income	(R/t milled)	67,21	94,06	60,18
Gold price received	(R/kg)	13 761	16 840	12 495
	($/oz)	543	641	478
The above figures include ore processed by Stilfontein Gold Mining Company Limited				
URANIUM				
Pulp treated	(t)	777 000	761 000	3 080 000
Oxide produced	(kg)	154 400	152 700	611 400
Yield	(kg/t)	0,199	0,201	0,199
Financial results (R'000)				
GOLD – Working revenue		90 250	108 318	324 171
– Working costs		34 998	33 074	131 366
– Working income		55 252	75 244	192 805
URANIUM – Working income		4 232	1 582	16 470
Sundry income		916	1 031	3 064
Tribute and royalty payments – net		(3 694)	(4 999)	(14 033)
Income before taxation and State s share of income		56 706	72 858	198 306
Taxation and State's share of income		28 653	40 546	102 220
Income after taxation and State's share of income		R28 053	R32 312	R96 086
Capital expenditure		11 009	7 040	30 157
Dividend declared		47 300	—	64 900
Development – Vaal Reef				
Advanced	(m)	16 017	15 503	65 091
Advanced on reef	(m)	1 544	1 563	7 444
Sampled	(m)	1 407	1 518	7 167
Channel width	(cm)	121	128	120
Average value – gold	(g/t)	14,86	12,07	12,82
–	(cm g/t)	1 796	1 548	1 533
– uranium	(kg/t)	0,443	0,326	0,400
–	(cm kg/t)	53,51	41,73	47,89

Ore reserves *as at 30 June 1980*

		Available	Unavailable	Inaccessible	Total Mine
Tons (000 s)		7 059	2 078	2 320	11 457
Stope width	(cm)	151	150	148	151
Value – gold	(g/t)	9 86	10,36	11,55	10,30
	(cm g/t)	1 494	1 555	1 710	1 549
uranium	(kg/t)	0,317	0,326	0,328	0,321
	(cm kg/t)	48 02	48,92	48,63	48,31

Ore reserve pay limit is calculated at an estimated gold price of R13 070/kg ($500/oz) and an estimated realisable value for uranium oxide

REMARKS

Capital expenditure

Commitments in respect of contracts placed R15 812 000
Amounts approved not yet spent R82 104 000

Dividend

On 4 June 1980 dividend No 46 of 430 cents per share was declared to members registered on 20 June 1980 Dividend warrants will be posted on or about 7 August 1980

Strathmore shaft system

The development of the Strathmore shaft system is progressing according to schedule

LESLIE
Gold Mines Limited

Issued capital – 16 000 000 shares of 65 cents each

Operating results		Quarter ended 30 6 1980	Quarter ended 31 3 1980	9 months ended 30 6 1980
GOLD				
Mined	(m²)	70 001	62 719	195 062
Ore milled	(t)	315 000	280 000	855 000
Gold produced	(kg)	946	868	2 697
Yield	(g/t)	3,0	3,1	3,1
Working revenue	(R/t milled)	41 40	50,94	43,31
Working costs	(R/t milled)	22,34	22,20	22,22
	(R/m² mined)	100,51	99,17	97 35
Working income	(R/t milled)	19,06	28,74	21,09
Gold price received	(R/kg)	13 433	16 270	13 513
	($/oz)	544	624	525
Financial results (R'000)				
GOLD – Working revenue		13 040	14 264	37 034
– Working costs		7 036	6 216	18 990
– Working income		6 004	8 048	18 044
Sundry income		162	86	310
		6 166	8 134	18 354
Tribute and royalty payments – net		20	4	24
Income before taxation and State s share of income		6 146	8 130	18 330
Taxation and State's share of income		3 507	4 993	10 805
Income after taxation and State's share of income		R2 639	R3 137	R7 525
Capital expenditure		2	18	37
Dividend declared		—	4 640	4 640
Development – Kimberley Reef				
Advanced	(m)	1 251	1 370	3 569
Advanced on reef	(m)	449	455	1 278
Sampled	(m)	439	426	1 224
Channel width	(cm)	22	20	20
Average value – gold	(g/t)	28 0	34,6	30,9
–	(cm g/t)	617	691	617

REMARKS

Capital expenditure

Amounts approved but not yet spent total R4 194 000 of which R2 864 000 is subject to approval by the Minister of Mines

Dividend

Dividend of 29 cents per share was paid on 16 May 1980

MARIEVALE
Consolidated Mines Limited

Issued capital – 4 500 000 shares of 25 cents each

Operating results		Quarter ended 30 6 1980	Quarter ended 31 3 1980	6 months ended 30 6 1980
GOLD				
Mined	(m²)	16 021	14 748	30 769
Ore milled	(t)	240 000	240 000	480 000
Gold produced	(kg)	336	360	696
Yield	(g/t)	1,4	1,5	1,5
Working revenue	(R/t milled)	19,41	24,98	22,20
Working costs	(R/t milled)	9,64	8,87	9,26
	(R/m² mined)	144,44	144,36	144,40
Working income	(R/t milled)	9,77	16,11	12,94
Gold price received	(R/kg)	13 764	16 617	15 240
	($/oz)	558	637	599
Financial results (R'000)				
GOLD – Working revenue		4 659	5 995	10 654
– Working costs		2 314	2 129	4 443
– Working income		2 345	3 866	6 211
Sundry income		29	67	96
Income before taxation		2 374	3 933	6 307
Taxation		1 303	2 229	3 532
Income after taxation		R1 071	R1 704	R2 775
Capital recoupment		—	1	1
Dividend declared		2 475	—	2 475

REMARKS

Dividend

On 13 June 1980 dividend No 80 of 55 cents per share was declared to members registered on 4 July 1980 Dividend warrants will be posted on or about 14 August 1980

The GROOTVLEI
Proprietary Mines Limited

Issued capital – 11 438 816 stock units of 25 cents each

Operating results		Quarter ended 30 6 1980	Quarter ended 31 3 1980	6 months ended 30 6 1980
GOLD				
Mined	(m²)	112 599	104 579	217 178
Ore milled	(t)	435 000	415 000	850 000
Gold produced	(kg)	1 610	1 577	3 187
Yield	(g/t)	3,7	3,8	3,7
Working revenue	(R/t milled)	49,71	63,27	56,33
Working costs	(R/t milled)	22,11	20,97	21,55
	(R/m² mined)	85 40	83,21	84 35
Working income	(R/t milled)	27 60	42,30	34,78
Gold price received	(R/kg)	13 354	16 588	14 154
	($/oz)	541	636	588
Financial results (R'000)				
GOLD – Working revenue		21 625	26 257	47 882
– Working costs		9 616	8 702	18 318
– Working income		12 009	17 555	29 564
Sundry income		19	23	42
		12 028	17 578	29 606
Tribute and royalty payments – net		189	177	366
Income before taxation		11 839	17 401	29 240
Taxation		6 337	9 938	16 275
Income after taxation		R5 502	R7 463	R12 965
Capital expenditure		596	156	752
Dividend declared		10 524	—	10 524
Development – Kimberley Reef				
Advanced	(m)	1 164	1 100	2 264
Advanced on reef	(m)	735	667	1 402
Sampled	(m)	720	666	1 386
Channel width	(cm)	17	20	18
Average value – gold	(g/t)	36,7	32,2	35,2
–	(cm g/t)	624	643	633

REMARKS

Capital expenditure

Commitments in respect of contracts placed R244 000
Amounts approved not yet spent R1 646 000

Dividend

On 13 June 1980 dividend No 83 of 92 cents per unit of stock was declared to members registered on 4 July 1980 Dividend warrants will be posted on or about 14 August 1980

General

A total of twelve boreholes have now been completed in the drilling programme laid out to evaluate the Kimberley Reef horizon in the lease area east and north east of the existing underground workings The four holes drilled during this quarter were positioned north east of No 3 shaft and north west of No 6 shaft

Borehole	No of Inter sections	Depth (m)	True Width (cm)	Gold Assay (g/t)	Gold Value (cm g/t)	Uranium U308 Assay (kg/t)	Uranium U308 Value (cm kg/t)	Core Recovery
1405	4	593	27	0 4	10	0 070	1 903	Virtually complete
1406	*6	559	27	8 0	217	0 107	2 900	*
1416	4	545	55	10 4	573	0 105	5 752	Virtually complete
1426	5	485	27	0 7	20	0 014	0 373	Virtually complete

*Due to a very poor core recovery in two intersections only four intersections have been used in averaging

BEISA
Mines Limited

Issued capital – 3 925 000 shares of R1 each
Loan capital advanced to date R76 312 000

Shafts

No 1 Shaft has reached a depth of 917 metres and No 4 level station has been cut
1 126 metres of development have been completed on No 1 and 2 Levels from the Ventilation Shaft
Intersections of water in both No 1 Shaft and in development have required cement grouting

General

The geological office complex is complete and good progress has been made on the training centre offices and second and third enclaves in the hostel
The two mills are being installed and work on the thickeners, the uranium and gold extraction plants, continued

Capital expenditure

Net expenditure for the quarter on property, shafts, plant and equipment and general expenditure has amounted to – R9 678 000 (to date R65 223 000)
Commitments in respect of contracts placed – R26 853 000
Amounts approved in addition to commitments, inclusive of estimated escalation to 31 December 1980 – R103 283 000
In addition to this, further escalation to be incurred will be approved annually

WINKELHAAK Mines Limited

Issued capital – 12 180 000 shares of R1 each

Operating results GOLD		Quarter ended 30 6 1980	Quarter ended 31 3 1980	9 months ended 30 6 1980
Mined	(m²)	121 290	118 997	360 994
Ore milled	(t)	545 000	535 000	1 605 000
Gold produced	(kg)	3 499	3 580	10 754
Yield	(g/t)	6,4	6,7	6 7
Working revenue	(R/t milled)	86 50	105 58	89,48
Working costs	(R/t milled)	19,84	19,83	19,53
	(R/m² mined)	89,14	89,15	86,83
Working income	(R/t milled)	66 66	85 75	69,95
Gold price received	(R/kg)	13 309	15 655	13 236
	($/oz)	539	600	514
Financial results (R'000)				
GOLD – Working revenue		47 144	56 485	143 609
– Working costs		10 812	10 609	31 344
– Working income		36 332	45 876	112 265
Sundry income		509	605	1 806
		36 841	46 481	114 071
Tribute and royalty payments received – net		368	238	606
Income before taxation and State's share of income		37 209	46 719	114 677
Taxation and State's share of income		22 765	29 117	70 886
Income after taxation and State's share of income		R14 444	R17 602	R43 791
Capital expenditure		1 067	678	2 448
Dividend declared		—	23 629	23 629
Development – Kimberley Reef				
Advanced	(m)	2 981	2 569	8 217
Advanced on reef	(m)	797	364	1 688
Sampled	(m)	790	371	1 641
Channel width	(cm)	47	57	53
Average value – gold	(g/t)	22,7	20,8	20 3
–	(cm g/t)	1 066	1 188	1 074

REMARKS

Capital expenditure Commitments in respect of contracts placed R1 187 000

Amounts approved in addition to commitments R5 326 000

Dividend Dividend of 194 cents per share was paid on 16 May 1980

BRACKEN Mines Limited

Issued capital – 14 000 000 shares of 90 cents each

Operating results GOLD		Quarter ended 30 6 1980	Quarter ended 31 3 1980	9 months ended 30 6 1980
Mined	(m²)	54 450	52 650	159 296
Ore milled	(t)	216 000	210 000	621 000
Gold produced	(kg)	864	924	2 685
Yield	(g/t)	4,0	4,4	4,3
Working revenue	(R/t milled)	54,71	69,64	58,39
Working costs	(R/t milled)	22,52	21,92	21,98
	(R/m² mined)	89,33	87,45	85,73
Working income	(R/t milled)	32,19	47,72	36,41
Gold price received	(R/kg)	13 248	15 547	13 238
	($/oz)	537	596	514
Financial results (R'000)				
GOLD – Working revenue		11 817	14 625	36 264
– Working costs		4 864	4 604	13 656
– Working income		6 953	10 021	22 608
Sundry income		345	62	584
		7 298	10 083	23 192
Tribute and royalty payments received – net (paid)		2	(5)	2
Income before taxation and State's share of income		7 300	10 078	23 194
Taxation and State's share of income		4 448	6 357	14 412
Income after taxation and State's share of income		R2 852	R3 721	R8 782
Capital expenditure		13	14	39
Dividend declared		—	5 180	5 180
Development – Kimberley Reef				
Advanced	(m)	921	651	2 304
Advanced on reef	(m)	89	59	296
Sampled	(m)	83	57	284
Channel width	(cm)	20	22	32
Average value – gold	(g/t)	20,3	83,0	30,2
–	(cm g/t)	406	1 825	965

REMARKS

Capital expenditure Amounts approved not yet spent R43 000

Dividend Dividend of 37 cents per share was paid on 16 May 1980

WEST RAND Consolidated Mines Limited

Issued capital – 4 250 000 ordinary shares of R1 each
– 25 000 deferred shares of R2 each

Operating results GOLD		Quarter ended 30 6 1980	Quarter ended 31 3 1980	6 months ended 30 6 1980
Gold section				
Mined	(m²)	49 648	39 975	89 623
Ore milled	(t)	232 000	181 500	413 500
Gold produced	(kg)	530,437	485,182	1 015 619
Yield	(g/t)	2 29	2,67	2 46
Uranium section				
Mined	(m²)	122 854	112 942	235 796
Ore milled	(t)	291 000	261 000	552 000
Gold produced	(kg)	135 113	142,943	278 056
Yield	(g/t)	0,46	0,55	0 50
Working revenue	(R/t milled)	17,31	22,58	19 72
Working costs	(R/t milled)	26,59	28,64	27 53
	(R/m² mined)	80 61	82,86	81,67
Working income	(R/t milled)	(9,28)	(6 06)	(7 80)
Gold price received	(R/kg)	13 538	15 791	14 632
	($/oz)	535	604	569
URANIUM				
Mined	(m²)	122 854	112 942	235 796
Pulp treated	(t)	287 400	261 900	549 300
Oxide produced	(kg)	98 508	90 800	189 308
Yield	(kg/t)	0,343	0,347	0,345
Financial results (R'000)				
GOLD – Working revenue		9 051	9 990	19 041
– Working costs		13 905	12 671	26 576
– Working loss		(4 854)	(2 681)	(7 535)
URANIUM – Working income		6 790	6 301	13 091
Sundry income		19	45	64
Tribute and royalty payments – net		610	(764)	(154)
Income at mine		2 565	2 901	5 466
State aid		385	(385)	—
Income before taxation		2 950	2 516	5 466
Taxation		9	14	23
Income after taxation		R2 941	R2 502	R5 443
Capital expenditure		616	177	793
Dividend declared – ordinary shares		319	—	319
– deferred shares		106	—	106
Development				
Uranium section				
Advanced	(m)	6 533	5 654	12 187
Advanced on reef	(m)	3 347	2 853	6 200
Sampled	(m)	2 961	2 735	5 696
Channel width	(cm)	58	58	58
Average value – uranium	(kg/t)	0 892	0,986	0 937
–	(cm kg/t)	51,76	57 47	54,50
– gold	(g/t)	2 44	2 57	2 50
–	(cm g/t)	142	150	146
Gold section				
Advanced	(m)	2 117	1 108	3 225
Advanced on reef	(m)	671	364	1 035
Sampled	(m)	645	353	998
Channel width	(cm)	59	89	70
Average value – gold	(g/t)	8 94	12 52	10 55
–	cm g/t)	532	1 110	736

REMARKS

Capital expenditure

Commitments in respect of contracts placed R41 000
Amounts approved not yet spent R2 193 000

Dividends

On 4 June 1980 ordinary share dividend No 98 and deferred share dividend No 89 of 7 5 and 425 cents per share respectively were declared to members registered on 20 June 1980 Dividend warrants will be posted on or about 7 August 1980

Recovery grade

The low gold recovery grade remains a problem

NOTES

1 Development values quoted above represent actual results of sampling (no allowance having been made for any adjustments which may be or were necessary) when estimating ore reserves at the end of the financial years
2 All financial figures are un-audited
3 The quarterly reports have been approved and signed on behalf of the respective companies by two directors

Johannesburg, 17 July 1980

(214) 18/7/80

uranium consumer loan was drawn at the start of this current quarter

In addition, capital spending should be assisted by significant tax savings Site preparation of the uranium plant has started and management is confident that the mine's uranium operations will live up to expectations Values revealed by underground drilling on the E9EC reef horizon remain good, and development sampling can now be shifted away from the Middle to the Upper Elsburg series

Though the first half resulted in a taxed profit of R42,1m, only R16,1m was declared as dividends Management is likely to remain reasonably cautious on distributions while the mine's heavy capex programme continues and it is possible that the final will do no more than repeat the 40c interim

ERPM: In line with the other mines administered by Rand Mines, quarterly reporting is basically uninformative and about the worst in the industry Hardly anything is provided to shareholders beyond a straight recitation of production and profit figures That is odd for mines whose ultimate parent, Barlow Rand, is among SA's best corporate reporters Perhaps management should take a leaf from the JCI group's book

Having got that off my chest, it is impossible to tell if the mine's 6,4% unit cost advance to R43,82/t was due to increased development rates Under normal circumstances one would have expected better unit cost control with higher mill throughput, particularly as it appears that mining of easily worked, lower-grade reef areas increased

During the current six months R8m capex remains Once the current capex and development programme is completed, significant tonnages of lower-grade ore will be available for mining and recovery grades are likelv to stabilise at about 4g/t

Durban Deep: Unlike the other Rand Mines veteran ERPM, the mine cut unit costs with a higher mill throughput But the same general comments apply to the quality of reporting It is difficult to say whether recovery grades are likely to stabilise around the current 3,5g/t But that is likely

The period of relatively high development is apparently beginning to pay off The increased mill throughput probably reflects a lessening of the limitations of the past couple of quarters when there was a hoisting capacity constraint on milling rates as relatively large tonnages of development waste had to be pulled from the mine

That was necessary to establish new working faces in areas which had become payable with higher gold prices As usual, earnings and dividends remain highly geared to the gold price

Blyvoor: Mill throughput has more than recovered from the March quarter's drop As a consequence, unit costs fell 3,7% in the June quarter to R37,89/t However, there is little scope for further cost control with increased mill throughput

This year capex is slated at R17m, while it is likely that further grade cuts will take place, particulary if extension of operations into the mine's lower-grade western section is accelerated It should be remembered that life on the relatively high grade Carbon Leader reef is limited, meaning that investors should include a significant amortisation factor in their assessment of the share

Harmony: Unlike other mines that have been affected by uranium's recent price weakness, Harmony has the advantage that average prices should continue to rise as old, low priced contracts are completed If so, uranium revenue could reach R40m this year That, however, could be offset by gold recovery grade drops to 4g/t or less

Even so, this year's R25m capex programme which includes expenditure on the new uranium plant is easily manageable without too much impact on dividends Once this is completed, capex should fall to levels needed simply to maintain production

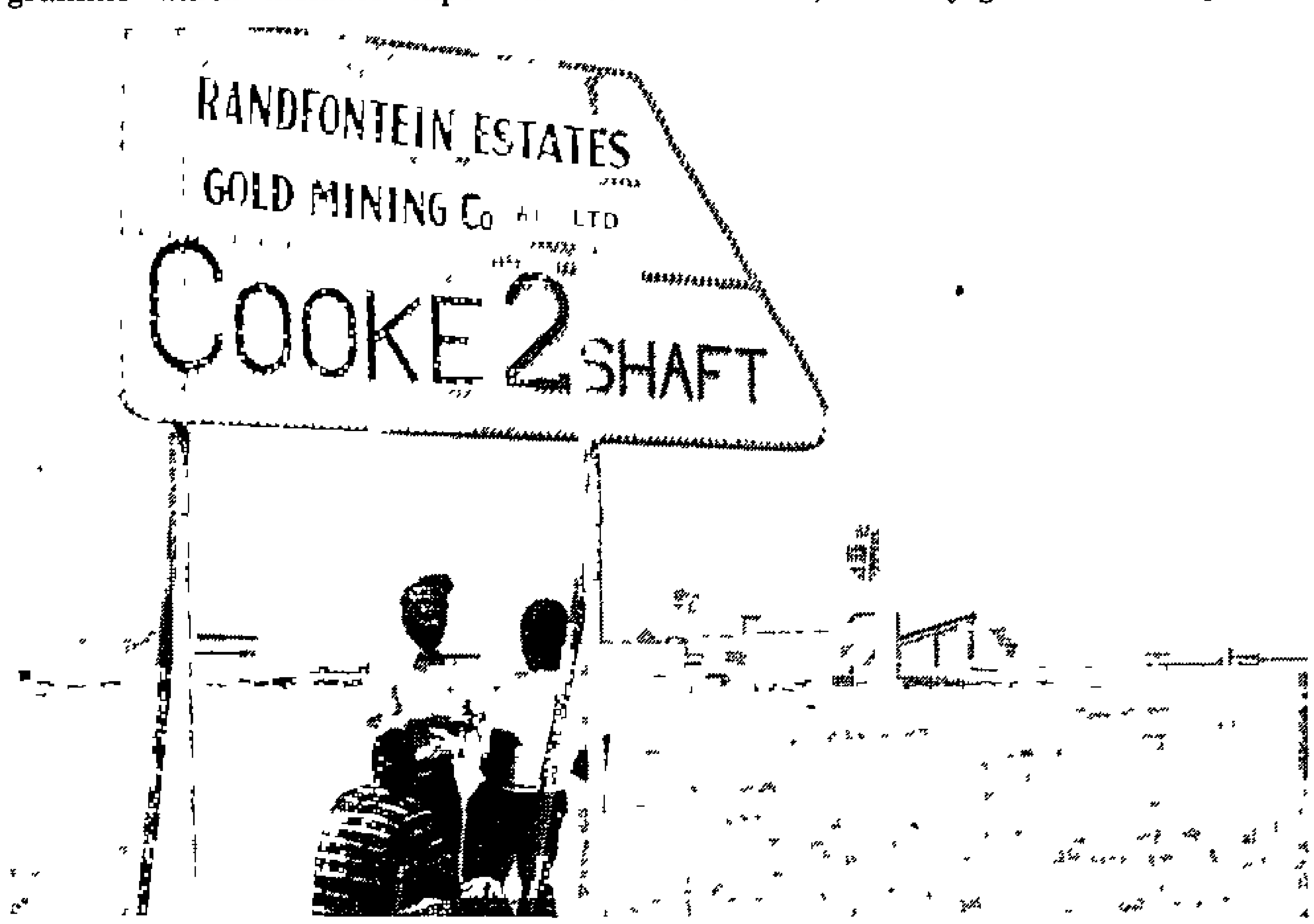
Once the current uranium slump is over, the mine should be an attractive dividend payer with relatively high gearing to the gold price

ET Cons: Cessation of dump retreatment, which resulted in a mill throughput drop, has allowed better metallurgical efficiencies at the mine's plant Even though unit costs will be higher with no tonnage drawn from dumps (they were 25,3% up in the June quarter at R33,30/t), higher recovery grade possibilities make the trade-off worthwhile

The company retained 16,7c from fiscal 1980's operations, presumably as a precaution against near-term gold price drops affecting this year's capex plans Even so capex should not be excessive this year, though a rise is possible if it is decided to re-open the old Lily mine nearby

Loraine: If the mine has prospects of sound cost control as the programme for placing operations on a sounder footing proceeds, they were not apparent in the June quarter Tramming delays cut mill throughput and with a significant increase in development, unit costs rose 10,2% to R38,34/t Presumably, this is a problem shareholders will have to accept until the mine's reorganisation is complete

A start to sinking of the No 1B shaft system and deepening of the No 5 ventilation shaft point to significantly higher capex during the next few quarters On that basis, unless gold goes into orbit, an early resumption of dividends is unlikely But once these developments are completed and operations can move into the higher grade Elsburg reefs in the north of the mine, recovery grade could improve



Randfontein . . . retentions to fund capex

Harties: There are unlikely to be any surprises from the mine, though grade is falling more quickly than seemed likely a couple of quarters ago It is probably safest to revise this year's average recovery figure to no more than 10g/t, while monthly mill throughput could average 250 000 t

Capex is minimal and unlikely to be higher this year than in the 12 months just completed On that basis there is little need for earnings to be retained Though the mine will be a steady dividend payer for the remainder of its life, it should be remembered that over the next couple of years recovery grade is likely to fall to the 8g/t range The programme to improve uranium production is complete, but at least for the current year, uranium prices are likely to remain depressed

Jim Jones

GOLD QUARTERLIES

Holding back

214

FM 18/7/80

As gold continues to weaken, mine managers who have made relatively high earnings retentions ahead of up-coming capex are being justified Probably rightly, capital spending programmes are being implemented while revenues are high and before grade cuts start taking their full toll on profits

But that may be little consolation to investors who now fear that gold has seen its near-term peak and could be headed back towards the mid $500s Whether or not the present bullion set-back is merely a technical correction remains to be seen

From a peak of $688,75 a week ago bullion fell to $619 50 on Tuesday before staging a recovery to $624,50 on Wednesday morning At the same time, gold shares have been in step, with the *RDM* Golds index dropping over 50 points to 698,6 this Tuesday

Looking at that, there are few indications of market sentiment on likely near-term bullion price trends And if the market is right in its uncertainty, gold could be set for, at best, a period of consolidation

What happens after that is another matter Political factors appear, for the time being, to be playing a lesser role in gold price determinations And if that persists, the economic realities of a US sliding deeper into recession point to further price weakening in the months before year's end

Randfontein: Though this may not be quite the right place to comment on reporting quality, as far as quarterlies are concerned Randfontein and its sister mine Western Areas are possibly the best in the industry. So while Randfontein has had its fair share of problems, at least shareholders have been kept fully informed on developments

This quarter, recovery of ore from the

surface stockpile will end, with a drop in throughput at the Millsite plant But that could be made up by retreatment of old uranium slimes and gold sands dumps

During the next few quarters development rates will remain relatively high, particularly while development of the two twin haulages between Cooke section's Nos 2 and 3 shafts continues

It implies that cost pressures are set to continue And with external cost increases (wages, stores and power) still rising, it will not be surprising if costs advance at a 25% year-on-year clip for the next few quarters

At the same time, capex is likely to remain relatively high Management has decided to incur necessary expenditure on extending operations at Cooke while gold prices are high It is being helped in this by tax advantages now that the Cooke and Randfontein sections are taxed as a single entity But R40m capex is slated for the current half year and that will mean restraint on the final dividend

The Cooke No 3 shaft is due to be commissioned in 1984 and full production reached in 1986 At that stage the mine will be in a position to fully service its uranium contracts

Once these developments are out of the way, the next major move will be towards establishing operations in the ground between Cooke section up to and including parts of South Roods South of the Saxon fault the latter mine is effectively constrained to clean-up operations on the VCR and South reef

Once that is completed, the way will be open for Randfontein/JCI to sink deep level shafts Randfontein holds some 17% of the area's mineral rights compared with about 70% in JCI's hands In addition, South Roods is to be given a 3%-odd participation in any new mine, though not on the basis of a free ride Presumably, JCI will swap its rights for additional Randfontein shares and leave the mine to manage the overall project

Development of the area will not be cheap, but it adds to Randfontein's stature as one of SA's better long-life mines In the Karoo, the 50% joint uranium exploration venture with JCI still needs further work Management is apparently reconciled to the prospect that mining operations in the area will be small

Western Areas: The mine has the advantage that it can quickly adjust mining grades to gold price fluctuations simply by changing stoping widths But though that helps extend the mine's life (and considerable tonnages of lower-grade ore are now viable), it lessens near-term dividend attractions particularly during the current phase of heavy capex

Total capex this year is likely to reach R60m, meaning that about R45m remains to be spent in the current half R11m has been retained from first-half profits and the second R10m tranche of the R30m

ESS

Vaal Reefs, W Deep payout beats market expectations

STAR 18/7/80 (214)

By Geoff Shuttleworth

Anglo American dividends should take the market by surprise as Vaal Reefs has more than tripled and Western Holdings has more than quadrupled their previous interim dividends

Vaal Reefs is paying an interim of 620 cents compared with the previous interim of 190 cents and compared with last year's final of 320 cents The market was expecting an interim of around 550 cents

Western Deep has declared an interim of 400 cents, compared with the previous interim of 95 cents and as against last year's final of 225 cents

The market was anticipating an interim of around 300 to 350 cents before the announcement that it will raise R120m in debentures to finance the R715m ultra deep shaft

Southvaal's 170 cents interim is in line with market expectations and it is the first time it has declared an interim dividend Last financial year an annual dividend of 140 cents was declared

In its interim report Sovaal's royalty payments from Vaal Reefs, was R89,9m though no comparison is applicable

Shareholders have been informed that following the granting of a loan to Vaal Reefs in 1976, capital repayments of not less than five cents a share would be made to shareholders probably in the second half of 1980

The Sovaal interim report notes that the repayment of capital has been deferred at least until the second half of 1981 following Sovaal's undertaking to make available to Vaal Reefs loans on an interest free basis in the event of a deficit occurring in the South Lease area

Sallies has declared an interim of 35 cents, compared with 20 cents last interim, the same as the final last year The dividend is in line with market expectations

Neither **East Dagga, Afrikander Lease** or **Elandsrand** have announced dividends This is in line with market thought and brokers believe that dividends from these mines will be made, if at all, on the basis of a full year's results

● Vaal Reefs' dividend yield now stands at 11,5 percent, Western Deep's at 10,2 percent, Sovaal's at 7,0 percent and Sallies' at 4,2 percent, based on last night's closing prices

Free State mines outshine Transvaal in the quarterlies

STAR 18/7/80 (214)

Anglo American mines for the Transvaal and the Free State showed a 16,5 percent decline in taxed profits to R437,7m for the June 30 ended quarter though gold production was up 1,6 percent at 66 760 kg.

The Free State mines were on balance better performers having only a 6,2 percent reduction in taxed profits to R183,4m while gold production rose 2,2 percent to 34 838 kg

Transvaal mines' taxed profits fell by 16,5 percent to R254,3m and gold production only rose by one percent to 31 922 kg

Vaal Reefs, President Steyn and East Dagga managed to actually increase profits despite the lower average gold received in the quarter. Though Anglo did not give the average gold price received for the Transvaal mines, the average for the Free State was 543 dollars an ounce as against 631 dollars, representing a 13,9 percent decrease.

In the Transvaal, major producer Vaal reefs achieved a gold price of 546 dollars an ounce (671 dollars) and increased profits to R82,9m (R81m), largely arising out of almost quadrupled uranium profits and a substantial reduction in taxation Tonnage increased to 2,2m tons (2,1m ton) at an average yield of 7,8 grammes per ton (7,9 grammes) to produce 17 332 kg gold (16 239 kg)

Working costs rose by 8,7 percent to R36,55 per ton milled. Uranium production rose to 467 955 kg (438 674 kg) though operations in the **Afrikander Lease** area resulted in a R1,1m loss (R0,1m).

Capex for the quarter amounted to R22,3m (R19,4m) and an adjustment to the projected capex of R125m may now be adjusted in the third quarter

Western Deep gold production dropped to 10 925 kg (11 951 kg) reflecting a lower grade of 12,9 grams per ton (14,3 grams) which is one gram a ton below the forecast

This was due to a six percent increase in the waste mined due to dykes and faulting on the Carbon Leader Reef longwalls

The position is not expected to improve much before the end of the year and forecast grade has been revised down to 13,8 grams per ton

While tonnage milled was stable at 844 000 tons, annual tonnage for 1980 is expected to rise to 3,3 million tons from 3,2m tons

Taxed profits fell to R61,5m (R70,8m) on the back of an average gold price of 538 dollars an ounce (673 dollars).

Extensions to the uranium plant were commissioned during the quarter to bring capacity to 260 000 tons a month and capex is estimated at R73m (R59m) of which R33m will be incurred on the new number one shaft system

Elandsrand gold production rose 17,2 percent as a result of the improvement in the grade to 5,9 grams per ton (5,7 grams) and a 13,1 percent increase in tonnage to 267 000 tons

Net profits were R10,5m (R12,5m) and additional funds, needed to meet post-production expenditure until the company becomes self financing, have been made available to December 31 instead of the June end Only R36m of the R40m provided by Anglo may be drawn in this period

Ergo slimes treated dropped to 4,2m tons (4,5m tons) as a result of scale removal in pipelines servicing the dams Pyrite production is now back to normal after additional pyrite was bought from outside sources Profit for the quarter was 19,3 percent lower at R22,9m

East Dagga profits rose to R416 000 (R76 000) as a result of increased royalties from Grootvlei while at Sallies improved grade offset lower tonnages to produce a marginal drop in gold production

A sum of R534 000 was spent on feasibility studies at the number five Van Dyk shaft and a hoist has now been commissioned to examine the shaft Taxed profits fell marginally to R1,3m

In the Free State, **FS Geduld** taxed profit was R47,3m (R49,4m) Mill throughout increased but grade of 11,2 grams per ton (12 6 gram) resulted in lower gold production Capex was fairly high at R19,5m (R17,7m)

President Brand achieved taxed profits of R43,4m (R47m) from a reduced milling rate, because of a suspension of Pres Steyn's ore needs and the yield was little changed

Costs however rose to R32,37 a ton milled from R30,35

Work on the No 5 shaft is progressing and capex of R5,8m was little different from March's R5,2m

President Steyn increased taxed profits to R34,1m (R32m) as a result of increased milling and a rise in the grade to 7,2 grams per ton (6,8 grams) Gold production consequently rose to 6 954 kg, an increase of 16,5 percent

Western Holdings set a new record by milling 860 000 tons (816 000 tons) and gold production increased to 7 395 kg (7 181 kg) despite a drop in the grade to 8,6 grams per ton (8,8).

Taxed profits fell to R31,5m (R35,7m) as a result of the lower gold price, higher costs and an almost unchanged tax charge

Welkom achieved taxed profits of R10,7m (R12,1m) because of a reduced yield although tonnage was up and costs were a little down **F S Saaiplaas** increased tonnage but a drop in yield to 2,5 grams per ton (2,8 grams) meant gold production only rose to 1 201 kg (992 kg) Working costs, mainly for the number three shaft which should come on stream in the next quarter, increased but the A30m loan granted to the mine by Anglos and Pres Brand has been reduced to R16m

The **Joint Metallurgical Scheme** had almost unchanged profits of R10,7m reflecting lower sales, although uranium produced increased to a record 244 815 kg (209 060 kg) and gold to 608 kg (591 kg)

W Nigel aims for more gold

(214)
RDM 19/7/80

Financial Reporter

WITWATERSRAND Nigel, which mines in the Heidelberg area, is taking measures to reduce waste rock going to its mill. This should increase gold production by 20% from an unaltered mill throughput of 25 000 tons a month.

The company's quarterly report says the reduction of waste will be attained by the commissioning of a reef picking plant in October and by the increased use of the resue method in stoping

The directors say that because of the mine's heavy capital spending they are conserving cash resources As a result the dividend declared earlier this month was only a nominal 3c

The available ore reserves at June 30 increased to 962 000 tons (234 000) with a value of 5,36 g/t over 93 cm compared with 8,13 g/t at June 30 last year

These reserves are based on a gold price of $500 an oz compared with a price of $240 used in 1979

In the June quarter yield was marginally higher at 3,9 g/t

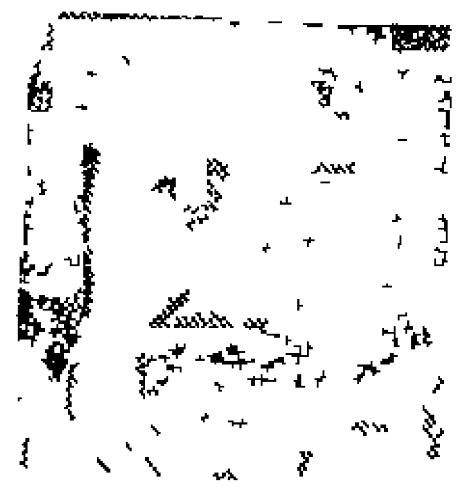
Net profit was R921 166 (R1 298 438 in March)

Profit for the year was R3 271 332, or 15c, a share after capital spending

Anglo's new OFS mine a gamble

214

STAR 19/7/83



Geoff Shuttleworth looks at the Erfdeel/Dankbaarheid project

When the wraps have been removed from the Erfdeel / Dankbaarheid pakage 'the structuring proposals add up to an excellent opportunity for a well-researched gamble on the gold price at the expense of the taxman

The new mining complex which brings under its wings Western Holdings, Welkom GS Saaiplaas and the Erfdeel/Dankbaarheid mine has the combined effect of prolonging the lives of Western Holdings and Welkom, of spreading FS Saai's liabilities of bringing Erfdeel/Dankbaarheid to production at about one third of the cost and of keeping the new mine well under Anglo control

COMPLEX

The terms of the scheme are complex but Government approval seems assured and it is only up to the shareholders meetings to pass the resolutions Hopefully questions will be put to the Anglo boards and equally hopefully revealing answers will be given

The major unexplained topic will undoubtedly be that of the tax arrangements and what the effective cost of the new mine will be

This arises from Western Holdings holding all the mining leases and thereby being able to offset the capex of the new mine against its own profits Had a new mine been set up independently capex tax savings would only have been available once the first profits were earned

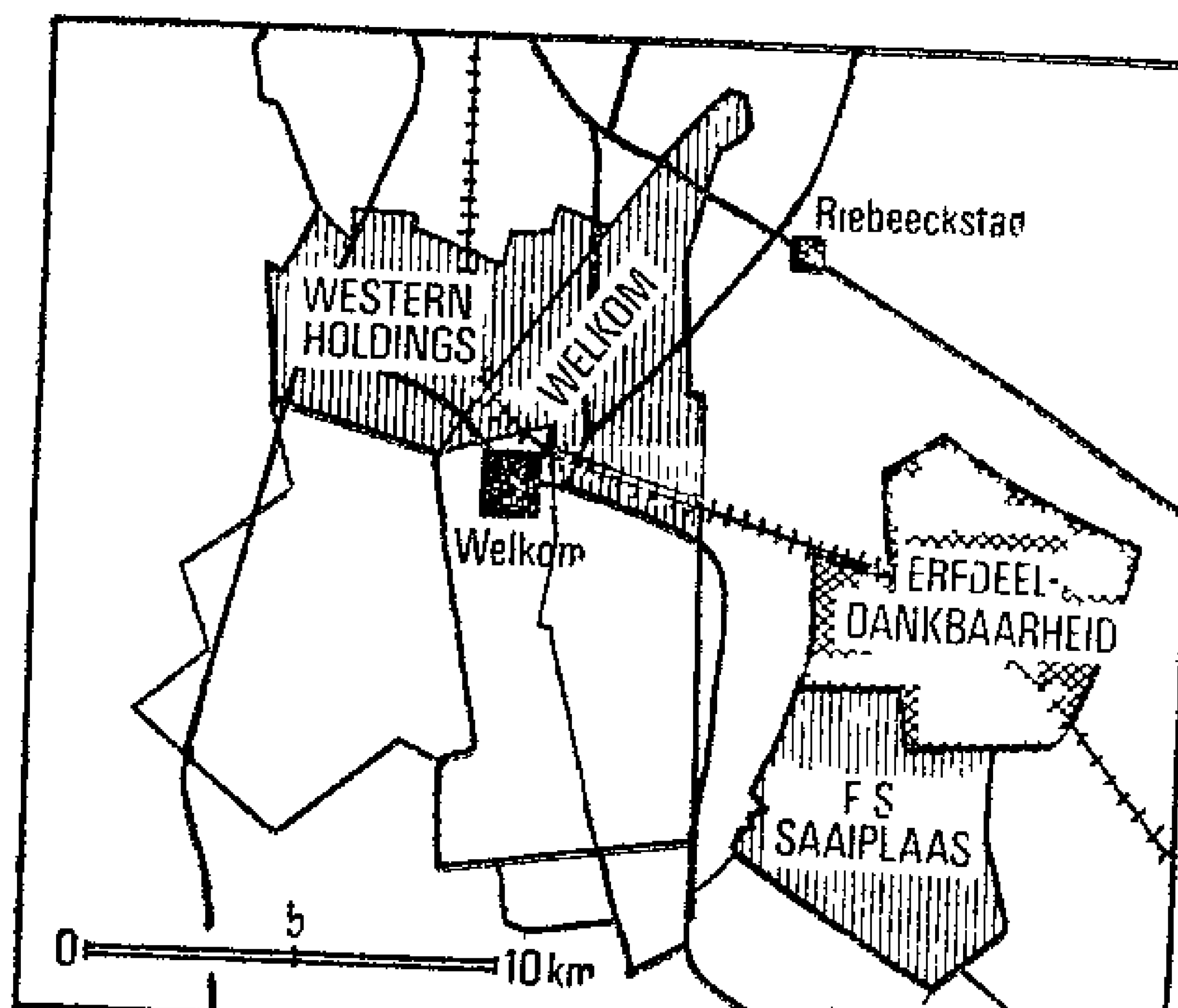
COST

They believe that the amount of cash which will be called for when the Erfdeel/Dankbaarheid listing is put to investors will be around R100m — the rest will be effectively diverted from the taxman into paying for the mine which will cost around R300m to R400m in 1980 money

As far as practical mining operations are concerned Anglo needs to elaborate, especially as the deal is structured around the sine quo non of the contiguous boundary of the northern lease area of F S Saaiplaas and that of Erfdeel/Dankbaarheid Without this and the pending closure of Western Holdings and Welkom the whole project would never have been dreamt up

It appears more than likely that the Erfdeel/Dankbaarheid mine will have to have a shaft system on its own mining lease This will probably be sunk in the richest orebody to make certain that maximum returns are made available as soon as possible to assist in profitability and dividend flow

The mine will come into production at a rate of 200 000 tons ore a month in six years' time, a time when Western Holdings and Welkom will have almost exhausted Basal reef and be looking into the feasibility of mining the lower grade Leader Reef Dependent on the gold price and it appears logical that Anglo has taken a conservative view of this part of the new mine's ore will be moved to these older and by then possibly under utilised plants



TENSION

F S Saaiplaas has recently commissioned a 120 000 tons-a-month extension to the gold plant to bring it up to 200 000 tons capacity so plant capacity altogether will not be short

It seems therefore highly unlikely that a separate full-scale reduction plant will be constructed on Erfdeel / Dankbaarheid but that ore or even slurry will be pumped to Western Holdings and Welkom across the short flat distance separating the mines

In the absence of a full-scale plant Erfdeel / Dankbaarheid costs will be incurred on the shaft system, housing for black workers and general offices and stores White miner accommodation at a cost of around R20m will probably be arranged in Riebeeckstad

The railway line running through the Erfdeel / Dankbaarheid lease area and through Western Holdings and Welkom will not be used for ore transport but will certainly be a boon for moving materials

RESPONSIBLE

Analysts believe that the whole project is a risky gamble on the gold price in six years time In addition to that there is also significantly higher cost inflation to be considered which this year alone looks to run to between 25 and 30 percent according to the mining houses

Though wage and salary increases this year will be largely responsible for this rise, costs are generally expected to rise 15 to 20 percent a year thereafter

They believe that Anglo has elected a payable gold price of around the 350 dollar mark and assuming that the gold price rise can keep up with inflation and the grade is maintained or bettered there is still the serious consideration of manpower requirements

At a time when there are few entrants to the skilled ranks of the mining profession there is also a whole new range of mining ventures which has left the manpower pool a little shallow These include the new Beisa and Beatrix mines and extensions and projects at President Brand and F S Geduld, just to name some Free State mines

Mining analysts believe that in the intervening six years Anglo will try to squeeze Duiker out of the running or at least diminish its stake in the venture

While Anglo has denied that it tried to buy out the Duiker stake it certainly was successful in keeping Duiker on the sidelines and out of the operating side In addition unconfirmed recent reports say that Tweefontein which has a 28,6 percent interest in Duiker, was a target of Anglo but that this has to date been held off

SQUEEZE

They believe that the listing is still some way away Most cash will be needed in the three four and five years and by that time the gold price could remove some of the silver lining of the project

Given a less buoyant economic climate there might be a squeeze on cash flow from the Lonrho companies Much will depend on the holding company's attitude to its South African investments in those years Presently Lonrho is keen to have a first stake in gold and South Africa represents one of its few foreign hard currency earners

The actual financing needs of the scheme means that Duiker will probably have to raise near to R40m in today's money Duiker's current market capitalisation is a shade short of R90m a miniscule amount when compared with Anglo's billions There are several ways Duiker can raise the money a boost of cash via the financial rand market from Lonrho though this will need Reserve Bank permission if a Duiker rights issue is intended a package of retained earnings from Tweefontein Witbank Cons and Coronation Syndicate the raising of loans in South Africa such as debentures though this would carry interest charges

● The erfdeel/Dankbaarheid mine has reserves of 62m tons of ore at an average grade of 4,5 grams a ton At a planned milling rate of 200 000 tons a month this represents a mine life of 25 years

● Western Holdings will emerge as the operating company with an effective 23,5 percent share in profits Welkom will become a mining holding company with a 47,5 percent interest in Western Holdings F S Saaiplaas will become a wholly owned subsidiary of Welkom, via a transfer of 50 Welkom shares for 100 F S Saai shares, and be delisted President Brand's 49 percent interest in F S Saaiplaas will be changed to a 26,7 percent stake in Welkom

● The combined mining leases will be handed to Western Holdings and the new company Erfdeel/Dankbaarheid will receive 85 percent of the profits — Western Holdings getting the remainder The new company comprises Anglo (44,5 percent), Duiker (36 percent), Amgold (9,5 percent) and Western Holdings (10 percent)

● The mine is expected to begin production in six years' time but uranium production is still to be decided on

Sunday Express

214

Anglo probes are digging deep on Unicorp mining territory

\GLO S SA Lands is exploring the ı 5 Shaft at the neighbouring Van ık mine Unicorp territory in a ıy shoot situation based on 27 ıllion tons of reef with an as yet ıknown proportion of useful values

Van Dyk was worked until 1967 hen the fixed price of $35/oz resulted ı loss situation and closure

Anglo has always retained its min- ıg interest in the East Rand and at SA Lands (which ceased mining in 1976) there has been an on-going drilling programme to the south of the lease area which so far has shown the typical East Rand "pay shoots' to be only mildly interesting

Now a long-mooted possibility has been translated into action

If the feasibility study give it a thumbs-up the old Sallies treatment plant (which is in excellent condition and still processes material from surrounding rock dumps) could switch to real reef again at little cost

Other considerations that will weigh in the decision are the state of the No 5 Shaft and of course the prevailing gold price and its projections

Two other announcements that point to the flare-up of interest in the East Rand have emerged

Again all-pervading Anglo are 'sniffing around" the old Simmer and Jack property, once the shining light of Goldfields

The Anglo probe is a twin operation — reprocessing dumps combined with underground mining — and is looking at a plant that could handle 150 000 tons a month some 100 000 tons from the dumps and 50 000 from underground

But a lot of water has yet to pass under the bridge The Simmer dumps have to be sampled and the Kimberley Main and other reefs in the old mine have to be inspected

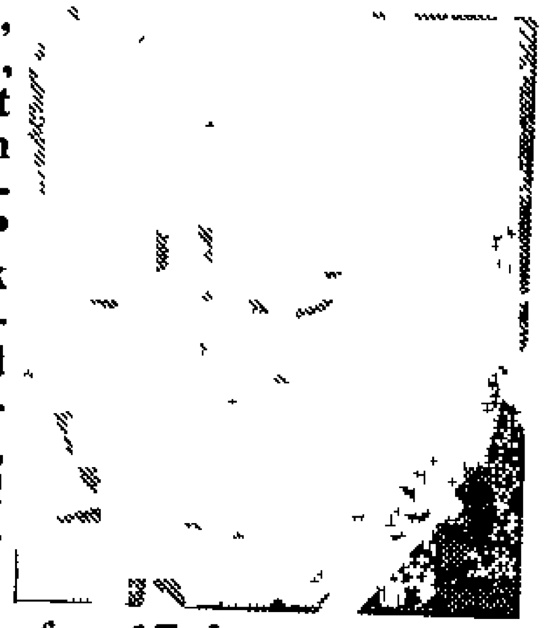
Further stimulating news is that Government Areas is acquiring the reclaimers, Golden Dumps and changing its name to Consolidated Modderfontein Mining — pointing very much to an Ergo-type operation coupled to some modest underground mining

And other dumps and mines remain to be examined reworked and rehabilitated too

272

RDM 21/7/80

Zimbabwe after three months: white view of a new African nation



By DR AHRN PALLY, who was for 10 years, from 1959 when he left the Rightwing Rhodesian Dominion Party to become an independent MP representing the black township of Highfield, until 1969 when he refused to stand for re-election under the new constitution, an outspoken liberal and opponent of the Rhodesian Government

He once held the floor for 17 hours and on another occasion divided the House 165 times.

After serving as Bishop Abel Muzorewa's legal adviser for several years, he resigned in November 1978 as a nominee on the Bishop's constitutional committee, in disagreement with the proposed Zimbabwe-Rhodesia constitution.

Born in Cape Town in 1914, Dr Pally received his education in Cape Town and London, acquiring degrees in medicine and law. He lectured in pediatrics at the University of Cape Town for over 15 years and settled in Rhodesia in 1955.

His wife, Prof Claire Pally, became Britain's first woman professor at law in 1970.

MR MUGABE has been in power now for three months and he has behaved with impeccable correctness towards the whites

His message of reconciliation has gone out day after day, and many erstwhile foes have warmed towards him

Yet the paradoxical situation is that most whites feel insecure and apprehensive

No legislation to worry them has been passed although the first Mugabe budget due next week may All discriminatory legislation went out under the Smith-Muzorewa regime

What then worries the whites?

Firstly, it is the psychological disturbance following the change from a position of total power, political, economic and security, to a minority status tolerated, accepted, perhaps even wanted, yet powerless

The day to day happenings ram down the whites' throats that times have changed

Foremost in this is the change in the media Previously radio and TV were weak sycophantic praise and propaganda media for Smith and his regime, designed to make whites feel good and honourable, but these have now swung the other way Africans and Africa are now to the fore

"We must look north and no longer south " says Nathan Samuyerla, able and intellectual Minister of Information

Day after day the rhetoric goes on, unsettling the whites Even the timid "Herald", which always backed the government of the day, now finds virtue in Mugabe

This psychological catharsis is too much for white celebration

Then there are the political speeches None of these deal with whites directly, but attack the structure of the society on which their life-long political beliefs and personal feelings of security have rested

Changes in the schools, hospitals and civil service are demanded all areas previously of white privilege

Many whites nestled in the feeling of security and protection offered by big brother South Africa

Now all this is gone South Africa is "racist South Africa", tolerated out of necessity for trade but otherwise totally rejected as the apostle of apartheid

The South African Mission is being downgraded in status no longer a diplomatic mission, merely a consul or trade representative — an arrangement of necessity but cold and formal

For the whites there is no longer a friendly relationship and a feeling that in the end "they" would look after "us"

Eighty thousand whites (more than a third of the total European population) hold South African passports or have family ties with the south

There is a strong Dutch Reformed Church community Mr Rowan Cronje a minister in the Smith regime, started off life in Salisbury as a minister of that church

In other ways, links with South Africa are being broken one by one

No more sporting ties will exist The ambition of every white schoolboy was to represent "Rhodesia" in Currie Cup matches against South Africa

This will no longer be Not even the Lions were welcome because they were sport guests of South Africa

Zimbabweans may no longer hold office in South African institutions Local government officials have been told not to hold office in the South African Institute

Politically, all this reflects the policy of the organisation of African unity — no contact with South Africa

Mr Mugabe has been emphatic that he will follow the OAU line — racialism and apartheid will be condemned at every opportunity

Support will be given to all efforts to destroy apartheid — money, propaganda, and diplomacy — but he will not allow bases or camps to be used as a springboard for attack

The Catholic Mugabe is sufficiently pragmatic to remember that South Africa is the number one military power in sub-Sahara Africa

The white feels friendless and insecure he as yet cannot bring himself to repose any confidence in his new black government

He was brain-washed for years and years by Smith He was told that black nationalists were his enemies, they they would destroy "his Rhodesia", that they were "communists" and "terrorists" and goodness knows what else besides

Now these same people (due to the perfidious British) are his political bosses and government It is too much for "white (pure) blood" and "white (superior) brain power to take

Yet even those few who want to come to terms with the new political and social situation and show confidence in the new society find themselves in a perplexing dilemma

To whom do they turn?

The divisions in African politics run deeply Zapu, led by Mr Nkomo and a partner in the coalition is being ferociously attacked by some of his colleague ministers, members of Mr Mugabe s Zanu-PF

At the security level the situation is similarly divisive

The pious British (always yearning to leave their colonies with clean hands) drew up a beautiful plan to integrate the guerrilla armies both Zanla and Zipra with Smith s security forces In this exercise there has been minimal progress

Mr Mugabe has complained of lack of progress and called on the British for additional help to hurry on a more effective integration In truth, each leader is keeping his guns at the ready

Mr Mugabe s constant theme is reconciliation

To the whites this means no change To the blacks it means that though there will be no revenge the blacks must take their rightful place throughout what is now a black country, and there must be no retention of any white privilege

Unless the whites accept the black interpretation they will continue to feel apprehensive and insecure

Why Pres Steyn offers good value

(214)

RDM 21/7/80

By ADAM PAYNE

LOOKING back on the quarterly reports of last week, the highlight among a good set of returns from Anglo American Corporation was President Steyn

Not only did it turn the corner after the difficulties which had beset it at No 4 Shaft for 18 months, but its tonnage and yield indicate that prospects are bright

The mine paid an interim dividend of 280c in March and in three quarters it has earned 480c a share Its year ends on September 30

Provided there is no crash in the gold price I can see it paying a 400c final to total 680c providing a yield of 13,8% on Friday's closing price of 4 900c

The mine is a particularly good investment among the Free Staters because it has its big capital spending behind it and it has an extended life through the purchase of the Video mineral rights adjoining the southern boundary of the old lease area

Grade in the June quarter rose to 7,23 g/t from 6,81 g/t because of richer ore drawn in greater quantities than formerly from the No 4 Shaft area

My guess is that this grade will be maintained, especially when the mine extends further into the Video area where incidentally, more favourable lease and tax formulas apply than those covering the original lease area

The No 4 Shaft which will exploit this area was completed in 1974 and sinking of the sub-vertical shaft below 75 Level started in July 1976 The sub-vertical will not be fully operational until mid 1982

This capital work might make potential investors wary but I am told that capital spending has reached a plateau and should not increase in the immediate years ahead

Capital spending was estimated at R25-million for the year to September 1980 and will probably be marginally higher than that because of inflation, but there should be no shocks in the coming years apart from inevitable increases because of inflation

Capital spending at R25 million in 1980 money should not be burdensome if earnings continue at anything like those of the June quarter at between R30-million and R35 million a quarter after tax

Money has been spent in the past nine months to improve productivity The milling rate in the June quarter was 320 000 tons a month

The target is 340 000 tons which will help to check the rise in unit costs and will increase production because a drop in grade is not likely

The full use of No 4 Shaft means that less ore will be drawn from the lower-grade No 1 and No 2 shafts

The target for the year to September was 7 g/t and this was attained in the nine months to June

Although the uranium market is flat, with growing stockpiles in producing countries, President Steyn is a participant in the Joint Metallurgical Scheme for the treatment of slimes President Steyn earned R2 261 000 from the JMS in the June quarter

Encouraging uranium values on the Leader Reef led the management to decide on a drilling and development programme on this and the A reef estimated to cost R2 500 000 over two years

With the extension of the mine's ore reserves into the Video area, a Johannesburg analyst estimates potential reserves at 62-million tons

This is sufficient to allow President Steyn to continue mining for at least 16 years

Libanon — Another mine which appeals for investment is Libanon — especially if the share price declines this week with the fall in the gold price

Because of the lower gold price in June compared with March earnings a share declined to 114c (143c) but tonnage and yield were maintained

Over the past 12 months Libanon has earned 409c a share with gold having averaged $464 an oz, yet because of GFSA's conservative dividend policy in the face of capital spending Libanon has paid out only 200c in dividends

With the money it has retained this year net current assets have increased to R27 330 000 or 344c a share

Capital spending over the next four years is estimated at R118-million because of the sinking of No 4 Shaft and No 4 sub-vertical shaft to exploit ground in the northern lease area towards the eastern boundary and beyond the lease area into an extension bought from GFSA

The reserves in this area should be sufficient for the mine to maintain its milling rate of 1 680 000 tons a year for at least the next 20 years

The gold grades in the new area are also good and James Capel the London broker, in a review of the mine's prospects does not expect any fall in the grade of ore treated in the longer term

Development results show better values on the Main Reef and substantially better results from the Ventersdorp Contact Reef with ore reserves now grading 12,9 g/t against the current mining grade of 6,9 g/t

Libanon has figured consistently among the top three or four companies in Capel's pop charts which deal with dividends yields capital growth and maximum rates of return

Capel believes that if the gold price continues to remain above $500 Libanon will probably be able this year to increase its dividend to at least 370c with gold at $500, and probably to 450c with gold at $600

This will allow the directors to increase retentions by another 100c a share giving the company a strong base for its future capital spending programme

Libanon has been neglected because of doubts about dividends but at its current price Capel doubts whether its attractions can be ignored for much longer

'Go for the SA product' is policy of mines

214

STAR 21/7/80

(104)

By Frank Jeans

The Chamber of Mines is dedicated to a policy wherever possible, to the use of locally-made mining equipment and heavy capital goods — a policy dictated by the fact that the South African machine compares with the best in the world.

Indeed, to ensure that mining companies follow the "SA line," the Chamber, with the support of the Department of Commerce, scrutinises applications for import permits so as to ascertain whether particular goods are not obtainable from local sources

Speaking at the launching of the first locally manufactured Smith Boart 200 box-hole borer, Mr R S (Bill) Lawrence, newly-elected president of the Chamber of Mines, said·

"Our locally engineered products can compete with the best in the world, and in mining, we have expertise unmatched anywhere and gained in the toughest school there is — at deep levels in hard rock, narrow seam gold mines."

Emphasising that the Chamber has actively promoted the use of the South African-made product, Mr Lawrence also pointed out that import substitution as an end in itself — that is granting local industry a protective shield from outside competition — is not a course of action that should be pursued at any price, except perhaps in the case of special strategic items

The mining industry's key role in the import replacement programme had shown the way for other sectors, said the Chamber's president, and this was not a purely altruistic attitude

"It is motivated by self-interest as well. For by encouraging local manufacturers to involve themselves in the complexities of mining in the most arduous and demanding environment to be found anywhere in the world, the mines have managed to solve many problems.

"In many instances, solutions have had to be found locally, because there was no precedent elsewhere," said Mr Lawrence

Smith Boart has made big strides in the field of local manufacture since it was formed only nine years ago.

The establishment of the group is also a fine example of international co-operation in today's big business scene, being owned jointly by Smith International of the US and Boart International.

Boart is a family of companies which operates throughout the world, and is a wholly-owned subsidiary of the Anglo American Industrial Corporation (Amic)

The new borer which has been ordered by Johannesburg Consolidated Investment's Western Areas gold mine, is capable of drilling blind holes up to 100 m long and up to 2,13m in diameter.

GOLD QUARTERLIES (214)

Defence needed?

FM 25/7/80

At this stage of the gold market, perhaps the best advice shareholders should take is to concentrate on defensive stocks Gold can go either way

If you believe the chartist bulls, bullion's recent fall was simply a technical correction and this is your last chance to climb in at bargain basement prices At the other extreme, there are fundamentalists who see the US recession as far from over and rapidly taking European economies with it Their view is that this recession will be no different from others Disposable incomes are under the whip and that means less incentive to channel funds into bullion If so, Wednesday morning's London fix of $632 was a correction, ahead of further price drops

So what should shareholders do to hedge their bets?

For a start, there is no point in being wiped out by complete exposure to lower grade producers or mines with relatively heavy capex programmes If gold does fall apart over the next few weeks, their earnings and dividend potential could be badly dented, particularly as many are now reaching the stage at which grade cutting plans will become fully apparent

So, while the bullion market makes up its mind, the safest move is, perhaps, to stick with mines such as, for example, Kinross and Winkelhaak, which should maintain grade and are not setting aside funds for capex At least if share prices drop in the wake of lower bullion, there will be the consolation of reasonable dividends

On the other hand, if bullion does start performing again, there should be time to switch into more highly geared shares More to the point, mines which are less able to cut grades (Kloof and Western Deep for example) should out-perform the market on the strength of their dividend potential whichever way bullion moves over the next few quarters

Ergo: Despite exhaustion of the Springs No 2 dam and a switch to monitoring the lower grade Springs No 1, improved recoveries are expected to result in a marginal gold production increase However, this should be the last of the company's high earnings years as at current gold prices the tax shield could be almost eliminated within the next twelve months Shortly after that, gold recoveries will fall again with an end to operations at the Springs No 3 dam which has the highest gold grade of all the dams owned by Ergo

It remains to be seen whether this year's dividends are restrained in an attempt to smooth the drop likely when tax takes its bite If they are not, an interim of 100c seems well within reach if gold remains above $600

Elandsrand: The build-up to an interim 120 000 t monthly mill throughput is developing slowly, though this target is scheduled for the current six months As operations stabilise at their interim target level, there should be further scope for unit cost cuts even though the industry's general trend is strongly upward Then there is the question of gold recovery grades The mine was planned on VCR reserves of 66 Mt grading an average 11,8g/t However, at current gold prices and as operations must be scheduled to mine to the average of blocked out reserve grades, recovery yields may be considerably lower than originally expected

The mine might just scrape home with a token maiden dividend this year That, however, depends on whether management decides to repay outstanding borrowings before distributing anything to shareholders

Western Deep: The mine has neatly sidestepped the problem of dividend restraint which could have accompanied the heavy capex programme to extend operations south of the existing lease area and increase mill capacity by a monthly 160 000 t

Existing shareholders are to be offered the right to subscribe for a R60m 12% deb issue on the basis of R240 debs for every 100 shares held They will be redeemed in eight equal annual instalments between 1986 and 1993 Each R240 of debs will be accompanied by an option to subscribe for four new Western Deep shares at R60 each, exercisable between 1986 and 1990

For the mineral rights south of the existing lease area, Western Deep is issuing 454 078 new shares to Western Ultra Deep and 95 922 to Wit Deep In addition, those two companies are to subscribe for R60m of debs payable in 1981 and 1982 and will receive options on identical terms to those issued to existing shareholders As the company sees it, the deb issue means that dividends should be the same as if the new shaft was not established

Meantime the 550 000 shares issued to Wit Deep and Western Ultra Deep will only marginally dilute earnings, meaning that the share retains its merits as a sound long-term defensive stock

Vaal Reefs: It is becoming clear that recovery grades from the North lease area will not average the 7,8g/t indicated for the year in the annual report And so long as gold remains at current levels, the average for the year is likely to be less than 7g/t On the other hand, recovery from the South lease area could average the planned 10,6g/t

There is no progress report on investigations into the possibility of mining the large tonnages of low-grade VCR overlying the present workings A decision should be taken this quarter. As I have said before, that could mean a further cut in Vaal Reefs' own grade as VCR can be worked at a recovery of about 5g/t In addition, capex for additional milling capacity would be relatively heavy

Meantime, the company is not aiming for a retentions over-kill A 620c interim has been paid from first-half distributable earnings of 643c Management clearly has few fears on the company's ability to fund capex from current earnings Steady capex continues at Afrikander Lease, but until uranium prices recover — and that could be two or three years away — the mine will remain uninteresting

Free State Geduld: It is unlikely that capex will rise to the R44m needed this quarter if the mine's spending plans of R92m for the year are to be realised Effectively that means a fairly heavy carry-over to next year and could result in some restraint on the final dividend particularly if gold prices weaken over the next couple of months

Higher mill throughput has led to a 2,8% reduction in unit costs to R38,32g/t despite a higher development rate However gold recovery is falling faster than expected Further reductions are to be expected as a result of normal grade cutting with higher gold prices and as the focus of operations swings towards the northern section of the mine Presumably that trend will continue as operations move towards Jeanette and could be accompanied by a further heavy slug of capex if further shafts are needed

President Brand: Provided the Western Holdings/Welkom/Free State Saai merger goes through — and there is little doubt that it will — the mine should be off the hook as far as funding any further capex at Free State Saai is concerned Meantime, however, full scale sinking of the No 5 shaft has yet to start The effect should be felt on capex over the next few quarters

Gold recovery is holding up reasonably well, but the mine's vulnerability to any slippage in mill throughput is clear from the quarter's 6,7% unit cost advance to R32,37g/t as mill throughput fell marginally Contributions from the JMS, which is now apparently hampered by weak uranium prices, have yet to make a significant impact on profits

President Steyn: The March quarter's technical problems which cut mill throughput and grade have been resolved Capex should soon start to wind down as the No 4 sub-vertical shaft is completed Basal reef operations are set to take an increasing tonnage from the south-east part of the lease area and from Video At the other shafts, however, an increasing tonnage could be drawn from the lower grade "A" and Leader reefs Over the next year or so it will not be surprising if recovery grades fall below 6g/t Ahead of that, however, a final of 350c seems well within reach

Western Holdings: The June quarter demonstrated that the mine is capable of milling at a monthly rate of almost 290 000 t without any marked grade drop And alone, the mine is probably capable of sustaining that level for another six years On that basis, shareholders will need to scrutinise closely the plans for merging operations with those of Welkom, Free State Saai and Erfdeel/Dankbaarheid (*Fox* July 18) Above all, they must satisfy themselves that their mine is not being milked to establish low-grade operations elsewhere and to subsidise Free State Saai which seems chronically unable to benefit significantly from the JMS

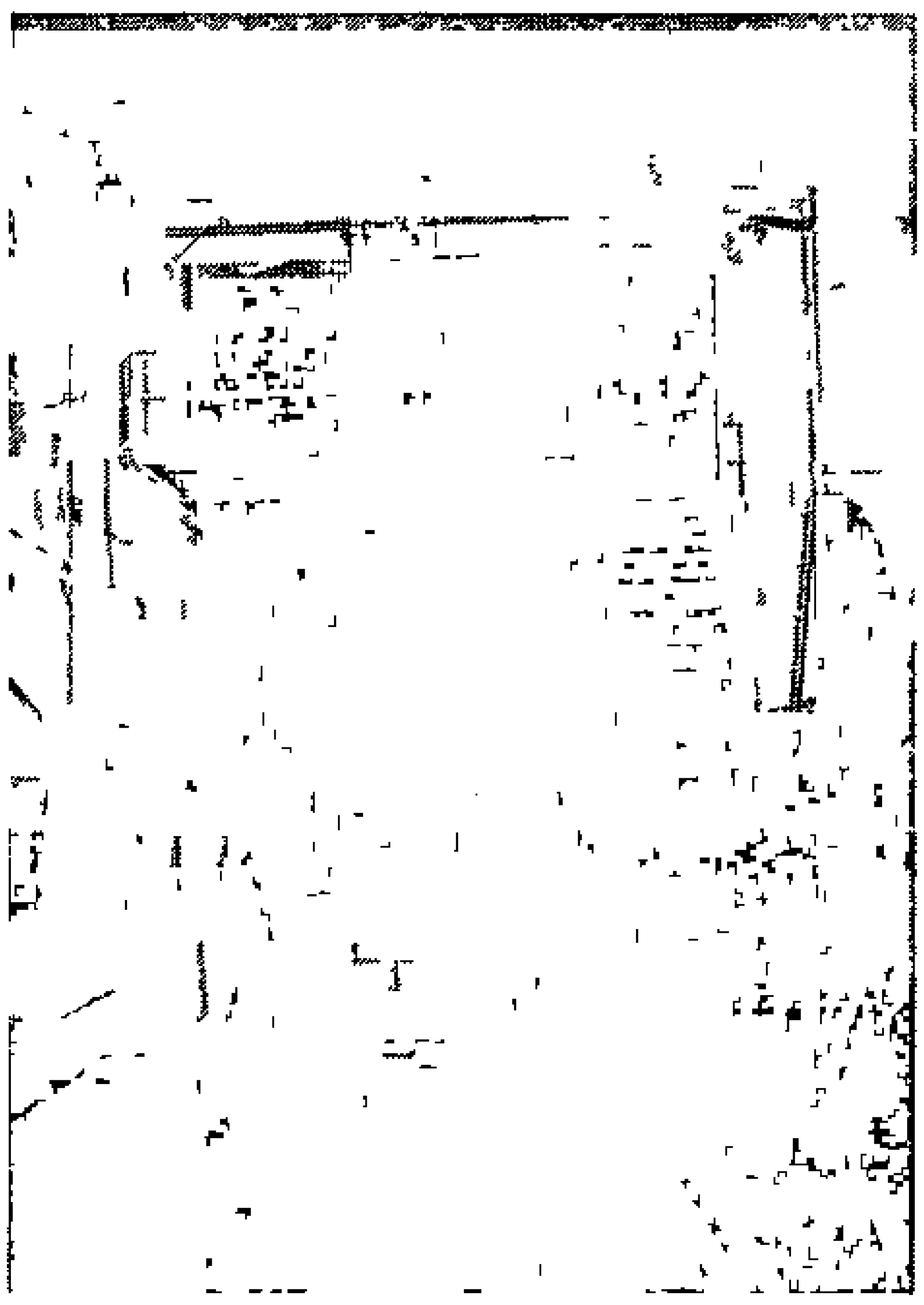
Apart from the present plans, shareholders need to be reassured that there are no other plans which could result in a further dilution of their earnings, even if there is the promise of a longer life at lower grades Several investors have already voiced disapproval of the proposed merger, which will need to be fully motivated if they are to be accepted without dissent

Free State Saai: As one cynic recently put it, Anglo has had two stabs at turning Free State Saai into a mine and both times it has failed Uranium, on which great hopes were pinned, has so far failed to come up to expectations Presumably, then, shareholders will be no worse off with the planned merger than they would have been without it At any rate, near-term dividend prospects do seem a good deal brighter if the merger proposals are given the green light by shareholders Unless it recuses itself, presumably President Brand will vote its majority shareholding in favour of the merger Among other things, that could reduce any possible future funding liability if gold enters a period of weakness

Welkom: Accepting or rejecting the merger plans will make little difference to the mine's shareholders As it is, life prospects are relatively limited and grades would move even lower if the mine were left to its own devices

Stilfontein: Ore sorting has helped the mine maintain Vaal reef gold recoveries, at least temporarily However, grade is likely to fall if management decides to extend life by mining the lower grade VCR and if significant tonnages of previously unpay Vaal reef are exploited over the next few quarters

Capex now has little effect on distributable earnings, but the mine held back almost R10m from first-half earnings, presumably to help repay 85%-owned



Western Deep . . . borrowing to expand

Chemwes' consumer loan Uranium has yet to contribute to earnings and will only kick in once higher-grade slimes available from Buffelsfontein are exhausted Following the lower than expected 160c interim, a cautious final may be paid, especially if gold continues to dither

Buffelsfontein: With retentions of little more than R1m in the year to end-June, management is apparently confident of funding capex in the Lucas block from current earnings Plans in that direction will presumably be disclosed in the annual report due in a few weeks It should also reveal likely recovery grade trends, and it will not be surprising if they head towards 7g/t during the next few months But that is an industry-wide trend, and with operations steadily advancing into new ground the mine is as good an investment as any other in the sector

West Rand Cons: While the uranium market remains oversupplied and prices continue to stumble along at just above $30/lb, the mine will probably continue trying to squeeze the last cent of advantage out of gold The problem is, of course, that gold recovery yields are very low and unlikely to improve unless ore sorting is introduced on a large scale That option, however, is not particularly attractive Gold production remains necessary to spread costs, particularly until the uranium market picks itself up But that is hardly encouraging as far as dividends are concerned

Winkelhaak: Working costs appear to be well under control, but could be set for a solid rise if it is decided to speed development into newly acquired ground to the east of the mine's original lease area If so, that could be accompanied by much higher capex for shaft sinking

The final could be influenced by management's plans for higher capex, particularly as retentions seemed to be unduly high at the interim stage However, if management decides not to retain earnings, a final of up to 250c could be paid

Kinross: Higher gold prices have been reflected in lower gold yields, but there need be no significant drop below the current 5g/t for the next few quarters The mine exploits clearly defined ore shoots and there seems to be little point in extending operations into adjacent ultra-low grade reef At the same time, capex should remain at its present low level for several quarters with earnings distributed in full

Leslie: Grade continues to fall and mill throughput to rise At very little cost it is possible to extend operations beyond the mine's present lease area Further grade cuts are possible while leaving a sufficient surplus to pay reasonable dividends At this stage of the mine's life there is probably little to be gained from paring grade to the bone until a definite upward gold price trend emerges A final of 35c seems to be within reach

Bracken: Recovery is dropping sharply, though management has yet to indicate whether this will lead to a significant increase in life expectancy As it is, provided gold does not collapse, a final of 45c or more could be paid

Over the next few quarters, recovery grade could slip nearer to 3g/t if additional low-grade tonnages are exploited If not and if management's earlier life estimates remain substantially correct, within a couple of years further capital repayments could be in prospect

St Helena: The current quarter could see gold recovery fall to 7,5g/t, with a further drop of a gramme or so over the following year As yet there are no signs that management has decided on whether a

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further shaft is needed in the south There is no immediate need for another shaft, though a case could be made for sinking one while recovery grades are high and a large proportion of the cost would be covered by tax savings Even if grade falls this quarter, a 350c final is possible

Unisel: Little if anything appears to be happening on the low-grade Leader reef, so recovery grade should be well maintained for the next few years Major capex is at an end, so though the mine will start paying tax in a year or so, the only restraint on dividends will be the timing of loan repayments Once the mine reaches the tax paying stage, the share will rank as a sound lock-up stock

Grootvlei: With one exception, drilling has failed to reveal any reasonable values on the Kimberley reef to the north east of Nos 3 and 4 shafts Meanwhile, underground sampling continues to disclose reasonably high grades over narrow channel widths

As it is, overall recovery could well fall to around 3g/t over the next few quarters If so, however, that will imply a life expectancy of over 10 years at current milling rates Capex will probably be kept to a minimum and the mine remains one of the better gold price speculations

Marievale: It is difficult to decide whether higher gold prices have significantly enhanced the mine's underground life expectancy But underground tonnage has again increased The problem is, of course, that even if additional underground ore becomes theoretically payable, its extraction may not be cheap, particularly as ore pockets are widely scattered As a gold price speculation the share has its merits, but there are better buys available particularly as the mine has few resources to ride out a major gold price set-back

Wit Nigel: Increased use of resue mining coupled with ore picking is expected to result in a 20% higher recovery grade this quarter Mill throughput is slated at an unchanged monthly 25 000 t Capex this year will probably exceed R6m, while with an unchanged mill throughput and a higher development rate, unit costs could rise sharply That should, however, be offset by the higher expected recovery For the year to end-June a token 3c dividend was declared And as retentions are necessary to fund the relatively heavy capex programme, unless the gold price takes off any dividend improvement will be marginal this year

South Rood: For the present the mine offers more promise than performance Though the quarterly report shows that milling of the company's own dumps has ended, recovery yield fell to 1,7g/t from 2,1g/t as the yield from underground ore was 1g/t lower at 1,9g/t Until the new reef areas being opened up are producing, it is probably safest to reserve judgment on the mine In any event, with R600 000 capex during the current six months, it is unlikely that a dividend will be paid Further down the road, the mine has been offered an approximate 3% participation in any JCI mine to exploit deep ore underlying South Rood and south of the Saxon fault A decision on that is two or three years away But if South Rood is to follow its participation without calling on shareholders for funds, a large part of any profit from working the mine's own new areas could be earmarked for retention

Jim Jones

GOLD QUARTERLIES

	Gold									Uranium				Profit		EPS after capex
	Cost R/kg	Cost $/oz*§		Revenue R/kg	Revenue $/oz§	Milled 000 t*		Recovery g/t*		Milled* 000 t		Recovery* kg/t		Gold R 000	Uranium & other R 000	c
ANGLO AMERICAN																
Elandsrand	6 755	268	(272)	13 928	552	267	(236)	5 9	(5 7					11 355	824	4,2
Ergo				13 672	540	4 186	(4 504)	0 4	(0 4	4 186	(4 504)	0 16	(0,15)	22 960		55,2
Free State Geduld	3 431	136	(120)	13 685	541	763	(709)	11 2	(12 6	†645	(631)	0,09	(0 09)	95 148	3 851	265 2
Free State Saai	10 138	401	(351)	13 653	540	484	(353)	2,5	(2 8)	†727	(578)	0 16	(0 18)	4 701	1 036	(17 1)
President Brand	3 526	139	(125)	13 838	547	820	(832)	9 2	(9 3)	†1 066	(919)	0,12	(0 10)	84 208	5 651	196 5
President Steyn	4 468	177	(196)	13 822	547	962	(876)	7,2	(6 8)	†1 284	(1 195)	0 10	(0 11)	67 785	6 824	183,3
Vaal Reefs	4 638	183	(175)	13 820	546	2 231	(2 043)	7 8	(8 0)	2 420	(2 297)	0 19	(0 19)	157 570	23 496	318,7
Welkom	6 524	258	(243)	13 768	544	566	(551)	4 7	(4 8)	†364	(312)	0 20	(0 19)	20 969	1 685	69,5
Western Deep	3 225	127	(107)	13 705	538	844	(836)	12 9	(14 3)	223	(228)	0 21	(0 21)	113 904	4 530	166,9
Western Holdings	3 331	132	(122)	13 697	541	860	(816)	8 6	(8 8)	†1 109	(1 160)	0 09	(0,09)	82 471	5 529	391 3
ANGLOVAAL																
ET Cons	4 728	191	(164)	14 168	573	75	(84)	7 0	(6 2)					5 013	140	36,5
Hartebeestfontein	4 305	174	(153)	13 958	564	740	(717)	10 9	(11 2)	740	(717)	0 15	(0 14)	77 712	7 395	265 7
Loraine	11 988	485	(429)	14 092	570	401	(413)	3,2	(3 1)					2 698	236	11,3
GENERAL MINING																
Buffelsfontein	5 455	215	(197)	13 761	543	822	(800)	7 8	(8 0)	777	(761)	0 20	(0,20)	55 252	1 454	154,9
Stilfontein	4 876	193	(180)	14 131	560	482	(480)	9 0	(9 0)	854	(859)	0 21	(0 20)	41 246	(2 943)	93 7
WR Cons	20 892	826	(773)	13 538	535	523	(443)	1 3	(1 4)	287	(262)	0,34	(0,35)	(4 854)	5 893	41,0
GFSA																
Deelkraal	11 018	445	(447)	13 744	556	180	(150)	3 7	(3 4					1 863	158	(1 5)
Doornfontein	4 683	189	(171)	13 914	563	360	(360)	8,4	(8 4					28 016	1 052	91,0
East Drie	2 205	89	(79)	13 689	554	645	(630)	14,9	(15 7)					111 293	3 373	76,8
Kloof	2 972	120	(99)	13 880	561	500	(520)	14 5	(14 5)					79 660	2 779	96 5
Libanon	4 603	186	(169)	13 808	558	420	(420)	6 9	(6 9)					26 595	1 86	113,7
Venterspost	7 958	322	(269)	13 656	552	345	(320)	4 3	(4,9)					8 516	556	77,1
Vlakfontein	6 786	274	(183)	13 701	554	180	(180)	1 2	(1 1)					1 461	191	12,6
West Drie	2 183	88	(77)	13 878	561	675	(675)	17 0	(17 5)	295	(299)	0 20	(0 23)	134 725	7 280	353 4
JCI																
Randfontein	6 868	270	(236)	13 542	533	999	(986)	5,1	(5 3)	997	(949)	0 16	(0 16)	34 003	8 417	314,6
Western Areas	7 745	305	(264)	13 780	543	1 081	(1 054)	4,5	(4 7)					29 355	1 698	16,3
RAND MINES																
Blyvoor	4 256	172	(166)	13 810	558	530	(482)	8 9	(9 1)	474	(494)	0 17	(0 18)	45 083	2 155	71,9
Durban Deep	8 578	347	(337)	13 988	566	548	(484)	3 5	(3,5)					10 274	434	196 2
ERPM	8 633	349	(304)	13 699	554	588	(570)	5 1	(5 2)					15 121	559	146,7
Harmony				13 819	559	1 898	(1 795)	4 3	(4 3)	1 346	(1 237)	0,09	(0 09)	65 480		92,3
UNION CORP																
Bracken	5 630	228	(191)	13 248	537	216	(210)	4 0	(4 4)					6 953	347	20,3
Grootvlei	5 973	242	(216)	13 354	541	435	(415)	3 7	(3 8)					12 009	(170)	42,9
Kinross	4 143	168	(163)	13 620	552	400	(400)	5 8	(5 8)					22 324	105	47 9
Leslie	7 446	302	(275)	13 433	544	315	(280)	3 0	(3 1)					6 004	142	16 5
Marievale	6 887	279	(227)	13 764	558	240	(240)	1,4	(1 5)					2 345	29	23 8
St Helena	3 485	141	(129)	13 720	556	535	(500)	7 8	(8 0)					43 077	713	172 3
Unisel	5 306	215	(199)	13 680	554	220	(220)	6 2	(6 2)					11 586	1 601	35 3
Winkelhaak	3 090	125	(114)	13 309	539	545	(535)	6 4	(6 7)					36 332	877	109 8
INDEPENDENT																
South Rood	17 524	709	(532)	14 891	602	76	(68)	1 7	(2 1)					(303)	301	(20 7)
Wit Nigel	11 255	455	(405)	14 760	597	73	(75)	3 4	(3 2)					868	75	(3 4)

*Figures in parentheses refer to previous quarter †Deliveries to Joint Metallurgical Scheme §Calculated at R1 = $1 30 where figures not provided by mine

Falcon profit soars

RDM 25/7/80

214

By ADAM PAYNE

FALCON Mines, the Zimbabwe gold producer, has in the first six months of this year almost doubled its total profit for the financial year to September 30 last of Z$3 288 000.

The total from January 1 to June 30 this year is Z$6 016 000 in spite of a less profitable June quarter compared with March because of the lower gold price

With yield down at Dalny mine at 5,96g/t (6,20g/t) gold production fell in the quarter, tax was lower and net profit totalled Z$2 024 000 (Z$2 491 000)

Earnings a share after capital spending were 57 Zimbabwe cents (96c in March)

For the first three quarters of the financial year, earnings a share have totalled 219c and an interim dividend of 150c has been paid

Aided by a lower pay limit, because of the higher gold price, percentage payability at Dalny improved in the June quarter to 48% (34%)

The average value was 8,7g/t compared with 11,9g/t in the year to September 30 last

Working costs, which rose in the quarter, are expected to rise again in the current quarter because of another salary review

The company holds 40% of Olympus Mines, the dividends from which since January 1 have totalled Z$704 000 compared with Z$220 000 for the financial year to September last — an indication of the greatly increased profitability of this company

The Old Nic mine operated by Olympus continues to produce excellent results, but profitability has fallen at the Dawn and Commoner mines It is expected to improve in the current quarter

Mine back to normal

West Rand Bureau

Production was back to normal at the Deelkraal gold mine near Carletonville today after three days of unrest during which 12 men died, and 500 went on strike

More than 300 Basotho mineworkers were dismissed yesterday

A mine spokesman said "The men asked to be relieved of their contracts because of the faction fighting They feared further incidents"

30/7/80 Star

UCI pointer to a higher final

By ADAM PAYNE

THE forecast by Mr Ted Pavitt, chairman of UCI, in February that the company's overall profit in 1980 should be above the record figure of 1979 by a substantial margin is being handsomely fulfilled — judging by the interim results to June 30.

Profit after tax for the six months was more than the after-tax profit for the whole of 1979.

It totalled R16 865 000 compared with R16 616 000 for 1979.

Of this increased profit R1 267 000 can be ascribed to a non-recurring change in accounting policy.

The provision for tax was considerably lower at R376 000 compared with R661 000 in the same time last year because share-dealing profits were only a little more than half those in the first six months of 1979. UCI judged the market well in deciding against sale of shares on any scale.

The key to the good results was income from investments at R16 480 000 compared with R14 679 000 for the whole of 1979.

The company's main investments are in Winkelhaak and Kinross mines on the Evander goldfield and in Impala Platinum Holdings.

At the end of 1979 the holding in Kinross Mines was 16.5% of the total investment value, Winkelhaak was 27% and Impala Platinum Holdings 15%.

The investment spread showed 61.71% in gold and 10.63% in mining finance.

Income from investments in the first half this year grew with bigger dividends from the Evander mines and Impala. The gold mining dividends were declared in March when the average gold price was lower than it should be in the second half of the year judging by present indications.

With higher gold dividends in the second half of the year a further improvement in earnings should be achieved and a rise in the final dividend above the 45c interim can be expected, especially as there is a tendency for companies to pay more in finals than in interims.

The surplus market value of investments over book value was R312 901 000 at June 30 to which the addition of total net assets brought the net worth of the company to R371 826 000.

This is equal to 1 896c a share compared with yesterday's share price of 1 400c.

The company has a participation at par costing R1 500 000 in Beisa, the developing uranium-gold producer south of the Free State Goldfields.

A further R16 million will be needed to follow up this interest this year and next year.

UCI will presumably obtain a participation in Beatrix Mines, the low grade high cost gold mine in the same area.

The interim dividend declared is 45c from earnings of 86.5c giving cover of 1.9.

The participation in Beisa and probably Beatrix should not be a drag on future when the final dividend is considered because cash could be borrowed or realised on some of the non-strategic investments.

Last year the final dividend was 43c compared with an interim of 17c. If the gold price stays in its present area for the next two months the income from increased dividends declared in the September quarter could provide a useful lift in funds available for the final dividend.

This could be at least 70c, making a total of 115c to provide a yield of 7.19% on yesterday's share price of 1 600c, which is well above the average for the mining holdings section of 5%.

This is a sound and attractive investment with a bias toward gold and platinum and a good spread through Union Corporation companies and solid industrial interests.

Cons Gold, Anglo directors

Deputy Financial Editor

MR R J J AGNEW, group chief executive and a deputy chairman of Consolidated Gold Fields, has joined the board of Anglo American Corporation and Mr J Ogilvie Thompson, an executive director of Anglo and a director of De Beers, will join the board of Cons Gold from August 1. A further appointment to the board of Cons Gold will be made later.

The appointments follow discussions between the three companies and will be non-executive.

A statement by the three companies says: These appointments reflect the intention of De Beers, AAC and Cons Gold to co-operate as independent companies when such co-operation is in the interests of their shareholders and does not infringe the competitive situation within the mining industry.

215

Another die in mine fighting

3/7/85 SW

West Rand Bureau

Faction fighting at the Deelkraal Goldmine near Carletonville has led to another seven deaths and has cut production by 80 percent

A mine spokesman disclosed yesterday that about 100 Basuto and Pondo mineworkers had clashed late on Tuesday night

Mine security officials battled for more than 30 minutes to restore calm, although fighting lasted for only five minutes Seven mineworkers died and 21 were injured, bringing the death toll since Sunday to nineteen.

About 2 000 mineworkers have now been released from their contracts as a result of the renewed fighting Only 20 percent of the required labour force went underground yesterday and this morning

	Six months ending	Est div in cents. Earnings in brackets	Previous dividend in cents
Blyvooruitzicht	Dec.	120 (145)	185 (186) June
Bracken	Sept*	50 (50)	37 (40) March
Buffelsfontein	Dec.	240 (328)	430 (448) June
Deelkraal	Dec.*	— (2.2)	— — —
Doornfontein	Dec.	50 (348)	100 (317) June
Durban Deep	Dec.*	300 (614)	160 (430) June
East Driefontein	Dec.*	150 (219)	120 (182) June
E.R.G.O.	Sept.	100 (129)	85 (—) March
E.R.P.M.	Dec.*	300 (595)	175 (461) June
Elands	Dec.*	40 (47)	— — June
E.T. Cons	Dec.	60 (124)	110 (127) June
Free State Geduld	Sept*	600 (643)	475 (525) March
Free State Saaiplaas	Sept*	— —	— — —
Grootvlei	Dec.*	95 (107)	92 (115) June
Harmony	Sept.	230 (237)	160 (183) March
Hartebeesfontein	Dec.	600 (643)	725 (811) June
Kinross	Sept*	100 (110)	84 (96) March
Kloof	Dec.	125 (249)	240 (277) June
Leslie	Sept*	40 (40)	29 (29) March
Libanon	Dec.	100 (393)	150 (358) June
Loraine	Sept*	25 (99)	— — —
Pres. Brand	Sept*	500 (529)	320 (387) March
Pres. Steyn	Sept*	400 (432)	280 (307) March
Randfontein	Dec.*	450(1508)	450(1420) June
St. Helena	Sept*	395 (405)	305 (337) March
Stilfontein	Dec.*	240 (273)	160 (249) June
Southvaal	Dec.*	230 (238)	170 (178) June
Unisel	Sept*	100 (120)	40 (68) March
Vaal Reefs	Dec.*	800 (866)	620 (696) June
Venterspost	Dec.	150 (272)	135 (262) June
Welkom	Sept*	160 (164)	130 (137) March
West Driefontein	Dec.	425 (880)	850(1026) June
Western Areas	Dec.*	50 (106)	40 (93) June
Western Deep Level	Dec.*	430 (447)	400 (432) June
Western Holdings	Sept*	800 (851)	675 (708) March
Winkelhaak	Sept*	290 (294)	194 (236) March
Witwatersrand Nigel	Dec.	— (7)	3 (15) June

* Denotes year end and final dividend.
Figures in brackets are estimated available earnings.

Deep and old, but there's a lot left in ERPM

214
RDM
4/8/80

By ADAM PAYNE

TWO years ago if one invested in ERPM one was backing a mine in difficulties, forced to borrow money and relying on State aid. Last year its working profit was almost a record in its long history, but it still had a strong speculative element. It was not for widows, orphans or old men

Now ERPM is moving more into the gold-mining investment field, provided one is confident the gold price remains above \$500 an oz. Its management aims to place it firmly on a stable basis in the long term, although as an investment it inevitably has sharp share price movements — up or down — because of its high gearing with only 4-million shares in issue

The mine has several plus factors

● Grade is unlikely to drop below 5 g/t in the next year or two which is a good grade at a gold price above \$500, and with costs last quarter at \$349 an oz. The grade is likely to be maintained whereas on many other mines yield is being lowered

● The mine has a medium-to-long life, provided the gold price is maintained. Its 6 800 000 tons of ore reserves last year were based on a price of \$300 an oz. Obviously, they would be greater based on \$400 an oz

● It has large tonnages available at shallow depths, whereas previously, at a lower gold price it was forced to work almost exclusively at the greatest depths in the industry. These reserves at shallower depths were formerly unpayable, but have been brought into ... the higher gold price

● The rise in unit costs is unlikely to be as pronounced from present levels as on many other mines because of the management's policy of raising tonnage. However, these costs are among the highest in the industry at R44 a ton milled

But there are two sides to the picture. The other side is that to gain optimum efficiency the mine must keep its mill filled, which is a target it had difficulty in achieving in the past year

A fire, shaft breakdowns, difficulties with some of the old equipment still in use, combined with the fact that the mine has to use a multiplicity of hoists, prevented it from reaching the tonnages aimed at

Had these problems not occurred unit costs would have been lower

With the aim of getting optimum results, a project team has carried out an overall study of the mine and one can assume it will have recommended a rise in tonnage milled, even if the rise is only marginal

Last year tonnage milled totalled 2 101 000. In the next 12 months, to gain economies of scale, one can assume that the mine will aim at something like 2 200 000 tons

The management is planning for the long term. So long as the gold price stays high, ERPM is no longer a struggling, speculative venture

To raise tonnage and improve efficiencies, one can assume that the warnings on capital spending by the chairman, Mr D M Watt, were well founded. The mine planned to spend R18-million this year to December and has already spent R7-million

One can expect capital spending next year to be at a similar or even higher level than this year

An analyst with a good record expects the mine to have total earnings of 790c a share this year, from which he forecasts a final dividend of 300c to total 475c for the year

His calculations are based on a gold price of \$675 up to September 30 and \$500 an oz from October to December, giving an average of \$587 an oz for the half-year

With retentions of 315c for the year, on his forecast the mine will have available R12 600 000 towards capital spending next year and there will be further retentions in 1981 towards the continuing programme to raise efficiencies and combat rising costs

Whether the mine will remain as prosperous in 1981 as it has been this year will depend mainly on the gold price

There is a strong school of thought that after the rise in the gold price this year, stoked by world inflation and political factors, the price could recede in 1981, but even the best-informed analysts still need a crystal ball in trying to forecast future gold prices

Apart from the dividend prediction of a 300c final from ERPM, to provide a prospective yield of 12,5% at a share price of 3 800c, the same analyst forecasts some other noteworthy dividends

He expects Stilfontein to pay a final 240c to total 400c, providing a prospective yield of 16% on a share price of 2 450c

Although one can expect a drop in grade because of conservation of ore in the richer Kromdraai area, the mine will still prosper. Sortex equipment has been installed to improve waste sorting and help prevent too noticeable a fall in yield

Loan repayments from Chemwes uranium plant in 1981-82 will be worth about 80c a share to Stilfontein, after which the mine will receive dividends from Chemwes

Another outstanding forecast is a final of 800c from Vaal Reefs to total 1 420c, giving a prospective yield of 16% on a share price of 8 700c

This is a mine with tremendous tonnages and it has the prospect of lengthening its life by exploiting shallow deposits of Ventersdorp Contact Reef, although this reef is lower grade than the Vaal Reef now mined

Sallies likely to reopen the Van Dyk mine

(214) RDM 5/8/80

By IAN THOMAS
Mining Editor

GOLD production at the old Van Dyk mine No 5 shaft on the East Rand is expected to resume next year, South African Land and Exploration (Sallies) said.

Managing director, Mr W R Lawrie said that if the gold price remained at around the $600 level, one could expect the current feasibility study to recommend resumed production initially at the rate of 70 000 tons monthly

Currently, Sallies handles about 110 000 tons monthly on a contract basis by Egoli Consolidated Mines (formerly Skye), and Hippo Quarries Egoli has about 45 000 tons milled monthly and Hippo 55 000 tons

Skye said in its recent shareholders' circular that it was "not aware of any grounds upon which the agreement might be cancelled," but, Mr Lawrie said the contracts were terminable at three months notice

Egoli's former managing director, Mr Peter Gain said "This does not matter, as the Ford franchise can be cancelled at one month's notice, but Grosvenor Motors has had it for many years"

Mr Lawrie said "Obviously, we wouldn't want to leave the companies in the lurch, but we will probably have to change the contracts At the moment we will continue to split capacity between the two, and we are examining ways of increasing capacity to about 140 000 tons monthly"

He conceded that any new contract would mean lower outside quantities handled "In the case of Egoli, we would possibly handle between 20 000 and 25 000 tons, as we ourselves would want to use about 70 000 tons capacity

He said there was the possibility of excess capacity elsewhere on the East Rand being used to process Egoli and Hippo ores Sallies commissioned a R1 550 000 feasibility study earlier this year, which is expected to be completed within the next few months It will determine how the mine will be financed and operated

A hoist, with another in reserve, has been erected at the shaft, where the top shaft has been found to be in good shape.

Sallies has an agreement with the Anglo-Alpha group, present holders of the relevant mynpacht rights, which also provides for the shaft's acquisition if it is decided to open up a new mine

It is also possible that a new mine would eventually incorporate some of the nearby Withok area, where a surface drilling programme has yielded inconclusive results

Last year Sallies milled 1 230 000 (965 000 tons) from dumps producing 1 595 (1 236) kilos of gold yielding 1,24 (1,28) grams per ton

UK inquiry accuses De Beers

(214) (161)

RDM 6/8/80.

By NEIL BEHRMANN

LONDON. — The UK Department of Trade has accused De Beers of breeching British legislation. The accusation is made by two Department of Trade inspectors in their 55-page report on De Beers dawn raid on Consolidated Gold Fields.

In the conclusion to the report the inspectors say "It is our view that the department and its advisers should consider whether an offence has been committed by De Beers and/or any of the other persons involved"

The Department of Trade investigation began in February at the request of Cons Gold's chairman, Lord Erroll of Hale

De Beers secretly built up a 19% stake in Cons Gold through various London brokers and the Johannesburg firm Davis, Borkum, Hare.

De Beers then raised its stake to 25% in the dawn raid on the stock market on February 12 when it paid much higher prices than those ruling on the market

The inspectors, Mr Bryan Welch and Mr Michael Osborne, say "We are satisfied that De Beers formulated its scheme with the express intention of avoiding the disclosure provisions of the Companies Act"

The officials say that it is within the law to arrange business affairs to avoid the consequences of legislation

But they suggest that UK law should be tightened because foreign companies and investors have an advantage over UK residents

Under the existing law, shareholdings of 5% or more must be declared The report shows that through a complicated set of deals De Beers increased its stake in Cons Gold and that 12-million to 19-million shares had not been registered by the new owners

Several related interests built up stakes to 5% and then stopped in intricate deals in which Davis, Borkum was intimately involved However, by mistake one of the buyers increased its stake to 5% and De Beers has admitted that it has breached the disclosure law

The inspectors say that the Government should block company disclosure loopholes They say that the secret De Beers stake could not have occurred before the relaxation of UK exchange controls in October last year

"We are aware that legal problems may arise where it is desired to bring criminal proceedings against overseas corporations"

The inspectors attack De Beers and the brokers for the manner in which the share buying was conducted

They criticise the company for a "discrepancy in evidence", saying "The information given to us by De Beers showed that up to the time of the raid, purchases were made by five different companies Our inquiries revealed the involvement of a sixth company"

Freddies sees modest rise

(214)

By ADAM PAYNE

MR B J JACKSON, chairman of Free State Development & Investment Corporation (Freddies Devels) looks for a "modest rise" in the company's investment income in the year to June 30 next

He makes no bolder forecast, in spite of the company's doubling of its net profit in the year to June 30 last at R1 710 000 because he stresses the difficulty of predicting commodity prices in general and gold in particular

He cannot predict whether commodities will rise sufficiently in price to provide for the relentless increase in production costs, and to provide for higher dividend declarations from mining investments

In the year to June 30 last the company paid 35c in dividends against 15c in the year to June 1979, mainly because of increased earnings from gold investments

However, Mr Jackson says income from sections other than gold also showed a satisfactory increase

About 40% of the company's portfolio is in non gold investments with the remainder in gold

The company's agreement with Free State Geduld for tributing of the farm Philippi has been renegotiated with the result that Freddies Devels now participates in the mining risk and therefore in the profits from mining operations instead of receiving royalty payments as previously

The rise in the gold price has increased the value of the company's mineral rights which lie on the periphery of many of the gold mines in the Free State

Mr Jackson says It is hoped that with the better gold price now prevailing, most of these mineral rights will eventually be turned to account '

During the year the company sold Afrikander Lease shares and bought Winkelhaak, West Driefontein and Sasol

About 25% of investment income is reinvested each year, and helps to increase the flow of investment income to the company

COMMENT The yield on Freddies Devels at 600c is 5,8%, which is acceptable for a mining holding share It can be safely recommended because of its spread of mining investment, including De Beers, which will provide some protection if the gold price wanes

There is also the possibility of advantageous deals on its mineral rights in the Free State if the gold price is maintained and mining expansion takes place on its ground

Amgold interim 550c

(214)

RDM 8/8/80.

By IAN THOMAS
Mining Editor

A SPECTACULAR 200% increase in Amgold's interim dividend to 550c will not only please but surprise the market where analysts have been increasing their estimates from month to month, but were still behind in their predictions.

A sharply higher interim was expected because of increased dividends from ccompanies in which Amgold has big holdings

The 550c (175c) exceeds last year's 525c total dividend with investment income for the six months to June 30 rising threefold to R157 600 000 from R55 000 000 in the same time last year

The company, with its widespread interests in leading gold and gold-uranium mines, has investments at market value totalling R2 894 321 000, or more than double last year's R1 311 539 Net asset value including unlisted investments at directors' valuation at August 6 rose to R134,25 from R59,65 at August 31 1979

Profit rose threefold to R155 382 000 from R53 143 000 If the gold price remains about the $600 an oz for the rest of the year, this share must be rated one of the top gold investments

Pointers to the record interim became apparent with the good results recorded by Vaal Reefs, Western Deep Levels and South Vaal

A bright feature of Amgold is its holding in companies which have yet to pay dividends

These include 20% of Elandsrand and 8,7% of Deelkraal

It also holds 17,5% of Afrikander Lease, which only resumed mining operations at the end of last year under an agreement with Vaal Reefs

Among the longer-held gold-mining interests in order of contribution to group investment income are 14% of West Drie, 11% of East Drie, 13% of Western Deep, 21% of Western Holdings and 20% of Free State Geduld, besides significant holdings in President Brand, President Steyn and Kloof

Anglo American's decision to exploit the Erfdeel-Dankbaarheid Homestead gold project in the Free State is an important development Amgold will participate in this

Div of 10c declared by GF Props

214 RDM 12/8/80

By ADAM PAYNE

GOLD FIELDS Properties, in which substantial investment has taken place on hopes of good royalties from mining at Luipaardsvlei, has declared a dividend of 10c (6c) for the year to June 30 giving a yield of only 3,5% on yesterday's share price of 285c.

The preliminary results for the year contain no royalties from Luipaardsvlei which, I am told, should start at the beginning of next year

In the year to June 30 last profit on property sales, with the improvement in the property market, almost doubled to R582 000 (R298 000) and income from investments trebled to R636 000 (R204 000) to bring pre-tax profit to R2 637 000 (R1 535 000)

In the year to June 1979 an extraordinary item — the sale of Luipaardsvlei mineral rights to West Rand Cons for R2 997 000 — brought after-tax profit to the high figure of R3 990 000 compared with this year's R1 945 000

As an extraordinary item is not included in earnings a share, the earnings last year were 9,7c compared with this year's 19c a share

The dividend cover this year is 1,9 compared with last year's 1,6

A large proportion of the R2 997 000 is reported to have been invested in gold shares and some in Sasol

The income from these investments is now flowing, as is shown by the big rise to R636 000

The net asset value of GF Props has risen 22% from 237c to 289c

COMMENT· When GF Props sold the Luipaardsvlei mineral rights to West Rand Cons in February last year the main attention was given to the uranium side by West Rand Cons which was having difficulty in meeting contract commitments.

The gold price at the time was $248 an oz and neither West Rand Cons nor GF Props looked hopefully to profits from the gold operation at Luipaardsvlei.

I am told that West Rand Cons' uranium contracts were at prices lower than the ruling price at the time of about $40 a lb.

Since February last year the picture has changed with spot uranium sales almost at a standstill and contract sales by West Rand Cons still at prices lower than the ruling present level.

Even with the rise in the gold price, West Rand Cons is not likely to make big profits on the gold operation in the immediate future and the emphasis will still be on uranium production and sales to meet contracts.

Unit costs on gold production will be reduced when the company increases milling to 90 000 tons a month at the gold plant, with 100 000 tons a month being treated at the uranium plant.

The operation at Luipaardsvlei cannot be launched overnight and much development has still to be done from the Turk and Battery shafts.

Royalties will start on a small scale at the beginning of next year and should then build up.

The slump in the uranium market will not have improved immediate prospects for the Luipaardsvlei operation nor will the rise in the rand against the dollar which is reducing earnings in rand terms.

It is still early days to estimate earnings from Luipaardsvlei but investors in GF Props should be wary of expecting too much from that quarter.

Under the agreement with West Rand Cons GF Props will receive 25% of all profits arising from the sale of minerals mined from Luipaardsvlei.

Drop likely in ERPM production

214 By IAN THOMAS RDM 13/8/80
Mining Editor

PRODUCTION at East Rand Proprietary Mines is expected to drop by about 20 000 tons during the next four weeks owing to a major breakdown of the winder serving the "I" incline shaft.

Rand Mines says the breakdown which happened on Saturday will take about four weeks to repair, including making of spare parts and reassembly

A production loss of about 1 000 tons daily is expected and labour from the section will be used in other working areas

The mine says the steel shaft in the double-drum winder broke, and it will take about 10 days to make and deliver the new shaft, while the winder will be stripped. It will take about 14 days to fit the shaft, and reassemble and re-start the winder

There was no injury or loss of life, and the breakdown caused no damage to the incline shaft

Dawn raid spurs rethink on law

(214)

(222)

RDM 14/8/80

By NEIL BEHRMANN

LONDON — The UK Department of Trade has recommended changes in legislation after the De Beers "dawn raid" on Consolidated Gold Fields

In a consultative document, "Disclosure of Interests in Shares," the department suggests changes in UK company law

It also advises that the Secretary for Trade should have legal powers to cancel the shareholdings of unidentified nominee shareholdings when a company or Secretary for State cannot obtain disclosure of the identity of the buyers.

This is the third document on "dawn raids" and is a direct result of the furor which has resulted from the De Beers-Anglo accumulation of 25 percent of Consgold's share capital from October last year to February

The first document was issued by the Council of the Stock Exchange

The second was the Department of Trade's 55 page investigation And the final document recommends changes in legislation

All the documents stated that the De Beers group and the parties involved, including Johannesburg stockbrokers Davis Borkum Hare, did not break the law

This applied to the methods of accumulation and the registration of shares, where the parties conducted their activities within the ambit of existing laws

Under existing UK law if investors or companies buy 5% or more of the voting shares they must disclose their identity

Each nominee holding bought just under 5% of Consgold and then stopped buying With the exception of one, where a genuine mistake was involved, there was no need for disclosure under the law

However the Department of Trade investigation finds that the nominee companies were connected and were buying shares for the same purpose — to build up a stake in Cons Gold well in excess 5%

The parties also delayed registration of shares. Though this does not break the law the Department of Trade says, "if the shares had been registered, even limited investigation into (nominee companies) Dido, Fermain and Security, nominees should have disclosed the probable identity of the company for whom they acted as nominees"

In the consultative document the Department of Trade says though there would be considerable difficulties in imposing statutory requirements on ad hoc combinations of persons or companies acting in concert or by arrangement, "the Stock Exchange Council and the Council for the Securities Industry (consider) the scope for supporting the spirit of the law by strengthening their non-statutory regulations in the interests of an informed market"

Selmin ups div

By IAN THOMAS
Mining Editor

SELECTED Mining Holdings, with its investment portfolio mainly in gold producer shares has, as expected, increased its final dividend by 20% to 24c

The total for the year is, however, well above the 27c forecast last year by the chairman, Mr Dru Gnodde

Pre-tax profit is up to R582 000 from R425 000, the highest since 1970, when the company achieved a substantial surplus on realisation of investments after its decision to switch mainly into investing in gold mining equities

It would appear that the company has made few major changes in its portfolio, as profit on realisation of investments is down sharply to R6 000 from R99 000

Prospects for the company assuming the bullion price remains at about the current $600 level appear good, as it has good holdings in East Driefontein and Libanon, not to mention a sizeable holding in colliery counter, Apex Mines

Like its stable-mate, New Wits, Selected Mining, has a significant stake in Rooibert Tin which was hurt by the lower world tin price and the stronger rand

Earnings per share rose to 58,2 c from 42,4 c, with cover rising marginally to 1,5, and net asset value per share rising to 771c from 451c

The share at the latest 600c price gives a dividend yield of 5,75% and an earnings yield of 8,8%

New Wits' final 22c

By IAN THOMAS
Mining Editor

NEW Wits has turned in a 22c final dividend for the year to June 30, a 40% increase on last year's.

The mining financial company, which has more than 70% of its investment portfolio in gold producer or mining financial shares, has benefited by the increased bullion price since the new year and an increased dividend was expected

The 36c total is up 50% on last year's 24c giving a historical yield of 5,25% on the current price of 680c

The only blemish on a fine year would appear to have been the slump at Rooiberg Tin, which has been hit by the lower world tin price and the stronger rand New Wits recently increased its stake in Rooiberg to 121 800 shares from 76 800

Prospects for the share look favourable assuming a bullion price at the $600 level New Wits has good holdings in new gold mines such as Deelkraal and Elandsrand

The chairman, Mr Dru Gnodde can be pleased with the results especially as in last year's annual report he forecast a slightly increased dividend for the year

Latest figures show that the company has tended to make few changes to its portfolio as profit on investments realised fell sharply to R20 000 from R357 000

Earnings per share rose about 60% to 53,2c and dividend cover marginally to 1,5, while net asset value rose to 821c from 414c Pre-tax profit rose to R6 310 000 from R4 066 000

ERPM to spend R300m to go much deeper

By ADAM PAYNE

ERPM, one of South Africa's oldest and deepest gold mines, is to spend R300-million in the next five years to launch virtually a new mine at great depth

Only two years ago, ERPM was State-aided and had to borrow funds to keep going

The mine now employs 17 000 blacks and 1 450 whites and expansion will mean the employment of 5 500 more blacks and between 400 and 500 whites

Of the R300-million programme, R48 million will be for new hostels for black miners with four men to a room, and lounges, and to newly-bought houses in Boksburg or renovated mine houses

New amenities and recreation facilities will be provided for both white and black

The mine's rejuvenation is due to the rise in the gold price which has brought into pay large tonnages of ore at shallow depths and made it worthwhile embarking on the R300-million programme to mine at greater depths to the south

Its plans for expansion means that its life in its present lease area will be extended to about 40 years

And it is negotiating to obtain the mineral rights of 6 000ha on land to its south, which will extend its life even further

The expansion plans have been drawn up on a real gold price of $600 an ounce, but in case there are dips in the gold price, a rights issue to raise more than R60-million, will act as a buffer

Holders of the shares will have the right to subscribe for 40 shares for every 100 held at R30 a share Yesterday's share price was R38

The mine will, with Western Deep Levels, be South Africa's deepest This will call for new measures to cope with problems of heat, rockbursts and ventilation at depth

Western Deep Levels is spending more than R700-million in going deeper in the south of its lease area

ERPM is planning to the year 2 000 In the next 20 years it will sink about 15 shafts

ERPM to spend R300m on mine

By ADAM PAYNE

ERPM, which was born at the turn of the century, is to virtually open a new mine with a R300-million deepening and expansion programme, in escalated terms, over the next five years

Provided the gold price averages a real $600 an oz over this time, Rand Mines management believes the mine can carry this capital spending itself and still maintain a dividend of at least 360c a year during the five years

The last dividend was an interim of 175c

The programme will lengthen the life of the mine by an official 25 years but Mr Tony Honnet, managing director, said yesterday the life could be at least 40 years in its present lease area and longer if ground to the south is obtained for further mining

An application to peg this ground has been made to the Government Mining Engineer

The mine's plans extend to the year 2 000 with diminishing capital expenditure after the first five years and an improvement in grade when it gets to its new deeper level workings

There will also be significant rises in after-tax profits as the mine gets into its stride with new shafts and new workings at depth

The mine is to raise a total of R63-million by a rights issue towards financing the programme

The rights issue will be 40-for-100 at R30 a share to raise R47 500 000 This will act as a buffer in the event of temporary gold price falls below $600 Yesterday's closing price of ERPM's share was R38

The offer document also gives subscribers to the issue the option to subscribe for a further one share for every four new shares issued in the rights issue at a price of R40 a share, thus raising an additional R15 800 000

These detachable options will be for subscription on January 3 1983 or on January 2 1984 or on January 2 1985

The new shares issued in the 40-for-100 rights issue will rank for the final dividend to be declared in December this year

The development programme announced today will create jobs for about 6 000 people, mostly blacks

The programme is aimed at lifting production from the current 2 400 000 tons a year to 3 900 000 tons a year, which will make ERPM the fourth biggest gold mine in South Africa at today's industry production rates

About 75% or R235-million of the proposed capital spending will be on underground development right across the mine embracing new surface, subvertical and tertiary vertical shafts as well as the deepening of subvertical shafts and development of new haulages and installation of refrigeration plants

The next biggest slice of the spending — R48-million or 15% will be devoted to hostels, married quarters and amenities for blacks

Other proposed expenditure includes R12-million on the reduction works to increase milling capacity, R10-million on married quarters, staff mess and amenities for whites, and R7-million on general surface work

Mr Tony Honnet said yesterday that the creation of improved access to and from underground workings by way of new shafts and haulages would step up productivity, lower unit costs, and improve working conditions by reducing travelling time

'New airways and ventilation shafts and the new refrigeration plants are essential for mining at the depths to which we will go in order to improve the working environment and, hence, productivity in addition to lowering units costs,' he said

Mr Honnet said it is planned to deepen the existing secondary vertical shafts to 74 level, about 3 300m underground

"The sinking of tertiary shafts will then make it possible for us to mine down to depths exceeding 4 000m which is where we expect the reef to be at our new southern boundary — including a new mining area to the south of the existing mining lease which is now being negotiated '

As to grade, Mr Honnet said "In the deep levels we expect average grade marginally higher than the 5g/t we are recovering now

' However, it will drop in the next five years to 4 5g/t or 4 6g t as we exploit the shallow, lower-grade areas while we develop at depth

"When we get to the new deep areas the grade should pick up again and exceed 5 g/t from 1995 when we expect 5 2 g t '

Mr D T Watt, chairman of ERPM, predicted that on a real gold price of $600m an oz, after-tax profit would be R101-million in the five years to June, 1985, R479 million in the 10 years to June 1990, and R2 775-million in the 20 years to the year 2 000

He said "We have done our sums on gold prices of both $500 an oz and $600 an oz

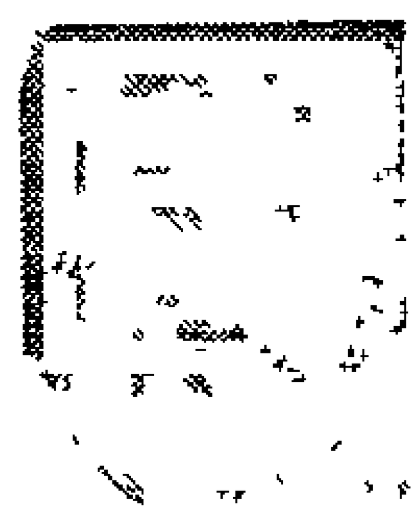
"We have taken a view on the gold price of $600 an oz for the year ahead and our planning is on that basis

"There must be a rise in costs but we are also looking in the future to economies of scale to check cost rises

"About 15 shafts are to be sunk in the next 20 years and the new area we are negotiating for in the south extends over 6 000ha "

16/9/80 STAR 214

ERPM expansion may be forerunner



Geoff Shuttleworth reports that the ERPM decision to extend that mine's life to the next century is almost certainly the first of a series of announcements which will follow this year and next.

Between 1915 and 1933 ERPM only paid one dividend, and that a paltry 25 percent Today, however, the mine, which had serious doubts at the turn of the century that it could carry on mining, has released plans which take it through to the turn of the next century

The R300m expansion plans which were unveiled on Thursday are such that dividend payments will not be upset and in initial trading on Friday the share price rose three rands to R41

While the timing of the announcement may have caught interested persons by surprise, the ERPM announcement could well be the forerunner of several other announcements of the same vein

GOLD PRICE

The higher gold price has obviously been the prime mover in this expansion and while mining houses are fairly cautious on forecasting, mining analysts believe that a price of around 400 dollars an ounce is the bottom line used for feasibility studies

On the East Rand several teams of investigators are working to determine whether some of the oldest South African mines can be economically reopened

These include the Rand Mines trio — Crown Mines, Consolidated Main Reef and City Deep

The most important factor in the evaluation of these mines is the magnitude of payable ore situated above the water table If mining is to be conducted below the water table, it will not only entail massive pumping installations, but the Government Mining Engineer is sure to impose strict pollution control

A decision on these three mines is only due in 1982

A decision on Simmer and Jack is, however, expected at the end of the month The mine which adjoins ERPM is being evaluated by Anglo American and if the go-ahead is given, it is estimated that it will cost about R30m to bring the ageing mine into production

Sallies is also being investigated by Anglo ... thought that a new mine may well be established around the number five Van Dyk shaft

While most new mines have relatively low gold grades, an Anglo geologist's report notes on Sallies "a tonnage potential in excess of 27m tons at a possible grade of 14 gammes a ton over a stoping width of 120 centimetres in the demarcated area" A decision will only be taken once the feasibility study has been completed at the end of the year

Another mine currently being evaluated on the East Rand is the Government Areas mine

COSTLY

Further West, Randfontein is not only busy with sinking a shaft at Cooke section costing some R200m, but is also investigating prospects of deep mining under South Roodepoort Johnies and Randfontein between themselves hold 87 percent of the mineral rights, South Roodepoort 3 percent and other mining houses the remainder

Johnies is currently doing surface drilling, and if the mine gets the go-ahead it will be a costly venture because a deep shaft will have to be sunk and a surface plant built

Western Deep has announced plans to build an ultra deep shaft which will be slightly shallower than 4 000 metres and a surface plant The cost of the whole project has been estimated at around R700m

Drilling is being conducted in the area north of East Driefontein by Goldfields and other mineral rights holder Texasgulf At present Goldfields is mum on developments there but analysts are confident that as soon as Texasgulf ... gramme, a scheme will be drawn up which will incorporate East Driefontein, thereby prolonging the life of that mine

Afrikander Lease is being rejuvenated as a uranium producer in conjunction with Vaal Reefs, while Stilfontein is extending operations to open up lower grade areas and in the case of Buffels the Strathmore shaft is being deepened to maintain production

DEVELOPMENTS

Doornfontein has recently had its mine lease area extended and its mining tax rate formula changed so as to give the mine a longer life The cost of the extensions will be of the order of R100m eventually

While many of South Africa's oldest mines are either being evaluated or having their lives extended there are two other developments taking place

Firstly, there are some mines where it would be impossible for individual mines to operate as single entities and these are being grouped together to enable them to survive ERPM initially comprised 21 mines

FREE STATE

Other developments revolve around the opening up of brand new mines Several have come on stream this year and others have been announced Elandsrand, Deelkraal and Unisel are new producers, while Gencorp has recently announced that it is going ahead with Beisa mine, which will produce gold as a by-product and Beatrix, a low grade producer, both in the Free State

Exploration is going ahead in the Free State at a tremendous rate, especially around the new Gen...

One of the largest projects to arise from the Free State recently has been the Eerfdeel Dankbaarheid mine This conglomerate involves a complicated financial restructuring which means that the new mine will be brought into operation at an effective cost of only one third of what it would have cost, had it not been for the restructuring

It will also extend the lives of Welkom and Western Holdings

The mine will effectively cost Anglo and Duiker which for the first time will have a direct stake in South African gold mining, only R100m, instead of between R300m and R400m

NEW SHAFT

Other developments in the Free State involve the sinking of a new shaft at F S Saaiplaas which is party to the Erfdeel/Dankbaarheid deal, the sinking of a new shaft at President Brand and analysts believe that Winkelhaak will have to sink a new incline shaft

In the Eastern Transvaal, Anglovaal and Anglo are currently busy with detailed drilling and exploration in the heavily fragmented area Little is known of developments to date

Anglovaal is also taking a hard look at Rand leases

RESERVES

A factor which affects every gold mine in South Africa is the calculation of ore reserves These are valued against the gold price and are called to account once the mine decides these reserves are payable to mine

Mining houses are busy at present recalculating ore reserves and the first of these results were published in the June end quarterly results It remains to be seen whether all mines will be able to take advantage of the higher gold price and adopt new mining techniques and timetables

Stilfontein believes that a slowing down of mining would be beneficial to that mine

On the other hand Freguls is not able to adjust away from higher grade ...

STAR 14/8/80

Huge rise in GFSA profits

214

By Geoff Shuttleworth

Goldfields of South Africa has almost doubled its profits for the year ended June 30, with taxed profits of R122,4-million, compared with last year's R66,7-million

The final dividend has been increased to 270 cents a share from 155c and together with the interim, this gives a total of 400c for the year against 225c At last night's closing price of 8 975, this yields 4,5 percent.

A statement yesterday noted that in order to avoid the payment of undistributed profits tax, it has decided to declare a first interim dividend of 55 cents and the balance will be declared as a second interim dividend in February next year

GFSA FM 22/8/80

Awash with cash

(214)

After the past year's boom in ~~dividends~~ dividends from major gold investments, GFSA's earnings advance had been anticipated by the market The 270c (155c) final dividend brings the total to 400c (225c) from earnings of 768c (409c), with a higher 1,9 (1,8) times cover Higher cover, however, has already resulted in complaints from investors who feel the group has been overly mean in its payout

Dividend declarations from gold mines in the first six months were based on an average gold price nearly half the $588,50 level, which influenced second-half distributions And, as GFSA moves into the first six months of fiscal 1981, major investments are still benefiting from a bullion price of well over $600 — a level which should hold for the remainder of calendar 1980

This should mean a further strong rise in investment income In the year to end-June, revenue from this source more than doubled to R124m (R61m) as major managed investments West Drie, East Drie, Kloof, Venterspost and Doornfontein distributed, in most cases, about twice the amounts of the previous year

In addition, other gold mining investments also reported higher distributions as did most non-mining holdings Further down the line, however, there will be a start to dividends from Black Mountain, though initially they will be restrained by debt redemption

The start of production at Deelkraal and Black Mountain (and an end to establishment capex) is probably the reason why the surplus on share dealing was lower at R1,5m (R7,3m) after being between R7m and R8m for two years

Though gold looks set to hold up around current levels, which augurs well for dividend receipts, the increase in drilling and prospecting expenditure to R4,2m (R2,2m), and the high retention levels at some of the mines, points to substantial capex over the next few years as new areas are developed or previously unpay sections are mined

For example, there is the possible exploitation of North Drie, ground to the south of Kloof and OFS prospects, as well as GFSA's entitlement to subscribe to the Western Deep and Western Ultra Deep debentures

Last year, the percentage of income from the gold and uranium portfolio is thought to have remained at 84% But, even if the mines increase their retentions, the proportion is unlikely to fall this year

This year, GFSA will declare its interim dividend early to avoid undistributed profits tax Thus a first interim dividend of 55c a share will be declared in November with the balance being declared as a second interim in February

Though higher retentions could marginally inhibit dividend declarations, (and in the case of some mining investments, notably tin, cost pressures have increased) another dividend hike appears on the cards After the first 55c interim, a second payment could push the first-half payment up to something around 200c (130c) But unless bullion collapses, GFSA will still be faced with the problem of what to do with its strong cash flow

And though the group would presumably like to diversify further in the base minerals now that Black Mountain is under its belt, the most likely near-term developments will be in gold Better still, perhaps, would be greater generosity towards shareholders

Des Kilalea

81% fall in the funds available for dividend if gold fell 17% to $500 — investors have lifted the share 250c to 4 050c since the announcement Certainly, at the current price, the 3 000c rights offer, due in a couple of weeks, is bound to be successful

Des Kilalea

ERPM (214)

New life

FM 22/8/80

After being saved from closure in the mid-Seventies by State Aid and special State loans, ERPM is being revitalised and mill throughput raised to an annual 3,9 Mt from the current 2,3 Mt by a R429m capex programme (in 1980 terms) over the next 20 years Based on a real gold price of $600, management expects the expansion to increase the life of the mine to beyond 40 years in its present lease area, while maintaining dividends in real terms

Initially, the plan is to spend R300m in escalated terms over the next five years, to raise R47,5m through a 40-for-100 rights issue this year and R15,8m between January 1983 and January 1985 After the two-tier offer, the number of shares in issue will rise to 6,9m (4m) And on this increased number of shares, ERPM reckons it can maintain an annual dividend of at least 360c for the next five years Last year, the mine paid 100c while this year's interim of 175c is to be followed by 185c in December, unless bullion falls out of bed

MD Tony Honnet says that the financial problems in the Seventies meant ERPM fell "way behind" in development Because of this, just to keep the mine alive would require about 75% of the R300m capex planned for the next five years

Honnet agrees that the $600 benchmark used in the announcement might be more optimistic than the views presently held in the market But a decision had to be taken, and the mine is using the rights issue as an insurance against bullion falling to around $500

If bullion averages $600 in real terms until end-1985, profits after capex would be sufficient to pay annual dividends of 360c That is based on unit cost increase estimates of about 16% in the near term If gold should fall to $500, there would be a deficit after tax, capex and the 360c dividend of about R79m over the next five years Honnet believes that in this event R19m of the deficit could be financed by delaying certain non-essential capex items, while R60m would be funded by the rights issue

However, if no dividends were paid, the project could be financed internally at a real gold price below $500 Even without the rights issue funds or delaying any capex, the five-year first phase could be self-financing and still result in an annual dividend of some 70c at an average gold price as low as $500

Capex is scheduled at R46m in 1981, R60m in 1982, R70m for the next two years and R54m in 1985 The main effect of this will be to increase monthly milling capacity to 325 000 t by 1987 (currently 245 000 t) with an ultimate average gold recovery of about 5 g/t

In the interim, recovery is expected to fall below the June quarter's 5,1 g/t — to around 4,6 g/t — as previously unpayable ore is mined to augment production while development work progresses However, Honnet expects that once operations move into the deeper levels of the mine towards the mid-Nineties, grade will return to over 5 g/t

In the June quarter, ERPM reported a high 6,3% unit cost advance to R43,82/t (R41,19/t) However, Honnet says this reflected certain one-off costs and that an annual rate of 16%-18% on a rising tonnage is expected for the next few quarters That is on the low side when compared with expectations by mining houses such as GFSA and JCI

Though ERPM is still classified a State-aided mine, no allowance has been made for assistance in the capex programme

Further down the line, ERPM is trying for options on its southern boundary No allowance for developing this has been made in the R429m capex estimates for the next 20 years Based on extrapolation of the reef, Honnet says that should ERPM move into that area in the future, it would mean mining to a depth of some 4 600m There is also always the chance that once Rand Mines Props has proven its dump retreatment methods at Crown Mines, ERPM might think of a similar plant to recover gold from its sands

Though the planned expansion programme has increased the mine's gearing to the gold price — as evidenced by an

Migratory labour backed

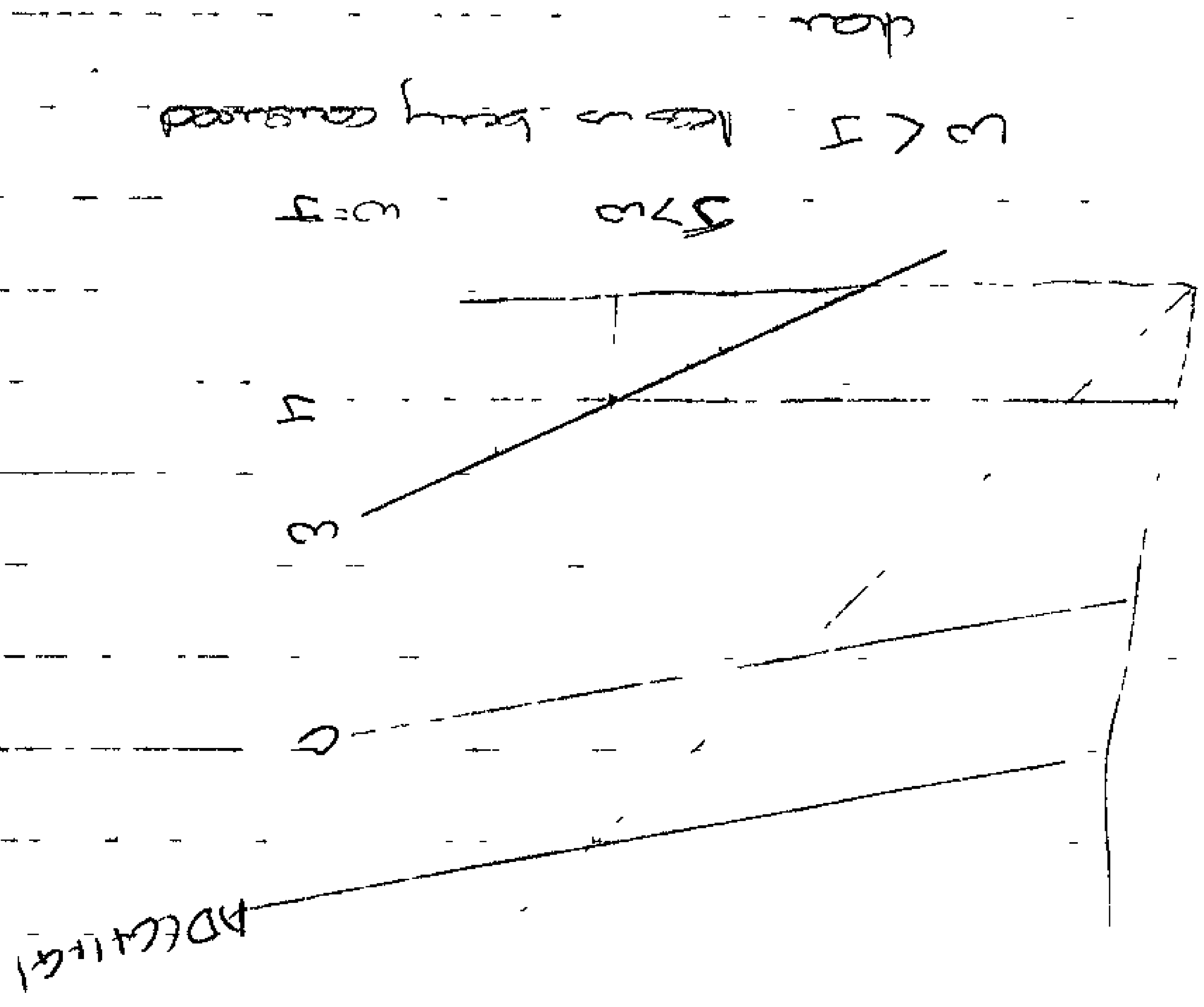
By ZWELAKHE SISULU

THE migratory labour system would stay even if apartheid were to be scrapped, the head of Anglo American's gold division, Mr Dennis Etheredge, said this week.

Mr Etheredge reiterated remarks he made during an interview with SABC/TV earlier in the week that the migrant labour system was favoured by most black miners.

Mr Etheredge said although he viewed migratory labour as a negative system, it had some benefits to black workers and the country's economy.

He did not believe, he said, that the system was a political creation. "Migratory labour was existing even long before the introduction of apartheid and I cannot see how it can be eradicated



Boksburg set to become a boom city

214

RDM 16/9/80

By LLEWELLYN KRIEL

BOKSBURG is to become the industrial giant of the East Rand within the next five years

This prediction came yesterday from the chairman of the town's management committee, Mr Chris Smith [illegible] the announcement this week of a massive R300-million gold mining development to be launched in the area

ERPM, one of South Africa's oldest and deepest mines, will, in the next five years, launch what is virtually a new mine bringing about 6 000 black and white workers to the town

No fewer than 70 white townships are at present in various stages of development awaiting proclamation, Mr Smith told the Rand Daily Mail yesterday

Two huge factories are being developed in the town at a cost of about R140-million, and the ERPM project alone will be spending R58-million on black and white housing projects in the town.

Mr Smith said the town council and local businessmen were "ecstatic" about the massive boom which the project would entail and felt they would be sufficiently competent to cope with the huge population explosion the boom would bring about.

"Financially, Boksburg is very healthy and we are in fact on the eve of becoming a city," he said

ERPM will be building model hostels for the black miners where no more than four men will be accomodated in a room The hostels will be fitted with lounges and other modern amenities, according to the announcement made on Thursday

Whites will be housed in specially renovated or newly-bought mine houses in the town

New amenities and sport and recreation facilities will be provided for both whites and blacks as part of the massive project

ER Cons doubles its profits

(214) RDM 16/9/80.

By IAN THOMAS
Mining Editor

EAST Rand Cons has more than doubled its half-year pre-tax profit to £397 300, which is slightly less than the total profit for last year.

A company spokesman yesterday attributed the massive increase to the upsurge in the ties and investment dealings

Its portfolio reflects a strong gold producer and mining financial holding, with counters such as Amgold, JCI, GFSA, Western Deep Levels, and Lonrho

No significant change has been made in the company's portfolio, and assuming the bullion price remains about the current $600 level, a substantial increase on last year's 1,05p dividend can be expected

There has been no change in the company's mineral rights

RDM 16/9/80

214

Record total from GFSA

By IAN THOMAS
Mining Editor

GOLD Fields of South Africa produced golden results in the year to end June, pushing up taxed profit 88% to a record R125 371 000 and the year's dividend 77% to 400c, with a final payment of 270c.

Income from investments, seven operating gold mines and one, Deelkraal, still under development, rocketed 103% to R124-million Share dealing profits declined from R7 258 000 to R1 490 000 whiel income from fees interest etc rose 33% to R29 552 000

Expenditure,mainly administration costs rose only 18% to R26-million, despite a doubling of drilling and prospecting costs to R4 208 000

This left pre-tax profit 88% higher at R129-million Taxation and minorities absorbed an unchanged slice of income, with the result that taxed profit was also 88% better at R125 371 000

Earnings per share jumped 88% to 768c from 409c and net asset value per share more than doubled to 11 636c

The average London gold price during the year under review was $696

Chairman designate, Mr Robin Plumbridge, said last night the massive increase in profit was thanks largely to the sharply higher gold price

GFSA is 46% controlled by Consolidated Gold Fields, which was subject of De Beers' dramatic and controversial "dawn raid" on the London Stock Exchange

Mr Plumbridge said gold and uranium contributed 84% of the company's income, base metals 8% and industrial interests 5%

Main contributors to the company's record profit were the mines at West Driefontein, East Driefontein and Kloof, Mr Plumbridge said

He said he does not see the "takeover" by De Beers disturbing the company's position

There has been little change at Rooiberg, Union Tin and Apex Mines, he said, while there has been an improvement at Gold Fields Property owing to the upturn in the property market

In order to avoid payment of undistributed profits tax,GFSA says will have to declare and pay before December 31, a portion of the amount becoming available for the interim dividend payment for the year ending June 30 1981

Shareholders will thus get a first interim dividend of 55c in November and the balance as a second interim dividend in February 1981

At last night's 8,975c closing the price the share gives a 4,5% yield

Companies in the (214) FM 19/9/80

GOLD FIELDS GROUP

MINING COMPANIES' CHAIRMEN'S REVIEWS FOR THE YEAR ENDED 30 JUNE 1980

(All Companies are Incorporated in the Republic of South Africa)

WEST DRIEFONTEIN GOLD MINING COMPANY LIMITED

It is with pleasure that I have to report that, for the third year in succession your company achieved record earnings which in this instance, can only be described as an exceptional improvement on the earnings recorded in previous years even though there has been a reduction in the total amount of gold produced The pre-tax profit for the year ended 30 June 1980 was R539 million This was 82 per cent higher than the profit of R297 million earned in the previous year and, in fact exceeded the combined profits of that year and the preceding year The dividend of 1 150 cents per share which absorbed R162 million, compares with the dividend of 615 cents per share, which absorbed R87 million, paid to members in the 1979 year It is of interest to note that the past year's dividend was a little higher than the sum of all the dividends paid during the first 19 years of the productive life of your company's mine

Members' attention is drawn to the Technical Advisers Report from which it will be seen that the total tonnage milled was 2 700 000 tons compared with 2 575 000 tons in the previous year As a result of the progressive lowering of the pay limit during the year, a larger proportion of lower grade ore was also mined and, as a consequence, the gold yield showed a marked decline from 21,8 grams per ton to 18,1 grams per ton The increased tonnage milled did not compensate for the decline in yield and the gold output for the year fell by 7 158 kilograms to 48 880 kilograms

The excellent financial results for the year are attributable to a 95 per cent increase to R12 235 per kilogram, in the average price received by the company for its gold sold By comparison the previous year's output fetched an average price of R6 275 per kilogram Although there was also a reduction in the quantity of silver contained in the gold bullion, the revenue received for this metal more than doubled to nearly R3 million Working revenue from gold, silver and a small quantity of osmiridium amounted to R601 million, as against R353 million in 1979 Total working expenditure, at R93 million, was 9,5 per cent higher as a result of increased labour charges and higher costs of stores and services but the cost per ton milled increased by only 4 4 per cent mainly on account of the greater tonnage treated The net result was a total working profit of R524 million (R283 million) after taking into account a profit of R16 million (R15 million) from the sale of uranium and sulphuric acid Interest and net sundry revenue brought in R15 million (R13 million) and as already mentioned, the pre tax profit was R539 million

It is to be regretted that in his budget presented in March 1980, the Minister of Finance did not see fit to extend any relief to the gold mines from the inequitable burden of taxation imposed on them The compulsory loan levy on gold mines was however, finally abolished and in the case of your company this was effective from 1 July 1979 The abolition of the loan levy is welcomed although this merely has the effect of adjusting the company's annual cash flow As will be seen from the balance sheet the considerable sum of R55 million in respect of loan levies and interest thereon was outstanding at 30 June 1980 and only falls due for refund over the five years commencing in 1982 Taxation and the State's share of profit for the year under review totalled R338 million reflecting in my opinion, an exorbitant rate of 63 per cent of the pre tax profit or 65 per cent of taxable income after allowing for the redemption of capital expenditure Net earnings were thereby reduced to R201 million In the 1979 year the State took R184 million and net earnings were R113 million Since the start of production the State has taken R1 389 million whilst members of the company have received dividends totalling R720 million

Capital expenditure amounted to R13 million, which was R2 million less than had been estimated at the beginning of the year The greater part of this expenditure was incurred on the new pumping arrangements being provided at No 4 Shaft and No 6 Sub Vertical Shaft on extensions to the ventilation refrigeration and electric power facilities, on the establishment of the rock pass system at No 6 Sub-Vertical Shaft and on extensions and improvements to the accommodation and amenities for our black employees Total expenditure on fixed and other assets, including stockpiled uranium, amounted to R20 million This amount, together with a further amount of R18 million which has been earmarked mainly to finance the continuing costly capital expenditure programme to transfer the centre of mining operations from the western sector to the eastern sector of the lease area, was transferred to non distributable reserve The total amount set aside for this and other capital expenditure purposes is now R30 million and will be drawn upon as required For the 1981 financial year alone, capital expenditure is estimated at R19 million After making the above transfer and appropriating for the dividend there was a small increase in the unappropriated profit

The rising trend in the gold price over the year illustrates the increasing importance being placed on gold and other precious metals as stores of value which provide some hedge against inflation arising largely as a consequence of burgeoning oil prices which in turn have acted as a restraint on the world's real economic growth capacity In addition, international tensions and precautionary measures taken against political risks have played a part in the rising trend Operations on the futures markets accentuated the fluctuations in the price per ounce of gold which rose from U S $281 at the end of June 1979 to $524 at the end of December 1979 and to a peak of $850 on 21 January 1980 The price then fell back to $474 at the end of March 1980 and has subsequently recovered to above the $600 mark The rapid rise and fluctuations in the gold price have caused considerable difficulties for fabricators particularly the jewellery industry and it is estimated that of the 1 765 tons of gold supplied to the non-communist private sector in the 1979 calendar year demand for fabrication including official coins fell by 281 tons to 1 315 tons whereas net private bullion purchases for hoarding and investment purposes increased by 294 tons to 450 tons

Wide and rapid fluctuations in the gold price have also presented mine managements with problems in adjusting their mining plans to take account of this and also cost inflation In order to ensure that a mine's life is not shortened by the mining of only the richer ore it is the condition of a mining lease that the ... of the ore mined approximates the value of the ore reserve, such reserve being calculated periodically ... pay limits based on assumptions regarding the future gold price and costs Where an increase in the ... price is greater than the increase in costs, the pay limit of the mine is reduced so that some ore which was previously considered unprofitable to mine can be brought back into the reserve, thereby reducing the average value of the reserve In the past decade ... adjustment of mining arrangements to take account of material changes in gold price and cost conditions both up and downwards have for technical ... lagged well behind such changes However development in additional lower grade areas has ... been completed at the company's mine and w... the mining programmes to be adjusted to chang... conditions in the future The attention of members is drawn to the graphs contained in the Techn... Advisers' Report which show the ore reserve ... and equivalent stope values at 30 June 1980 for a ... of pay limits The attention of members is also ... to the fact that, as a result of a decision to increase size of the ore reserve blocks the ore reserve figures ... not strictly comparable with those published in ... past

Outlook

At the time of writing the pay limit is calculated to be 3,2 grams per ton and, as will be seen from the graph which I have referred the ore reserve consists of ... million tons at a stope value of 17 6 grams per ton The mine has not been able to adjust its mining policy the same speed as the reduction in the pay limit ... the past twelve months, but it is expected tha... balanced mining position will be achieved during ... second quarter Once this has been attained ... expected that the mill yield based on the current ... limit but including allowances for the usual f... such as dilution from development and other sources will be 14,2 grams per ton

A fire was detected on the Carbon Leader horizon the No 2 Shaft area on 30 June 1980 The ... by the fire was sealed off and the fire was allowed ... burn itself out, with production not being mater... affected Barring any unusual circumstances ... at the rate of 225 000 tons per month should conti... throughout the current year The uranium market is an over supply position at present and is like... remain so for a number of years Uranium prices ... declined accordingly Your company has ex... contracts for a large part of its uranium prod... this year, but in the absence of any new contracts the sale of surplus stock, revenue from this source will be lower than it was last year With the indicated lower gold production and with working costs expected to show a further sharp increase as a result of recent salary and wage increases granted to all employees, as well as the effect on other cost items of an accelerating rate of inflation an appreciably higher average gold price will be needed to maintain last year's level of working profit

The estimated financial results for the first half of the financial year will be considered by the board of the directors in December 1980 It is intended to recommend consideration of a reduction in the large discrepancy between interim and final dividend payments as declared in the previous financial year

General

I have much pleasure in expressing, on behalf of the board, our sincere appreciation of the valuable services rendered to the company during the year by Mr O A Jones, the consulting engineer, by Mr I C Watson, the mine manager, and by the staff at the mine and at head office

A Louw
Chairman

Johannesburg
22 August 1980

LIBANON GOLD MINING COMPANY LIMITED

The attention of members is directed to the Technical Advisers' Report and the Financial Statements which describe in detail the results of your company's operations for the year ended 30 June 1980 In comparison with the previous year's results, these reflect a lower gold output of 6,4 per cent and an increase of 13,7 per cent in working expenditure, and a greatly improved working profit which rose by 156 per cent from R35,6 million to R91,3 million This resulted from the large increase, from R6 307 per kilogram to R11 900 per kilogram, in the average price received by the company for its gold output

Milling at the plant's capacity of 140 000 tons per month was maintained throughout the year so that a total of 1 680 000 tons were milled, which was 40 000 tons more than the tonnage milled in the 1979 year Although, as planned, increased tonnages of lower grade ore were sent to the mill, the plans were not geared to respond rapidly enough to changes in the mine's pay limit brought about by sharp rises and wide fluctuations in the gold price As a result, only a small decline in the yield, from 7,8 grams per ton to 7,1 grams per ton, was experienced This decline in yield was not, however, offset by the increase in the tonnage milled and gold production fell by 816 kilograms to 11 917 kilograms

Working revenue totalled R142,4 million, compared to R80,5 million in the previous year, and working expenditure increased by R6,2 million to R51,1 million as a result of higher labour charges and the pressure caused by the high rate of inflation on all other cost items The working profit of R91,3 million was augmented by interest and net sundry revenue of R3,2 million, so that the gross profit improved from a record R38,0 million in 1979 to a new record R94,5 million No changes were made in the tax rates applicable to your company and the State benefited to the extent of R46,3 million, as against R18,0 million in 1979, from its share of the profit and taxation Although no changes were made in the tax rates, the compulsory loan levy was abolished for all companies and individuals In the case of your company, abolition of the levy was effective from 1 July 1979 The after-tax profit was R48,2 million, or R28,2 million more than the corresponding figure for 1979

Capital expenditure for the year amounted to R15,9 million, the bulk of which was incurred on the shafts and underground equipment, as well as the provision of ventilation, refrigeration and pumping facilities 23 houses were also bought in Westonaria for the housing of mine employees An amount of R32,0 million was transferred to non-distributable reserve to cover expenditure of R17,6 million incurred on fixed and other assets, and includes a provision of R14,4 million to meet part of the cost of the heavy capital expenditure programme that lies ahead Retained profits for this purpose now amount to R18 8 million The dividend of 200 cents per share absorbed R15,9 million, as against 150 cents per share, which absorbed R11,9 million, in 1979

During the year the rights to precious metals over an additional area of approximately 118 hectares of the farm Libanon 283 I Q, which adjoins the north-eastern boundary of the company's mining lease area, were purchased from Gold Fields of South Africa Limited for a consideration of R265 000 which will be paid when transfer of the rights is effected The company now owns the rights to precious metals over approximately 653 hectares adjoining the eastern boundary of the lease area north of the Kloof mine boundary, and the southern boundary of the lease area Prospecting permits are held over all this ground, with permission to mine certain portions Application has been made to the Minister of Mineral and Energy Affairs for a new mining lease to cover these areas which are shown on the plan accompanying the company's annual report

I mentioned in my Review published at this time last year that a proposal to sink a new surface shaft in the vicinity of No 2 Sub-Vertical Shaft, which has since been renamed No 4 Sub-Vertical Shaft, was being investigated The investigation was completed and, because of the considerable benefits that would be provided, it has been decided to sink the shaft, to be named No 4 Shaft, into the pillar of No 4 Sub-Vertical Shaft which it will serve As previously reported, the latter shaft is being extended to 42 Level at which elevation it will be possible to exploit the Ventersdorp Contact Reef down to the eastern boundary of the lease area applied for No 4 Shaft will be equipped for rock hoisting, thereby reducing underground transport distances, and will provide better access for men and material It will also provide down-cast air to the deep eastern workings, while the existing No 2 Shaft will become an upcast airway No 4 Sub-Vertical Shaft was itself sunk to 1 293 metres below its collar by the end of the year and 36 Level Station had been cut and supported Small stations on 35 and 38 Levels were also cut for access to the rock pass system The headgear portion of No 4A Service Shaft, which forms part of the No 4 Shaft system and was previously named No 2A Service Shaft, has been completed and preliminary sinking is being carried out By the year end, No 1A Service Shaft had been completed and was being prepared for commissioning

In pursuance of the stated policy of correcting the imbalance in the ore reserve, which previously contained a disproportionately large tonnage of high-grade ore on the Ventersdorp Contact Reef horizon in the southern sector of the mine, development during the year was concentrated on opening up lower grade areas of the mine on the Main Reef, Ventersdorp Contact Reef, Elsburg Reef and Kimberley Reef horizons Members' attention is directed to the graphs contained in the Technical Advisers' Report, which show the ore reserve tonnages and equivalent stope values at 30 June 1980 for a range of pay limits which apply to the mine at various gold prices and working expenditure levels As a result of a decision to increase the size of the ore reserve blocks, the ore reserves at 30 June 1980 are not strictly comparable with those published in the past

I have already referred to the difficulty experienced in the past in making timeous adjustments to the mining programme in response to changing circumstances brought about by rapid fluctuations in the gold price, and to take account of changes in the cost structure Mine planning has now been restructured to provide a greater degree of flexibility in the procedures so that mining operations can be adapted, on a month to month basis, to take account of changes in the pay limit and to conform to the requirement in the mining lease that the value of the ore extracted is of approximately the same value as the ore reserve as determined from time to time At the time of writing, the pay limit is 2,8 grams per ton and the corresponding ore reserve tonnage is 10,5 million tons at a stope value of 7,7 grams per ton The planned yield on the basis of the current ore reserve is 5,9 grams per ton, which is significantly lower than that achieved last year

The future of your company's mine, which came into production in March 1949, has been materially affected by developments over the last few years The new lease area, once granted, will ensure the mine of a life well in excess of 20 years, unless there is a major unforeseen deterioration in the gold price in real terms In addition, the prevailing pay limit, if maintained, will have a significant effect on the tonnage of ore available for mining within the existing lease area The major capital programme which is currently being undertaken is designed to provide the facilities to enable the mine to operate as efficiently as possible over its now much extended life This programme will cost some R94 million over the next six years, in today's money terms, of which R18 million is expected to be spent in the current year

It is essential that the capital programme proceed uninterrupted and therefore, as previously mentioned, R18,8 million has been set aside to assist in financing the programme in the event of there being a serious short-term downturn in the gold price It is still too early in the year to make any reliable forecast of gold revenue and profits If, however, the present favourable circumstances persist, a moderate increase in the total dividend distribution can be expected while, at the same time, it should be possible to increase the provision for future capital expenditure

On behalf of the board, it once again gives me great pleasure to express our sincere appreciation of the services rendered by Mr O Davel, the consulting engineer, by Mr R K Briggs, the mine manager, and by the staff at the mine and at head office

R A Plumbridge
Chairman

Johannesburg
22 August 1980

VENTERSPOST GOLD MINING COMPANY LIMITED

Because the ore in your company's mine is of comparatively low value, operating results are very sensitive to changes in the gold price and unit working costs Thanks, therefore, to the near doubling, from R6 297 per kilogram to R12 369 per kilogram, in the average price received for the mine's gold output, the working profit from gold increased dramatically from R2,1 million in the 1979 year to a record R34,3 million in the year ended 30 June 1980 in spite of a R5,8 million increase in working expenditure Profit from pyrite sales also increased by R0,5 million to R0,8 million, and the total working profit was therefore R35,1 million, as against R2,4 million Whereas in the previous year State assistance of R1,2 million was received, the large profit earned in the year under review obviated any need for further assistance In fact, the State more than recouped the R7,4 million paid in aid to your company over the years 1977 to 1979, out of the 1980 tax bill which amounted to R17,7 million The assistance received during those difficult years is much appreciated, and although the mine remains classified as a "State Assisted Mine", it is to be hoped that it will not again be necessary to call for assistance in the future

Although operations were hampered to some extent at the beginning of the year as an aftermath of an underground fire that occurred at the end of the previous year, and by a high seasonal turnover of black labour during the second quarter, the total tonnage milled for the year increased by 80 000 tons to 1 314 000 tons This included an increased tonnage of low-grade material drawn from surface dumps and, with lower grade ore being mined as a result of the lowering of the pay limit brought about by the increase in the gold price, the average yield declined from 5,1 grams per ton in 1979 to 4,8 grams per ton This decline in yield was largely offset by the higher tonnage milled and the gold output of 6 291 kilograms was therefore only 57 kilograms below the 1979 output

After adding R1,8 million from interest and net sundry revenue, the profit before tax was R36,9 million, compared to the previous year's R4,6 million, and the taxed profit was R19,2 million, as against R4,2 million Capital expenditure for the year was R2,5 million and was mainly incurred on underground equipment, ventilation, refrigeration and electric power facilities, and on the purchase of an additional 31 houses in Westonaria for the housing of mine employees In this past year of plenty, your directors considered it prudent to appropriate a portion, amounting to R6,6 million, of the profit to meet part of the cost of the ongoing capital expenditure programmes, to which reference is made below This amount, together with the amount of R2,4 million by which fixed and other assets increased during the year, made up the sum of R9,0 million which was transferred to non-distributable reserve The record dividend of 200 cents per share absorbed R10,1 million and compares with the 1979 dividend of 45 cents per share which absorbed R2,3 million

The results from the initial development carried out some years ago in the Middelvlei area were disappointing and work in the area was discontinued in 1976 because of the low gold price prevailing at that time, but the possibility of returning to the area was kept under constant review With the upsurge in the gold price last year and the consequent improvement in the company's financial position, it was decided to resume the exploration programme in that area The haulage on 4 Level is being re-equipped for this purpose, the original equipment having been removed for use in other parts of the mine An investigation was also carried out during the year into the possibility of sinking a new surface shaft in the southern sector of the mine, with a view to reducing the excessive travelling times underground and to improving the unsatisfactory ventilation conditions at the bottom of the mine The investigation disclosed that, although such a shaft would be desirable, the potential benefits which would be derived therefrom would not justify its cost Alternative arrangements are now being implemented to improve the environmental conditions in the area served by No 3 Tertiary Shaft where most of the stoping and development is presently being carried out

Because of a lowering of the pay limit of the mine as a result of the increase in the gold price, which has outstripped the increase in costs, development will be increasingly devoted to opening up for mining some promising areas of lower grade ore on the upper levels of the mine The areas so opened up and added to the ore reserve will have the effect of reducing the value of the reserve, but will at the same time provide a greater degree of flexibility which will enable the mine to respond more quickly than has been the case in the past to changes in the pay limit resulting from gold price and cost changes In this connection the attention of members is directed to the graphs contained in the Technical Advisers' Report which show the ore reserve tonnages and equivalent stope values at 30 June 1980 for a range of pay limits As a result of a decision to increase the size of the ore reserve blocks, the ore reserve figures are not strictly comparable with those published in the past

The Technical Advisers estimate that capital expenditure in the current year will be R5,5 million to be spent mainly on refrigeration arrangements for the No 3 Tertiary Shaft area, on underground equipment to replace items which have become worn out and could not be replaced previously because of financial stringency, and for equipping the 4 Level haulage into the Middelvlei area As far as production is concerned, a slight increase in the tonnage milled is expected, but as an increasing tonnage of lower-than-average grade ore from the upper levels is milled the average yield and overall gold production are expected to be lower than they were last year I mentioned at the outset that the company's operations are very sensitive to changes in the gold price and costs It is known that costs this year will be substantially higher than they were in 1979 because of recent salary and wage awards and the effect of inflation on other items, but it is not possible at this point in time to estimate the working revenue which will be the main factor determining the profit and dividend levels

It gives me great pleasure to express, on behalf of the board, our sincere appreciation of the services rendered to the company by Mr O Davel, the consulting engineer, by Mr D L Starkey who retired during the year, by Mr P H Hartslief who succeeded Mr Starkey as mine manager, and by the staff at the mine and at head office

C T Fenton
Chairman

Johannesburg
22 August 1980

DOORNFONTEIN GOLD MINING COMPANY LIMITED

The year ended 30 June 1980 was a momentous one for your company In the first place the pre-tax profit virtually trebled, from R33 million in the 1979 year to R96 million, which outstrips by far the profit earned in any previous year, and, after providing for a substantially higher charge for taxation and share of profits payable to the State, and increased spending on capital account, your directors were able to double the dividend to 120 cents per share In the second place, whereas a few years ago it was believed that the company's mine would have only a short remaining life, the acquisition, at the end of the year under review, of a relatively large section of additional ground for mining has ensured that, under prevailing circumstances, the mine has a life expectancy in excess of twenty years

The results of operations for the year are described in detail in the technical advisers' report and the financial statements, to which members' attention is directed When compared with the previous year's operations the total tonnage milled was unchanged at 1 440 000 tons even though there was a 4,2 per cent reduction in the square metres mined, the tonnage sent to the mill from current mining having been augmented by ore obtained from cleaning-up operations in the older areas of the mine, which was offset, to some extent, by a higher sorting rate and a lower output from the waste washing plant A greater proportion of lower-grade Main Reef was mined and as a result the yield declined slightly from 8,6 grams per ton to 8,4 grams per ton, and the total gold output from 12 436 kilograms to 12 096 kilograms

An average price of R12 000 per kilogram was realised from the sale of the company's gold compared to the previous year's average of R6 308 per kilogram Working revenue therefore increased by 85 per cent, from R79 million to R146 million, but there was an 11 per cent increase in working expenditure to R53 million which, although disturbing, was lower than the national inflation rate The resultant working profit was R92 million, as against R31 million in 1979 Interest and net sundry revenue improved by R1 million to R3 million and, as already mentioned, the total pre-tax profit was R96 million The State's share of profit and formula tax, to which I will refer later in this Review, together with normal tax on non-mining income, amounted to the large sum of R52 million, or more than half the gross profit The corresponding combined charge in 1979 was R16 million One pleasing feature of the 1980 national budget was the abolition of the compulsory loan levy which, in the case of your company, was effective from 1 July 1979

At the beginning of the year it was estimated that capital expenditure for the year would amount to R16 million, much of which was expected to be incurred in connection with the development and exploitation of the area south of the lease area then held under option In the event only R9 million was expended, the balance having been deferred owing to a delay in obtaining the approval of the authorities to the proposals submitted with regard to this area Total expenditure on fixed and other assets amounted to R10 million and this amount, together with an amount of R21 million appropriated towards the large capital expenditure programme that lies ahead, was transferred to non-distributable reserve With the retentions made from previous years' profits, a sum of R28 million is now available for meeting part of the cost of the capital programme Of the remaining profit, R12 million was absorbed by the increased dividend and the unappropriated profit rose by R1 million to R3 million

In my Review last year I referred to the application made by Gold Fields of South Africa Limited (GFSA) for a new mining lease to encompass your company's existing lease area and the adjoining southern area of approximately 563 hectares of the farm Doornfontein 118 I Q held under option from that company At the request of the authorities that application was withdrawn and a fresh application was submitted by GFSA for a lease in respect of the option area only, such lease, when granted, to be ceded to your company Members were informed in an announcement published in the press on 3 July 1980, and in the directors' quarterly report which was published on 9 July 1980, that the Minister of Mineral and Energy Affairs had approved the application for the new mining lease The consideration payable to the State, with retrospective effect from 1 July 1979, in respect of the annual profits derived from the working of the enlarged lease area, is calculated according to a new formula which, from your company's point of view, is more favourable than the onerous formula that previously applied I also referred in my last Review to the application made for the mine to be classified as an "other deep level gold mine" in terms of the Income Tax Act in view of the fact that much of the current mining was being conducted below the 2 286 metres contour, and that the new lease area would be mined at even greater depth This application was approved, also with effect from 1 July 1979, and the new classification entitles the company to an allowance of 10 per cent on annual capital expenditure for a period of ten years from that date The figure of R52 million referred to above in respect of State's share of profit and tax payable for the past year has been calculated according to the new lease formula and takes into account the capital allowance for formula tax purposes Consequent upon the approval of the application for the new lease, on 30 June 1980 your company exercised its option to purchase the mineral rights over the area concerned and will take cession of the lease in due course In terms of the agreement with GFSA, the purchase consideration of R997 600 was paid to that company on that day, and at the same time GFSA applied for, and was allotted, 172 000 new shares in the capital of your company for a like consideration

The original proposals, as mentioned in my last Review, for opening up the new lease area for mining involved the sinking of two sets of sub-incline shafts into the area as this was considered to be the most expeditious and least costly, although technically not the soundest, method of replenishing the ore which was becoming rapidly depleted in the original mine Detailed planning of the whole project was completed during the year, taking into account the latest estimate of ore that could be made available for mining from the existing shaft systems and also the improved financial position of the company Arising out of this investigation, it was decided to modify the original proposals and, instead of the two sets of sub-incline shafts, only one of these shafts, No 2A Sub-Incline Shaft, will be sunk into the western section of the new area Development towards the site of this shaft is well advanced In addition, a new surface shaft, No 3 Shaft, will be sunk into the southern section of the No 1A Sub-Vertical Shaft pillar and a sub-vertical shaft, No 3 Sub-Vertical Shaft, will be sunk in close proximity to No 3 Shaft down to 47 Level which is the elevation of the southern boundary of the enlarged lease area Preliminary work at the site of No 3 Shaft is in progress Development into the new area from the proposed sub-incline shaft and on 33 and 35 Levels from the existing shaft systems should ensure that sufficient ore will be made available to avoid a reduction in the milling rate before the No 3 Shaft system is established The capital programme will involve a high level of expenditure over the next six years and this is estimated to be R152 million in present-day money terms For the current year capital expenditure for all purposes is estimated at R26 million

As a result of a lowering of the pay limit brought about by the increased gold price, exploratory development on the Main Reef horizon in the upper levels of the central and eastern areas of the mine is being intensified and, in due course, it is expected that increased tonnages of low-grade ore will become available from this source, which will lead to a reduction in the value of the ore reserve and in the average yield Steps are being taken to enable the mine time, but the possibility of returning to the area was kept under constant review With the upsurge in the gold price last year and the consequent improvement in the company's financial position it was decided to resume the exploration programme in that area The haulage on 4 Level is being re-equipped for this purpose the original equipment having been removed for use in other parts of the mine An investigation was also carried out during the year into the possibility of sinking a new surface shaft in the southern sector of the mine, with a view to reducing the excessive travelling times underground and to improving the unsatisfactory ventilation conditions at the bottom of the mine The investigation disclosed that although such a shaft would be desirable the potential benefits which would be derived therefrom would not justify its cost Alternative arrangements are now being implemented to improve the environmental conditions in the area served by No 3 Tertiary Shaft where most of the stoping and development is presently being carried out

Because of a lowering of the pay limit of the mine as a result of the increase in the gold price which has outstripped the increase in costs development will be increasingly devoted to opening up for mining some promising areas of lower grade ore on the upper levels of the mine The areas so opened up and added to the ore reserve will have the effect of reducing the value of the reserve, but will at the same time provide a greater degree of flexibility which will enable the mine to respond more quickly than has been the case in the past to changes in the pay limit resulting from gold price and cost changes In this connection the attention of members is directed to the graphs contained in the Technical Advisers Report which show the ore reserve tonnages and equivalent stope values at 30 June 1980 for a range of pay limits As a result of a decision to increase the size of the ore reserve blocks the ore reserve figures are not strictly comparable with those published in the past

The Technical Advisers estimate that capital expenditure in the current year will be R5 5 million to be spent mainly on refrigeration arrangements for the No 3 Tertiary Shaft area on underground equipment to replace items which have become worn out and could not be replaced previously because of financial stringency, and for equipping the 4 Level haulage into the Middelvlei area As far as production is concerned a slight increase in the tonnage milled is expected, but as an increasing tonnage of lower than-average grade ore from the upper levels is mined the average yield and overall gold production are expected to be lower than they were last year I mentioned at the outset that the company's operations are very sensitive to changes in the gold price and costs It is known that costs this year will be substantially higher than they were in 1979 because of recent salary and wage awards and the effect of inflation on other items but it is not possible at this point in time to estimate the working revenue which will be the main factor determining the profit and dividend levels

It gives me great pleasure to express on behalf of the board our sincere appreciation of the services rendered to the company by Mr O Davel the consulting engineer by Mr D I Starkey who retired during the year by Mr P H Hartslief who succeeded Mr Starkey as mine manager and by the staff at the mine and at head office

C T Fenton
Chairman

Johannesburg
22 August 1980

DOORNFONTEIN GOLD MINING COMPANY LIMITED

The year ended 30 June 1980 was a momentous one for your company In the first place the pre tax profit virtually trebled, from R33 million in the 1979 year to R96 million, which outstrips by far the profit earned in any previous year, and, after providing for a substantially higher charge for taxation and share of profits payable to the State, and increased spending on capital account, your directors were able to double the dividend to 120 cents per share In the second place whereas a few years ago it was believed that the company's mine would have only a short remaining life the acquisition at the end of the year under review of a relatively large section of additional ground for mining has ensured that under prevailing circumstances the mine has a life expectancy in excess of twenty years

The results of operations for the year are described in detail in the technical advisers report and the financial statements to which members attention is directed When compared with the previous year's operations the total tonnage milled was unchanged at 1 440 000 tons even though there was a 4 2 per cent reduction in the square metres mined the tonnage sent to the mill from current mining having been augmented by ore obtained from cleaning-up operations in the older areas of the mine which was offset to some extent by a higher sorting rate and a lower output from the waste washing plant A greater proportion of lower grade Main Reef was mined and as a result the yield declined slightly from 8 6 grams per ton to 8 4 grams per ton and the total gold output from 12 436 kilograms to 12 096 kilograms

An average price of R12 000 per kilogram was realised from the sale of the company's gold compared to the previous year's average of R6 308 per kilogram Working revenue therefore increased by 85 per cent, from R79 million to R146 million but there was an 11 per cent increase in working expenditure to R53 million which although disturbing was lower than the national inflation rate The resultant working profit was R92 million as against R31 million in 1979 Interest and net sundry revenue improved by R1 million to R3 million and as already mentioned, the total pre-tax profit was R96 million The State's share of profit and formula tax, to which I will refer later in this Review together with normal tax on non mining income amounted to the large sum of R52 million, or more than half the gross profit The corresponding combined charge in 1979 was R16 million One pleasing feature of the 1980 national budget was the abolition of the compulsory loan levy which, in the case of your company, was effective from 1 July 1979

At the beginning of the year it was estimated that capital expenditure for the year would amount to R16 million much of which was expected to be incurred in connection with the development and exploitation of the area south of the lease area then held under option In the event only R9 million was expended the balance having been deferred owing to a delay in obtaining the approval of the authorities to the proposals submitted with regard to this area Total expenditure on fixed and other assets amounted to R10 million and this amount together with an amount of R21 million appropriated towards the large capital expenditure programme that lies ahead was transferred to non-distributable reserve With the retentions made from previous years profits a sum of R28 million is now available for meeting part of the cost of the capital programme Of the remaining profit R12 million was absorbed by the increased dividend and the unappropriated profit rose by R1 million to R3 million

In my Review last year I referred to the application made by Gold Fields of South Africa Limited (GFSA) for a new mining lease to encompass your company's existing lease area and the adjoining southern area of approximately 563 hectares of the farm Doornfontein 118 I Q held under option from that company At the request of the authorities that application was withdrawn and a fresh application was submitted by GFSA for a lease in respect of the option area only such lease when granted to be ceded to your company Members were informed in an announcement published in the press on 3 July 1980, and in the directors quarterly report which was published on 9 July 1980 that the Minister of Mineral and Energy Affairs had approved the application for the new mining lease The consideration payable to the State with retrospective effect from 1 July 1979 in respect of the annual profits derived from the working of the enlarged lease area is calculated according to a new formula which, from your company's point of view is more favourable than the onerous formula that previously applied I also referred in my last Review to the application made for the mine to be classified as an other deep level gold mine in terms of the Income Tax Act in view of the fact that much of the current mining was being conducted below the 2 286 metres contour, and that the new lease area would be mined at even greater depth This application was approved also with effect from 1 July 1979 and the new classification entitles the company to an allowance of 10 per cent on annual capital expenditure for a period of ten years from that date The figure of R52 million referred to above in respect of State's share of profit and tax payable for the past year has been calculated according to the new lease formula and takes into account the capital allowance for formula tax purposes Consequent upon the approval of the application for the new lease on 30 June 1980 your company exercised its option to purchase the mineral rights over the area concerned and will take cession of the lease in due course In terms of the agreement with GFSA, the purchase consideration of R997 600 was paid to that company on that day and at the same time GFSA applied for and was allotted, 172 000 new shares in the capital of your company for a like consideration

The original proposals, as mentioned in my last Review, for opening up the new lease area for mining involved the sinking of two sets of sub incline shafts into the area as this was considered to be the most expeditious and least costly although technically not the soundest method of replenishing the ore which was becoming rapidly depleted in the original mine Detailed planning of the whole project was completed during the year, taking into account the latest estimate of ore that could be made available for mining from the existing shaft systems and also the improved financial position of the company Arising out of this investigation it was decided to modify the original proposals and, instead of the two sets of sub incline shafts, only one of these shafts No 2A Sub-Incline Shaft, will be sunk into the western section of the new area Development towards the site of this shaft is well advanced In addition, a new surface shaft, No 3 Shaft, will be sunk into the southern section of the No 1A Sub Vertical Shaft pillar and a sub vertical shaft, No 3 Sub Vertical Shaft, will be sunk in close proximity to No 3 Shaft down to 47 Level which is the elevation of the southern boundary of the enlarged lease area Preliminary work at the site of No 3 Shaft is in progress Development into the new area from the proposed sub-incline shaft and on 33 and 35 Levels from the existing shaft systems should ensure that sufficient ore will be made available to avoid a reduction in the milling rate before the No 3 Shaft system is established The capital programme will involve a high level of expenditure over the next six years and this is estimated to be R152 million in present day money terms For the current year capital expenditure for all purposes is estimated at R26 million

As a result of a lowering of the pay limit brought about by the increased gold price exploratory development on the Main Reef horizon in the upper levels of the central and eastern areas of the mine is being intensified and, in due course, it is expected that increased tonnages of low grade ore will become available from this source, which will lead to a reduction in the value of the ore reserve and in the average yield Steps are being taken to enable the mine to adapt its mining programmes on a month to month basis in response to alterations to the pay limit resulting from fluctuations in the gold price and changes in working costs, so that, as required by a term of the mining lease, the average grade of ore mined corresponds as near as possible to the average value of the ore reserve as determined from time to time In this connection members' attention is drawn to the graphs contained in the technical advisers' report which show the ore reserve tonnages and equivalent stope values at 30 June 1980 for a range of pay limits As a result of a decision to increase the size of the ore reserve blocks, the ore reserve figures are not strictly comparable with those published in the past

At the prevailing pay limit, based on the recent levels of the gold price and working costs, there is unlikely to be any significant change in the yield in the current year In addition, the milling rate of 120 000 tons per month is expected to be maintained throughout the current year and gold production should therefore be nearly the same as it was last year Although working revenue since the commencement of the new year is higher than the average monthly revenue received in the year to June 1980, the total for the year will depend entirely on the average gold price received, which it is not possible to predict Working expenditure has already increased sharply as a result of higher salaries and wages recently awarded to the mine's employees and, with the effect that the current high rate of inflation is having on the other cost items, overall working expenditure is likely to be substantially higher and this will have an adverse effect on the working profit As far as the dividend is concerned, members should bear in mind that the heavy capital expenditure programme will act as a constraint on distributions for a number of years Nevertheless, if the current favourable gold price persists, it should be possible to contemplate an increase in the total distribution for the year Members' attention is particularly drawn to the fact that it is intended to reduce the large discrepancy that existed last year between the interim and final dividend payments

It once again gives me great pleasure to express, on behalf of the board, our sincere appreciation of the services rendered by Mr O A Jones, the consulting engineer; by Mr R P MacNaughton, the mine manager, and by the staff of the mine and at head office

R A Plumbridge
Chairman

Johannesburg
22 August 1980

KLOOF GOLD MINING COMPANY LIMITED

Operations at your company's mine during the year ended 30 June 1980, which are described in detail in the Technical Advisers' Report and to which members' attention is directed, were not without their trying moments, production having been hampered by two underground fires, an accident in No 3 Shaft which caused serious damage to the shaft, and a number of rock-bursts to which the mine is prone A high turnover of black labour during the summer months also hampered production Milling at the plant's capacity of 180 000 tons per month, first achieved in June 1979, was therefore not possible throughout the year, but even so the total tonnage milled increased from 1 995 000 tons in the 1979 financial year to 2 090 000 tons The yield of 14,8 grams per ton was unchanged and gold production therefore increased by 1 510 kilograms to 30 995 kilograms

The pattern of rising but volatile gold price movements continued throughout the year, resulting in wide fluctuations from month to month in gold revenue However, the average price received by your company for its gold sold was R12 073 per kilogram compared with the previous year's average price of R6 294 per kilogram With the increase in output, working revenue more than doubled to R376 million This included revenue from silver which trebled to R2 million Working expenditure on the other hand increased by 17 per cent to R79 million, the increase being attributable to the increase in the scale of operations and the effects of inflation on all items in the cost structure The higher rate of mining did, however, have the effect of limiting the increase in the cost per ton mined to 12 per cent The net result of operations was a 150 per cent increase in the working profit to a record R297 million, compared to the previous year's working profit of R119 million, itself a record Because of excess liquidity in the economy, interest rates on short-term deposits were at a low level during the year However, because of the larger deposits made by the company as a result of the substantially higher gold revenues received, income from this source, together with other net sundry revenue, increased by R3 million to R8 million The gross profit before taxation and lease consideration was R305 million, compared with R124 million in 1979

This year's Budget, presented in March, contained a number of concessions to other sectors of the economy and to individuals It is disappointing that, despite the very substantial increase in the contributions made by the gold mines to the fiscus, the Minister of Finance took no steps to redress the position whereby discriminatory high rates of tax are applied to these mines One feature of the Budget was, however, the welcome abolition of the compulsory loan levy which was previously imposed on all companies and most individuals Insofar as your company is concerned, the abolition of the loan levy was effective from 1 July 1979 Taxation and the State's share of profit absorbed the large sum of R179 million, as against R69 million in 1979, which represents 63 per cent *(61 per cent)* of taxable income after allowing for the redemption of capital expenditure

At the commencement of the year it was estimated that capital expenditure for the year would amount to approximately R20 million Actual expenditure was R17 million, the difference, as in the previous year, representing a change in timing of expenditure and not a saving The expenditure was mainly incurred on the shafts and underground equipment, and on ventilation and refrigeration facilities An amount of R28 million was transferred to non-distributable reserve, this amount being made up of the capital expenditure referred to and R1 million representing the increase in other current assets, together with a further amount of R10 million appropriated for future capital expenditure Members will note from the financial statements that the unexpended balance of authorised capital expenditure at the end of the year was R67 million, towards which a total of R16 million has now been set aside from retained profits The record dividend of R97 million *(R33 million)* absorbed the balance of the profit

With regard to the two fires that occurred in the mine, these were both in the 55 Longwall The first, in October 1979, only affected production for two days, but the second, which was detected on 15 May 1980, was more serious and caused the suspension of mining operations in the longwall and in the southern portion of the mine above 24 Level Normal operations in these areas were only finally restored on 16 June 1980 The loss of production is the subject of an insurance claim The accident in No 3 Shaft occurred on 16 March 1980 and the shaft was out of commission until 26 May while costly repairs were carried out The shaft-sinking programme continues to progress well No 3A Service Shaft was sunk to its final depth and is in the process of being equipped, while the small ventilation shaft between 20 Level and 25 Level near No 1 Shaft was completed and has improved the circulation of air in the longwalls The headgear portion of No 3 Sub-Vertical Shaft has been completed, one permanent hoist has been installed and commissioned, preliminary sinking has been completed and preparations are being made for full-scale sinking to start shortly Planning of a new shaft system to serve the deep eastern sector of the mine is now in progress It is the intention that the sinking of a surface shaft, to be named No 4 Shaft, will be started as soon as sinking of No 3 Sub-Vertical Shaft has been completed The site for the new shaft has not yet been selected Members will be informed in due course of the likely cost of the new shaft system after the necessary financial evaluation has been completed

An investigation of a band of the lower Elsburg series, known as the Kloof Reef, which was previously exposed in airways and travelling ways developed between 24 Level and the Libanon mine boundary, disclosed payable values Some development was carried out on this reef during the year, which resulted in a modest contribution to production and addition to the ore reserve Members' attention is drawn to the Technical Advisers' Report which contains graphs showing the ore reserve tonnages and equivalent stope values at 30 June 1980 for a range of pay limits As a result of a decision to increase the size of the ore reserve blocks, the ore reserve figures are not strictly comparable with those published in the past

In terms of the mining lease, the mine is required to extract ore approximately equal in value to the calculated value of the ore reserve The recent wide fluctuations in the gold price and increases in unit costs have brought about major variations in the pay limit As a result, management has had to restructure mining procedures so that more flexibility is available in adapting to changing pay limits on a month-to-month basis

The major proportion of the mine's stoping is concentrated in the longwalls and therefore is not sensitive to changing pay limits The variations depicted in the ore reserve graphs are therefore almost entirely due to the changes in the tonnage and value of the reserves in the older, shallower areas of the mine Although the tonnages mined in these areas are relatively small, the mining of lower-grade ore will have a modest effect on the yield which, under present pay limit circumstances, is expected to be lower than that obtained last year Milling is expected to recover to 180 000 tons per month and, although a lower yield is expected, gold production should not be materially changed from that of the past year A further substantial increase in working expenditure is expected this year because of improvements recently made in the conditions of service of all employees and the effects of the continuing high rate of inflation The short-term future of the gold price, on which the fortunes of your company depend, remains extremely difficult to forecast Provided the current favourable price persists, it should be possible to, at least, maintain the dividend at the level reached last year Moreover, it is intended to reduce the disparity between the interim and final dividends

Once again it gives me great pleasure to express, on behalf of the board, our appreciation of the services rendered to the company by Mr O Davel, the consulting engineer, by Mr H J T Wille, the mine manager, and by the staff at the mine and at head office

R A Plumbridge
Chairman

Johannesburg
22 August 1980

De Beers Consgold stake is now 25,8%

232 214

RDM 20/9/80

LONDON. — De Beers Consolidated Mines said yesterday it had exercised an option on a further 1 300 000 shares in Consolidated Goldfields, bringing the joint De Beers-Anglo American stake to 38 500 000 shares or 25,8%.

De Beers said the stake was split equally between De Beers and Anglo but under UK company law De Beers was deemed to be interested in Anglo's Consgold shares because De Beers held over one third of the voting power in Anglo — Reuter

Gold-mine costs up 17% this year

KDVN (214) 24/9/80

By NEIL BEHRMANN

LONDON — Working costs of the gold-mining industry increased by 17% in the first half of this year compared with the same period last year In 1978 working costs rose by 14% and in 1979 by 11%

At the launching of the smaller series of Krugerrands here yesterday, the vice-president of the Chamber of Mines, Mr L W P van den Bosch, said that working costs a ton milled averaged $166 an ounce against $27 in 1972

He stressed that this was an average, and differences in unit working costs from mine to mine depended on a variety of factors, ranging from the depth of the orebody, mining techniques employed, degree of faulting, to the thickness of the gold-bearing reefs

The higher wage bill, general inflation and the indirect effects of oil were the major culprits in the cost spiral

Trends of capital costs were as serious, he said

"Today the capital cost of brining a new gold mine to production stage can range from $200-million (R151-million) to $450-million (R340-million) depending on its size and other factors

"Elandsrand, our newest producer which started in 1975, cost $220-million (R166-million) up to the time the first bar of gold was produced last year

"At a milling rate of 135 000 tons a month the mine will have cost $310-million (R234-million)

"If this mine were to be developed today, only five years later, the final cost, escalated to full production would be in the region of $500-million (R377-million)

"Such high capital costs act as a deterrent to the expansion of existing mines — particularly those mining lower grade ore — and make the reopening and re-equipping a defunct mine exorbitant"

Nevertheless, with revenue outpacing costs — Mr Van den Bosch mentioned gold's consolidation area as $600 — R352 million was spent on producing mines alone this year Last year capital expenditure was R291-million on existing mines and to this must be added further large amounts to be invested in new projects

Mr Van den Bosch predicted that at current prices there would be additional projects for the retreatment of low-grade surface dumps and slimes dams

Last year the South African gold-mining industry milled 84-million tons of ore The average grade was 7,5 grams a ton

Last year gold revenue was R5 800-million In the first half of this year alone gold revenue was R5 000-million against R2 300-million in the corresponding period of 1979

"It thus looks likely that gold revenue will be double the amount earned last year," he said

Post 24/9/80

Father of 4 evicted by mine

A MAN and his family were evicted from a mining compound in the Randfontein Gold Mine Estates area in yesterday's rainy weather because the man wanted his younger sister stay with him

"It is against the Mine's regulations covering the occupation of married quarters," said Mr Piet Redemeyers, the Mine's personnel manager who carried out the eviction order

"The mine allows people to stay only with their wives and children in married quarters Bringing in relatives is illegal," he said

But Mr Redemeyers said this was not the only reason for evicting Mr Robert Kunene from his house at No 12 Harley Street, in the mine married quarters of Bongweni Village — popularly known as "Ghost Town" in Randfontein

Twenty-eight year-old Mr Kunene, father of four, admitted to having bribed the "induna" with R5 after he had been told that there was "nothing for free in Johannesburg."

Mr Kunene, who is from Maritzburg, said trouble started when he went to bury his mother in Natal three weeks ago His younger sister was left alone after the mother's death and he decided to take her to stay with him

To have anyone stay in Bongweni a permit is required and Mr Kunene said he got a 14 days permit for his younger sister It was when the permit expired that the authorities objected to his sister's presence

"The 'induna' approached me and said he would fix it so that my sister could remain in the village," said Mr Kunene

"He said I had to pay him R5 before he would do this He said it would be R5 because there was nothing for free in Johannesburg"

Mr Kunene said that all went well for a time but, this week, he was called to Mr Redemeyers office where he was told to leave the house because he had broken the mine's regulations

Mr Redemeyers said yesterday that Mr Kunene had accused the induna falsely of taking a bribe

The general manager of the compound, Mr H Slater, said "I know nothing about this — and I am not interested"

GFSA (214) FM 26|9|80

Golden platform

Activities: *Mining house which derives the bulk of its income from gold investments, primarily the West Wits mines Controls Apex, Rooiberg, New Wits, Vogels and unlisted Zincor Cons Gold, which is 29% controlled by Anglo American, owns 46% of the equity*
Chairman: *A Louw*
Capital structure: *16,3m ordinaries of 25c Market capitalisation R1 850m*
Financial: *Year to June 30 1980 Borrowings long- and medium-term, R20,5m. Net cash R220 000 Current ratio 1,5*
Share market· *Price 11 350c (1978-80 high, 11 350c, low 2 590c, trading volume last quarter, 81 000 shares) Yields 6,7% on earnings, 3,5% on dividend Cover 1,9 PE ratio 14,9*

	'77	'78	'79	'80
Listed investments				
Book value (Rm)	178	143	171	170
Market value (Rm)	392	593	905	1 813
Div income (Rm)	24 6	31 3	53 1	110 3
Earnings (c)	130	249	410	760
Dividends (c)	110	135	225	400
Net asset value (c)	2 564	3 630	5 740	11 657

As the most gold-oriented mining house, GFSA profited handsomely from bullion's rise to over $600, with dividend receipts from major investments more than doubling Retiring chairman Ian Louw offers no firm view on the gold price in the coming year, but with "underlying strength" in gold, and group mines developing new areas, he expects a "further, but more modest, earnings improvement" in 1981

In the year to end-June GFSA earned 760c (410c) and paid 400c (225c) as investment income soared to a record R124m (R61m) — 88% from gold investments The average gold price received by group mines was R12 170/kg (R6 293/kg) — a 93% improvement — and aggregate mining profits more than doubled to R1 545m Non-gold investments also contributed, though in the case of the group s tin producers, the rise was modest

Group assets and income distribution

	1979 As sets %	1979 In come %	1980 As-sets %	1980 In-come %
Gold/uranium ..	**83**	**84**	**86**	**88**
Other minerals	**8**	**8**	**5**	**7**
Financial/banking	**3**	**2**	**2**	**2**
Industrial/ commercial	**2**	**5**	**2**	**3**
Property	**1**	**1**	**1**	**—**
Cash	**3**	**—**	**4**	**—**
	100	**100**	**100**	**100**

In a year of rising gold prices GFSA's new Deelkraal mine was brought into production, and expansions were announced at Doornfontein and Libanon The Black Mountain lead/silver/copper/zinc project also reached planned mill throughput, though no income was received from this 51% subsidiary This position is unlikely to change for some 2-3 years

The need for retentions to fund future developments meant GFSA maintained a high cover for an investment holding company But Louw complains that undistributed profits tax (UPT) legislation allows the mining groups little flexibility in this regard GFSA is accordingly asking government for more lenient retentions rules for listed companies, or even the complete abolition of UPT legislation in the case of mining houses

He points out, for example, that this year GFSA expects its prospecting programmes will absorb more than 1980's R4,2m Overall, the group is able to retain only some 42% of its income without attracting UPT, so 55c of the current year's dividend will have to be declared before the tax cut-off date at end-December

This year's announced plans include the new lease area for Doornfontein which acquired mining rights on its southern boundary from GFSA The mine was recently granted a more favourable lease formula for this expansion Libanon has also bought additional precious metal rights from GFSA and has applied for a new mining lease over part of this and certain other blocks In addition Venters is looking again at the Middelvlei area while Vlaks is investigating the possibility of turning its slimes dams to account This could be in conjunction with neighbouring mines' dumps and dams — possibly including those belonging to GF Props

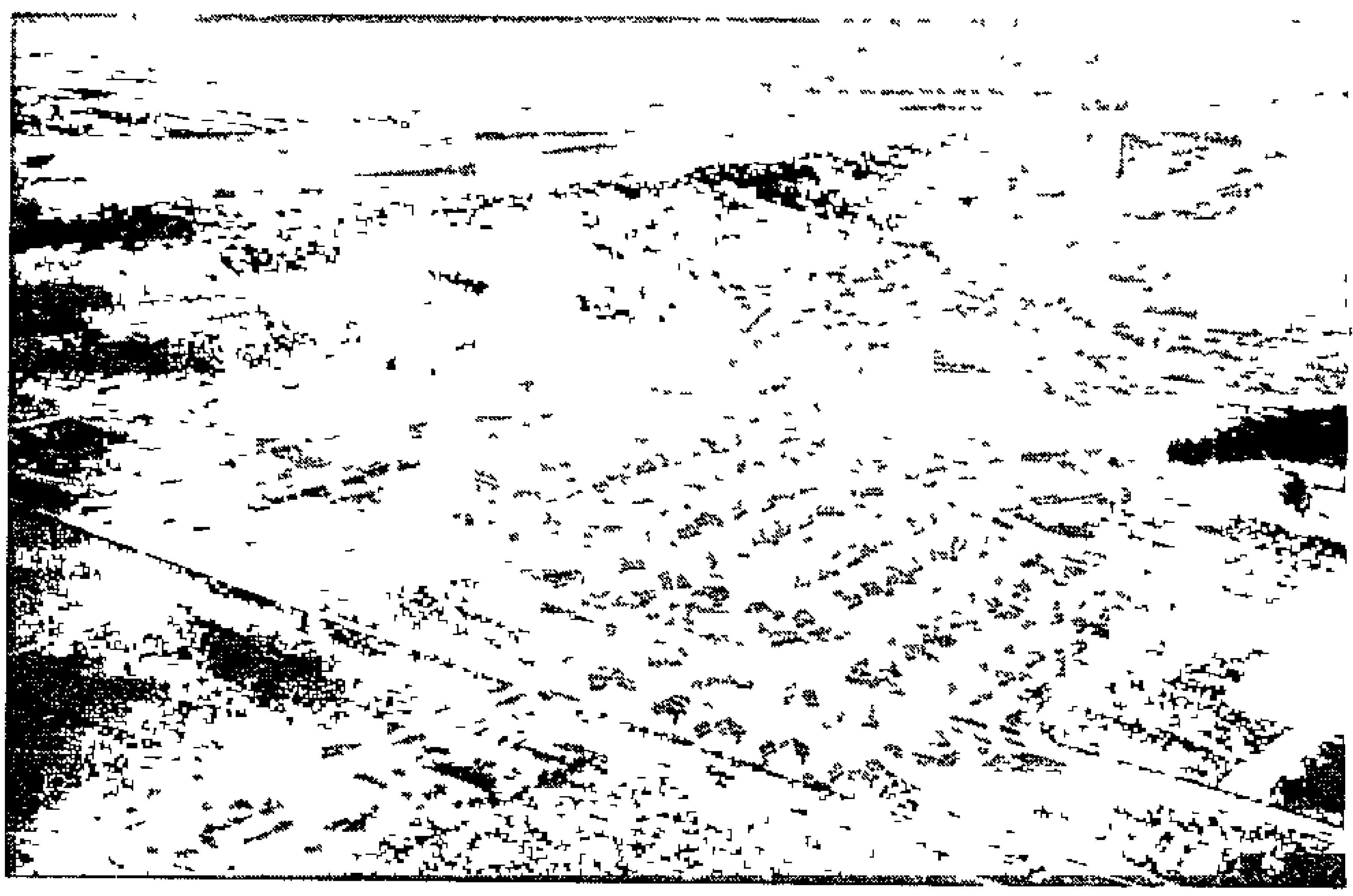
GFSA gold-based dividend receipts

	1979 Rm	1979 %	1980 Rm	1980 %
East Drie	**20,6**	**39**	**37,9**	**35**
West Drie	**17,3**	**33**	**32,4**	**30**
Kloof	**10,0**	**19**	**29,0**	**27**
Libanon . ..	**3,3**	**6**	**4,4**	**4**
Doornfontein . .	**1,2**	**2**	**2,4**	**2**
Venterspost ..	**0,4**	**1**	**1,8**	**2**
Vlakfontein* .	**0,2**	**—**	**0,3**	**—**
Total ..	**53,0**	**100**	**108,2**	**100**

*** Includes capital repayments**

Louw says investigations are still continuing on the ground north of West Drie where GFSA and Texas Gulf hold mineral rights He denies press reports that progress is being delayed by a failure between GFSA and Texas Gulf to negotiate a satisfactory profit-sharing formula Rather, the whole scheme is being reconsidered in the light of current gold prices and working costs, he says Nevertheless it appears to be market opinion that some decision on the area will be made soon and that it will involve an extension to West Drie's life in return for an issue to GFSA and Texas Gulf of West Drie shares

The outlook for non-gold holdings is clouded, with copper falling fairly sharply



Deelkraal . . . adding to GFSA profits

Etheredge gives forecast on gold output

STAR 13/10/80

214

By Geoff Shuttleworth

South Africa's existing mines will be able to produce on average 650 tons of gold a year to the year 2003, based on a gold price of 650 dollars an ounce, Anglo American chairman of the gold and uranium division, Mr Dennis Etheredge, told the London Metal Forum.

He said that this estimate took into account only existing operations, excluding those of Beatrix and Erfdeel

Using base prices of 450, 650 and 1 200 dollars an ounce, and increases in costs at a constant rate, he said that in all three cases, it is projected that total South African gold production will remain in a relatively close range around current production levels until about 1987 and then gradually fall off to about 350 tons at the turn of the century

"What is noticeable is that at the lower base price gold production peaks at a much higher level in about 1987 and then falls off more sharply than in the case of the other two price levels It indicates that gold production after the turn of the century will be considerably lower than is forecast in the other examples.

"Looking further ahead, we have projected the cumulative amount of gold likely to be produced up to the year 2003, again using the three arbitrary price levels Taking the mid-price of 650 dollars an ounce, which is close to the levels gold has been standing at over the past months, we expect these mines to produce more than 13 000 tons of gold in the next 20 years Add to this a modest estimate of production from new areas which have not been included in this analysis and the total may well approach 20 000 tons"

"This being the case, it is to be expected that future investment in the South African gold mining industry will also remain at a healthy level In order to achieve the projected cumulative total of some 13 000 tons of gold over the next 20 years or so, more than R37 600m in real terms will need to be spent by the industry in any new gold mining projects, of which there are certain to be a number."

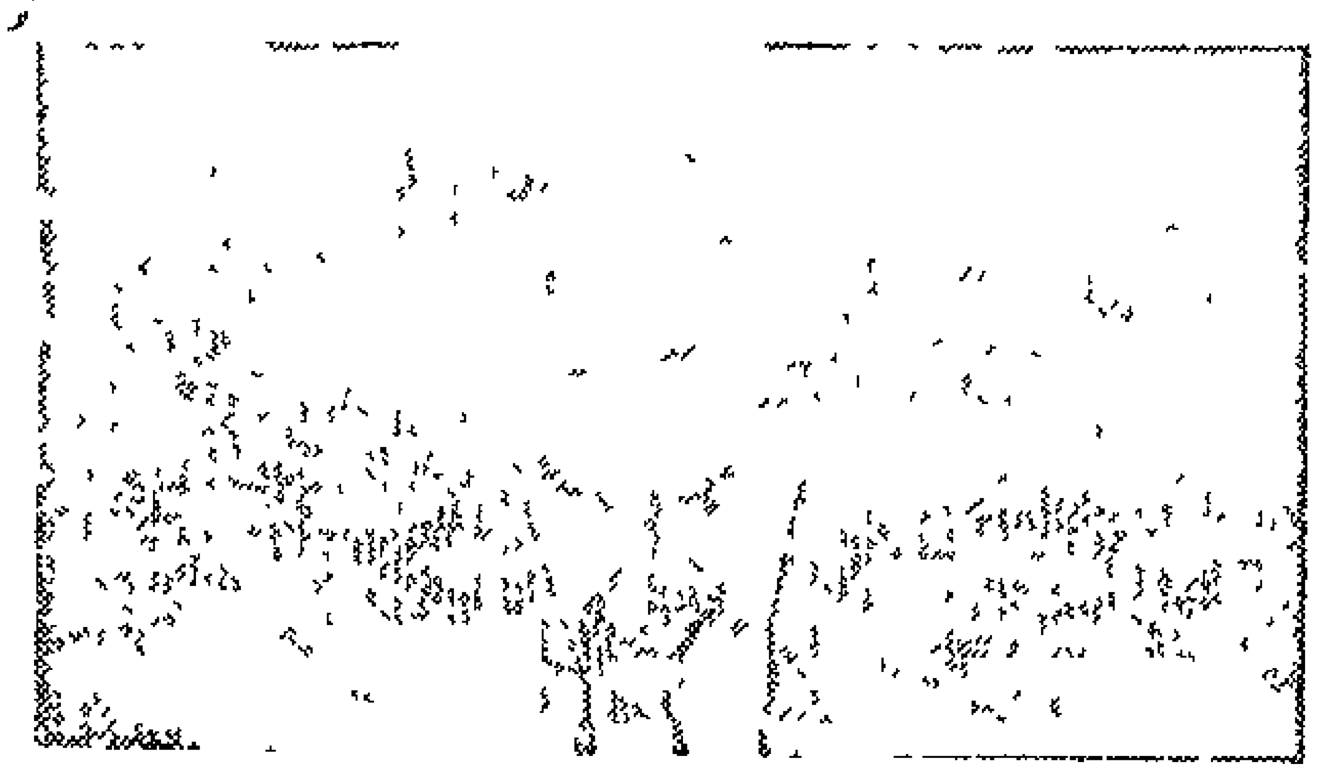
ALTERNATIVE

While the main thrust of his speech concerned South Africa as a reliable supplier, he emphasised that the only alternative source of a majority of these minerals was Russia

In this respect South Africa ranked as the main source of supply of precious metals that included gold, platinum and diamonds, and of steel and alloying commodities chrome, manganese and vanadium, and as one of the three most important suppliers of coal and uranium

In terms of industrial minerals South Africa ranked high as a major source of antimony, asbestos, fluospar, andalusite, titanium metal, copper, lead, nickel and silver

Between South Africa and Russia, the two provided 95 percent of the total platinum supplies, 90 percent of its managanese and ferromanganese, 69 percent of its vanadium, 97 percent of its chrome and ferrochrome, 80 percent of its gold, and an important proportion of other critical minerals



Mr Dennis Etheredge ... solutions to SA's problems 'a long term matter'

'Upheavals will be signposts of change'

STAR 14/10/80 214

By John Cavill

LONDON—Future disturbances in South Africa will be the "prominent signposts of a changing society" not of disaster, Mr Dennis Etheredge, chairman of the gold and uranium division of the Anglo American Group said here yesterday

Speaking to international metal traders and bullion dealers at the American Metal Market London Forum, Mr Etheredge said South Africa's ability to continue as a vital and reliable supplier of industrial raw materials to the Western economies depended partly on its own political and social stability

Changes were being made but he said the world should be patient "No other country had social and racial problems as complex as those in South Africa The solution will be a long term matter"

Mr Etheridge said however "I believe there is now room for confidence that the Prime Minister is determined to achieve a series of reforms which will hopefully eliminate statutory discrimination and provide structures for ongoing political evolution

GENERATIONS

If he seems at times to have moved slowly it is because 'generations of racial prejudice have to be broken down before a policy of reform can succeed

This is happening, maybe by fits and starts, but it is happening

I think the possibility for peaceful evolution in South Africa is now higher than it has been for years

This does not mean that the decade ahead will be trouble free It is appropriate to make the point to South Africa's friends and critics alike that the process of change is inherently a troublesome one

Mr Etheredge said he did not believe South Africa would "encounter a level of internal disruption which will prevent it from regularly meeting its mineral supply commitments"

While South Africa often shared its predominance as a supplier of key minerals with Russia, the Soviet bloc consumed much of its output with exports going mainly to satellite states

South Africa's strategic importance had been "further enhanced by a significant decline" in Russian exports to the west since 1977

The gap left by this withdrawal had given South Africa "an even firmer foothold in the market place"

But he emphasised the dependence of the United States, Japan, and the European Economic Community on South African minerals probably gave "undue emphasis to South Africa's so-called strategic position I feel it also underlines how important are these markets to South Africa

"We need their custom just as much as they require our minerals perhaps even more so Expansion of the minerals industry and its ability to earn foreign exchange is even more crucial to the South African economy now than it ever was"

● Mr Etheredge is leading a nine man trade mission to Britain holding seminars and discussions in six cities to highlight opportunities provided by the South African market

Case for marginal gold mines to go into hedging

RDM 16/10/80

214

By NEIL BEHRMANN

LONDON. — Developments in the bullion markets indicate that it would be in the interests of the marginal gold mines to hedge on the futures exchange. The main futures exchanges are the New York Comex and the International Monetary Market in Chicago

Both are markets with excellent liquidity for producers to carry out hedging transactions

There is a futures market in Hong Kong, but from a time point of view the New York markets and the London futures market are preferable

The London gold futures market is expected to open in April and the London Metal Exchange and bullion dealers have disclosed that a gold contract will consist of 100 ounces, the same as in New York and Chicago

Though Dr Gerhard de Kock, Governor-elect of the Reserve Bank, said in London that the bank had made no decision on gold hedging but there were indications from Deputy Governor, Dr Chris Stals, earlier that the bank was favourably disposed towards to idea

Platinum, copper and sugar companies are already hedging

In June, Dr Stals said the Reserve Bank would not use the futures markets, but would continue to sell on the physical markets in Zurich, London, Frankfurt and New York

However, the mines could be allowed financial facilities to hedge future production and deliveries These financial facilities are necessary for margins on the exchange

Some South African mining analysts are against hedging They are bullish in the long run, so they do not understand why the mines should sell gold forward

But such statements ignore the possibility that it has become especially important as far as the high-cost gold producers are concerned because of the changing structure of the bullion market

Mr Robert Guy, a bullion dealer, has said that fabrication demand has slumped dramatically, and that dishoarding is taking place on a large scale once again

With fabrication in some countries 80% lower than last year, the gold market has become increasingly dependent on investment demand and purchases by central banks

Even though he is knowledgeable on the gold market, Mr Guy refused to hazard a guess on the price of gold A few years ago when gold was trading well under $300, Mr Guy was prepared to put numbers to his forecasts

If Mr Guy and other bullion dealers are not prepared to make any predictions on short-term gold behaviour, who can?

In the long run, all bullion dealers say that gold's trend is upwards but it is the volatility on either side of the trend line which makes short-term forecasting and trading a hair-raising business

This is where hedging becomes important

Dealers and directors of Comex and the IMM say that if a mine hedges future output it can at least lock in at a price which can be measured against budgets of working costs and capital expenditure,

For example, the spot price of gold closed at $679 in New York last Tuesday The October 1981 price was $780 A marginal mine could hedge by selling one-year gold at $780 — a price which was at a premium of 15% over the cash quote

Say, the mine hedges 100 000 ounces It hedges by selling 1 000 contracts either in Chicago or New York

Although the margin requirements of these exchanges are small, the mining house could deposit $7-million at banks and brokers to cover the margin

Any excess over brokers' requirements could be deposited and would earn interest. If the dealer is sufficiently sophisticated financial futures could be purchased When the gold mine produces it delivers its gold to the Reserve Bank which then sells it on the physical markets

~~In essence~~ the Reserve Bank is the buyer of last resort The conservative mine manager could rightfully ask what happens if the price rises He could say that the mines are forced to cover their hedge because it is a short sale on the futures market

However this is precisely what hedging is all about The mine has several alternatives First, it delivers the metal to the Reserve Bank at the higher spot price If the price rises to $850 the Reserve Bank will pay the mine that price The higher price on the physical market will offset the loss on the short sale hedge which took place on the futures market

By October 1981 the mine receives $850 from the Reserve Bank and loses $70 on the short sale

But over the period of a year, the mine has guaranteed itself a price of $780

Say, investment demand wanes and the price tumbles to $610 Then the mine profits from the $60 short sale and this compensates for the lower revenue which it receives from physical sales to the Reserve Bank.

The importance here is that the mine has at least guaranteed its profits and capital expenditure in a weak gold market

Again the "anti-hedge" school might argue that if there is a run into gold late-79 style the mines would suffer extensive losses and financial problems by trying to maintain the margins on the exchange

In the event of a rapidly rising price they would be forced to put up more and more margin

The anti-hedgers would add that this is precisely what happened to silver producers and merchants when the Hunt family squeezed that market

That was an unusual case However, even in this situation a shrewd dealer can protect his producer client For a start the hedge can be covered and the dealer can wait for re-entry at a later stage

Ten Genmin mines increase income

(214) NM 16/10/80

JOHANNESBURG—All 10 operative gold mines in the General Mining Union Corporation group reported increased after-tax income for the quarter ended September 30 compared to the previous quarter.

In cash terms, St Helena, with profits increased from R16 830 000 in the June quarter to R21 848 000 in the last quarter, showed the largest jump

In general, costs per ton milled increased in the last quarter due to the impact of wage and salary increases to miners while there was also an abnormal increase in stores costs

At Grootvlei, Marievale, Bracken, Kinross, Leslie and Winkelhaak, increased costs had been incurred in reopening previously-mined areas to remove ore now payable at the higher prices

In addition, at Grootvlei, extra costs had been incurred on extraordinary maintenance at the now old reduction plant

At St Helena, the lower-than-average increase in costs per ton milled was largely attributable to an increase in tonnage milled

At Unisel, ore reserves had been estimated as at the end of June It had subsequently become apparent that the milling width could be reduced This in turn should result in a higher grade for ore from reserves

Summarised results of gold mines in the group, with the previous quarter's figures in brackets, showing tons milled, yield, cost per cubic metre mined, cost per ounce in US dollars, revenue per ounce in US dollars, income after tax

Buffelsfontein 820 000 (822 000), 8,16 (7,81), R157,20 (R154,85), 230 (211), 663 (543), R32 105 000 (r28 386 000)

Stilfontein 539 000 (482 000), 8,64 (9,00), R160,09 (R147,23), 209 (190), 664 (560), R17 562 000 (R13 192 000)

Grootvlei 440 (435), 3,6 (3,7), R95,87 (85,40), 272 (241), 689(541), R7 615 000 (R5 502 000)

Marievale 240 000 (240 000), 1,4 (1,4) R172,53 (R144,44); 312 (277), 665 (558), R1 253 000 (R1 071 000)

Bracken 220 000 (216 000),3,9 (4,0), R89,80 (R89,33), 257 (221), 685 (537), R3 916 000 (R2 852 000)

Kinross 400 000 (400 000), 5,6 (5,8), R105,10 (R95,71), 196 (166), 664 (552), R10 405 000 (R8 686 000)

Leslie 315 000 (315 000), 2,9 (3,0), R103,19 (R100,51), 335 (294), 682 (544), R3 159 000 (R2 639 000)

Winkelhaak. 555 000 (545 000), 6,4 (6,4), R87,81 (R89,14), 136 (124), 682 (539), R19 341 000 (R14 444 000)

St Helena: 555 000 (535 000), 7,7 (7,8), R140,54 (R132,25), 146 (140), 667 (556), R21 848 000 (R16 830 000)

Unisel. 240 000 (220 000), 6,2 (6,2), R198,13 (R208,16), 226 (213), 662 (554), R13 934 000 (R9 985 000) — (Sapa)

GOLD QUARTERLIES (214)

Costs spiral FM 17|10|80

If there is one thing which characterises gold markets at present it is near-term uncertainty Not the uncertainty which would normally boost bullion, but the uncertainty which makes gold markets react to day-by-day events

A combination of war in the Middle East, revolution in Turkey and signs of increasing monetary laxity in the US would probably have stoked the fires under gold earlier this year. As it was, the London gold price rise to $720 with Iraq's invasion of Iran was seen by many Middle Eastern gold holders as an opportunity to sell It seems that not even the risk of spreading war in the Gulf can overcome the propensity to sell when gold moves above $650 which has characterised the market for the past few months. And announcements that Pretoria is not selling SA's total production seem to have been taken in the market's stride

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Rent-a-Plant (Pty ... hires plant in the building industry ... flow difficulties during the slump

In certain instanc ... ll some of its plant to meet day to day

When the economy b ... ompany's regular customers started ... level of activity, it became apparent ... ot be able to meet even the short ter ... o cut down the scale of its operations.

To avoid losing it ... rmulated the following financial policy:-

1. To enter into a sale and leaseback arrangement in respect of its items of heavy plant to provide working capital and funds for plant in 2 below;

2. to purchase certain items of plant which have less than a two year useful life, from a portion of the funds derived from 1 above;

3. to buy any assets which have a useful life of two or more years on hire purchase.

In terms of the above policy the company concluded the following transactions:-

1.1.79 Sold a bulldozer and a grader for R250 000 which was based on the fair market values of the plant.

Cost	R300 000
Accumulated depreciation based on useful life of 10 years and residual value of R10 000	116 000
Tax value	135 000

The following tax allowances are applicable to heavy plant:-

Investment	30%
Initial	25%
Wear and tear	10% p.a. straight line

The agreement provides for 5 annual payments of R75 000 starting on 1.1.79 and an option to lease the asset for one year for R1 000.

31.3.79 Puchased items of plant on hire-purchase as follows:-

Cost	R85 000
Deposit	8 500
36 Instalments of	2 762,50 per month on 1st day

The same tax/...

Of course the Middle East situation could change overnight but barring major scares gold could be a dull market for the next few weeks The same, however, may not be true for gold shares If Reagan is successful at the polls all the signs are for a more friendly US approach to SA If so American investors could flock back to golds

That is the view of major US gold share dealers who are advising clients to buy before the rest of the herd stampedes into the market

The point is that investors should perhaps, not be looking for quick turns in gold but looking at longer-term trends for the metal and the sector Inevitably the trend for bullion is up But with mining costs heading into an unacceptably large upward spiral and the end of the current round of grade cutting not yet in sight, perhaps the safest policy is to opt for mines such as Kloof and Western Holdings whose mining methods preclude significant grade cuts

If gold has entered a period of near-term stodginess, mines with falling recovery grades and soaring costs could come under some price pressure

West Drie At end-June the mine's cash resources were more than adequate to fund the R19m capex estimated for fiscal 1981 Year-end current assets were R59,8m, almost twice the R30m capex needed to move the focus of mining operations to the eastern part of the lease area Even though grade is slated to fall to 14,2g/t this quarter, West Drie is hardly scratching around for capex funds And at risk of appearing repetitious, the mine's steadily growing liquidity merely strengthens the argument that West Drie will be the vehicle for exploiting ground north of East Drie

Though GFSA chairman Ian Louw recently said that West Drie will have no difficulty filling its mill from its own ore, that is something of a red herring as far as North Drie is concerned Its development will mean a new mill, and the tax savings possible through offsetting North Drie's capital cost against West Drie's current income is an advantage which cannot be overlooked

In his West Drie chairman's statement, Louw promised less of a discrepancy between the mine's interim and final dividends Unless there are retentions to fund capex at North Drie, at current gold prices that could indicate an interim of about 700c

East Drie· Recovery grades may be maintained for the next couple of quarters, but unless gold collapses, significant grade drops are in prospect A recovery grade of 12g/t is not out of the question next year particularly if larger tonnages are mined from the lower grade Carbon Leader reef

Capex will remain relatively heavy until the No 2 sub-vertical and No 5 shafts are completed Unless management is ultra-cautious on retentions ahead of future capex a final dividend of 250c is possible

Deelkraal Shareholders who had been expecting a meaningful improvement in sampling results were disappointed in the September quarter Sampling on the VCR produced virtually unchanged results while the limited amount of sampling carried out on the Deelkraal reef was unpay

Initial capex is almost completed and unless gold falls apart, a start to dividends could be made next year Unit costs should be reduced during the current quarter as mill throughput rises towards its

Gold . but he is increasingly costly

interim monthly target of 120 000 t But that is the least of shareholders' preoccupations Their main concern is how soon the mine will start producing grades in line with the average 10,4g/t indicated by initial drilling

Doornfontein Apart from developments to establish operations in the new deeper southern section of the mine, planning is aimed at increasing the availability of stope faces on the lower-grade Main reef horizon Once that is completed the mine will be able to adjust recovery grades on a month-by-month basis in line with gold price movements However, according to chairman Robin Plumbridge, that is unlikely to result in a significant gold recovery drop from the current 8,5g/t

This year capex is estimated at R26m, of which R3,9m was spent in the first quarter Over the next six years establishment of operations in the southern sector will cost an estimated R152m in today's terms So it is likely that the mine will make relatively heavy earnings retentions as a precaution against lower earnings possible with lower gold prices Even so, there is probably scope for a 150c interim on present gold prices

Kloof The mine's longwall mining method means that milling grades are little affected by ore reserve grade changes So unless significantly greater tonnages are mined on the Kloof reef, where grades average about 3g/t over the next few years recovery grade should not fall significantly from the current 14,5g/t On that basis, the mine should remain one of the better dividend payers particularly during short periods of gold price setbacks

Capital expenditure during the current year is estimated at R28m, of which R3,5m was spent during the September quarter The rate will thus presumably increase during the final three quarters In any event, net cash holdings at end-June were almost sufficient to fund this year's estimated capex and the only restraint on earnings growth will be cost inflation

Kloof's rated monthly mill throughput is 180 000 t so there is some scope for containing unit cost increases with higher production Provided gold maintains its current price, an interim dividend of 240c is possible unless management decides, as is usual to retain an unduly high proportion of first-half earnings

Venterspost Management has shelved the possibility of sinking a new shaft to exploit ore in the Middelvlei area though presumably, if bullion takes off, plans could be resuscitated It is now planned to exploit Middelvlei from the existing workings, but a start to the drawing of significant tonnages from the area is probably a couple of years away

For the present, recovery grade has stabilised at 4,3g/t, but a drop is likely over the next couple of quarters as increasing tonnages are drawn from the low-grade upper areas of the mine The mine remains highly sensitive to gold price movements and this could mean heightened management caution over retentions in the face of the current capex programme However, an interim dividend approaching 150c is possible

Libanon Recovery grade is planned at 5,9g/t this year and a lower overall result is possible if gold maintains its current position The current capex programme is calculated to cost R94m in today's terms over the next six years So although cash resources at end-June were more than adequate to cover this year's planned R18m capex, retentions will be relatively heavy for some time Shareholders are perhaps best advised to assume that the interim payment will be well below that possible from the first half's earnings

Vlakfontein· After a 10c capital repayment in August, 36,8c has been retained from the first nine months' operations Retentions are pointless, though it remains to be seen what proportion of the final payout will be in the form of a return of capital

Jim Jones

there is significant medium-term growth potential for 100%-owned Newconex's oil drilling equipment operations

But at risk of seeming negative, some London brokers are wary of the group's diversification away from mining The argument is that mining earnings will be diluted by the switch to industry More to the point, Cons Gold's near-term performance will depend overwhelmingly on gold And it is on that basis that the share should be evaluated For SA investors, the share is among the least attractive in the sector Yields on locally incorporated mining financials are superior and likely to remain that way And, for portfolios angled towards gold investment in a share which is two steps removed from the prime income source is not attractive

Jim Jones

CONSOLIDATED GOLDFIELDS

Clarity needed

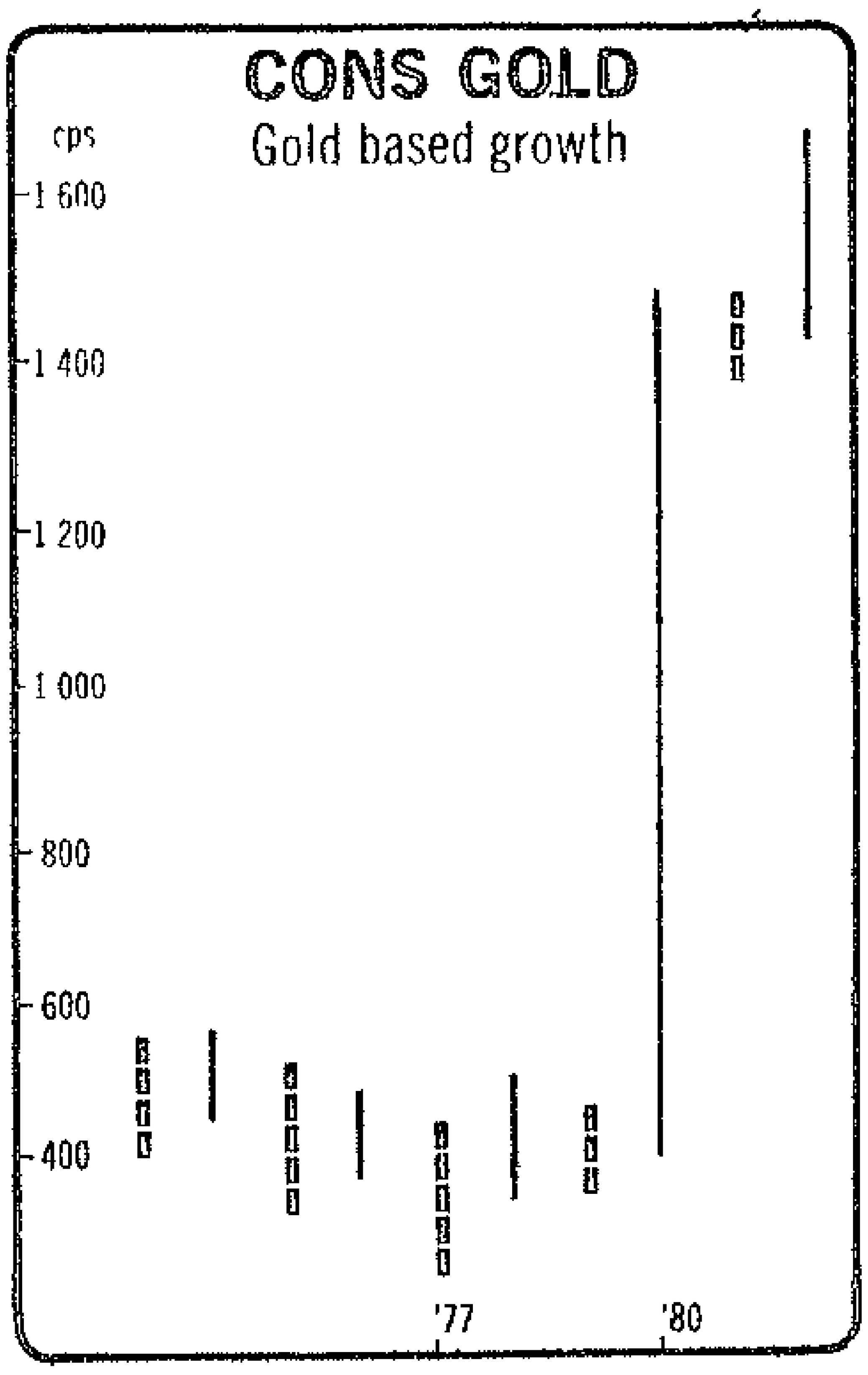
214 FM 17/10/80

Activities *UK-based mining finance house with major interests in the US, Canada, the UK and SA — the latter largely through a 46% stake in GFSA 25,8% of the equity is held in equal proportions by De Beers and Anglo American*

Chairman· *Lord Erroll of Hale, group chief executive R I J Agnew*

Capital structure· *149,3m ordinaries of 25% Market capitalisation R2 419m*

Financial *Year to June 30 1980 Borrowings long- and medium-term,*



£84,5m, net short-term, £2,8m Current ratio 1,5 Capital commitments £14,7m

Share market: *Price 1 620c (1979-80 high, 1 650c, low, 530c, trading volume last quarter, 6 800 shares*). Yields 6,6% on earnings, 2,5% on dividend Cover 2,6 PE ratio 15,2*

**JSE only*

	'77	'78	'79	'80
Pre tax profit (£m)	35 6	69 8	96 4	161 3
Attributable profit (£m)	25 0	34 5	56 2	89 9
Earnings (p)	20 8	18 7	37 0	58 7
Dividends (p)	8 2	9 2	13 5	22 5
Net asset value (p)	288	306	375	574

Coincidence or not, following the acquisition of a combined 25,8% stake in the group by Anglo/De Beers, Cons Gold annual report has become more expansive on management's operating philosophy

The new major SA shareholders almost certainly had no direct influence on the decision to tell shareholders more But, as at least one cynic has put it, with 44 Main Street breathing down management's neck and almost certainly aiming for a large say in the group's operations, present top management needs to polish its image with shareholders

The problem is, of course, that the group's true colours are far from clear — thanks to the method of presenting the accounts And it is impossible to make an accurate comparison of attributable contributions from the four major areas in which the group operates

The Australian operations are a good example With consolidated group borrowings of only £1,5m in Australia — against £22,4m in the UK and £60,6m in the US — after interest payments, Australia's pre-tax contribution would have been little different from the £39 4m revealed at the pre-interest and tax level However, at the attributable level, Australia contributed only £10,9m (A$22,2m) In other words, Australia weighed in with 12,1% of attributable profits against 24,7% at the pre-tax, pre-interest level

Perhaps it is time management provided shareholders with a clearer picture of the group's operations New board member Julian Ogilvie Thompson can almost certainly point management in the right direction with his experience of Anglo's comprehensive reporting methods The fact is that, at the attributable level, the 46% stake in GFSA and the direct stakes in major gold producers East Drie (10%), West Drie (10%) and Kloof (9%) must have weighed in with an almost 60% contribution During the current fiscal period, with gold at worst likely to average something less than $700, SA's contribution is likely to be significantly greater

That may not be the case for operations in other countries, even if recessionary influences in the UK and US lessen In Australia, loss-making coal mine Bellambi has been sold and, overall, the other mining operations should hold their own But there are few, if any, indications that this year will see a major improvement in earnings

Turning to the UK which provided 25% of pre-tax profit last year, the near-term outlook is bleak The market for aggregates supplied by Amey Roadstone is unlikely to improve unless a major government spending programme is aimed at reducing unemployment At the same time, Alumasc, which provides aluminium equipment for the brewing industry, will be hard put to maintain growth while British beer consumption is falling

In the US, the picture is brighter — to an extent Measures aimed at protecting US steel producers should work in wholly owned subsidiary Azcon's favour, while

Cons Gold's Hale . . . disclosing objectives

Johnnies ponders new West Rand gold mine

(214)

RDM 17/10/80

By ADAM PAYNE

JOHNNIES, having paid off its Eurodollar loans and considerably strengthened its financial position, is looking for new business. Among its projects is a feasibility study for a mine between South Roodepoort and Randfontein's Cooke Section.

It is described as a project for the nearer-term future. Much longer term, Johnnies will examine the feasibility of exploiting at depth the area to the south of Western Areas where ground is held by Anglo American Corporation.

Mr D H Stevenson, financial director of Johnnies, issuing the company's report for the year to June 30, yesterday discussed the possibilities of a new mine.

He said: "We are looking at the area east of Randfontein and below South Roodepoort mine where Johnnies holds the rights to the lower reefs.

"Feasibility studies are being carried out into possible methods of mining.

"No drilling results have been received yet. We must await results before we can make an assessment of the area."

He said any future expansion would be contiguous with the Cooke Section of Randfontein.

"We are looking at the total area between South Roodepoort mine and Randfontein and this includes the deeper reefs at South Roodepoort."

There were no plans at this stage for exploiting the ground south of Western Areas, but longer term this would be another project for possible business.

Development south of Western Areas would involve a major shaft sinking programme by Western Areas.

"It might or might not incorporate outside holdings. Any plans for taking over ground from Anglo American would call for a very detailed feasibility study."

Mr Stevenson considered the outlook for gold unpredictable but encouraging on the whole.

He said world economic trends were depressing for both base metals and uranium.

"Our direct income from base metals last year was, however, only a small percentage of total income and these depressing conditions will not therefore have much impact on income as compared with last year.

"However, they defer the time when we can expect a significant distribution of profits back to Johnnies from base metal investments.

"Industrial demand for platinum is also significantly affected by the trend of the world economy, although total demand is being maintained by speculative and investment interest.

"The present outlook for platinum is uncertain, but dividend income from Rustenburg Platinum Holdings should not diminish in the current year to June 1980."

Mr Stevenson said Johnnies had vast coal rights in the Eastern Transvaal.

"The areas are ripe for development, but we cannot open a mine, or mines, unless we are granted an export quota. If a quota is granted to Johnnies, the exploitation of this coal should be highly profitable."

Discussing Johnnies' financial performance in the year to June 30 last and its present position, Mr Stevenson said the net asset value of a Johnnies share was now R155 compared with R140,85 when the preliminary figures were issued on August 27.

Diamond investments, including those in unlisted diamond trading companies, were conservatively valued at 11,3% of Johnnies' investment portfolio, but contributed 21,6% of investment income, or 0,3% more than gold.

"Because of the US recession we do not expect much growth in diamond income this year," he said. "Diamond sales in June were unexciting."

Other points made by Mr Stevenson were:

Total earnings a share in the past year, including a net profit on realisation of assets and the attributable earnings of operating subsidiaries, amounted to 1 020c.

"If we include Johnnies' interest in the profits retained by non-subsidiary companies in which we have a major interest, that is interests of about 20% of the equity and above, earnings attributable to Johnnies' ordinary shareholders were 1 820c a share."

A major factor in cash movements in the year was the increased level of cash flow from dividend income while exceptional features were the repayment of loans and short-term facilities totalling R60-million, including the balance of Eurodollar loans, and raising of R40-million by the issue of redeemable preference shares and the generation of R41-million by the sale of investments — mainly Barnato Bros.

Net cash in the hands of Johnnies increased in the year by about R36-million to a total balance of R56-million.

The consolidated balance sheet at June 30 reflected a swing during the year from a net current liability of R31-million to net current assets of R75-million.

"After some years of consolidation, rationalisation of investments and switch from short-term financing to the longer-life preference issues, and with a material rise in income in recent years, Johnnies has regained a position of financial strength with liquid funds available for new business opportunities."

Apart from new business, group companies were involved in major capital programmes which would last for several years, and these alone were making great demands on group management and engineering resources.

Significant changes in Johnnies portfolio in the year included the acquisition of 1 454 000 shares in SA Breweries which raised Johnnies' holding to 19,2%, and an additional investment of R3 800 000 in Shangani nickel mine in Zimbabwe.

"Johnnies advanced a sum to Shangani to help in financing the cost of establishing the underground mine," he said.

"The company is making a small profit, but it is overborrowed and in due course loans may have to be replaced or the company will have to be refinanced.

"Uncertainties relating to the status of international investment make it preferable to defer any final plans on the method of refinancing."

He said Otjihase copper mine in South West Africa completed some satisfactory exploration and development in the year and Johnnies was examining some proposals for a possible resumption of operations.

With the agreement of Tsumeb Corporation, which carries out the smelting, it might be possible to reopen Otjihase at a copper price of less than £1 000 a ton.

"I do not think the political situation in South West Africa/Namibia will inhibit our actions."

He said that Consolidated Metallurgical Industries, which produces charge chrome at Lydenburg, achieved production at a level well in excess of designed capacity and profits were in line with expectations.

"However, a decline in world demand has resulted in a general cutting back by producers and CMI reduced its production by 15% as from last June. Because of this, profitability cannot be expected to match last year's levels."

BUSINESS MAIL

Consgold looks to decision on mine

214

RDM 2/10/80

By NEIL BEHRMANN

LONDON — The managing director of Consolidated Gold Fields, Mr Rudolf Agnew expects the State mining engineer to come to a decision on North Driefontein this year

North Driefontein is the potential mine between East Driefontein and West Driefontein and the US company Texas Gulf has a 10% stake in the area

If the decision is favourable then the Gold Fields of South Africa will be able to develop the area.

At a Press briefing, the chairman of Congold, Lord Erroll of Hale said the trend of gold was still upward despite the intermittent fluctuations

Mineral exploration for gold and silver outside South Africa had "achieved some successes"

Much work continued in the gold deposit in Saudi Arabia where the group has a 50% interest, the Porgera gold deposit in Papua New Guinea (21% interest) and the Shafter silver deposit in South West Texas

At this stage, however, the group could not disclose values of the ore bodies

Lord Hale stressed that as a long-term policy the group intended acquiring areas where there are scarce resources

"If the minerals are scarce now they are likely to be even more scarce in five years time," he said

Though analysts in the City are bearish on tin's short term prospects, Mr Agnew is very bullish "in the long term"

Lord Erroll predicted that the Consgold's earnings growth would outstrip inflation in the current financial year

During the year ended June 1980 pre-tax profits rose from £106-million to £160-million

Earnings a share increased from 38p to 60,5p (109c) while dividends rose from 13,5p to 22,5p (41c)

The PE is currently 11 and dividend yield 3,5% on the current price of 651p

GFSA contributed 35% of pre-interest and tax profits followed by Australia, 25%, the UK, 25% and North America 15%

Profits from gold represented 31% of pre-tax profits, construction 26%, manufacturing and commercial 21% and tin 14%

It is interesting to note that besides the excellent growth in gold profits which nearly doubled from £28 700 000 to £50-million sterling there was excellent growth in the construction and manufacturing interests

Mining in Australia also earned the group higher profits

RDM 22/10/80 (214)

W Areas best in Johnnies stable

By ADAM PAYNE

WESTERN AREAS, judged by earnings a share, performed best in the Johnnies stable in the September quarter but its 106% rise is earnings a share was tarnished by 19,2% rise in unit costs over the quarter

By contrast, Randfontein, with an 8% fall in eps, distinguished itself with a minimal fall in unit costs of 2,9% in the quarter

The disturbing aspect on costs was a statement by Mr Veryan Blane, financial director of Randfontein, at a Press briefing that unit costs at Randfontein from 1979 to 1980 are expected to rise 27%

Reports from the two mines are

RANDFONTEIN. Tonnage was well up There was an adjustment to the milling period during the quarter, merely to bring the number of days in each quarter into line with each other About 30 000 tons of the additional 46 000 tons milled in the quarter can be attributed to the additional milling period

Gold production was maintained in spite of a drop in yield

Working costs a ton were contained because of the increased output

Costs in the current quarter are expected to be affected by the fact that the mine is now treating sands from tailings

Gold production will not decline materially, since the tailings are replacing ore from Randfontein section which was low grade There should be only a marginal difference

The profit a ton in the past quarter was well up because of the higher gold price and reflected in the higher net profit but capital spending was far higher than in June so that earnings a share fell

Uranium treatment also improved, being a reflection of the greater number of milling days It was also a result of the good performance at the Cooke plant

Uranium production was only slightly higher because the yield was lower Cooke No 1 shaft area is low in uranium values

Discussing gold grade, Mr Blane said The yield is stabilising but we are not sure what will result from the treatment of sand material which started this month We believe grade will be slightly down but we might reach some richer patches

The processing of sand is the result of a decision to reduce tonnage from the Randfontein section but it also results from the fact that the surface stockpile has been exhausted

Normally we would have increased production from the Randfontein section but because of a lack of gold and uranium grade, we decided to go for surface tailings dumps which we believe hold the same amount of gold

'We expect that costs will be favourably affected by the lower cost of treating tailings '

While profit from gold was up in the quarter profit from uranium was down This was not a reflection of the price received

Randfontein has an annual price determination and it remained the same as that in the previous quarter However the mine receives slightly lower revenue because of the rand appreciation against the dollar

There was also a material increase in the costs of uranium treatment These two factors with a drop in uranium shipments which vary from quarter to quarter, resulted in lower uranium profit

In the second quarter the mine had a higher than usual uranium profit

Both Randfontein and Western Areas estimate that they have lost 4,4% in receipts because of the appreciation of the rand

' As a result of treating tailings, dump material for gold, uranium production is expected to fall in the fourth quarter This fall will not happen immediately because of material in the pipeline

"Production is likely to drop by about 25% at the Millside plant " said Mr Blane

"A decision has not yet been taken as to whether we will increase uranium production by treating other tailings material which may contain uranium but in the longer term we are not likely to increase uranium production until Cooke No 3 Shaft comes into operation in three to four years time

The tax charge at Randfontein in the quarter was well up in spite of a substantial increase in capital spending Tax is expected to be slightly lower in the current quarter even if a price of $675 an oz is maintained The capital spending in the fourth quarter will be lower at a projected R16-million to R18-million to reach the year's forecast total of R60-million

The mine is likely to exceed R60-million rather than fall short

Development was well up in the quarter at 14 000m This included 5 000m on the E8 reef horizon This was an interim development programme while the mine was held up by a water-bearing dyke

The reef is not a prime objective at this stage

The mine aims to continue development on the high gold and uranium-bearing UE1A reef

Reef development on the E8 reef will fall away steadily in future quarters

Randfontein section development was up but this will decline steadily Values obtained, it appears do not warrant the mine spending more time and money in trying to prove the southern area where work has been concentrated

In sampling at Cooke No 1 Shaft the rate of development on reef was higher Values were a little lower than in June when they were exceptionally good

At Cooke No 2 Shaft the rate of development is being maintained but values in the September quarter were not as high as in June The mine is now developing areas that will be viable at a lower pay limit

The grade at Cooke No 2 Shaft is expected to improve now that development is through a mud-bearing dyke

"On the other side we hope the grass is greener," said Mr Blane

Discussing policy he said "A decision has not yet been taken as to what level of mining we shall continue at Randfontein section

"Originally the plan was to continue until Cooke No 3 Shaft came into production We might stop work on Randfontein section or we might spin it out until Cooke No 3 comes into production

"The E8 reef values are better than those at Randfontein so it becomes a viable second resource at No 2 Shaft should we wish to mine it Randfontein section has continued to be disappointing "

COMMENT: Analysts are looking for a final of 550c which with the interim of 450c would give a yield of 9,6% on yesterday's price of 10,400c.

WESTERN AREAS: Tonnage milled was up Discussing the steep rise in costs Mr Blane said Western Areas was a deep and hot mine with a great deal of water inflowing, and was therefore prone to cost increases

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $oz	Revenue $oz	Net profit R000s	EPS after capex cents
Randfontein	1 045	4,9	36,04	301,9	679,1	38 410	288
June	999	5,1	35,02	270,1	532,6	30 995	315
West Areas	1 093	4,5	74,19	347,2	677,0	26 070	33
June	1 081	4,5	62,00	304,9	542,5	17 177	16

Financially it was doing well because of the high gold price

'We are operating at about the right level although ways are being studied to increase tonnage

' Grade will decline early next year as we replace the Upper Elsburg reefs with ore from the Middle Elsburgs

We are building the uranium plant and there will be a slight switch-over from Upper Elsburgs to Middle Elsburgs so as to ensure a smooth transition from being a gold only mine to being a gold/uranium mine

The declining grade is not attributable only to mining the Middle Elsburgs but is attributable also to lower pay limits resulting from the higher gold price We are now able to mine ore that was previously unpayable, particularly on the eastern side of the mine where we move away from the shore line '

Partly because the mine is labour-intensive, Mr Blane predicted that year on year costs were likely to rise a staggering 29%-30%

He did not expect the gold grade to drop more than about 10% in a year or two years

"We hope the uranium grade, when production starts will be 0,25kg a ton

In the past quarter the mine was not able to maintain the tempo of capital spending that was planned but the management hopes to increase it in the fourth quarter

Total capital spending was planned to be R60-million but it is more likely to be closer to R40-million or R45-million

There was an increase in the provision for tax in the September quarter because of the lower than planned capital spending

Tax in the current quarter, with a maintained gold price, is expected to be about the same as in the past quarter depending on the level of capital spending

The mine also hopes to maintain profit in the current quarter

Mr Blane would not be drawn on retentions and dividend policy but pointed out that the mine entered the year with a good cash balance

' Unless we were convinced that there will be a significant drop in the gold price next year, we would not necessarily seek to increase our unappropriated profit balance, ' he said

'However, we have tremendous expenditure ahead of us to complete the uranium plant and also to complete the SV3 Shaft

We must cater for that before paying all out in dividends '

In development, exploratory drilling has been carried out from underground on the E9EC reef with good values

On the VCR and UE reefs grade was slightly down — a reflection partly of the lower pay limits

The SV4E Shaft is likely to be in production in the second quarter of next year This will improve the mine's flexibility in developing the central section and will improve hoisting ability below the 50 level in what was formerly the Elsburg tributing area

COMMENT: Analysts consider it could be anywhere between 60c and 120c. I would guess at 75c making a total of 115c providing a yield of 9,4% on yesterday's share price, provided the gold price is maintained The mine is much more dependent on a high gold price than Randfontein.

BUSINESS MAIL

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ oz	Revenue $ oz	Net profit R000s	EPS after capex cents
WEST DEEP	849	14,20	45,52	133	648	65 685	222
June	844	12,94	41,74	130	538	61 519	167
VAAL REEFS	2 199	8,58	35,70	169	656	90 089	299
June	2 231	7,77	36,55	187	546	82 868	319
ELANDS	272	5,03	39,26	323	650	11 923	1
June	267	5,86	39,59	273	552	11 255	4
SA LAND	338	0,99	3,82	159	650	902	12
June	329	1,23	3,94	126	541	1 266	11

West Deep star of the Transvaalers

RDM 24/10/80

By HAROLD FRIDJHON

RESULTS from the major Anglo American Transvaal gold mines and Ergo for the September quarter are as brilliant as they were expected to be with the gold price averaging $650 an ounce, but topping the others was Western Deep where earnings a share after capex 33% higher than in June

A material factor which, from a shareholder's point of view, affects earnings a share has been capital expenditure At Western Deep capex dropped from R19 784 000 to R10 101 000 which added lustre to the eps, and at Vaal Reefs capital expenditure soared from R22 315 000 to R34 908 000 This had the effect of reducing eps by 9% to 299c.

Ergo's earning for the quarter rose by 20% to 66c a share compared with 55c for the June quarter This additional profit all stems from the higher gold price even though all other sections of the plant produced increased recoveries from a higher quantity of slimes treated

Details from the reports are

Ergo Tonnage treated was 12,5% higher at 4 712 000 tons and uranium oxide production increased by 15% to 76 421kg Acid production was slightly higher and gold recovery rose from 1 695kg to 1 771kg The production figures suggest that the plant is now working smoothly without any major problems Total profit was R27 168 000 compared with R22 980 000 last June

Vaal Reefs The feature of this mine's quarter was the effective control of costs Costs a ton milled dropped from R36,55 to R35,70 in spite of mill throughput being marginally lower Gold production went up by 8%, but revenue rose by 21% to R300-million, with working profit at R223-million, compared with R158-million in June Uranium sales slumped from R19 093 000 to R5 399 000

Royalties paid to Southvaal rose from R41 468 000 to R57 665 000 Tax was only R19-million higher because of the large jump in capital expenditure, which increased from R22-million in the June quarter to R34 908 000

Operations in the Afrikander Lease area produced a loss and provision has been made for one quarter of the minimum annual royalty of R50 000

Developmenmt results from the north shaft area were reasonably average for both gold and uranium , but in the south shaft area values for both metals appeared to be better than average

Western Deep Mill throughput was slightly higher, but the grade rose from 12,94 g/t to 14 20 g/t, which suggests that production came from a richer patch Costs a ton milled rose by 9% to R45,52

Net profit went up from R61 519 000 to R65 685 000 after a a tax provision of R90-million — almost 60% higher than in the June quarter

Development values on the carbon leader were significantly higher for gold and uranium VCR values were also better

Elandsrand. This is not a satisfactory quarterly report Although the milling rate rose to 272 000 tons and costs were held, the grade dropped The worsening trend in development values has resulted in a slower than planned build-up of payable stopeface This has reduced the rate of production expansion

The planned production for the year has been adjusted to 1 050 000 tons, previously 1 200 000, at a grade of 5,4 g/t (5,7g/t)

GOLD QUARTERLIES (214)

Retention risks

FM 24|10|80

While local gold mine managers have been making noises about earnings retentions as a precaution against possible gold price declines, London analysts generally remain confident that bullion's $18 drop to $652,50 on Tuesday afternoon was no more than a hiccup in what is essentially a period of strength As they see it, the permutations of the Middle East conflict are endless And one can argue about its effect on gold from any point of view Basically, however, the Middle East has tended to distract investors from the fundamental economic factors influencing gold The US is still running major budget and balance of payments deficits, third world debts are nowhere near being controlled, and we are still in the middle of the worst global inflation in recent history

As one story goes, Iran is selling gold to fund its war effort But against that, there is a growing feeling that President Carter will move to unfreeze Iran's assets in the US in exchange for release of the hostages If so, the argument goes, Iran could carry on the war for years without selling an ounce of gold

Of course, one can sympathise with local mine managers. They do not want to be caught out by possibly falling gold revenues if, at the same time as funding capex programmes, they have to finance growing uranium stockpiles That is particularly so as most mines are caught up in a particularly vicious cost spiral while gold earnings are partly depressed by adverse rand/dollar exchange rate shifts

Price moves

Gold has recovered part of its recent drop, but at least for the next few weeks there seem to be no compelling reasons for the price to move ahead strongly US buyers, particularly, are cautious on gold ahead of the presidential election, while rising US interest rates lessen the attractions of maintaining gold holdings

Randfontein: Though no decision on timing has yet been taken, it is plain that the days of mining at the Randfontein section are numbered Grades being disclosed do not warrant continuation of development and, with exhaustion of the surface ore stockpile, throughput at Millsite is being maintained from old surface sands dumps

Though it is uncertain what effect sand retreatment will have on gold grades, it could mean a drop of up to 25% in uranium production from the first quarter of next year And uranium production is unlikely to recover until the Cooke No 3 shaft is in production three or four years from now In the meantime, however, uranium production at Cooke section is going well Technical problems at the plant have, to all intents and purposes, been overcome

As far as gold is concerned, there is probably still room for further recovery grade cuts, but they should not be large Though some development sampling has been done on the lower grade E8 horizon, it is unlikely that the reef will be mined for several years The aim is to concentrate on the UE1A reef with higher gold values, particularly as uranium prices have weakened considerably over the past few months

In common with sister mine Western Areas, planning is currently based on completing as many capex projects as possible in case gold prices decline On this basis, management estimates that capex during the current quarter will be some R16m to R18m However, Randfontein started the current year with adequate cash holdings and, unless by year's end the gold price is significantly weaker, the mine need not retain a large part of this year's earnings ahead of next year's capex If so, a final dividend of 800c is possible to following the 450c interim

Western Areas: With a 9,2% unit cost increase in the September quarter, management estimates that year-on-year cost increases are about 30% And with inevitable gold recovery grade drops as ore from the Upper Elsburgs replaces that from the Middle Elsburgs, the mine could be set for a period of squeezed profits until 1982 when uranium profits kick in

Maintaining grade

This quarter, gold recovery grade should be maintained at the current 4,5g/t, with the decline only setting in early next year This year's originally estimated capex target of R50m is likely to be missed by at least R5m, pointing to capex of up to R18m in the current quarter However, the shortfall will have to be made up next year

Though Western Areas' life expectancy has been increased by higher gold prices, the mine is a relatively low grade gold producer with grade likely to fall to 4g/t over the next two years Though that will be offset by uranium recoveries from the Upper Elsburgs of about 0,25kg/t, it should also be borne in mind that as a deep, hot, wet and relatively labour intensive mine, Western Areas is particularly susceptible to inflationary cost increases And while capex remains high for shaft sinking and establishment of the uranium plant, management is likely to be relatively cautious on distributions until gold escapes from its current period of weakness

However, though capex is set to rise during the current quarter a final dividend of 60c is well within reach

Blyvoor: At the present stage of the mine's life an increasing number of factors need to be taken into account in assessing the worth of the share Though relatively low capex of R17,2m is planned this year, to be followed by an estimated R14,5m next year, management warns that greater amounts could be needed if it is decided to mine reefs other than the currently exploited Carbon Leader In addition, there is the problem of uranium revenue Management points out that the mine does not have to aggressively seek sales in markets which are likely to be depressed for another couple of years But that is only encouraging if there is no repeat of the sales deferrals requested by the mine's uranium customer

The consumer loan has been fully drawn down and capex has now to be financed from internally generated funds Linking that with the steady decline in gold recovery grades and uranium uncertainties it is apparent that distributable earnings are becoming increasingly geared to the gold price Unless gold recovers sharply from its current level, it may be over-optimistic to expect an interim dividend of more than 150c

Durban Deep: If plans are achieved, the current quarter will see a sharp rise in capex to R5,3m However, the mine is now in a position to further increase mill throughput, though with the possibility of a further small drop in recovery grades What remains to be seen is whether at current gold prices it is decided to extend operations into Kimberley reef underlying the south-western part of the lease area Previous discussions with JCI/Randfontein aimed at securing rights to Kimberley reef beyond the mine's western boundary came to nothing while it seems that there is little chance of extending operations eastwards into neighbouring Rand Leases

Drilling has indicated reasonably attractive Kimberley reef gold grades though getting at the ore could be costly If a further round of heavy capex is planned, management will probably adopt a cautious dividend policy However, the mine already has sufficient cash from the first three quarters' operations to pay a final of at least 200c

ERPM. While gold continues to dither, there is little point in expecting annual dividends better than the 360c promised in the rights issue offer document Bullion will need to be in a solid and sustainable uptrend by end-December if management is to decide that earnings are sufficient both to fund the capex programme scheduled for the next five years as well as to increase payouts

Even then there is not much point in expecting too much The 360c dividend estimate was based on gold remaining above $600 in real terms — whatever that means — and already the industry is feeling something of a squeeze from higher costs and adverse shifts in the dollar/rand exchange rate As it was, ERPM's unit costs rose 9,1% in the September quarter There is little chance of the final being greater than 185c

Harmony Though the latest chairman's statement contained warnings on possible adverse trends, unless gold collapses, any set-backs should be no more than temporary It seems unfortunate that the Merriespruit uranium plant is coming on stream at a time of uranium oversupply and price weakness, but at current gold prices there is plenty of scope for gold earnings to fund any necessary uranium stockpiling However, with R26m capex forecast for the current year and more than R20m in each of the following three years, any sustained uranium market recession could mean a sharp squeeze on distributable earnings

At end-June the mine had net current assets of R65,3m — more than adequate to fund capex and uranium stocks even if gold drops to $600 Even then, management believes that an interim dividend of 200c is possible unless it becomes necessary to retain earnings ahead of further possible gold price drops

Buffelsfontein: Capital expenditure this year is likely to be somewhere in the region of R50m with, perhaps, similar amounts in the next couple of years Though radiometric sorting this year will help to maintain ore grades, unless gold falls sharply it seems unlikely that the September quarter's 8,2g/t recovery grade will be maintained Presumably in part because lower grade ore can now be taken into reserves, gold and uranium development sampling results were lower during the last quarter, reflecting a general trend towards lower mining grades Over the next year or so, gold recovery could fall to about 7g/t An interim dividend of 400c seems possible unless bullion collapses

Stilfontein: In line with plans announced in April to extend the mine's life beyond the previously estimated five years, development continues at a relatively heavy rate At the same time, recovery grades continue their decline despite surface ore sorting which has recently helped maintain recoveries

Operations shift

At least for the moment it does not appear that operations will shift towards the lower grade VCR to any great extent, though that remains a possibility for the mid-Eighties Development on the VCR is fairly limited with sampling disclosing sub-economic gold and uranium values The 85%-owned Chemwes uranium plant should soon start contributing to earnings, though initially that could be largely absorbed by repayments of the consumer loan used to finance the plant A loan of R42,7m is repayable in 1981 which could result in relatively heavy retentions this year and next On that basis it is probably safest to expect a final in the region of 200c this year

West Rand Cons. Development in the gold section is being stepped up, though it will take a substantial improvement in recovery grades for a profit to be made on gold

GOLD QUARTERLIES (214)

Marking time

FM 31/10/80

Bullion seems incapable of making up its mind which way to move. And particularly while Americans remain bemused by the uncertainty over next week's presidential election, the pattern will probably be maintained

No-one operating in gold markets appears to be particularly interested in such unsettling developments as the massing of Vietnamese troops on the Thai border, while the Iraqi/Iranian war seems to have been relegated to the back of gold traders' consciousness

Until a definable near-term trend develops, attitudes towards gold and golds should be coloured by longer-term expectations For the present, there seems to be nothing which will move the metal out of its current holding pattern Sellers are there when bullion tests the $650 level, while it would probably take a strong downward break to shake the strong buying support which apparently exists at $620

The fact is that unless bullion breaks upward soon, the next batch of dividend declarations is unlikely to be much different from the last Judging by September quarter results from the Anglo group mines, the house — unlike some others — is not thinking along the lines of retaining earnings as a precaution against gold price weakness

Capital spending projects are large throughout the group but expansion programmes are being financed by raising additional capital rather than by starving shareholders of dividends

Ergo Higher mill throughput and, presumably the previously expected improved recoveries led to a higher gold output Even so, overall recovery was lower at 0,376 g/t (June quarter 0,405 g/t) reflecting exhaustion of the relatively high-grade (0,75 g/t) Springs No 2 dam and a start to monitoring the lower-grade Springs No 1 dam (0,63 g/t)

For the next half dozen or so quarters, gold recoveries should be maintained but if profits continue at their present level the current half year will be the last period to escape the taxman's attentions It does not seem that the company is holding back earnings as a means of smoothing dividends ahead of tax and further gold recovery grade declines If gold maintains its current level, a 120c final seems possible

Ergo has first right of refusal until end-December over three dams currently being offered for acquisition by East Dagga It is a safe guess that any outside offers received by the mine will be unsatisfactory and that the agreement with Ergo will be extended indefinitely In any case, the effect on Ergo's current worth will be negligible, as it has no need to monitor the East Dagga dams (which contain 73,4 Mt of slimes grading between 0,47 g/t and 0,41 g/t) for at least 20 years

Elandsrand Prospects of a maiden dividend appear slim this year, though, before any debt repayments, earnings of 11,1c a share were retained during the first nine months In any event, this year's production plan has now been reduced to 1,05 Mt grading 5,4 g/t against the previously estimated 1,2 Mt yielding 5,77 g/t As with neighbouring Deelkraal the question is whether the mine will ever match the gold recovery grades on which it was originally planned It is unlikely in the near term in the face of recently worsening development sampling results and the fact that the mine is obliged to mine as nearly as possible to the average grade of its blocked out reserves

At this stage it is probably safest to assume that grades will plough along at less than 6 g/t for the next three or four quarters, though that could lead to some buying opportunities if present shareholders tire of waiting for full potential to be reached

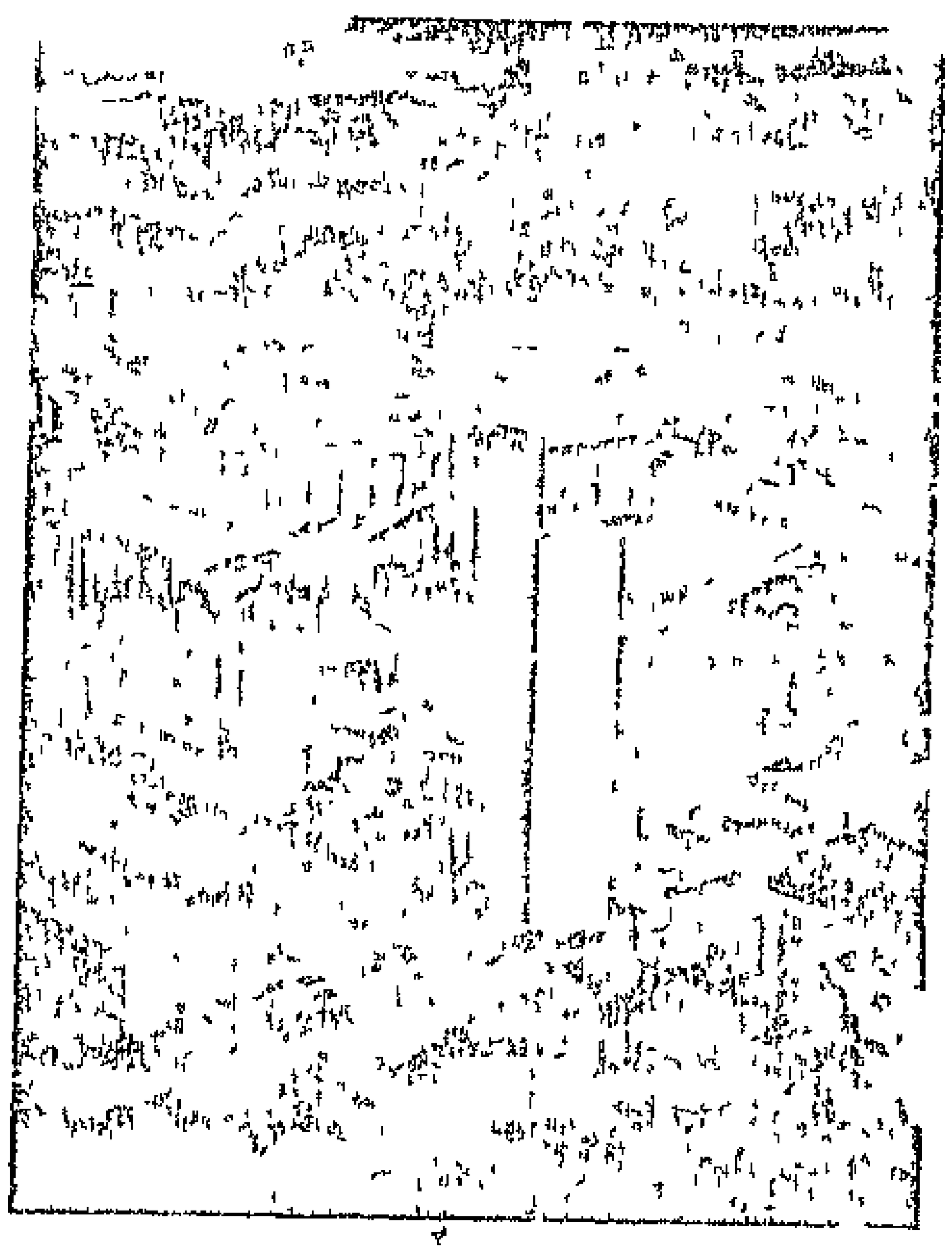
Vaal Reefs: Rumours continue to circulate that, until uranium markets recover, it is planned to put the Afrikander Lease operation on ice And there has been no announcement on the possibility of mining low grade VCR lying above the present workings at Vaal Reefs itself

On a more positive note, grades at both the North and South lease areas have improved, even though gold's price trend should apparently have resulted in the mining of lower grade ore If the tenor is maintained, the year's average recovery from the North should exceed 7 g/t and reach about 10 8 g/t in the South

Though the last annual report contained a warning that the mine might not be able to sell the year's full uranium production, the sales downturn with the market's current weakness appears to be greater than management expected As long as the market remains weak, profits may have to be diverted to uranium stockpiling, though that should be small in relation to the mine's gold profits Only R76,6m of the year's planned R125m capex had been spent by the end of the third quarter, so a further capex increase seems likely during the current three months If so, and if gold continues to wallow in the lower $600s, the final dividend may not be much better than the 620c interim

Western Deep: The September quarter's gold recovery grade rise to 14 2 g/t (June quarter 12 9 g/t) emphasises the fact that Western Deep's mining method precludes grade changes in response to gold price moves And it is this factor which makes the mine one of the better defensive stocks on the gold board

Even if gold continues to weaken for the rest of this year, there need be little pressure on the mine to restrain its final dividend The R60m deb issue to fund capex needed to extend operations south of the present mine and to increase monthly mill throughput by 180 000 t has been successfully completed After the 400c interim dividend, retentions after capex during the first nine months amounted to 252,3c, while, as the capital spending programme builds up, major tax savings are in prospect Taking a cautious view on gold and being less than generous on unit



Western Deep . it's the grade that counts cost trends during the current quarter, a final dividend of 450c is possible

Free State Geduld· Greater emphasis on mining low-grade ground near the No 5 shaft has resulted in a further substantial reduction in gold recovery grade — and the trend is likely to continue for the next few quarters More details should be available with the annual report, but it will not be surprising if average recoveries are only marginally better than 8 g/t a year from now

In the meantime, at end-September the mine had capex commitments of R32,9m, though that will probably not be the limit of this year's spending This year the mine should reach a quarterly mill throughput of about 850 000 t, probably leading to better unit cost control than the industry average

President Brand: Sinking of the new No 5 shaft has yet to start and be reflected in capex But with only R2,7m retained from profit after capex in the year to end-September, management appears confident that this year's capex can be met without too much strain on distributable earnings

The annual report, due in the next month or so, could reveal that recovery grade will be reasonably well maintained this year, though the longer-term trend is inevitably downwards A positive factor in the distributable earnings equation is that commitments towards further funding of Free State Saai will lessen

President Steyn. Development and sampling on the lower grade "A" reef appears to be increasing, indicating a swing towards mining the horizon sometime in the fairly near future Almost inevitably, then, average recovery grade could fall below 6 g/t over the next few quarters

Production from Video should kick in fully during the current financial year, coupled with lower capex Meanwhile, the mine seems to be operating its treatment facilities at full capacity

Western Holdings, Welkom, Free State Saai: Results from the individual mines are largely academic at this stage, ahead of their merger and a start to establishment of operations on Erfdeel-Dankbaarheid However, last year's after tax earnings were distributed almost in full by Western Holdings and Welkom, while Free State Saai continued to slog it out with a negative cash flow

Until full details on capex timing and, thus, potential tax savings are available, it is impossible to make any earnings or dividend projections for the enlarged Western Holdings

Wit Nigel: Plant breakdowns and low ore grades put paid to management's hopes that increased use of resue mining would increase recovery grade by 20% last quarter The way things are going, and as capex will be relatively high as shaft sinking gets into its stride, there is little point in expecting much of a dividend during the current financial year To be on the safe side, shareholders should work on the basis that any payments will be no more than token for at least three years For the present, the shares are best left to the super bulls of gold

South Rood: The mine has once again lagged way behind the rest of the industry in publishing its quarterly report The delay is simply not satisfactory and something shareholders should take up forcibly with management

Jim Jones

GOLD QUARTERLIES

	Gold									Uranium				Profit		
	Cost R/kg	Cost $/oz*§		Revenue R/kg	Revenue $/oz§	Milled *000 t		Recovery g/t*		Milled* 000 t		Recovery* kg/t		Gold R'000	Uranium & other R'000	EPS after capex c
ANGLO AMERICAN																
Elandsrand	7 811	321	(268)	15 824	650	272	(267)	5,0	(5,9)					11 923	(751)	1,1
Ergo				15 806	650	4 712	(4 186)	0,4	(0,4)	4 712	(4 186)	0,16	(0,16)	27 168		66,2
Free State Geduld	4 030	165	(136)	15 793	647	799	(763)	9,6	(11,2)	†623	(645)	0,09	(0,09)	91 760	4 428	188,8
Free State Saai	10 153	412	(401)	15 791	641	510	(484)	2,7	(2,5)	†653	(727)	0,15	(0,16)	8 296	1 107	(5,4)
President Brand	3 412	139	(139)	15 741	641	840	(820)	9,0	(9,2)	†988	(1 066)	0,12	(0,12)	95 765	6 582	199,1
President Steyn	5 116	210	(177)	15 916	654	1 033	(982)	6,6	(7,2)	†1 224	(1 284)	0,10	(0,10)	77 284	7 872	206,5
Vaal Reefs	4 090	168	(183)	15 956	656	2 199	(2 231)	8,6	(7,8)	2 147	(2 420)	0,20	(0,19)	223 098	14 476	290,4
Welkom	6 192	254	(258)	15 745	647	629	(566)	4,9	(4,7)	†326	(364)	0,20	(0,20)	30 099	2 020	87,8
Western Deep	3 207	131	(127)	15 844	648	849	(844)	14,2	(12,9)	623	(223)	0,10	(0,21)	152 133	4 299	222,3
Western Holdings	3 507	144	(132)	15 797	648	843	(860)	8,6	(8,6)	†1 085	(1 109)	0,09	(0,09)	91 940	8 798	443,8
ANGLOVAAL																
ET Cons	5 243	219	(191)	16 390	683	74	(75)	6,9	(7,0)					5 676	140	53,9
Hartebeestfontein	4 547	190	(174)	16 272	678	747	(740)	10,8	(10,9)	749	(740)	0,13	(0,15)	94 589	6 834	331,9
Loraine	12 713	530	(485)	16 440	685	408	(401)	3,2	(3,2)					6 747	314	6,9
GENCOR																
Bracken	6 294	259	(228)	16 619	685	220	(216)	3,9	(4,0)					8 994	264	28,0
Buffelsfontein	5 610	231	(215)	16 097	663	820	(822)	8,2	(7,8)	776	(777)	0,18	(0,20)	70 518	(1 657)	223,5
Grootvlei	6 615	272	(242)	16 731	689	440	(435)	3,6	(3,7)					16 074	(244)	59,6
Kinross	4 780	197	(168)	16 110	664	400	(400)	5,6	(5,8)					25 515	218	55,9
Leslie	8 206	338	(302)	16 547	682	315	(315)	2,9	(3,0)					7 760	3	18,5
Marievale	7 583	312	(279)	16 138	665	240	(240)	1,4	(1,4)					2 888	24	27,8
St Helena	3 546	146	(141)	16 199	667	555	(535)	7,7	(7,8)					54 232	816	215,1
Stilfontein	5 100	209	(193)	16 167	664	539	(482)	8,6	(9,0)	828	(854)	0,21	(0,21)	51 681	(3 191)	132,1
Unisel	5 492	226	(215)	16 060	662	240	(220)	6,2	(6,2)					15 803	(1 869)	49,6
WR Cons	22 550	926	(826)	15 950	655	556	(523)	1,2	(1,3)	293	(287)	0,33	(0,34)	(4 553)	6 910	34,0
Winkelhaak	3 317	137	(125)	16 562	682	555	(545)	6,4	(6,4)					47 523	1 214	147,5
GFSA																
Deelkraal	10 860	449	(445)	15 936	659	215	(180)	3,9	(3,7)					4 286	175	2,0
Doornfontein	4 845	200	(189)	15 414	638	360	(360)	8,5	(8,4)					32 352	1 195	117,3
East Drie	2 366	98	(89)	15 752	652	670	(645)	14,9	(14,9)					134 210	4 828	96,5
Kloof	3 071	127	(120)	15 684	649	525	(500)	14,5	(14,5)					96 449	4 838	120,8
Libanon	5 627	233	(186)	15 463	640	420	(420)	6,1	(6,9)					25 244	1 046	112,7
Venterspost	9 415	389	(322)	16 060	664	331	(345)	4,3	(4,3)					9 530	783	81,5
Vlakfontein	8 292	343	(274)	15 798	654	180	(180)	1,1	(1,2)					1 507	171	5,3
West Drie	2 562	106	(88)	15 577	644	675	(675)	15,7	(17,0)	306	(295)	0,20	(0,20)	138 783	7 988	361,2
JCI																
Randfontein	7 353	302	(270)	16 541	679	1 045	(999)	4,9	(5,1)	1 045	(997)	0,16	(0,16)	47 049	7 699	288,4
Western Areas	8 456	347	(305)	16 489	677	1 093	(1 081)	4,5	(4,5)					39 508	2 262	33,3
RAND MINES																
Blyvoor	5 022	205	(172)	16 349	669	531	(530)	8,7	(8,9)	468	(474)	0,16	(0,17)	52 347	1 963	84,1
Durban Deep	9 914	405	(347)	16 083	658	560	(548)	3,3	(3,5)					11 492	412	206,8
ERPM	9 801	399	(349)	16 151	657	606	(588)	4,9	(5,1)					18 740	641	180,7
Harmony				16 417	662	1 950	(1 898)	4,0	(4,3)	1 520	(1 346)	0,08	(0,09)	80 799		106,2
INDEPENDENT																
South Rood			(709)				(76)		(1,7)							
Wit Nigel	13 225	551	(455)	15 903	663	72	(73)	3,3	(3,4)					637	36	(3,9)

† Deliveries to JMS §Calculated at R1=$1,34 where figures not provided by mine
*Figures in parentheses refer to previous quarter

the leased plant to be acceptable.

(12 marks)

2. To draft journal/...

ERPM rights issue virtually subscribed

STAR 7/11/80

214

The East Rand Proprietary Mines rights issue has been virtually fully subscribed

Rand Mines announced yesterday that the 40-for-100 issue of R1,00 shares at R30,00 per share was 98,25 percent subscribed The issue, which closed yesterday, will raise R47,5-million which will provide a "cushion" to enable ERPM to continue with its capital expansion programme in the event of temporary downturns in the price of gold

A spokesman for the company said that subscriptions came in from several countries, including Britain, France, Belgium, Switzerland, New Zealand, South Africa and SWA/Namibia But the country which provided the most subscriptions was France, where ERPM is roughly 55 percent held.

Transvaal Consolidated Land and Exploration Company, which underwrote the issue, will pick up the remaining 1,75 percent.

CONS GOLD

Anglo's hand again?

(214) FM 14/11/80

While gold's performance over the past year or so has made Cons Gold one of London's most attractive near-term mining stocks, there has been some unease among analysts who have compared the house with others such as Amax and RTZ Essentially, they argue, while others have diversified strongly over a period of years, Cons Gold has only two main legs to its operations — gold and construction materials

As some Cons Gold directors privately admit, the Australian operations have not exactly been among the group's most exciting ventures One has only to look at last year's sale of Bellambi Coal, the need for government subsidies at Mount Lyell and technical and marketing problems at the Mount Goldsworthy joint venture Nor, as some London analysts see it, are the house's North American industrial operations providing particularly attractive returns on capital — a view that is disputed by some Cons Gold executives

Though management spent most of its time carefully fending questions at this Wednesday's agm in London, it is clear that the group is gearing itself for a major diversification More importantly, it is aiming to provide itself with a third operating leg needed if it is to lessen the impact of cyclical fluctuations in gold and construction materials earnings.

The group is now taking the opportunity provided by a high share price to raise £181m from shareholders through a one-for-four rights issue at 500p At the same time, management is asking shareholders to approve an increase in borrowing powers to 1,5 times shareholders' funds Once that is agreed, Cons Gold's borrowing capacity will increase by up to £400m

In addition, management has said that the group is prepared to sell non-strategic investments, leading London analysts to calculate that the house could be in a position to mobilise anything up to £700m of its own funds and borrowings That implies a virtual doubling of the group's total asset base.

What it is all for is being kept a tight secret by management. For the present, it has contented itself with telling shareholders that various alternatives are being considered that may include acquisitions or substantial investments in companies in related businesses No decision, says the board, has yet been reached

Not that this has stopped speculation in London There, by a process of elimination, it is not felt that a bid for a company such as Australia's North Broken Hill is being considered If that was the case, the funds would have been raised in Australia by CGFA with, at the same time, an increase in Australian investors' stakes in that company

Nor, by another elimination process, is it likely that a bid will be made for rest of UK oil company Ultramar as has been rumoured recently However, if management does not succumb to the temptation of buying a collection of, say, aggregate producers in North America, there are, perhaps, two major acquisitions which could provide the group with the important third operating leg it needs

First, and taking a leaf from the way in which Anglo/De Beers bought a 25,9% stake in Cons Gold itself, there is US-based mining group Newmont. Just as was the case with Cons Gold, Newmont, which has a current market capitalisation of something over £500m, has no major shareholders who could block a bid. Meanwhile, Newmont's share price has been wilting in the wake of low copper prices.

Anglo's Oppenheimer . . . is he behind Cons Gold's moves?

While that is a possibility, as one London broker tells me, the LSE sees something of the Anglo/De Beers hand behind the Cons Gold fund raising proposals. The greater Anglo group still has some way to go before its reorganisation is complete, and initial London reaction was that a bid by Cons Gold for Charter was in the offing At current share prices, the price tag for Charter would be in the region of £270m, with Anglo's 36% stake worth around £100m Then, so the theory goes, Anglo/De Beers could increase its stake in the enlarged Cons Gold to just less than the 30% (at which London Takeover Code rules would make a full bid obligatory) at a cost, based on Cons Gold's current 600p market price, of something less than £50m

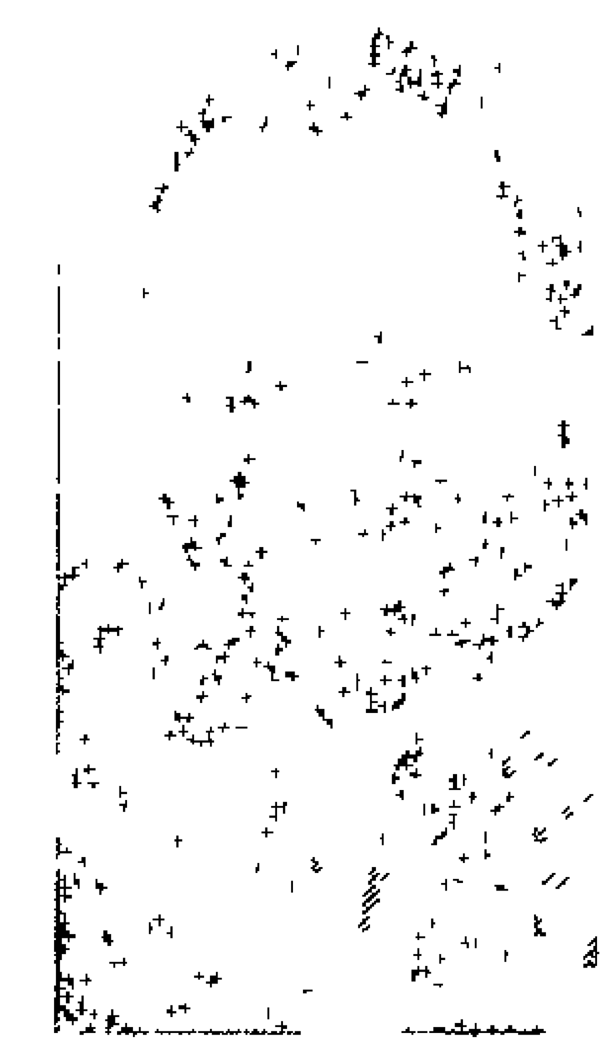
But taking 100% of Charter would cost Cons Gold only a fraction of its funds mobilisation capacity It would still be left with something over £400m to pursue other acquisitions That leads some London analysts back to Newmont A combination of a strong pound and weak dollar adds to the attractions of such a deal. And it is one which would no doubt be supported by Anglo At a stroke, it would increase its North American exposure, currently concentrated in Minorco, and at no cost to itself

As I have said before, the reorganisation of the greater Anglo group is far from complete And developments at Cons Gold may well be another step along the road.

Jim Jones

Waddell in Moscow — now what's going on?

Mr Gordon Waddell . "just passing through"



President Samora Machel . . . friendly, official visit to Moscow.

President Leonid Brezhnev . . . private talks.

STAR 26/11/80

214 ~~98~~ ~~79~~

SA's Red gold link

From the Financial Times

LONDON — Collusion between the Soviet Union and South Africa leading to tacit understandings over the marketing of gold, diamonds, platinum and other precious metals has long been suspected in the West but never proved

Last week, however, Moscow played discreet host to Mr Gordon Waddell, one of the most important figures in the South African mining industry

Mr Waddell is a former son-in-law of Mr Harry Oppenheimer, whose family built up Anglo American Corporation and De Beers Consolidated Mines Companies in the first group produce 27 percent of the world's non-communist gold, while mines in the second dominate world diamond production

There are four seats on the Anglo operating committee which scrutinises even small decisions made in the group Mr Waddell has one of them But he also recently became chairman of Johannesburg Consolidated Investment, 41 percent owned by Anglo and the major shareholder in the world's largest platinum mine

He is, therefore, a key director in the South African mining industry, not at first thought the most obvious businessman to be visiting Moscow

He was spotted by chance during a performance of "Boris Godunov" at the Bolshoi Theatre Mr Waddell and another Anglo American executive were in the company of two unidentified Soviet officials

Asked for the reason for his visit Mr Waddell diplomatically replied that he was "just passing through" Moscow is not usually a place which important South African business figures "just pass through"

The Soviet Union has no diplomatic relations with South Africa and, according to the official Soviet trade statistics, the Soviet Union does no trade at all with South Africa

But the two countries do have mutual interests and, at least in one sector, there is arm's-length co-operation Soviet rough gem diamonds are sold to a small company in London en route for the world's markets, dominated by the De Beers Central Selling Organisation (CSO)

It is an open secret, although never formally acknowledged by De Beers, that the CSO takes the stones from this company and then sells them as part of its normal marketing at 10 sales a year in London.

There is also some evidence, although less conclusive, of contact between the Soviet authorities and the CSO on diamond pricing

Antwerp dealers have observed that if Russia raises the price of its polished diamonds, sold through an Antwerp office, this often precedes a price rise for CSO rough stones

PLATINUM TIE

For platinum the picture becomes murkier South Africa and the Soviet Union are the world's two main producers, and periodic rumours surface to the effect that the two are considering a cartel.

But South African production is usually sold by direct contract while Soviet output, when available, goes to the free market The fact that free market prices influence South African producer prices suggests at least a joint interest in holding prices as high as possible or, at least, preventing them from slipping too far

Certainly the Soviet Union has long taken a keen interest in the marketing of South African precious minerals It is the world's second-largest gold producer, with an annual output estimated by Western mining experts to be around 400 tons

Soviet gold sales this year have dropped back sharply from last year's level of over 200 tons It transferred 34 tons, worth about R535-million to the Swiss bullion market in September and October, but may also have sold some metal through London and New York

Bullion market speculation of possible Soviet-South African co-operation flared recently when it became known that a team from Consolidated Goldfields, the London-based mining finance house in which De Beer's and Anglo own significant holdings, had recently paid a visit to Moscow

EXPLORATORY

The trip was very much an exploratory mission for both sides But it is thought that Cons Gold eventually may help the Russians, in particular by broadening their knowledge of the gold market

It would certainly be difficult ever to prove active collusion But it is striking that this year both the Russians and the South Africans have been following broadly similar marketing policies by holding back some of their production from world markets to help bolster prices

The Russians have always been adept at this sort of game, taking pride in varying the timing and method of sales to keep the market guessing

The South Africans have normally fed their production to the market in a steady stream This year, however, Pretoria has switched to a more sophisticated sales policy by adding part of its output to reserves

One link the Russians and South Africans share with all other major gold producers is that most of their output is marketed through the major Swiss banks

Since 1972, when Russia started selling gold to the West agaınafter a seven-year absence, most of its supplies have been routed through the Swiss maarket

South Africa has also used Zurich to handle aruond 55 to 60 percent of its sales in recent years A large amount of South African gold is airfreighted to London, however, before being sent on to Switzerland — and the proportion of South African gold coming on to the London market seems to be increasing

CHANCE

Perhaps by sheer chance, Mr Waddell's brief stay in Moscow coincided with a lengthy "friendly official visit" by a top-ranking delegation from Mozambique led by President Samora Machel, who held talks alone with Soviet President Leonid Brezhnev, as well as full-scale meetings between the Mozambique delegation and the Soviet Leadership

President Machel was treated during his visit in the style befitting one of the Soviet Union's closest and most important allies in Africa.

The coincidence of the visits highlights the ambivelence of the Soviet attitude to southern Africa It is the dilemma of squaring ideology with economic necessity

GAP

There has always been a gap between rhetoric and reality. Both South Africa and the Soviet Union are caught in the same dilemma It may be, as many Suth Africans have remarked in private, that the coincidence of economic as opposed to political interests, may deepen this improbable relationship

Gold mines pay R1 504-million in dividends

214

26/11/80 RDM

THE gold mines paid out R1 504-million in dividends in the first nine months of this year, 2½ times more than the R568,2-million paid out in the same period last year, Chamber of Mines figures show.

As a result of this year's higher gold price, gold mining revenue doubled to R7 313,3-million, in the nine months to September.

With working costs rising 26,5 percent to R2 083,8-million, the profit from gold mining jumped 165 percent from R1 973-million to R5 229,5-million.

Total profit, including income from uranium, rose 146 percent from R2 274,6-million to R5 606,6-million.

The amount paid by the mines in tax almost trebled, rising from R1084,4-million to R3 004,5-million. Capital expenditure increased by 32 percent from R459-million to R606-million.

NESS

STAR 28/11/80

214

Anglo more than doubles interim income

By Geoff Shuttleworth

Anglo has more than doubled its interim earnings and the interim dividend has been increased from 25 to 35c a share.

In the six months ended September 30 taxed profit rose to R279 million against R136-million equivalent to earnings of 115,5c a share compared with 53,6c before

While most analysts did not expect earnings to double in the first six months, the dividend is in line with market expectations

Comment from the Anglo directors reinforces the analysts' views by noting that even if the gold price is maintained in the next half, profit is not expected to rise at the same rate as during the first half

The reasons cited include investment income not accruing evenly during the year, the realisation of investment fluctuates in accordance with policy decisions and market conditions and certain costs, particularly those incurred on prospecting vary materially from time to time.

Anglo said that a net amount of R2,4-million was charged against retained profits for the year ended March 1980 as an extraordinary item

Full provision has been made up to March 1980 in respect of all amounts invested in Cleveland Potash and further provision will probably prove necessary as an extraordinary item in respect of amounts invested during the current financial year which at the half way stage amounted to R19,1-million.

Last year Anglo paid a total of 70c a share and analysts are looking for a minimum of 100c for the full 1981 financial year.

The most optimistic are arguing for a 115c total which puts the share, now at 1930c, at a prospective yield of nearly 6 percent

The only interesting aspect of the interim figures is that tax was virtually unchanged at R12,6-million from R12,2-million the previous period.

The market value of Anglo's listed investments, in line with its own results, have almost doubled to R8 016-million from R4 066-million

Sun Times 30/11/80

(214)

We're sorry say Anglo

By DAVID JACKSON

THE giant Anglo American Corporation is today publishing a red-faced retraction of comments about rival mining houses made in a special issue of its prestige magazine, Optima

The retraction was hastily bound into the magazine at the last minute after both the Gold Fields group and Union Corporation had disputed the accuracy of criticisms of them which were included in a major study of migrant labour commissioned by Optima

The study was done by South African-born Mrs Merle Lipton, formerly of the Royal Institute of International Affairs in Britain, and the latest issue of Optima is entirely devoted to her findings

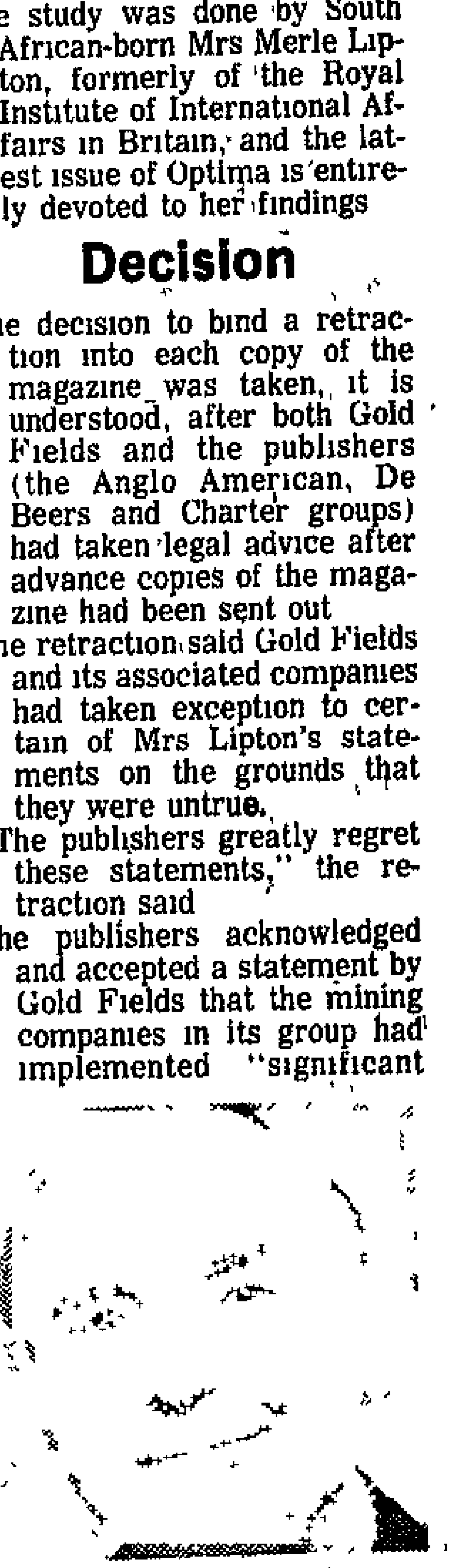
Decision

The decision to bind a retraction into each copy of the magazine was taken, it is understood, after both Gold Fields and the publishers (the Anglo American, De Beers and Charter groups) had taken legal advice after advance copies of the magazine had been sent out

The retraction said Gold Fields and its associated companies had taken exception to certain of Mrs Lipton's statements on the grounds that they were untrue.

"The publishers greatly regret these statements," the retraction said

The publishers acknowledged and accepted a statement by Gold Fields that the mining companies in its group had implemented "significant programmes to upgrade accommodation and amenities for their black employees" and that further major programmes were in hand



HARRY OPPENHEIMER
"Major contribution"

Gold Fields also said — and the publishers of Optima accepted — the minimum for all categories of black employees on the gold mines of the group were, without exception, above the lowest minimum rates in the industry

Gold Fields also denied the implication in Mrs Lipton's report that the group's gold mines operated on the basis of maximising profits for the benefit of foreign shareholders.

"Gold Fields' policy is that its associated mining companies should operate in the long-term interests of their own respective employees and shareholders," the statement said

Obvious

Referring to the third giant mining house, Optima's retraction said "Union Corporation has also pointed out that its policy is to continuously improve the living conditions of and amenities provided for black employees, that significant programmes have been implemented and are in hand, and that the reference to Union Corporation in this context is therefore incorrect"

A spokesman for Gold Fields' public relations department told the Sunday Times "The additional statement pretty well represents our point of view It is obvious Anglo American would not have issued such a statement unless there had been an official complaint of some sort"

The Anglo American Corporation refused to comment any further but even the companies that commissioned the study seem not entirely happy with Mrs Lipton's findings.

The chairman of Anglo American and De Beers, Mr Harry Oppenheimer, says in a preface that Mrs Lipton was commissioned to undertake the study "to bring independent and critical thought" to the migrant labour situation

While the corporations did not agree with all of her conclusions, "nor for that matter with some of her observations", they considered her work to be a major contribution to social research

(See Pages 38 and 39: "Scrap this awful migrant labour system!").

BUSINESS

Anglo chairmen predict gold will swing back to a monetary role

19/12/80

By Geoff Shuttleworth

It seems clear that the future of gold is assured and that, despite short-term speculative influences, the long term trend is distinctly bullish.

This was stated by Mr Dennis Etheredge and Mr Gerald Langton, chairmen of the six gold mines in the Orange Free State administered by Anglo.

In identical statements in the mines' annual reports, they said that recent proposals for the revival of some sort of gold pool appeared to have been discarded and that there would be further moves towards the use of gold in inter-central bank transactions, resulting in effective remonetisation of gold

"It is also possibly a matter of time before the US revalues its gold reserves."

They said that the past year had shown very clearly that the basic structure of the gold market had undergone a radical transformation and they now believed that the concept of gold as an investment medium was already entrenched

In addition, the growing interest being shown in gold by banks and the naturally conservative managers of pension and insurance funds was indicative of the future direction of the market.

They noted that while speculators had been able to take advantage of the gearing opportunities afforded by margin trading and had been able to swing the gold price by tens of dollars, there was nevertheless no doubt that the strength of the futures markets lay in their ability to attract and introduce a broader spectrum of investors to gold.

For this reason the forthcoming establishment of a gold futures market in London would allow futures trading to continue around the clock, filling, as it would, the time gap between the markets in Hong Kong and New York.

Supply

Turning to supply and demand, they said that, excluding scrap gold, it seemed that gold supply in 1980 would be less than 1 200 tons as against 1 750 tons last year

Investment in gold, including bullion, coins and medallions was estimated to have consumed more than 770 tons during 1979. This represented some 44 percent of total demand for that year

They anticipated that during 1980, the absolute quantity absorbed by investors would be in the region of only 570 tons, but that in itself would represent nearly half of total demand

It now seemed that jewellery demand, the major fabrication sector, was likely to fall to around half of last year's offtake — 630 tons, with jewellery accounting for around 400 tons (1979, 740 tons)

"Should significant price instability recur it is likely that there will be a further swing from the fabrication market to investment demand. On the other hand, the time will come when the jewellery market will adjust to the higher price levels and there will b an inevitable resurgence in demand for jewellery."

Commenting on supply, they said that on present indications there would be no further IMF sales, in spite of pressure from third world countries, and the US Treasury was most unlikely to make any more gold available for auction from official reserves.

This was particularly so as more and more countries revalued their gold reserves and gold's role in monetary affairs grew

Although Russia had re-entered the market recently, after having been absent since the start of the year, it was estimated that these sales during 1980 were unlikely to exceed 120 tons compared with some 230 tons last calendar year

+ STIGLER, G. "The Division of Labour is limited by the Extent of the Market". JPE, 1951.

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Walras : A Comment". ibid.

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April 1965.

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s : The Analysis of Prices and

HUTCHISON, (Succinct Survey)

HUTCHISON, R.M. Revolution and Progress in Economic Thought. (Up-to-date).

SCHUMPETER, J. A History of Economic Analysis

Additional reading will be provided to cover individual thinkers and periods

Essays

Students choosing this course as a third-year option are required to submit ONE essay and those choosing it as an Honours course are required to submit TWO essays. A list of choices will be provided during the course

LABOUR ECONOMICS

Co-ordinator : Francis Wilson

2nd Semester

COURSE OUTLINE

This will be a half course which will start at the beginning of the year and run through until the end of May. Its focus will be on the problems of unemployment and of employment creation. In order to deal adequately with one of the areas of most active research and writing in South Africa at present we shall be inviting a number of guest lectures to talk from their particular specialist perspective.

Buffels scores from new ore sorting method

RDM 19/12/80

214

By ADAM PAYNE

BUFFELSFONTEIN gold mine, and other mines including Vaal Reefs, have increased or are increasing their productivity — and thus their earnings — by installing computer-controlled radiometric ore sorters.

These are a big advance on the photometric sorters used for several years on a few mines

Buffels has three photometric sorters which work on the colour of the ore and discard about 12 000 tons a month of waste rock, so providing milling capacity for a further 12 000 tons of gold/uranium ore

As a general rule, the more efficient the sorting the more centares of reef will have to be mined underground to fill the plant, so producing more gold for a given quantity of tonnage milled

Because the capital cost of new plants or extending a plant is formidable, mine management policy is to make the best possible use of existing plants

The radiometric sorters being introduced at Buffelsfontein use the radioactive characteristics of gold/uranium ore

Material to be radiometric-sorted is in the small-size range that cannot be sorted by hand

The sorter reacts to the radioactive qualities of the ore and because gold and uranium are associated, the gold-bearing ore is separated from waste rock

It has been found that the quantities rejected by radiometric sorting will be about three to four times the amount rejected by photometric sorters

The radiometric sorters eliminate a higher percentage of waste and provide more milling capacity for enriched ore

Two radiometric sorters are operating with great success at West Rand Cons, one has been installed and three more will be installed at Buffelsfontein

The radiometric sorters will replace photometric sorters as they are installed.

At West Rand Cons the radiometric sorters have rejected as waste up to 75% of the small-size material fed into them

The Buffels radiometric sorter works on the small-size range between 25 mm and 50 mm, so that when up to 75% of that material is rejected it is 75% of about 18% to 20% of the total ore feed

The mine started with manual sorting of material from 150 mm down to 50 mm Now it is to deal with the fraction from 25 mm to 50 mm by radiometric sorting

The management thought initially of installing photometric and now radiometric sorting to cope with the range that cannot be hand sorted

It has found the computerised sorting so efficient that it may look at the next stage replacing manual sorting

Using the radiometric sorters could result in costs a ton milled rising, because more centares of ore will have to be mined for the same tonnage throughput in the mill But this will be more than offset by the greater productivity

COMMENT: Although Buffels is one of a few mines installing photometric or radiometric sorters, I have described its work because the mine has reached a high degree of productivity which is being reflected in its financial results.

It appears, however, that inefficiencies it has reached a plateau and the management is looking for ways of further advances to lift off the plateau.

Grades should be maintained in the immediate future and will probably rise marginally. Tonnage will be maintained.

From an investment point of view the mine's life is within the medium category of 14 to 19 years because of the extension of workings into the Lucas Block

However, operations in this block are subject to royalty payments. In the September quarter, Buffels paid R4 400 000 in royalties for mining in Vaal Reefs "River Bulge area" and in the area owned by Lucas Block Minerals. These payments will rise as more mining takes place in the tribute areas.

Uranium accounts for about 7% to 8% of mining revenue and has only a limited bearing on divident prospects.

Because the Strathmore sub-shaft system is being sunk to allow more extensive development in the Lucas Block area indications are that capital spending will remain high for a long time.

Much of this will have to be financed from current profits.

Allowing for these factors, Buffels remains an attractive investment for anyone who believes the gold price will not decrease sharply for any length of time. Its grade should not decline even with a higher gold price than that ruling now.

It should be noted that people are classified in the Population Censuses by place of residence rather than by place of work. The existence of a growing class of commuters (people who live in homelands and travel every day to work in 'white' areas) suggests that these shifts reflect not so much a displacement of the site of economic activity as the transformation of the Durban-Pietermaritzburg, Pretoria and East London African residential patterns.

Despite these sectoral shifts, the distribution of total employment between 'white' areas and homelands was virtually

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(214) Argus 19/12/80

Mines switch to lower grade

LESS GOLD will come on to the market as a result of switching to lower-grade ore by the six Anglo American Free State mines.

This could help to maintain the gold price at current high levels and ease the tax burden on the mines

It could also mean lower profits if the gold price falls significantly but the chairmen of the mines, Mr D A Etheredge and Mr G Langton, say they are confident that the high price trend will continue.

Total South African output will drop 31 percent to less than 1 200 tons this year from 1 750 tons in 1979, they estimate

The largest cut in grade, 11,5 percent is planned by **FS Geduld** — which will also be 22 percent below the 1979 level. The mine aims at 9,5 grams a ton against 11,5 grams this year and 12,2 grams last year

Working costs are expected to rise from this year's R38,50 a ton which was up by 21 percent.

Western Holdings is lowering its grade to 8 grams a ton from 8,83 grams, down 9 percent. This will be 20 percent down on the 1979 grade

Tonnage is also expected to fall to 3,28-million tons of ore from 3,3-million tons.

Welkom's grade is to drop 6 percent to 4,6 grams (4,9 grams) a ton, also 20 percent below the 1979 level But tonnage milled is to be increased to 2,38-million from 2,28-million

President Brand's grade will be 9 percent lower at 8,4 grams (9,2 grams) a ton. Tonnage will be down to 3,23-million tons from 3,33-million tons.

Capital spending is to be stepped up, including R23-million on a shaft project.

A 6 percent cut in grade is planned by **President Steyn** to 6,5 from 6,91 grams a ton. The loss of gold will be offset by raising the tonnage to 3,96-million tons from 3,79-million.

Grade from **F S Saaiplaas** underground mining is expected to rise from 2,81 grams to 3,7 grams a ton but treatment of dump material will lower the average to 3,1 grams

Working costs rose 10 percent to R26,39 a ton this year and will go up again because of curtailed stoping and a high level of development.

Tom Hood

Loraine goes for higher grade

RDM 29/12/80

214

By ALEC HOGG

LORAINE, Anglovaal's highly geared gold mine in the Odendaalsrus district, expects a slight increase in the grade of ore mined in the current financial year.

The chairman, Mr W F Thomas, says in the report for the year to September 30 that the mine expects to process a similar tonnage to that achieved in 1980, but at a slightly higher grade as ore from underground sources gradually replaces rock drawn from the No 2 shaft surface dump.

The grade fell from 1978-79's 5,3 g/t to 3,3 g/t last year.

The first R27-million of the R80-million capital expenditure project will be spent this year. Capital expenditure amounted to R8 234 000 in the year under review

The funds set aside for capital expenditure will be increased to R28-million in 1982, tapering off until the project is completed in 1985

Mr Thomas says the objective of this expenditure is to increase tonnage millled from underground sources to 135 000 tons a month, and to increase production from the Elsburg Reef in the northern part of the lease area

Although the directors considered paying a dividend in the year under review, Mr Thomas says it was decided this would have been imprudent because of the considerable capital expenditure to be incurred in the short term

Based on a gold price of $500 an ounce, Loraine's ore reserves have increased from 3 598 000 tons to 5 510 000 tons, at an average value of 853cm/g, with pay limits reduced because of the higher gold price used in the calculation

Mr Thomas says another 366 000 tons with an average value of 8,2 g/t exist in five massive orebodies

Labour relations were satisfactory throughout the year, although the critical shortage of skilled workers — a problem the whole industry is experiencing — continued

This position has been aggravated by a shortage of suitable housing, "without which it is impossible to remedy the situation"

Loraine has decided to allocate considerable funds to improve accommodation.

The company remains classified as an assisted mine in terms of the Gold Mines Assistance Act, but did not qualify for assistance in the year under review. It did, however, receive R31 000 for a prior year adjustment

RDM 20/12/80

214

Gencor to spend R120m on four mines

BY GAIL PEMBERTON

GENCOR is to spend R120-million over the next four years, expanding production at four gold mines — Grootvlei, Kinross, Winkelhaak and St Helena

Confidence in the gold price, supported by the level sustained throughout 1980, has prompted Gencor to increase production rates

This expansion is based on an average real terms gold price of $580

"On this basis the estimated rates of return on the planned capital expenditure will more than meet the financial criteria of the group," says Mr L Van den Bosch, executive director of Union Corporation

"So we are not worried that we are releasing this news on a day when gold has been fixed below $580 Over the next four years we would expect to see an averaged gold price of over $580 This view has been based on many different factors"

Much of the cost of the expansion will be met out of tax deferment, and bridging finance, so "that there is no undue impact on future dividend distributions"

Kinross will be the biggest beneficiary of the scheme Capital expenditure will amount to R45-million, most of which will be spent on increasing hoisting capacity and extending the reduction and metallurgical plant This programme should be completed in 1984

The higher gold price has brought in reserves in large areas of Kinross, which were previously considered marginal This warrants the mine's present production rate being increased to 165 000 tons a month from 133 000 tons

Winkelhaak is to spend R20 million on expanding the throughput of the reduction and metallurgical plant to 200 000 tons a month It will also open No 3 shaft again, and re-equip underground workings An additional R15-million will be spent on plant extensions and associated surface services

Gencor says this expansion is economically justified by the availabilty of large low-grade reserves at No 3 shaft These, allied to the potential of further payable ore reserves in the northern and eastern areas of the lease, which have become payable on current gold price expectations

About R30-million will be spent at St Helena This will improve the efficiency of extraction of Unisel ore, and reduce mine milling costs To achieve this a new mill and flotation plant will be introduced

Unisel has the potential to increase throughput to 110 000 tons a month, and a modest increase can be achieved by St Helena The additional capacity will also enable milling without the costly steel balls now used

To service the additional capital St Helena is investing on Unisel's behalf, toll milling fees will be increased The expansion should be completed in the last quarter of 1983

Grootvlei's milling rate is to be increased to 160 000 tons a month from 145 000 tons This expansion is estimated to cost R24-million, and will also be completed in 1983

An up-to-date "run of the mine" milling facility will replace Grootvlei's obsolete crusher and milling plant A carbon-in-pulp plant will replace the existing filter and precipitation units

This work is not expected to interrupt milling, and after it is completed Grootvlei should have a life of more than 10 years, provided the gap between the price of gold and working costs remains at present levels in real terms.

COMMENT This is yet another expansion programme in the Gencor stable.

The most important is development of the Springbok Flats coal and uraniun deposit If this scheme goes ahead, it is expected to cost between R2 000-million and R2 500-million This will be shared by Gencor, Sentrachem and Trans-Natal. Gencor will obviously pay the lion's share.

Sappi is spending more than R500-million, Impala is expanding, Beisa, a primary uranium producer has already cost more than R250-million, not to mention Unisel. Beisa is to cost about R200-million More than R90-million is being spent on expanding some of Trans-Natal's coal mines, and Gencor's coal export capacity is being expanded from 1-million to 6-million tons a year These are only some of expansion programmes currently on the go

Although financing should not prove a major problem because the individual groups can generally arrange their own finance, the group as a whole will undoubtedly be fairly highly geared until some of these expansion programmes become cash generators.

On this latest R120-million gold expansion programme, Gencor will be able to offset between 60% and 70% of the cost against tax, but it can only be offset as profits are made.

GOLD REPORTS

(214) FM 26/12/80

Defensive measures

Taking a view on gold shares at this stage of the bullion cycle tends to lead to a lot of soul searching Opinions are conflicting The optimists take the view that gold's latest set-back has been a necessary consolidation and that the next few months will be a period of steady recovery The bears on the other hand, who for the moment are in the majority, are weighing in with a battery of logic

RISING COSTS

	Cost R/t milled year to Sept 30 1979	1980	% rise	Cost R/kg produced year to Sept 30 1979	1980	% rise
Bracken	19,13	22,93	19,9	3 145	5 442	73,0
Kinross	20,12	24,53	21,9	3 245	4 266	31,5
Leslie	19,17	23,00	20,0	4 680	7 455	59,3
St Helena	23,65	26,74	13,1	2 641	3 357	27,1
Unisel	—	33,07	—	—	5 333	—
Winkelhaak	16,94	20,18	19,1	2 298	3 042	32,3

As they see it, much of gold's political price has disappeared If Iran/Iraq and Poland cannot move gold, then nothing will And if the lessening of political considerations is not enough, there are the prospects for the US economy during 1981 The Reagan administration, it seems, is preparing to apply all the tools at its disposal to get the US back on a sound economic track And if that means a year of high interest rates and economic slowdown, for the moment no-one is scared of the medicine

But the means to fight American inflation are hardly conducive to gold price strength

So what does an investor in golds do if he believes that gold is not set for any major improvement until 1982? If US investors continue to avoid gold shares, most support for them will have to come from SA

The easy answer is to make the wait for recovery as comfortable as possible by taking positions in defensive shares — those which have least scope for dividend cutting Those are the mines which are unlikely to cut recovery grades drastically, have the best prospects for cost control and, perhaps most importantly, have no major capex projects in the pipeline

Saying that is easy Finding mines which satisfy all criteria is more difficult The present programme of grade cutting is nowhere near complete Most mines — except for the few locked into longwall stoping — have planned operations on previously sub-marginal ore And it is impossible for them to immediately switch back to mining high-grade ore blocks exclusively Take, for example, mines such as Bracken and Leslie If they do not mine low-grade ore, their lives will be seriously curtailed Rising costs are an industry-wide bugbear They are romping ahead at an annual rate of over 20%, far ahead of any gold price improvement envisaged by the cautious

So that leaves the alternative of mines with low capex plans for the next year or so For the moment, most of the mines commented on below fit that bill None of them has been making significant earnings retentions, nor are they likely to during the current 12 months Even so, if gold averages $600 in the year to end-September 1981, there seems little scope for dividend improvements

St Helena· Reading between the lines, an early decision on exploitation of the farm Ongegund, immediately to the south of the existing lease area, is being aimed at Surface drilling is taking place there in addition to normal underground exploration It remains to be seen, however, if the area's exploitation will warrant a further shaft from surface The mine did not pursue the possibility of sinking a joint shaft with neighbouring President Brand

If it is decided to exploit Ongegund from existing underground workings, mining costs would be relatively high, while an early start on exploitation would accelerate the decline in gold recovery grade During the current 12 months, recovery could touch 7 g/t, particularly as previously unpay blocks are mined Apart from a possible new shaft, capex should remain at relatively low levels for the mine's remaining estimated 20 years of life

Unisel The current year should be the last in which capex is relatively high And for the next few years, the mine should report steady production and grade figures There seems to be no reason to expect this year's recovery grade to drop significantly below the 6,2 g/t of the past four quarters There is no urgency to exploit the lower grade Leader reef, while complete assessment of the Middle reef is some time off In any event, any planned reduction in mining grades could be compensated for by improved metallurgical recoveries Additional plant is to be installed to assist in releasing gold encapsulated in pyrite, which should come on stream in the near future

Winkelhaak· For the next year or so, the mine's capex should remain relatively low Drilling of ground north and east of the existing workings has revealed substantial tonnages of ore But grades appear to be too low to warrant the sinking of a new deep-level shaft from surface Presumably, however, if the ground has to be mined as an extension of existing workings, mining costs (particularly for haulage) will be relatively high In addi-

PERFORMANCES COMPARED

	Average t/month milled 000t	Recovery grade g/t	Gold produced kg	Revenue gold (Rm)	Total profit (Rm)	Capex (Rm)	Net eps (c)	1979-80 dividend (c)	1980-81 dividend projection at $600 (c)	Price (c)	Prospective yield %
Bracken	70	4,2	3 543	50,7	12,6	0,1	89,7	84	70	480	14,6
Kinross	133	5,8	9 200	131,0	36,3	0,8	197,2	191	175	1 800	9,7
Leslie	98	3,1	3 610	52,3	10,5	0,3	63,8	60	40	385	10,4
St Helena	174	8,0	16 646	239,4	74,1	1,1	758,3	723	680	5 225	13,0
Unisel	73	6,2	5 419	79,6	45,2	19,6	91,5	80	90	1 100	8,2
Winkelhaak	180	6,6	14 324	203,0	61,6	4,1	472,4	453	450	3 650	12,3

tion working costs will be boosted by underground development to open up the ore

The mine is estimated to have a remaining life of 20 years, but it is clear that further substantial recovery grade cuts are ahead, particularly as mining emphasis switches to lower grade ore soon to be brought into blocked-out reserves. During the current financial year recovery is unlikely to be better than 6 g/t with a fall to around 5 g/t likely in 1982

Kinross As the mine has decided to proceed with a R45m project to increase production by 24%, dividends could be under restraint for a few years. The impact however, need not be particularly onerous as the larger part of the cost will be funded by tax savings

Management does not say what the expansion plan involves, but if it means a move beyond the mine's northern boundary recovery grades will almost inevitably fall and working costs be higher as deeper ore is extracted. In the meantime however milling grade is expected to rise to about 6 g/t, accompanied by a marginal increase in mill throughput to a monthly 140 000 t. For the present it appears that any plans to use milling facilities at either Bracken or Leslie will be held in abeyance. Both those mines have reasonable life expectations without having to draw higher grade ore from Kinross or Winkelhaak. Thus, Kinross expansion plans would seem to envisage extension of the mine's own treatment facilities

Leslie With the proviso that the relationship between the gold price and working costs remains favourable, management believes the mine can continue to operate for a further 10 years. However, gold bulls will obviously point to the fact that previous life estimates have verged on the side of conservatism

The mine remains susceptible to adverse gold price shifts. Though recovery grade averaged 3,1 g/t in the year to end-September 1980, it is likely to drop to around 2,5 g/t during the current year. That could, however, be offset by improved unit cost control possibilities if mill throughput is increased

Now that management has increased its estimate of the mine's life, there seems little likelihood of any further capital repayments for at least five or six years. This year monthly mill throughput could be set to rise to an average 110 000 t

Bracken According to management, the mine still has about five years to go, though at a significantly lower recovery grade. Most of the high-grade ore has been exhausted. It will not be surprising if recovery yield falls below 3 g/t this year

At the same time though an increase in mill throughput is planned, necessary higher development rates will put pressure on unit costs, while capex will rise to an extent

Tim Jones

Reviews by the chairman of the O.F.S. gold mining companies administered by Anglo American Corporation

THE FUTURE OF GOLD IS ASSURED

– Mr D A Etheredge, Mr G Langton

FM 26/12/80

(214)

The following is an abridgement of the text common to the annual reviews for 1980 of Mr D A Etheredge, chairman of President Brand, President Steyn and Free State Saaiplaas and Mr G Langton, chairman of Free State Geduld, Western Holdings and Welkom

Gold

It was stated in last year's review that, although short-term fluctuations in the gold price were inevitable, the overall outlook remained favourable. Nobody could have foreseen just how favourable the outlook was to be, nor how great the price fluctuations would be. During the financial year just ended the average price, as measured by the twice daily fixings of the London Gold Market, was $561 an ounce which was more than double the average of $257 during the previous financial year. From the point of view of the market it is equally significant that the price during the 1979/1980 year ranged between $367,50 and $850,00, a difference of $482,50, and that this range was experienced during the first four months of the year. During 1978/1979 the range of $203,60 lay between $193,65 and $397,25, the high and low points being eleven months apart. The causes of this remarkable and somewhat worrying volatility have been debated at length and no further comment is required here.

The past year has shown very clearly that the basic structure of the gold market has undergone a radical transformation. Last year we pointed out the increasing importance of investor demand at the expense of the fabricator. We believe now that the concept of gold as an investment medium is already entrenched and the growing interest being shown in gold by banks and the naturally conservative managers of pension and insurance funds is indicative of the future direction of the market.

During the past year we have seen the dominant influence of the short term investor and speculator who has taken advantage of the gearing opportunities afforded by margin trading on the American futures markets and has been able to profit by swinging the gold price by tens of dollars in a matter of minutes. Nevertheless, there is no doubt that the strength of the gold futures markets lies in their ability to attract and introduce a broader spectrum of investors to gold. For this reason we welcome the forthcoming establishment of a gold futures market in London which will allow futures trading to continue round the clock filling as it will the time gap between the markets in Hong Kong and New York.

Investment in gold including bullion coins and medallions is estimated to have absorbed more than 770 tons during 1979. This represents some 44 per cent of total demand during the year. It is anticipated that during 1980, the absolute quantity absorbed by investors will be in the region of only 570 tons but that this will represent nearly half of total demand. An interesting development in the marketing of coins is the introduction of fractional Krugerrands containing precisely one half, one quarter and one tenth of an ounce of fine gold. It is anticipated that these coins will again attract the smaller investor for whom the one ounce coin is out of reach at current prices.

Jewellery and industrial demand during 1979 accounted for some 990 tons and it was thought that the decline in 1980 would be relatively modest but because of the very rapid price increase towards the end of 1979 and at the beginning of this year, and even more significantly the extreme volatility brought about by excessive speculation it now seems that jewellery demand, the major fabrication sector, is likely to fall to around half of last year's offtake. Jewellery and industrial demand would therefore fall to around 630 tons, with jewellery accounting for around 400 tons compared with approximately 740 tons in 1979. Should significant price instability recur it is likely that there will be a further swing from fabrication to investment demand. On the other hand, the time will come when the jewellery market will adjust to the higher price levels and there will be an inevitable resurgence in demand for jewellery.

On present indications there will be no further IMF sales, despite pressure from the Third World, and the US Treasury is most unlikely to make any more gold available for auction from official reserves particularly as more and more countries revalue their gold reserves and gold's role in monetary affairs grows. Although the USSR has re-entered the market recently after having been absent since the start of the year, it is estimated that Russian sales during 1980 are unlikely to exceed 120 tons compared with some 230 tons in 1979. South African production is also falling as lower-grade ores are mined due to the higher price of gold

SUMMARY OF OPERATIONS

	Free State Geduld 1980	Free State Geduld 1979	Free State Saaiplaas 1980	Free State Saaiplaas 1979	President Brand 1980	President Brand 1979	President Steyn 1980	President Steyn 1979	Welkom 1980	Welkom 1979	Western Holdings 1980	Western Holdings 1979
GOLD												
Tons milled 000's	2 959	3 131	1 661	1 273	3 328	3 218	3 779	3 575	2 278	2 178	3 297	3 154
Yield – grams/ton	11,50	12 20	2,81	3 44	9,18	9 41	6,91	7 11	4 88	5,77	8 83	9 91
Production (kg)	34 036	38 202	4 665	4 376	30 544	30 282	26 095	25 425	11 120	12 569	29 097	31 265
Cost Rand/ton milled	38,53	31 90	26,39	23 82	30 60	28 15	32,92	28 16	30,05	26 93	28 58	25 04
Cost Rand/kg produced	3 350	2 614	9 395	6 931	3 334	2 991	4 768	3 960	6 156	4 666	3 238	2 526
Revenue Rand/kg	14 023	7 020	14 362	7 111	14 135	6 994	14 426	7 202	14 379	7 107	14 213	7 113
Working Profit R000's	365 138	169 056	23 384	873	331 577	121 822	253 472	82 941	92 007	30 934	320 831	144 010
Capital expenditure R000's	86 569	48 411	49 019	33 127	80 032	69 476	31 625	24 294	8 625	5 808	9 146	10 403
Dividends cents per share	950	420	—	—	695	295	665	182 5	280	110	1 500	645
JMS												
Slimes delivered tons 000's	2 491	2 542	2 314	2 066	3 840	2 512	4 943	5 895	1 283	519	4 426	4 032
Attributable profit R000's	5 807	3 343	3 806	21 823	13 227	10 382	9 888	6 819	4 238	2 930	5 183	1 343

It is clear therefore that the total supply of gold to the market this year will be substantially below that of last year Excluding scrap gold it seems that gold supply in 1980 will be less than 1 200 tons compared with approximately 1 750 tons last year

Recent proposals for the revival of some sort of gold pool appear to have been discarded, and it may be expected that there will be further moves towards the use of gold in inter-central bank transactions resulting in effective remonetisation of gold It is also possibly only a matter of time before the US revalues its gold reserves Taken together with the supply demand fundamentals outlined earlier it seems clear that the future of gold is assured and that, despite short-term speculative influences, the long-term trend is distinctly bullish

Uranium

After three years of relative price stability in the uranium market from 1977 to 1979 the spot price began to decline steeply at the start of 1980 and it still is too early to say whether the bottom has been reached

The price of a commodity such as uranium is largely governed by perceptions of the long-term balance of supply and demand The surge of exploration activity which followed the 1973/1974 oil crisis has led to the discovery of a number of rich ore bodies, notably in Canada and Australia In addition, existing uranium producers increased their production capacity Both these factors substantially increased the projected uranium supply capability At the same time, energy demand growth forecasts declined significantly because of depressed economic growth and measures to conserve energy As a result, nuclear power development programmes have been severely delayed or even curtailed These factors have clearly altered utility perceptions of the future availability of supplies and, earlier this year, when interest rates were particularly high, a number of electricity supply utilities entered the market as sellers of uranium in order to diminish the heavy interest burden on that surplus inventory The buyers tended to be high-cost uranium producers who cut back on their own production and used these purchases to fulfil their own supply commitments There can be no doubt, however, that this offloading of inventory onto an already oversupplied market exacerbated the situation and accelerated the decline in spot prices

In these circumstances, and with rapidly escalating costs, exploration activity in some areas appears to be diminishing and some of the potential new projects are likely to be delayed until the market shows signs of revival Bearing in mind the long lead times for new power reactors it is feared that it will be several years before such a revival begins In the meantime, as is already evident, more and more primary producers will find that current prices are insufficient to cover their increasing costs of production and they will go out of business Their place in the market will be taken by new, low-cost producers and producers of by-product uranium In this way a balance between supply and demand will be established although inventory worldwide is likely to increase in the short term beyond the current three-year consumption level and spot prices could decline further

It is generally agreed that oil is too valuable a product to be burned to generate power and that coal cannot be the only alternative In the longer term, therefore, nuclear power must play an increasingly important part in energy supply Until then, however, it may not be possible to sell all of our production that is surplus to our ongoing contractual commitments at acceptable prices, and it may be expected that our inventory of uranium oxide will increase significantly during the course of the next few years

The policy of reducing the grade to take advantage of the gold price will continue This is reflected in the further decrease to 6,5

Joint Metallurgical Scheme

The total profit of R42 149 000 was marginally lower than the R46 640 000 achieved in the previous year The weakening spot market and the suspension of uranium deliveries to the Atomic Energy Organisation of Iran resulted in a fall in uranium profit from R42 978 000 to R18 456 000 A substantial increase in gold profits of R21 539 000 almost made up this shortfall and there was a 41 per cent improvement in the profits from acid sales

The uranium plant extension came on stream late in January 1980 and, after initial commissioning problems, achieved design throughput and recovery efficiency in March 1980, more than six months ahead of the scheduled programme

In August and September 1980 the sulphuric acid plant was shut down for a 21-day period for annual maintenance This period was also used to increase the plant's rated capacity from 1 000 to 1 150 tons a day

Capital expenditure on the scheme for the year amounted to R47 081 000 R13 million more than forecast However, with the completion of the uranium plant extensions the balance of the programme was accelerated expenditure on new slimes dams of R11 889 000 and of R2 347 000 on a new 34 500 tons per month carbon-in-pulp plant to recover gold from acid plant calcine, accounting for most of the overrun

Labour

We remain extremely concerned about the grave shortage of skilled and professional employees in the industry and, indeed, in South Africa as a whole and the position will undoubtedly deteriorate as the competition for this type of labour increases

Although the Wiehahn Commission report on industrial relations in the mining industry has not yet been published, the new attitudes of employers, employees and Government in the wake of the Commission's earlier general report lead us to the belief that South Africa generally, and the mining industry particularly, now have a far better chance of solving some of the major problems that lie ahead

It must be stressed that the hesitant approach to labour reform will undoubtedly be felt in the form of less efficient operations in the future The lag in training of available manpower will partly be bridged by immigration, but in the long term the only acceptable solution is proper training and utilisation of our own labour resources In the time available conventional methods will have to be cast aside and a totally new approach adopted The time normally taken to train skilled men will have to be shortened considerably, as we cannot afford the three to five years it presently takes to acquire a trade A modular approach to training will have to be adopted and new training methods found to enable prospective artisans to acquire the basic skills required for particular jobs and thus become effective in as short a time as possible, so as to ensure the maximum investment return to the industry

Black wages in the industry will have to be increased further to ensure that the families of the lowest paid workers can at least enjoy a minimum living standard, and to close the black/white wage gap, using as a basis a unified wage scale Although this policy involves further increases in black wages with no certainty of a commensurate increase in productivity we see little justification for wages in the industry being lower than those paid in heavy industry "Equal pay for work of equal value" remains the ideal and certainly the only satisfactory method of protecting the minority interests

Suitable housing for employees on the mines in the Orange Free State administered by the Anglo American Corporation of South Africa Limited is still a severe problem Nonetheless, a home ownership scheme for whites launched last year has been particularly successful Another 201 houses in the township of Thabong are under construction which, when complete, will increase the number of housing units available there to black married employees to 508 We are making progress in overcoming the legal barriers to black and coloured home ownership Hopefully, with the new attitudes prevailing this goal will be reached in the not-too-distant future

The Western Holdings Complex

Anglo American Corporation of South Africa Limited, Anglo American Gold Investment Company Limited, Duiker Exploration Limited, Free State Saaiplaas Gold Mining Company Limited (FSS), Welkom Gold Mining Company Limited (WGM) and Western Holdings Limited (West Hold) have announced the proposed development of a new mine in the Erfdeel/Dankbaarheid area and the formation of a Western Holdings complex from the merging of the operations of FSS, WGM, West Hold and the new mine

A new company, Eastern Holdings Limited (East Hold) will be formed by the mineral right holders and West Hold to finance the after-tax cost of establishing the new mine which will have a mill capacity of 200 000 tons per month and will cost approximately R400 million in 1980 money terms to bring to full production

The annual reports and chairman's statements may be obtained from Consolidated Share Registrars Limited,
62 Marshall Street, Johannesburg 2001

Annual General Meetings

The annual general meetings for the members will be held at 44 Main Street, Johannesburg, on Thursday, January 29 1981 at the following times
Western Holdings Limited 10h00, Welkom Gold Mining Company Limited 10h45, Free State Saaiplaas Gold Mining Company Limited 11h30, President Brand Gold Mining Company Limited 12h15, President Steyn Gold Mining Company Limited 11h30, Free State Geduld Mines Limited 12h45

MINING – GOLD

9 JAN. 1981 —— 25 Dec. 1981

GOLD REPORTS

A gloomier 1981

If gold had been showing any signs of knowing where it was going over the past few weeks, investors might have been a little more confident in their ratings of gold shares. But for the moment, gold is wallowing and apparently unable to decide on a breakout above $600 or a decline to the $500 range predicted by several analysts in London.

The reason is obvious — the main factor influencing gold is the state of the US economy and interest rates in that country. World political and security considerations have taken a back seat for several weeks. Even so, it is a pretty safe bet that this year's dividend payments will be lower than in 1980. Anglo's OFS mines are, with one exception, planning lower gold recovery grades this year as increasing tonnages are drawn from lower-grade and previously sub-economic ore. Take that in conjunction with unit costs which are rising at an annual rate of anything up to 20% and plans for higher capital spending, and the potential constraints on dividends are obvious.

Taking a line through planned milling rates and recovery grades, bullion will need to average anything up to $700 this year if last year's dividends are to be matched.

Nor is there any immediate improvement in sight on the uranium front. Nuexco, the US headquartered uranium market maker, remain bearish on near-term uranium prices. And of more immediate interest to local investors, the [illegible] operation in the OFS still seems to be suffering from the loss of Iranian sales contracts just over a year ago.

Free State Geduld: With the usual proviso about gold price movements, the mine is set for a significant drop in distributable earnings this year. Recovery grade is planned to fall to [illegible] g/t against [illegible]

Even so, further capex on uranium production facilities could be in the offing if it is decided to add a further section to the [illegible] OFS mines.

President Brand: Capex at the [illegible], which was partly funded by consumer loans, is winding down rapidly. However, the mine's own capex is slated to rise to R48,5m this year with the major part earmarked for sinking the new No 5 shaft. This heavy capex rate will presumably continue into next year.

Unless the gold price advances strongly it is difficult to predict distributable earnings from the mine's own operations as high as last year's. Mill throughput is slated to fall marginally to 3,93 Mt while recovery grade is expected to be 8,4 g/t against the 9,18 g/t average of the year to end-September 1980. Nor is the mine likely to escape from the industry-wide rapid rate of unit cost escalation.

There is, however, some consolation in that the near-term millstone of Free State Saai is to be shifted onto the neck of Western Holdings. There should be no further calls on President Brand for loans to fund Free State Saai's capex while loan funds already advanced will eventually be repaid after Free State Saai becomes a part of the enlarged Western Holdings. In addition, the Welkom shares President Brand will receive for its 50% stake in Free State Saai will be equivalent to a 6,5% interest in the enlarged Western Holdings. There should be an immediate non-taxable dividend flow from that source as opposed to an earnings drain to fund Free State Saai.

President Steyn: Though management makes the point that while high values were maintained on the "A" reef in certain areas, overall values were mixed, it appears to be confident that the reef has an important part to play in the mine's exploitation mix Development rates have accelerated and sampling results indicate that mining the reef could be a better bet than exploiting the Leader reef at Nos 1 and 2 shafts

This year, recovery grade is expected to average 6,5 g/t with a mill throughput of 3,96 Mt However, if any tonnages drawn from the Leader reef are minimal, recovery grade could stabilise for a few years at this year's planned level

Capex this year is estimated at R31m but should start declining in a year or so as the present capex programme nears completion Next year there will be a start to repayments of loans received for the JMS but these will have only a marginal influence on distributable earnings

As mining operations appear to be stabilising, the major unknown in determining future earnings (apart from the gold price) is the contribution from the JMS An increase in income from that source will probably depend on an improvement in the uranium spot market until deliveries originally intended for Iran are ceded to another customer

ESCALATING COSTS

	Cost R/t milled 1979	Cost R/t milled 1980	% increase	Cost R/kg 1979	Cost R/kg 1980	% increase
FS Geduld	31,90	38,53	20,8	2 614	3 350	28,2
FS Saai	23,82	26,39	10,8	6 931	9 395	35,6
Loraine	40,75	37,54	(7,9)	7 722	11 491	48,8
President Brand	28,15	30,60	8,7	2 991	3 334	11,5
President Steyn	28,16	32,92	16,9	3 960	4 768	20,4
Welkom	26,93	30,05	11,6	4 666	6 156	31,9
Western Holdings	25,04	28,58	14,1	2 526	3 238	28,2

Western Holdings Shareholders who feared that capex involved in the plans for using Western Holdings as the vehicle for turning the Erfdeel/Dankbaarheid mineral rights to account can apparently set their minds at rest Any costs for the R400m project which exceed Western Holdings' tax savings — about R100m spread over the next eight years — will be funded by participants in the venture Thus Western Holdings, which will have a direct 15% stake in Erfdeel/Dankbaarheid and an indirect 8,5% stake through its 10% holding in Eastern Gold Holdings (East Hold), will be responsible for providing only 10% of the after-tax cost of turning the area to account In today's money that means additional capital spending of some R10m spread over seven or eight years

Funding is to be provided by way of a 12% loan from East Hold to Western Holdings which will be repayable once Erfdeel/Dankbaarheid reaches a monthly milling rate of 200 000 t in 1988, with half of the new mine's profits [illegible]ing applied to loan repayments

As I reported (*Fox*, July 18 1980), proposals for turning Erfdeel/Dankbaarheid to account involve the acquisition for 3,185m new Western Holdings shares of Welkom's assets and those of Free State Saai for 3,653m shares In effect that will increase Western Holdings' issued share capital to 14,334m shares The plan is then for Welkom to acquire in exchange for its own share the entire capital of Free State Saai which will leave it as a holding company with 6,838m Western Holdings shares

At this stage it is not clear whether the initial merger of the operations of Welkom and Western Holdings will be accompanied by a change in the tax and lease formulae applicable to the separate mines For the moment, therefore, it is probably safest to assume that the net effect of any formulae changes will be to leave tax and lease payments effectively unchanged A lease formula has yet to be determined for Erfdeel Dankbaarheid which will be mined as part of Free State Saai

HOW THEY PERFORMED

	Average monthly milling rate 000t	Recovery grade g/t	Gold produced kg	Gold revenue Rm	Total profit Rm	Capex Rm	Net EPS c	1979-80 dividend c	1980-81 dividend projection at $600 gold c	Price c	Prospective yield %
FS Geduld	247	11,80	34 038	479,2	189,4	86,6	876,8	950	750	8 500	11,5
FS Saai	123	2,81	[illegible]	67,2	28,1	49,0	—	—	n/a	1 020	n/a
Loraine	124	3,30	5 244	76,0	18,3	8,3	61,1	—	—	500	—
President Brand	277	9,18	[illegible]	[illegible]	183,4	70,0	736,1	695	675	6 250	10,4
President Steyn	318	[illegible]	[illegible]	377,9	131,9	31,6	[illegible]	695	[illegible]	[illegible]	11,9
Welkom	159	[illegible]	[illegible]	160,6	44,7	8,6	294,4	280	210	2 225	9,4
Western Holdings	273	[illegible]	23 097	[illegible]	[illegible]	9,1	1 025,7	1 500	810	9 050	8,4

The net effect of the mergers does not, therefore, complicate calculations of earnings for the enlarged operation — at least not this year The individual mines will presumably stick to the planned recovery grades announced in their annual reports — Western Holdings 8,0 g/t, Welkom 4,6 g/t and Free State Saai 3,1 g/t

Loraine Investors hearts may have quickened for a moment when they read in the chairman s report that consideration had been given to paying a dividend last year Unless gold starts orbiting somewhere near Saturn, forget dividends for at least two years At this stage of the mine s capex programme with R27m expected to be spent this year followed by R28m in 1982 it would be short-sighted of the board to recommend dividends

This year the mine should just manage to fund capex with internally generated funds if gold averages $600 for the next nine months And if there is a cash shortfall in 1982 there should be little difficulty in raising outside funds By that stage, more development will have been done on the higher-grade Elsburg reefs in the northern part of the lease area, several stope faces should have been established and earnings be set for a near-term boost as mill head grades rise The fact is, however, that in 1980 terms capex over the next five years is estimated at R80m with the major part due to be incurred by end 1983 Management remembers all too well how necessary capex had to be curtailed when gold slumped a few years back That led to inefficient mining operations and grade constraints This time round it will make certain there is no repeat performance

So with the bulk of the next three years' earnings earmarked for capex Loraine's share price should be highly sensitive to gold price shifts The share may be a reasonable buy on medium-term considerations (and there is always the possibility of a merger with FS Geduld), but it is hardly an attractive purchase for investors seeking near-term dividend income

[illegible] Jones

GOVERNMENT AREAS FM 9/1/91

Mining plans (214)

Since mid-1990 the price of Government Areas (GGMA) has more than doubled. Much of this increase followed the June announcement that the company, presently a small gold producer, was to acquire the mining interests of its MD Loucas Pouroulis for the equivalent of R6m in shares and resume underground mining on a larger scale.

Pouroulis' mining interests, for which he will receive 4,3m GGMA ords, include the 17 000 t Modder 74 plant and 1 575 precious metal claims and surface sands/slimes permits on New Modder and Modder Deep. The underground claims cover the Kimberley, Black, Bird and Main reefs. Consulting mining engineers Kergen Mining reckon that at $600 gold, exploitation of 1,9 Mt of proven reserves grading 4,52 g/t could eventually produce a total working profit of R51,8m, based on units costs of R27/t milled. In addition, Kergen says, the surface material could contribute R14m to working profit.

The 1,9 Mt of proven reserves on New Modder and Modder Deep, which are owned by Pouroulis, appear to be all that is economically exploitable at current gold prices. However, Kergen says that proven reserves at the two mines total 6,2 Mt at an average gold grade of 2,5 g/t. The proven, probable and possible reserves, says GGMA's management company, total 53 Mt at an average grade of 3,15 g/t. However, at this stage there is no way of telling what proportion of this is economically extractable.

On the basis that the Modder 74 plant is upgraded to a monthly 70 000 t capacity this year and using a gold price of $[illegible], GGMA reckons net cash flow, after tax and capex, will reverse from a negative R937 000 in 1990 to a positive R9,2m in 1991 and R9,5m in 1992. Thereafter net cash flow is estimated to fluctuate around R9m annually [illegible] about 20c a share.

Should the plant be expanded to treat an eventual monthly 120 000 t by 1994 at a cost of R40m, GGMA calculates annual negative cash flows will persist until 1993 and thereafter rise strongly to over R15m.

GGMA, which is to be renamed Consolidated Modderfontein and listed on the gold board, plans to raise R20m of this capex by way of a rights issue expected to be on a 3-for-5 ratio at 250c. The balance will come from cash flow. This, with the acquisition of Pouroulis' mining interests and the conversion of GGMA prefs, will mean 21,4m shares in issue.

Ahead of the rights announcement, the share fell from over 350c to 300c. Near-term the price is likely to weaken further and income attractions are poor. But by 1984, provided gold remains over $600 and the company's profit estimates are reasonably accurate, high dividends could be forthcoming.

Des Kilalea

GOLD QUARTERLIES 214

No relief in sight

FM 16/1/81

The relatively low unit cost advances reported by GFSA's gold mines during the December quarter should not be taken as an indication that the industry is escaping from its annual 20%-odd average rate of cost increases There were no wage hikes during the December quarter — they had worked through fully by September — nor were there any increases in the administered prices of steel and power Effectively, then, the mines still appear to be in a period of rapid structural cost increases

The problem still remains, of course, whether the gold price can rise fast enough to protect earnings from the combined impact of rising costs and lower recovery grades At this stage chances seem pretty poor. Bullion is largely reacting to economic factors and ignoring political developments And that points to general gold price weakness this year

A normal seasonal factor is relative gold price strength during the first quarter of the year, followed by weakness during the northern hemisphere's summer. And if that pattern is repeated this year, it implies prices below the current $560 range later in the year, even if there is an intervening short-term rally

The market seems to be in no doubt about gold On Tuesday the RDM golds index fell 36,9 points to 723,8 and compares with 785,1 at the start of the year and the 1 026,1 peak of last September

Trading opportunities

There may well be some good short-term trading opportunities on further weakness, but that will probably call for quick-footed action. For investors looking six to eight months ahead, the picture is not so bright and the best shares to be in could be those with least gearing to the gold price

East Drie· Preliminary ore reserves at end-December were calculated on a 2,8 g/t pay limit and included 1,4 Mt of Carbon Leader reef grading 8,6 g/t and 1,7 Mt of Main reef at 6,2 g/t This compares with the 9,6 Mt of VCR at an average gold grade of 19,0 g/t So though the December quarter's 14,9 g/t recovery grade was unchanged on that of the September quarter (indicating some slowing down of the rate of recovery grade decline), it is clear that with increased mining of reefs other than the VCR there is plenty of scope for further recovery

P.T.O.

grade cuts

This year capex will probably be higher than 1980's R25m as sinking of the No 5 and No 2 service shafts get into stride So a case could be made for the retention of R15,4m — equivalent to 28,3c a share — last year The shafts are needed for exploitation of the central and eastern parts of the lease area According to management no development was done beyond the mine's present boundaries, meaning that there was no underground exploration of "North Drie"

West Drie Gold recovery grades are still in a downtrend though it is possible that some levelling out above 14 g/t is possible during the remaining two quarters of the current financial year After that, however, further grade declines are in prospect as increased tonnages are drawn from the lower grade Carbon Leader reef in the eastern Nos 3 and 6 sub-vertical shaft areas During the December quarter Carbon Leader reef development sampling disclosed gold grades of 10,9 g/t and 1 145 cm g/t So if this can be taken as an indication of longer-term Carbon Leader grade trends, the scope for further recovery drops is obvious

Mid-year retentions

As usual the interim dividend was well below that possible from first-half earnings From the first half's operations R30,4m has been retained, equivalent to 216c a share At risk of being repetitious, there seems little reason for this policy unless the mine has large capex plans in the pipeline That, of course, brings us back to the possibility that West Drie will be used as the vehicle for developing "North Drie"

Deelkraal This year gold recovery grades should average more than the 4,1 g/t recorded in the December quarter But judging by the preliminary ore reserve figures for end-1980, there seems little reason to expect average recoveries of much more than 4,5 g/t during the four quarters At current gold prices it is unlikely that the mine will ever reach recovery grades in line with the 10,4 g/t average expected when the mine was floated Even so, breaking away from the current low grade pattern will have to await completion of the No 1 sub-vertical shaft system and establishment of the longwall faces planned for exploitation of the mine's deeper levels

Though problems with large rocks are expected to restrain mill throughput to a monthly 105 000 t during the first half of this year, unit costs should be kept under control Once the monthly 120 000 t target is reached during the second half, unit costs need not rise too sharply even if large wage increases are granted at mid-year

Development results on the VCR continue to be fairly pedestrian, while grades on the so-called Deelkraal reef (Elsburg) remain relatively unattractive

Kloof The mine is in a period of relatively heavy capex Once the No 3 shaft system is completed, a start will be made on a new shaft (No 4) from surface However, there is little likelihood that recovery grades will decline significantly for some years the mining method precludes that There are now no problems of restricted stope face availability and the share is one of the better defensive gold stocks Management will not provide details of the drilling taking place to the south of the mine on the grounds that the area belongs to GFSA and that Kloof has no direct interest Even so, the area could best be mined as part of Kloof and may eventually add to the mine reserves and life

Venterspost Exploratory work in the Middelvlei area is proceeding slowly as development workings in the area have to be re-equipped For the present it is unlikely that excessive capex will be incurred to establish new working places in previously sub-marginal ore The mine remains relatively highly geared to the gold price, particularly as there is scope for further grade reductions

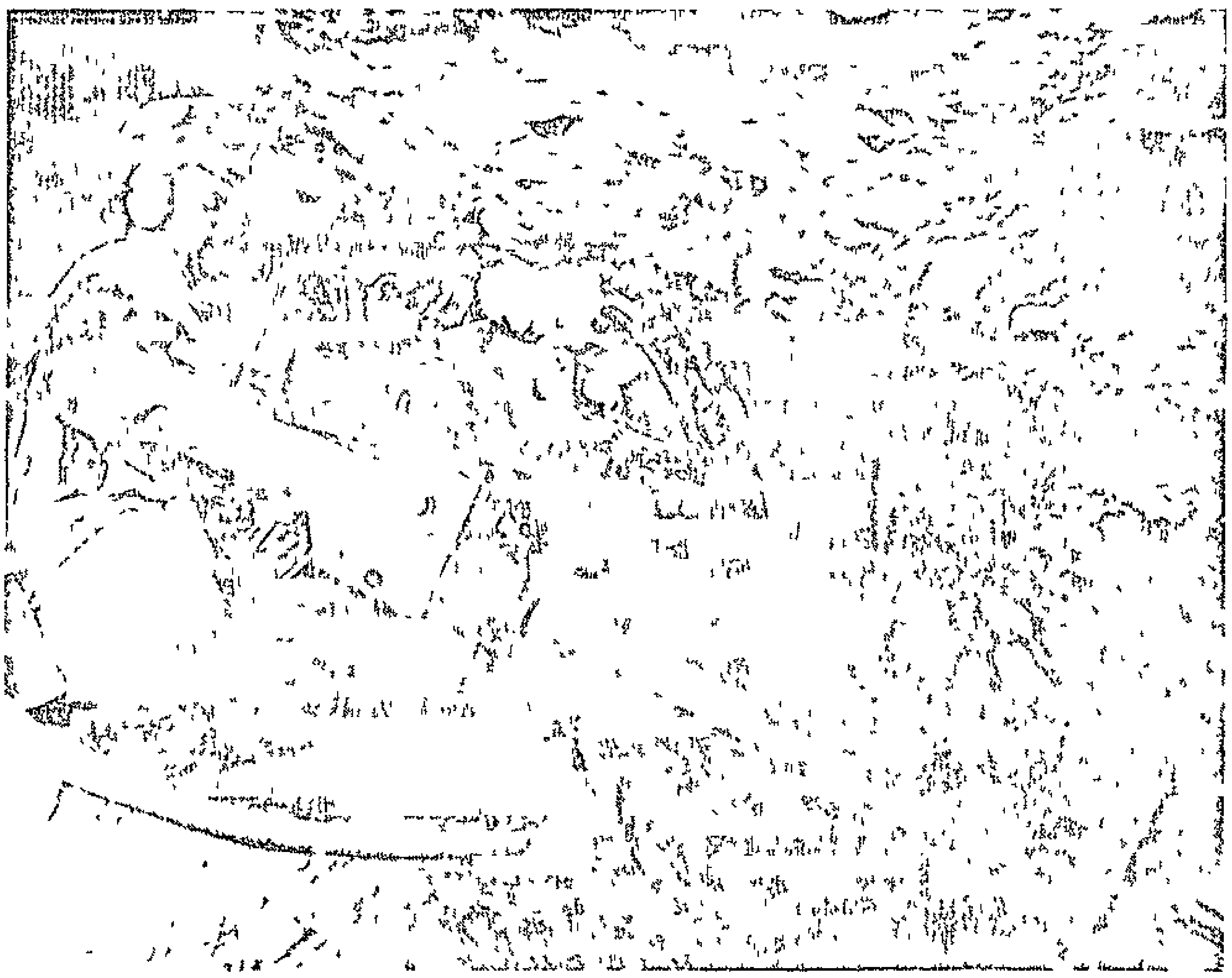
Libanon Capex this year is planned at R18m, largely for shaft sinking needed to open up ground on the eastern boundary Management has said that retentions will be made to minimise any risks to the capex programme from temporary gold price falls It is probably safe to assume, therefore, that following the first half's retentions of R8m or just over 100c a share, further retentions will be made at the June year end

During the current half year grade is likely to slip marginally from the December quarter's 5,9 g/t recovery But it appears that on the whole the mine is rapidly correcting the imbalance in ore reserves arising from inclusion of disproportionately large tonnages of high grade VCR in the southern part of the lease area Once that is completed recovery grades should stabilise somewhere below 5 g/t

Doornfontein Capex will remain a constraint on dividends until the No 3 shaft system needed to exploit deeper ore in the southern part of the mine is completed However, recovery grades will probably be maintained at around 8,5 g/t for the next few quarters, implying that dividends will not be affected by grade cutting

Management is in no hurry to probe ground to the west of the mine Ore within the lease area is sufficient to maintain mining operations into the next century without any major capex once the current R152m programme is completed The mine is operating at the plant's full rated capacity

Vlakfontein Management cautions against speculation over the drilling programme to probe Kimberley reef The mine has little in the way of underground or hoisting equipment, so even if it is decided to restart underground mining there will be relatively heavy capex Even so, the very fact that drilling is to take place is a positive sign Management would be silly to authorise drilling expenditure if it did not feel there was a reasonable chance of finding economically viable ore For the next few years, in any event, treatment of surface materials should continue steadily *Fin Times*



Gold mining . . . still a rising cost industry

Good results from Rand Mines' stable

9 Apr 82

214

20.1.81

By Geoff Shuttleworth

Taxed profits for the four gold mines in the Rand Mines stable rose by nearly 6 percent in the final quarter of last year as a result of large tax-reversals at ERPM and Durban Deep

The average gold price for the quarter was 39 dollars an ounce lower at 625 dollars and actual gold production was 3,6 percent lower as a result of lower yields and a 2,2 percent decline in the milling rate

Costs for the December ended quarter rose by 2,6 percent to R39,92 a ton milled — still significantly lower than the September ended quarter which was the first quarter to take wage and salary increases into account for a full three months period

Capex rose significantly, more than doubling to R34 6-million from R16,7-million before

Taxed profits at Harmony were marginally lower at R33,7 million against last quarter's R34 9-million and helped by a reduction in the tax rate to R36,1-million from R45 9-million beofre

The tonnage milled at **HARMONY** was slightly lower at 1,88 million tons from 1,95-million tons before, but a slight rise in the grade, to 4,05 from 4,03 grams a ton, meant that actual gold production was only 2,9 percent lower

Profits derived from uranium sales were slightly down at R13,2-million from R14,1-million in the third 1980 quarter Tonnage of uranium pulp treated rose to 1,7-million tons from 1,5-million tons resulting in a production increase of 14 278 kg to 138 066 kg.

Capex was little changed around the R6-million mark and it is estimated that R11,6-million will be spent in the rest of the year

In spite of an underground fire in K shaft and a pressure burst in the south-west section **ERPM** managed to increase its tonnage to 614 000 tons from 606 000 tons A decline in the grade to 4,69 g a ton from 4,88 g was responsible for the decrease in gold production to 2,88 tons from 2,95 tons

Taxed profits rose to R17,7-million — an increase of R5,3-million because of a tax reversal to R5,2-million credit from nearly R7-million paid last quarter The tax reversal arose from both increased Capex and as a result of depositing R1,8 million with the Corner House Mine Dump Protection Fund towards the company's estimated obligation under the Atmospheric Pollution Prevention Act

Capex in the quarter rose to R16,7-million from R5,2-million, an indication that the beginning of the R300-million Capex is getting under way.

BLYVOORUITZICHT'S taxed profits fell to R19,98-million from R23,1-million as a result of lower tonnages and grades In addition the average gold price received was below the group average by 8 dollars an ounce at 617 dollars

The tonnage milled fell to 524 000 from 531 000 tons and the grade to 8,3 from 8,7 a ton

Uranium sales and production however improved so that pulp treated rose to 492 284 tons from 468 449 tons Production was 81 887 against 74 240 kg and revenue increased to R4 4-million from R2 5-million A total of R3 7-million was paid to West Drie in terms of the tribute agreement

A major disruption in power supplies to the mine from December 16 to 21 meant that surface material had to be processed so that tonnage was only slightly affected in the review quarter though the release said that "it must be virtually certain that the effects of this disruption will be reflected in the March-end results"

DURBAN DEEP reflected taxed profits of R10-million from R7-million following a similar tax reversal to ERPM Tonnage milled fell to 547 000 from 6 560 000 tons though the grade was unchanged at 3,33 g a ton Capex helped taxed profits with expenditure at R7,5-million compared with the previous R2,2-million

Increased sales

Both Rand Mines' collieries showed increased sales but in the case of Witbank colliery taxed profits fell to R8,7-million and those of Welgedacht rose marginally to R1,2-million from 1-million in the previous quarter, writes Geoff Shuttleworth

Sales for the December ended quarter were 2,76-million tons (2,46-million) for Witbank and 520 144 tons (487 439 tons) for Welgedacht

The fall in Witbank profits was ascribed to the lower Capex, which was R4,5-million down from R9,3 million in the third quarter, and that most of the increase in sales was attributable to Duvha sales, which yields lower revenue a ton.

Johannesburg Consolidated Investments Group

(All companies mentioned are incorporated in the Republic of South Africa)

RDM 21/1/81

(214)

GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 31st DECEMBER 1980 WITH COMPARATIVE FIGURES FOR THE PREVIOUS QUARTER

Randfontein Estates

The Randfontein Estates Gold Mining Company, Witwatersrand, Limited
Issued capital: R10 827 106
(Divided into 5 413 553 shares of R2 each)

OPERATING RESULTS

	Quarter ended 31.12.80	Quarter ended 30.9.80	Year ended 31 12.80
Gold			
Ore milled – tons	**1 054 000**	1 045 000	4 084 000
Kilograms produced	**5 375**	5 121	20 817
Yield – grams per ton	**5,1**	4,9	5,1
Revenue – per ton milled	**R80,64**	R81,06	R79,56
Working costs – per ton milled	**R34,40**	R36,04	R34,58
Profit – per ton milled	**R46,24**	R45,02	R44,98
Uranium			
Tons treated	**942 000**	1 045 000	3 933 000
Kilograms produced	**166 656**	167 536	646 452
Yield – kilograms per ton	**0,177**	0,160	0,164

FINANCIAL RESULTS (R000)

	31.12.80	30.9.80	31 12.80
Revenue from gold	**85 003**	84 706	324 923
Working costs	**36 262**	37 657	141 219
Profit from gold	**48 741**	47 049	183 704
Profit from uranium	**5 981**	5 349	22 532
Net sundry revenue	**1 036**	1 069	3 069
Operating profit	**55 758**	53 467	209 305
Net interest receivable	**1 363**	1 281	4 712
Profit before taxation	**57 121**	54 748	214 017
Taxation and State's share of profits	**9 627**	16 338	68 585
Profit	**47 494**	38 410	145 432
Capital expenditure	**36 572**	22 799	79 279
Dividends declared	**35 188**	–	59 549

NOTE:
Net sundry revenue includes a realised exchange profit of R306 000 on the Uranium Consumer Loa[illegible]

Randfontein Estates continued

COMPARATIVE ORE RESERVES: EFFECT OF VARYING THE GOLD PRICE

Gold price	Cooke Section (UE1A Reef) Tons 000's	Cooke Average Value Gold gms. per ton	Cooke Average Value Uranium kgs. per ton	Randfontein Section (White Reef) Tons 000's	Randfontein Average Value Gold gms per ton	Randfontein Average Value Uranium kgs per ton
U S.$450/oz	4 702	10,4	0,215	332	4,0	0,576
U S $550/oz	5 374	9,6	0,213	458	3,7	0,542
U S $650/oz	5 774	9,1	0,211	549	3,5	0,516

SHAFT SINKING

COOKE NO. 2A VENTILATION SHAFT
The sinking headgear was erected and sinking winders and other surface facilities installed

Sinking reached a depth of 61 metres below collar by the year end. Pre-cementation of the shaft site, by means of four surface boreholes, was also completed.

COOKE NO. 3 SHAFT
The deep pre-sink reached a depth of 260 metres below collar and the permanent concrete lining has been completed to a depth of 245 metres. Pre-cementation of the shaft site, by means of three surface boreholes, was also completed. Civil construction work on the Black hostel, workshops and winder houses is progressing well.

PRODUCTION

On depletion of the surface ore stockpile the Millsite gold plant continued to operate at full capacity on underground ore from the Randfontein Section, augmented by 112 000 tons of material from the old surface tailings dumps. The Millsite uranium plant is now only processing underground ore from the Randfontein Section.

Operations at the gold section of the Cooke Plant improved significantly and are now approaching optimum levels of efficiency, having regard to the mineralogical characteristics of the ore being treated. The improved plant efficiencies contributed to the increased average recovery grade for the quarter

Improved recovery efficiencies at both uranium plants have largely offset [illegible] ated dro[illegible] in [illegible]roduction due to lower throughput.

Western Areas continued

MIDDLE ELSBURG REEFS

	Quarter ended 31.12 80	30 9[illegible]
Sampled – metres	**201**	[illegible]
Channel width – centimetres	**139**	[illegible]
Gold		
Av. value – grams per ton.	**2,6**	[illegible]
– centimetre grams per ton	**361**	[illegible]
Uranium		
Av. value – kilograms per ton	**0,72**	0[illegible]
– centimetre kilograms per ton	**100,08**	104[illegible]

The values shown in the above tabulations are the actual results [illegible] sampling reef development No allowance has been made for any adju[illegible] ments which may be necessary when computing ore reserves.

Exploratory drilling from underground to ascertain the potential a[illegible] extent of the in-situ reserves of the Middle Elsburg reef series continu[illegible] during the quarter. Values obtained on the E9EC reef horizon were ag[illegible] positive and well up to expectations.

ORE RESERVES AS AT 31st DECEMBER 1980

VENTERSDORP CONTACT REEF, UPPER ELSBURG AND MIDDLE ELSBURG REEFS	1980	1[illegible]
Tons – 000's	**11 561**	11[illegible]
Stope width – cms.	**198**	
Average Value		
Gold		
– grams per ton	**5,6**	
– cm grams per ton	**1 109**	1[illegible]

The ore reserves are related to a pay limit calculated on the basis of a g[illegible] price of R13 600 per kilogram (1979 – R9 960 per kilogram) and cert[illegible] assumptions as to uranium prices. At current exchange rates the g[illegible] price assumed was equivalent to U S.$550 per ounce (1979 – U.S $375 [illegible] ounce).

COMPARATIVE ORE RESERVES: EFFECT OF VARYING THE GOLD PRICE

Ventersdorp
Contact Reef
[illegible]

DEVELOPMENT

During the quarter a total of 15 786 metres (14 461 metres) was advanced at the Cooke Section. This included 364 metres (534 metres) of reef development at Cooke No 2 shaft on the E8 reef horizon. Development of the twin underground haulage systems on 118 and 128 levels, to link Cooke No's 2 and 3 shafts, continued and 3 505 metres (3 299 metres) were advanced during the quarter

At the Randfontein Section 2 029 metres (2 846 metres) were advanced which included a minor amount of exploratory development on the Upper Monarch horizon of the Bird reef series, in addition to ongoing development on the White reef.

SAMPLING RESULTS: COOKE SECTION

UE1A REEF	Quarter ended 31.12.80 Totals	No. 1 Shaft	No. 2 Shaft	Quarter ended 30.9.80 Totals	No 1 Shaft	No 2 Shaft
Sampled – metres	1 989	1 299	690	1 766	1 019	747
Channel width – centimetres	170	163	185	160	143	184
Gold						
Av. value – grams per ton	8,6	7,9	9,8	10,4	15,5	5,0
– centimetre grams per ton	1 462	1 288	1 813	1 664	2 217	920
Uranium						
Av value – kilograms per ton	0,201	0,152	0,281	0,221	0,196	0,248
– centimetre kilograms per ton	34,17	24,78	51,99	35,36	28,03	45,63

E8 REEF – NO. 2 SHAFT

During the quarter 291 metres (501 metres) of reef development were sampled at an average channel width of 247 centimetres (250 centimetres) In-situ sampling grades of 3,7 grams per ton (3,2 grams per ton) for gold and 0,312 kilograms per ton (0,286 kilograms per ton) for uranium were obtained.

RANDFONTEIN SECTION

	Quarter ended 31.12.80	30.9.80
BIRD REEFS		
Sampled – metres	552	670
Channel width – centimetres	52	67
Gold		
Av. value – grams per ton	1,8	1,7
– centimetre grams per ton	94	114
Uranium		
Av. value – kilograms per ton	0,59	0,54
– centimetre kilograms per ton	30,68	36,18

The values shown in the above tabulations are the actual results of sampling development work on reef. No allowance has been made for any adjustments which may be necessary when computing ore reserves.

ORE RESERVES AS AT 31st DECEMBER 1980

	Cooke No. 1 Shaft UE1A Reef 1980	1979	Cooke No. 2 Shaft UE1A Reef 1980	1979	Randfontein Section White Reef 1980	1979
Tons – 000's	3 385	2 620	1 989	1 813	458	1 247
Stope width – cms	181	190	186	186	86	86
Average Value·						
Gold						
– grams per ton	12,0	11,1	5,5	5,1	3,7	2,2
– cm. grams per ton	2 172	2 109	1 023	949	318	189
Uranium						
– kilograms per ton	0,156	0,153	0,310	0,332	0,542	0,450
– cm kgs per ton	28,24	29,07	57,66	61,75	46,61	38,70

The ore reserves are related to pay limits calculated on the basis of a gold price of R13 600 per kilogram (1979 – R9 960 per kilogram) and certain assumptions as to uranium prices. At current exchange rates the gold price assumed was equivalent to U.S.$550 per ounce (1979 – U.S.$375 per ounce)

At Randfontein Section there are additional underground reserves available in the Upper Monarch (gold and uranium), Leader and West reefs (gold only) and the surface tailings dumps. These will be used to supplement production but have not been included in the ore reserves as reassessment of these has not been completed.

INDUSTRY TUNNELLING RECORD

On 128 level which is planned to link Cooke No's 2 and 3 shafts, the mine achieved a record advance of 1 101 metres for the 31 day period ended 17th January, 1981. This again constitutes an industry record for twin-haulage tunnelling, an improvement of some 123 metres on that established by the same team in October 1980.

DIVIDENDS

Dividend No 91 of 650 cents per share was declared on 22nd December, 1980 payable to members registered at the close of business on Friday, 23rd January, 1981 Dividend warrants will be posted to shareholders on 5th March, 1981.

CAPITAL EXPENDITURE

The rate of capital expenditure was accelerated by good progress on the Cooke No 3 shaft project and advantage was taken of favourable terms offered to expedite certain long delivery items of capital equipment This contributed to the significant increase in net expenditure on mining assets during the quarter which amounted to R36 014 000 Acquisitions of other assets amounted to R558 000 bringing the cumulative net expenditure on capital account as at 31st December, 1980 to R386 286 000 At 31st December, 1980 capital commitments amounted to R16 462 000

For and on behalf of the Board
P. A. VON WIELLIGH
G Y. NISBET *Directors*

Western Areas

Western Areas Gold Mining Company Limited
Issued capital R40 306 950
(Divided into 40 306 950 units of stock of R1 each)

OPERATING RESULTS

	Quarter ended 31 12.80	30.9 80	Year ended 31.12.80
Gold			
Ore milled – tons	1 092 000	1 093 000	4 320 000
Kilograms produced	4 818	4 918	19 554
Yield – grams per ton	4,4	4,5	4,5
Revenue – per ton milled	R68,37	R74,19	R70,50
Working costs – per ton milled	R38,91	R38,05	R36,10
Profit – per ton milled	R29,46	R36,14	R34,40

FINANCIAL RESULTS (R000)

	Quarter ended 31 12.80	30.9 80	Year ended 31.12.80
Revenue from gold	74 660	81 093	304 593
Working costs	42 488	41 585	155 969
Profit from gold	32 172	39 508	148 624
Net sundry revenue	1 748	989	4 007
Operating profit	33 920	40 497	152 631
Net interest receivable	1 292	1 273	4 368
Profit before taxation	35 212	41 770	156 999
Taxation and State's share of profits	(269)	15 700	53 336
Profit	35 481	26 070	103 663
Capital expenditure	30 709	12 662	58 131
Dividends declared	32 245	—	48 368

NOTE:

Net sundry revenue includes R1 070 000 received and accrued in respect of certain outstanding insurance claims.

DEVELOPMENT

A total of 10 519 metres (11 275 metres) was advanced during the quarter Included in the above total is Middle Elsburg development amounting to 1 229 metres (1 843 metres).

SAMPLING RESULTS:

VENTERSDORP CONTACT REEF AND UPPER ELSBURG REEFS

Gold	Quarter ended 31.12.80 Total All Reefs	Ventersdorp Contact Reef	Elsburg Massive Reefs	Elsburg Individual Reefs	Quarter ended 30.9.80 Total All Reefs	Ventersdorp Contact Reef	Elsburg Massive Reefs	Elsburg Individual Reefs
Sampled – metres	672	87	240	345	1 380	171	504	705
Channel width – centimetres	163	51	181	179	174	107	188	181
Av. value – grams per ton	7,0	25,3	6,8	5,8	5,7	11,4	5,6	4,9
– centimetre grams per ton	1 141	1 290	1 231	1 038	992	1 220	1 053	887

RDM (214) 21/1/81

	Tons 000's	Average value g/t.
U.S. $450/oz	9 600	6,0
U.S $550/oz	11 561	5,6
U.S $650/oz	12 800	5,4

SUB-VERTICAL SHAFT SINKING

The S V 3 shaft has been sunk to 255 metres below the collar and 235 metres of concrete lining have been completed. At the S.V 4E shaft equipping and lining continues and the permanent winder foundations have been completed.

GOLD AND URANIUM TREATMENT PLANTS

At the North Plant commissioning of the carbon-in-pulp section has commenced. Construction of the uranium plant is proceeding on schedule.

URANIUM SALES CONTRACT

The third and final R10 million tranché of the R30 million interest-free loan, raised to assist in the financing of the company's uranium recovery plant and the establishment of underground mining facilities, was received on 2nd January, 1981.

DIVIDENDS

Dividend No 31 of 80 cents per unit of stock was declared on 22nd December, 1980 payable to members registered at the close of business on Friday, 23rd January, 1981 Dividend warrants will be posted to stockholders on 5th March, 1981

CAPITAL EXPENDITURE

Activity on major capital works increased and advantage was taken of favourable terms offered to expedite certain long delivery items resulting in net expenditure on mining assets during the quarter amounting to R30 048 000. Expenditure on other assets amounted to R661 000 bringing the cumulative net expenditure on capital account at 31st December, 1980 to R344 590 000. Capital commitments at that date amounted to R6 350 000.

For and on behalf of the Board
P. A. VON WIELLIGH
G. Y. NISBET *Directors*

Elsburg

Elsburg Gold Mining Company Limited
Issued capital: R30 203 000
(Divided into 30 203 000 units of stock of R1 each)

RESULTS FOR THE QUARTER ENDED 31st DECEMBER 1980:

Stockholders are advised to study the operational results published by Western Areas Gold Mining Company Limited.

	Quarter ended 31.12.80	30.9.80	Year ended 31.12 80
DIVIDENDS DECLARED (R000)	R15 705	Nil	R23 558

For and on behalf of the Board
P. A. VON WIELLIGH
G. Y. NISBET *Directors*

20th January, 1981

Johannesburg Consolidated Investment Company, Limited
Consolidated Building, Fox and Harrison Streets
Johannesburg 2001
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or
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England

Copies of these reports, in English or Afrikaans, are available on request from the offices of the transfer secretaries.

BUSINESS

Spectacular profits made by Johnnies' mines

214

By Geoff Shuttleworth

Randfontein and Western Areas, Johnnies two gold producers, have turned in excellent December-end quarterly results, far surpassing any other results seen so far this quarter

Taking the two mines together, Johnnies' mines showed an increase in taxed profits of nearly 29 percent to R83 million compared with R64,5-million in the September-ended quarter when taxed profits for that quarter were 24 percent higher for Randfontein and 52 percent higher for Western Areas.

The key factor in the spectacular profit increases in the two quarters was the increase in capex which was set off against last September's profit increase, was also directly attributable to an increase in the gold price, a factor which did not apply in the review quarter when the average price fell to 627,69 dollars an ounce against the third quarter of last year's 618,91 dollars an ounce.

Capex in the December ended quarter was in the case of Randfontein more than 60 percent higher and in the case of Western Areas it more than doubled.

Taxed profit for Randfontein was R47,5-million against R38,4-million in the third quarter and Western Areas profit rose to R33,5 million from R26,1 million.

On an annualised basis Capex at Randfontein was a shade short of half the financial year's total. At Western Areas it was more than half the annual total.

At **RANDFONTEIN** throughput rose to 1,05 million tons from 1,04 million and the grade rose to 5,1 from 4,9 grams a ton. Costs a ton milled fell as a result of throughput of sand-dump material which comprised around 20 to 25 percent of throughput and the quarter costs consequently fell by 16 percent on a rand a ton basis.

At a Press briefing yesterday Gold Division manager Mr V Blane said that development at the Cooke No 2 shaft area was moving into higher grades and "things are looking better. I am very hopeful that the upward grade trend will be maintained for next year (1981) with the recovery grade as much as 10 percent higher than that of 1980."

TAILORED

Capex for the current year is estimated to equal last year's total of R79 million but this will be tailored to the actual and anticipated movements in the gold

TAILORED

Capex for the current year is estimated to equal last year's total of R79 million but this will be tailored to the actual and anticipated movements in the gold
price. On further questioning he said that ore reserves were based on a 550-dollar an ounce for 1981 though financial and managerial projections have been based on a price slightly more than 600 dollars an ounce.

Mr Blane added, however, that while costs were down on the quarter, projections for the year ahead were based on a 20 percent increase. Randfontein costs would probably be slightly lower, and West Areas slightly higher than this average.

Sales of uranium at Randfontein are expected to be lower than the R22,5-million achieved in 1980 and the mine will have to buy quantities of uranium from other Nufcor members to meet contractual commitments.

Among other points raised by Mr Blane were included development results. Randfontein section results are falling away in favour of the Cooke No 2 section and he attached no significance to the fall in values sampled on the Cooke No 1 section. Values at Cooke No 2 section were significant he noted.

BEEFED UP

At **WESTERN AREAS** the tonnage milled was stable at 1,09 million tons and the grade was slightly lower at 4,4 grams a ton from 4,5 grams. Taxed profits rose to R35,5 million (R26,1 million) as a result of a tax credit of R269 000 (R15,7-million debit) which arose from increased Capex.

Mr Blane does not expect a fall in the gold grade to be severe but it will decrease as mining on the Middle Elsburg reefs is beefed up to maintain throughput.

Capex for 1981 is expected to be of the same order as 1980 when R60 million was spent.

He added that the uranium plant is expected to be commissioned at the end of this year and production reached in early 1982 — a year ahead of schedule.

BUSINESS

Taxed profits fall for Free Staters

214

Star 27/1/81

By Geoff Shuttleworth

A reduction in tonnage milled, lower grades and a significant fall in capex at Anglo's Free State gold mines resulted in a fall in taxed profits in the final quarter of 1980 to R168,3-million from R221,0-million the previous quarter

While the gold price received by Anglo's Free Staters fell to an average 637 from 649 dollars an ounce, the price received by Anglo's Transvaal mines fell marginally to around 650 from 656 dollars an ounce. Taxed profits for the Transvaalers rose to R225,1-million from R195,1-million in September, largely because of the excellent results turned in by Vaal Reefs which contributed R123-million (R195,1-million) to the total.

Tonnage milled at the Free State mines was 2,8 percent lower in the final quarter and there was a 7,6 percent fall in gold production. Capex at the six OFS mines fell sharply to R58,6-million (R100,8 million).

Briefly, taxed profit at **PRES BRAND** fell to R40,5 million (R60,3 million) because of a 19,3 per cent rise in unit costs. Anglo said that despite this enormous rise (for which no reason is given) when viewed on an annual basis, it is in line with other OFS mines.

PRES STEYN taxed profits fell to R33,8-million (R43,0-million) on lower tonnages and grade and at **FREE STATE GEDULD** taxed profit was R45,0 million (R57,8 million) because of a reduction in capex.

WESTERN HOLDINGS had taxed profits of R29,6-million (R36,3 million) on lower tonnages and grade. **WELKOM** increased tonnage slightly so that even with reduced capex turned in marginally lower profits of R12,8-million (R14,2 million) after tax.

FREE STATE SAAIPLAAS had taxed profits of 6,5 million, down from R9,4 million, as a result of lower tonnages and grades.

Best results for the OFS division came from the **JOINT METALLURGICAL SCHEME** where taxed profits rose to R16,9-million — an increase of R5,4 million reflecting better recovery grades.

Among the Transvaal mines **VAAL REEFS** yielded excellent results achieving taxed profits of R123,1 million from R90,1 million before. Uranium profits here rose steeply to R17,1 million from R5,4-million, largely accounting for the increase.

Worst performer here was **ELANDS** which suffered a pressure burst and methane gas explosion, which resulted in nearly half the mine's production being lost for six weeks. Taxed profit fell to R2,6 million (R11,2-million).

WEST DEEP taxed profits rose to R73,0 million from R65,7 million as a result of a large increase in capex to R35,1-million from R10,1-million the quarter before.

At **ERGO** taxed profits fell marginally to R24,4 million from R27,2 million and at **SALLIES** rose to R1,8 million from R902 000 before as a result of higher tonnages and capex for the final quarter.

EAST DAGGA profits increased to R197 000 from R48 000 because of substantially higher royalty payments.

Gibbs joins board

Mr Tom Gibbs, Government Mining Engineer for 16 years until his retirement in June 1976, has been appointed to the board of Government Areas soon to be renamed Consolidated Modderfontein Mines writes Geoff Shuttleworth.

At a general meeting yesterday to consider proposals to increase the company's share capital and convert pref shares, the chairman, Dr Charles Ferreira, announced the appointment.

Pleasant surprise

Vaal Reefs and Western Deep's final dividends of 700c and 400c respectively should come as a pleasant surprise to shareholders writes Geoff Shuttleworth.

VAAL REEFS total for the year is 1 320c which yields 14,5 percent. This means that the new final is more than double last year's 320c.

WESTERN DEEP has a total of 800c for the year putting it on a yield of 12,6 percent.

SOVAAL declared a 260c final (140c) making a total of 430c for 1980 putting it on a yield of 11 percent.

SALLIES' pegged dividend means that the yield is unchanged at 7,4 percent, while the **EAST DAGGA** final of 15c (the interim was passed) puts it on a 5,3 percent yield.

Year end figures show that Vaal Reefs achieved record gold revenue of R1 100-million. It kept costs down at 14,1 percent and achieved taxed profits of R377,1-million compared with the previous year's R199,6-million.

Western Deep's taxed profits were R271-million (R160,9-million).

ELANDSRAND, in its second year of operation managed working profits of R39,8 million (R6,3 million) in spite of an adverse final quarter. Grade has still failed to reach the revised target of 5,4 grams a ton, but last year's average was close at 5,33 grams.

Sovaal had taxed profits of R114,5 million from R39,3 million last year equivalent to earnings of 410,1c a share (151,1c).

Sallies turned in taxed profits of R5,3-million (R2,9-million) and East Dagga achieved taxed profits of R435 000 (R172 000).

Board of Directors

GOLD QUARTERLIES FM 23|1|81

The profit picture

214

Gold has reacted positively to the release of the hostages and it could be set for further advances But as the latest batch of December gold quarterlies makes clear, mine managers are taking a cautious view on the near term Several mines are still locked into capex programmes which they do not want disrupted if gold should decide to break down to $500, while despite the low advances recorded by the industry over the past three months, unit costs are probably rising at an average annual underlying rate of 20% and capital equipment costs even faster

Policy in general has been precautionary retention of earnings coupled with maintenance of recovery grades And, to a lesser extent, the past few weeks' gold price doubts have been compounded by poor uranium earnings prospects Uranium prices are still weakening and delivery contract prices for 1981 are being negotiated well below the levels at the start of last year

So mine earnings are still under something of a cloud unless the gold price can build up an early head of steam Though even that may not be enough to ensure a good crop of March dividend announcements Until bullion shows definite signs of sustainable improvement, cautious investors are perhaps best advised to take a 12-month view before buying shares

Randfontein. The strategy of accelerating capex during periods of high gold prices appears to have paid off This year, with full scale sinking of both Cooke No 3 and No 2A ventilation shafts under way, capex is estimated at about R80m But there is some flexibility to cut back on that figure if it is necessary to protect distributable earnings from further gold price weakness

In any event, recovery grades are expected to rise this year, possibly to 5,6 g/t, as mining operations at Cooke No 2 are now in a zone of higher grade ore

The picture is not as bright, however, for uranium This year's profit is likely to be less than last, with lower contractual sales prices That should more than offset any advantage from the higher recoveries and efficiencies now being reported And the mine still has to buy uranium from outside sources to fulfill its contractual delivery obligations

During the December quarter, unit costs were reduced to R34,40/t against September's R36,04/t as a greater tonnage of gold-bearing dump sand was treated at Millsite And continuation of that should, to an extent, protect the mine from cost inflation However, management calculates that industry-wide working costs are set for an average 20% rise this year, with a higher percentage inflation factor applicable to capex

Western Areas: Management has revised its estimate of the near-term rate of recovery grade decline The rate of fall should be slower than previously expected, pointing to an average this year of not much less than 4,4 g/t That is a positive indication, particularly as the mine seems locked into capex of R60m this year for establishment of its uranium plant and continued sinking of the SV3 sub-shaft

This year, treatment of the Middle Elsburg reefs should start, though for gold alone Uranium production is scheduled for next year, with initial deliveries probably to Randfontein to help that mine fulfil its sales obligations Deliveries of Western Areas' uranium to its own contractual customers is scheduled for 1983

Looking further ahead, the establishment of operations in deep ground south of the mine's present lease area will depend on gold price trends Opening up the area will, however, be expensive It will call for a new shaft from surface and the workings will need total refrigeration If it is decided to exploit the area, mineral rights will probably be acquired from Amgold in exchange for new Western Areas shares

Buffelsfontein· Management has apparently taken a cautious view on gold for the next couple of quarters With about R29m total capex planned for the March and June quarters, the mine has retained R15,3m from first-half earnings The influence of radiometric sorting was felt last quarter with higher mill throughput and a maintained recovery grade This quarter, unless gold recovers fairly quickly, the mine will probably do everything it can to maintain recovery grade But it is unlikely that such a policy could be maintained for more than a few quarters

Tribute and royalty payments are rising steadily, but should be in for a quantum advance once the Strathmore shaft system is completed and operations move increasingly into the Lucas block

Stilfontein. Development continues at a relatively high rate to open up previously unpayable areas and extend the mine's life Drawing ore from them will inevitably reduce recovery grades To some extent, however, Chemwes should compensate for that once its loan capital has been repaid

It is becoming increasingly unlikely that there will be an early start to mining the VCR, even if it is possible Sampling continues to reveal uneconomic gold and uranium values on the reef

Grootvlei: The 1979 annual report said that at $400 gold, life was probably more than eight years Now, the estimate is that operations can continue for 10 years beyond the 1983 completion date of the R24m capex programme designed to increase monthly mill throughput from 145 000 t to 160 000 t. That may be affected slightly as currently available reserves were calculated at $580 gold at end-1980 But taking a positive view on gold, it seems fair to estimate continuation of mining until the turn of the century, even if before then it is not decided to attempt dewatering the deeper levels on the Main reef

Near-term, however, capex could be a major restraint on distributions, particularly until the gold price recovers

St Helena· The R30m capex planned over the next three years will only marginally increase the mine's capacity, though it will help contain costs by eliminating expensive milling with steel balls So, presumably, a large part of the cost of additional plant will be met by the higher toll milling fee to be charged to Unisel

However, St Helena's own milling rate might increase if operations are extended into Ongegund to the south of the mine Management is probably trying to work out how that can be done without incurring the cost of a new shaft

Grade still has some way to fall which will affect profits, but the planned capex programme should have only a minor effect on distributable income The interim dividend should be at least 250c even if gold continues to plod along at its current level

Winkelhaak· The mine's R18m capex programme is planned to increase monthly mill throughput to 200 000 t from the current 180 000 t and to facilitate exploitation of large tonnages of low-grade ore at No 3 shaft Last quarter's recovery grade increase to 6,6 g/t may well prove to be a temporary phenomenon

The capex programme will have a minor restraining influence on distributable earnings, while higher mill throughput should permit better cost control But if gold continues to weaken this quarter, management may well decide to retain earnings ahead of capex On that basis, and with the prospect of a lower recovery grade, it is difficult to predict an interim dividend much better than 200c

Kinross: Management has contented itself merely with saying that the R45m capex programme will increase monthly mill throughput to 165 000 t in 1984 from the current 133 000 t But it is obvious that the expansion will result in a recovery grade drop to less than 5 g/t

In the meantime, however, grades should hold up at current levels as stoping increases in the richer No 2 shaft area to compensate for lower grade ore blocks exploited elsewhere The annual report stated that milling grade was expected to rise to about 6 g/t, though it seems that this target is slightly ambitious Once the additional milling capacity is available, a decision could be taken to extend mining operations into relatively low-grade ground beyond the mine's northern boundary But that could mean the sinking of yet another shaft and, possibly, a further increase in mill capacity

If gold continues to perform as it has done during the first few weeks of the year, the interim dividend due to be declared with the March quarter's results may be little better than 75c

Leslie. Extending the mine's life is clearly not without cost When life expectancy was short, it was possible to defer maintenance expenditure That has to be rectified and will boost unit costs for the next few quarters Though grade improved to 3 g/t in the December quarter, the level is unlikely to be maintained unless gold weakens and low grade blocks have to be abandoned temporarily There is little point in expecting an interim dividend of more than 25c

Bracken: Similar comments apply There is little point in writing the mine off and operations will probably continue beyond the five years officially estimated by management But that will be accompanied by even lower recovery grades Equipment repairs and replacements will add to this quarter's costs and a 25c interim dividend seems to be the best that can be achieved

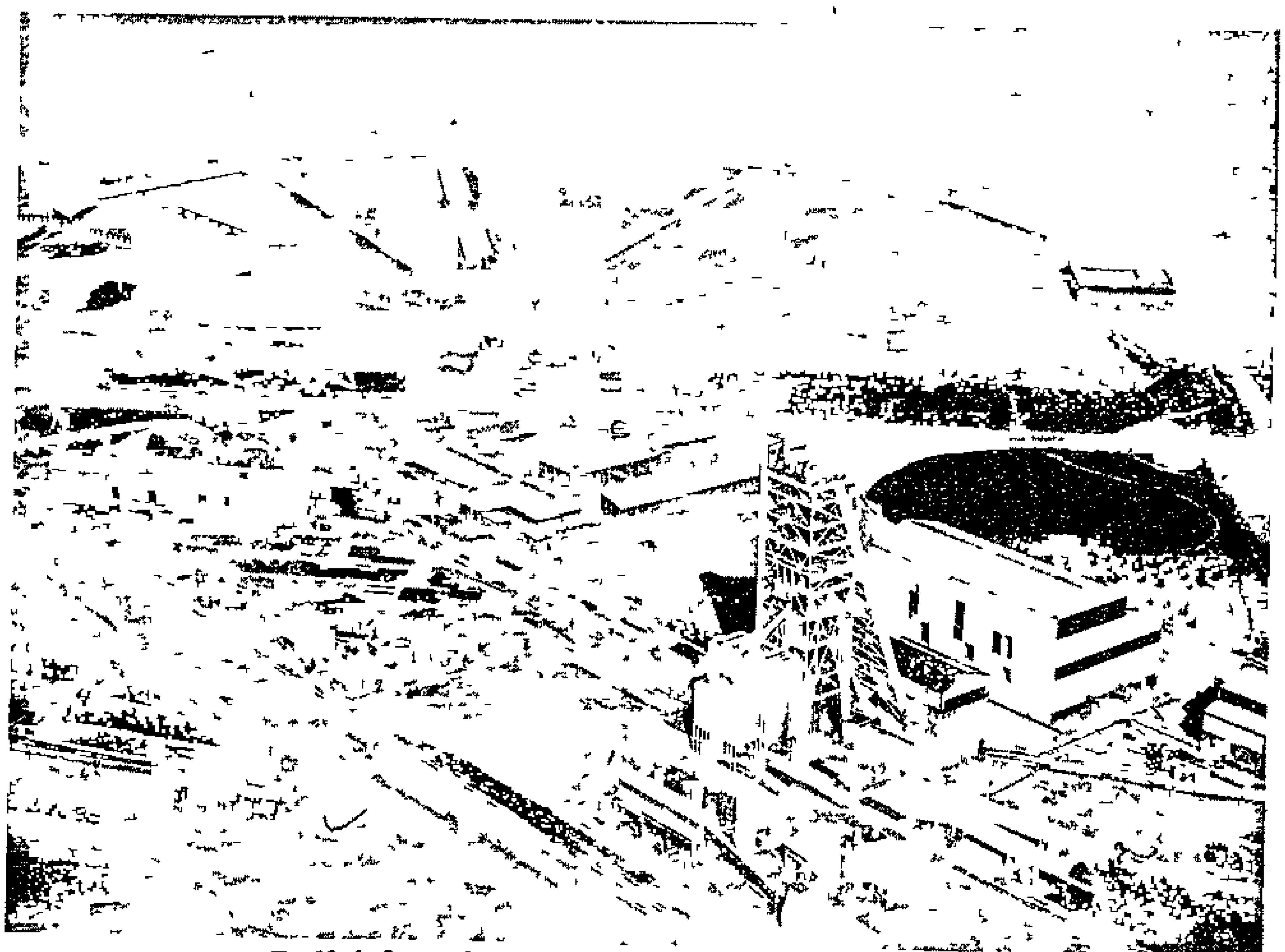
Marievale: Underground mining appears to have stabilised But, as yet, there is no reason to count on a significant increase in tonnage drawn from underground Two boreholes drilled on the old Nigel mine gave unconvincing values, and drilling costs are a strain at this stage of the mine's life. Meanwhile, earnings are being declared in full and the mine remains highly susceptible to gold price movements.

Unisel: The higher toll milling charge to fund additional plant at St Helena and which will allow Unisel to raise monthly mill throughput from the current 80 000 t to 110 000 t in 1984 is well worth putting up with Loan repayments will be the major drag on near-term distributions, but debt should be redeemed by the time tax becomes payable

Development on the lower-grade Leader reef has ceased, implying that additional production planned for 1984 will be drawn entirely from the Basal reef If so, grade should be maintained at 6 g/t or more for a few more years Unless gold starts to improve its performance soon, the interim dividend may be pegged at 40c

Harmony In his last statement, the chairman said that provided gold did not fall too far below $600, this year's final would match the 200c interim Achieving that could be difficult unless gold improves quickly Second-half capex is expected to be lower than first-half at R11,6m, but that will do little to enhance distributable profit Coupled with poorer prospects for gold profits is a weakening uranium market Harmony's production capacity has been increased with a start of operations at the Merriespruit uranium plant and if customers reduce their rate of purchases,

Durban Deep If market talk is correct, the mine is nearing a crucial point in its life Capex is relatively high to increase production and catch up with that deferred during the years of weak gold prices However, a decision could soon be taken on extending operations into Kimberley reef in the south west of the lease area and beyond the mine's boundary If that is developed and has long-life potential, at least one new shaft will be needed and the mine's old plant may need to be replaced or added to That implies capex along the lines of that planned for ERPM Making a decision on that while gold prices are in the doldrums is difficult If new developments do transpire, the mine will probably try to protect itself from gold price setbacks by raising additional funds from shareholders, which could be a difficult exercise with only 2,3m shares



Buffelsfontein . trying to maintain gold grades

funds could be needed for stockpiling

In the longer term, gold recovery grades will probably fall as increased tonnages of ore are drawn from Virginia and Merriespruit That will make the mine even more highly geared to gold price movements

Blyvoor: The steady recovery grade decline is continuing as the focus of operations shifts westwards into lower grade areas of Carbon Leader reef So while the mine may be able to stem the fall temporarily if gold remains weak, at best it could be for only a quarter or two And sooner or later a decision must be taken on establishing operations in other reefs grading less than Carbon Leader

This year it is difficult to predict anything but a decline in uranium profit Lower prices will probably more than offset higher production tonnages currently in issue

ERPM· The promise of an annual 360c dividend if gold holds at $600 in "real terms" seems increasingly difficult to achieve Though the mine raised R47,5m last year to see the R300m capex programme through any temporary gold price setbacks, if gold shows no signs of moving towards $600 within the next month or so, management will probably be ultra cautious when recommending dividends

It remains to be seen what recovery grade flexibility the mine has if gold is set for some months of weakness Until exploitation of the deep levels starts in the mid-Eighties, the recovery grade trend is down, though unit costs can perhaps be kept under control by mining larger tonnages Earnings are highly geared to the gold price and, for the present, the share is best suited to speculative portfolios

Tim Jones

R3 786m in tax from gold mines

RDM 24/1/81 214 ~~320~~

By JOHN MULCAHY

TAX from the gold mines, with some help from uranium, reached R782-million in the last quarter of 1980, taking the figure for the year to R3 786-million.

In 1979 the tax bill estimated by the Chamber of Mines was R1 700-million, and the 1980 amount is based on the chamber's estimates for the first nine months of the year, as well as the latest quarterlies

Although the chamber usually overestimates the tax charge slightly, the figure for 1980 is unlikely to be much lower than R3 500-million

In his last Budget the Minister of Finance, Mr Horwood, projected receipts from gold-mining taxes for the 1980-81 fiscal year of R2 485-million

Allowing for the time lag between gold sales by the mines and tax receipts by the Treasury, the tax figure quoted by the mines for the calendar year should come close to the amount for the fiscal year to February 28

Tax estimates for the mines were lower in the fourth quarter than for the September period because of reduced profits and in certain cases the rise in capital expenditure

Many of the capital expenditure programmes now coming to fruition, or at least past the drawing board stage, were initiated when the gold price was steady at above $600 an ounce

With the price now hovering in the mid-$500s producers will be wary of further major expansion and will also be looking to higher-grade areas

Possibly the most distinguishing feature of the December quarterlies was the relative absence of highlights

The lower average gold price had been anticipated, and this was generally the case, with the exception of the Gold Fields group, where prices were much the same as in the September quarter

Grades were also down, but this trend began earlier in the year, and was a continuation of adjustments to levels required in terms of mining leases Costs rose, although at a greatly reduced pace compared with the third quarter, reflecting the continued inflation in stores and labour costs, and seasonal factors

These included the traditional trek by migrant labourers to their homes — particularly from the Free State and Klerksdorp areas — and the "holiday influences" on productivity

These factors led to lower profits from most producers, notable exceptions being Buffelsfontein, Kloof and Vaal Reefs

Cost increases were especially evident at Stilfontein, where unit costs rose 12% to R49,64/ton milled from R44,07, Western Deep Levels, which faced a 9% rise in costs to R49,66/t from R45,52/t, and President Brand, up 19% from R30,75/t to R36,69/t

Possibly the best individual performance in the last quarter came from Buffels, which raised tonnage from 820 000 to 863 000, and reduced unit costs to R44,85/t from R45,80/t

Another good performer was Welkom, which achieved higher profits than in any other quarter since September 1979

A changed tax position because of heavy capital expenditure helped the Rand Mines producers to an average 6% rise in taxed profit This was in spite of the lower average gold price — down to $625 an ounce from $664 — and a 2,2% fall in overall milling rate, which led to a 3,6% dip in gold production

For the rest, Kloof had its best development results for some time at 4 000 cm g/t, indicating that the mine still has a lot of high grade left in it

An interesting point in Randfontein's results was the higher grade, which is expected to be maintained in the current quarter

The Gold Fields group had a reasonable quarter, with mill throughput at the mines unchanged or higher, although lower grades caused gold production to fall This was offset by a rise in the average gold price received — to $657,50 from $652

Less SA gold

RDM 29/1/81 (214)

Financial Reporter

SOUTH AFRICA's gold production fell 4% in 1980 to 21 669 455 ounces, or 673 996 kg, from 22 596 546 ounces (702 831 kg) in 1979

Chamber of Mines figures show that output for December dropped to 1 694 859 ounces (52 716 kg) from 1 802 284 ounces (56 057 kg) in November

The fall reflects the move by many producers into lower grade areas as a result of the higher gold price

December is a short working month, with public holidays, and productivity is also at a low ebb, accounting for the 5% fall from the November figure.

GOLD QUARTERLIES 214

Still squeezed

FM 30/1/81

Any hopes that the threat of a return of the late Shah's US assets to Iran would prove a bull point for gold appear to have evaporated And, at least for the present, it seems that political considerations could continue to take a back seat to economic in gold price determinations Bullion's slump to $517 at Tuesday morning's fix in London has been reversed, but even some of the hardened bulls now concede that the subsequent rise may be little more than a technical correction And if there are no political upsets, the current bear market may not end at after the usual period of seasonal gold price weakness during the northern hemisphere's summer.

Earnings squeeze

The implication of that for gold share earnings is obvious Over the next six months they could be squeezed between lower income and still accelerating costs The impact on distributable earnings will be felt most by mines locked in to heavy capex programmes and the lower grade producers which are unable to quickly adjust recovery grades upwards.

All fairly obvious, but it does underline the contention that investors should concentrate for the time being on mines which for technical reasons are unable to cut grades The programme now under way of adjusting mining operations to lower grade recoveries will be hard if not impossible to reverse

More to the point, perhaps, many stale bulls who are still caught in golds are probably waiting for a rally to offload their holdings If so, don't count on share price recoveries until the market overhang has been cleared

Vaal Reefs Gold recovery grades from the North lease area continued their improvement during the December quarter. And if development sampling results can be taken as a near-term guide, there could be a further rise this quarter On the other hand, grade fell sharply in the South lease area and sampling results deteriorated

In 1980, available earnings were distributed in full and management has no fears about the mine's ability to fund this year's capex, no matter what happens to gold As it is, capex will probably continue at an annual rate of over R100m for the next year or so

Afrikander Lease operated at a loss last year Though production is rising (despite earlier rumours that the mine might be mothballed temporarily), it remains to be seen how long it will take to swing operations out of the red Uranium prices show very little promise for the current year and gold income is trifling

Vaal Reefs will not be able to avoid dividend cuts this year if gold continues to wallow, but the share remains one of the better gold stocks on both life and income considerations

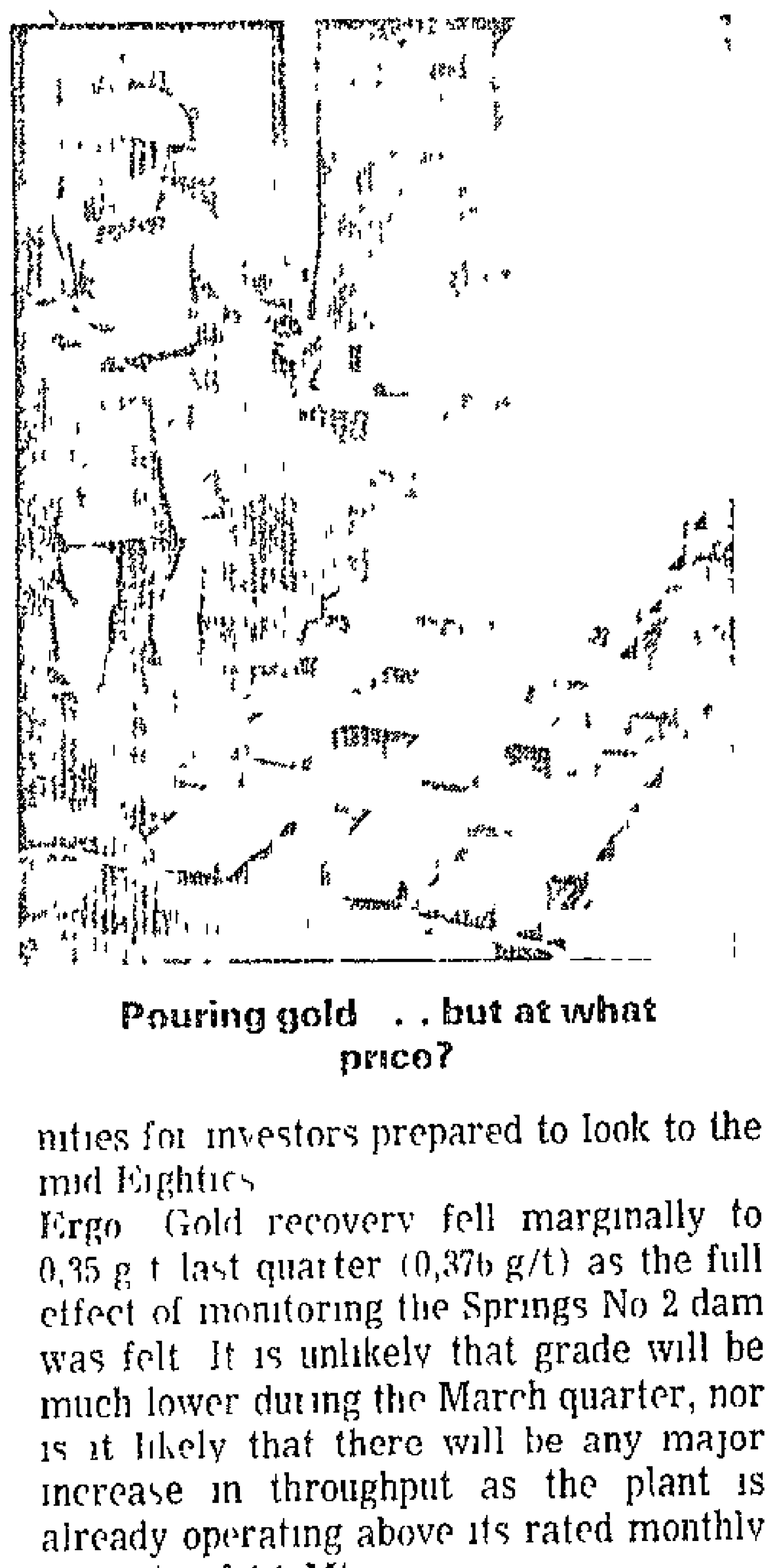
Western Deep The December quarter's recovery grade drop to 13,4 g/t need not necessarily be interpreted as the start of a permanent fall from the 14 g/t-odd reported for the past few years The mine's longwall mining method means that opportunities for selective mining are limited — ore has to be extracted as it is exposed in the stope face Thus, in periods of gold price strength, grade cutting is difficult When gold weakens, the mine's relatively high overall grade tenor is an important earnings support

The capex programme to increase monthly mill throughput from its current 280 000 t to 440 000 t by 1985 is gathering pace Though the mine has raised R60m through a deb issue, management will almost certainly adopt a cautious dividend policy unless gold shows signs of an early and sustained recovery There seems little chance that last year's 800c total payout will be repeated this year

Flandsrand The December quarter's operations were distorted by a pressure burst and underground explosion Even so, sampling grades showed some improvement Taking this in conjunction with end-July's ore reserve estimates, it seems unlikely that this year's average recovery grade will be much better than 5,5 g/t

Capex should be lower than last year's R37m, but that does not imply payment of more than a token maiden dividend this year The mine has a loan capital of R28m-odd This will presumably be repaid before tax becomes payable, though that is some years off

The annual report, due in March, should tell whether heavy faulting experienced previously continues to retard establishment of working faces and the build-up of mill throughput to the monthly 180 000 t targeted for early-1983 If the build-up is slow, any dividends declared next year could be low If so, and if gold continues to perform badly, the share price could remain weak, presenting buying opportunities for investors prepared to look to the mid Eighties



Pouring gold . . but at what price?

Ergo Gold recovery fell marginally to 0,35 g t last quarter (0,37 g/t) as the full effect of monitoring the Springs No 2 dam was felt It is unlikely that grade will be much lower during the March quarter, nor is it likely that there will be any major increase in throughput as the plant is already operating above its rated monthly capacity of 1,5 Mt

Capex this quarter is estimated at R1,3m If gold remains weak and uranium profits are constrained by low prices, the company could be hard put to pay a final much greater than the 100c interim Tax will become payable in financial 1982, meaning a sharp drop in distributions starting with the interim due to be declared in October

Free State Geduld The mine has started its current financial year with a recovery grade matching the year's 9 5 g/t target During the remaining three quarters, it seems reasonable to expect further grade cuts unless a gold price collapse obliges management to opt for a more selective mining programme

Just less than R90m capex remains for the final three quarters, which, linked to lower grade prospects and the possibility of a continuation of gold price weakness, points to dividend constraint The mine has not been noted for unduly high retentions ahead of capex Last year R1,9m was retained

Basal reef sampling continues to disclose steady grades and there seems little urgency to extend mining operations on the other lower grade reefs

President Brand Though management planned on an average recovery grade of 8,4 g/t for the year to end-September 1981, during the December quarter 8,2 g/t was achieved This was, however, accompanied by a higher than planned milling rate After a unit cost reduction in the September quarter, the mine came back in line in the December quarter with a 19,3% rise to R36,69/t Compared with the same period of 1979, that is a rise of 26,6%

The mine is being hit just as badly by cost inflation as the rest of the industry And keeping costs under control this year may be made difficult if lower gold prices result in selective mining and lower mill throughput A relatively heavy capex programme is scheduled this year, implying dividend restraint and, perhaps, relatively large retentions at the half-way mark

President Steyn The December quarter's recovery grade matched the 6,5 g/t planned for this financial year Particularly if gold remains in the doldrums, mining could be selective with little emphasis on the lower grade Leader reef On that basis there should be little difficulty in maintaining grade this year

However, within the next few years increased emphasis will almost certainly be placed on mining the "A" reef where overall grades are much lower than on the Basal reef "A" reef development rates continue to increase with sampling disclosing erratic grades around 500 cm g/t That compares with three to four times as much on the Basal reef

The mine's share of JMS profit continues to plod along at a small percentage of that derived from gold Nor does there seem much possibility of an improvement while uranium prices remain depressed JMS loan repayments should start next year, thought that should have little effect on distributable earnings At the same time, capex should be lower as the present programme winds down

Western Holdings Formalities for the merger with Welkom and Free State Saai and the establishment of mining operations on Erfdeel/Dankbaarheid were due to be ratified by shareholders yesterday, after the *FM* went to press Recording the individual mine s results is, therefore merely a formality Effectively, during the December quarter, grades were lower for each mine while costs were reasonably well contained However, though grades at Western Holdings and Welkom were higher than the average planned for the current financial year, that at Free State Saai was well below the 3,1 g/t estimated for the year

SA Land An announcement on the feasibility of re-establishing mining operations on Van Dyk is due soon And though plans may be tempered by gold's current weakness, it seems that the mine is far from dead It is now proposed to drill the Kimberley reef near the No 1 shaft The reef normally occurs in well defined pay shoots as do others on the East Rand So even if disclosed grades are highly variable that need not indicate unpayable ore If past experience is anything to go by, drilling will, at least in part, be aimed at determining geological structure as well as for finding payable gold

Harties· The mine appears to be falling behind on two targets announced in the annual report Recovery grade continues to fall below the year's 11 g/t target, while first-half capex of R7,0m compares with the R30m-odd chairman Basil Hersov said was possible

From the first half's profit R12,4m has been retained indicating a high net current asset position at end-December of about R30m That seems somewhat excessive ahead of capex within the existing lease area However, it may not be too much if, as is possible, Harties is used as the vehicle for exploiting neighbouring mineral rights owned by other Anglovaal group companies

December quarter uranium profit was pathetic despite an increase in production And with lower uranium sales prices likely this year, there is little point looking for any significant improvement If the mine does extend operations into lower grade ground beyond its existing boundaries there will probably be a structural drop in gold recovery grades in addition to a likely decline to around 8 g/t over the next four or five years

ET Cons· Management was apparently ultra-cautious with the December dividend declaration and R1,3m (30c a share) has been retained from the first half's earnings As the recent capex programme has been completed, an interpretation of the dividend restraint could be the possibility of establishing further gold recovery operations Things should become clearer when the final is declared in June

Meantime, mining operations continue steadily with sufficiently high recovery grades to give protection against gold price weakness

Loraine. If gold continues its present performance for the next couple of quarters, the mine will fall far short of funding this year's R27m planned capex internally Development continues at the high rate needed to establish operations in richer Elsburg reefs in the north of the lease area But current sampling results, with the exception of a freak high value over a short distance on "A" and "B" reefs, hold little promise for any meaningful near-term recovery grade improvement

It bears repeating that dividends are unlikely to resume for about three years

Wit Nigel· If gold settles in new territory around the $500 mark the mine's capex programme could be a strain on resources Capex this year and next on the new No 10 shaft is expected to absorb about R10m So even though mining operations have moved into a higher grade area and reef picking is helping maintain grades, a gold price in the mid-$600s will be needed if capex is to be covered let alone any dividends paid

South Roods: The milling of increasing grade, underground ore is advancing steadily, accompanied by treatment of lesser tonnages of lower grade surface material And the trend should continue as more working faces become available at the Saxon shaft For the next two quarters, recovery grade could at least average the 3,2 g/t achieved during the month of December from underground ore

Though the December quarter resulted in an overall operating loss, operations in November and December were profitable At gold's current level, however, maintaining profits this quarter could call for a higher average recovery grade

Jim Jones

GOLD QUARTERLIES

	Gold									Uranium				Profit		
	Cost R/kg	Cost $/oz*§		Revenue R/kg	Revenue $/oz§	Milled 000 t*		Recovery g/t*		Milled* 000 t		Recovery kg/t*		Gold R'000	Uranium & other R'000	EPS after capex c
ANGLO AMERICAN																
Elandsrand	11 826	492	(321)	15 511	645	210	(272)	4,7	(5,0)					3 297	(741)	(11,6)
Ergo				15 362	639	4 886	(4 712)	0,3	(0,4)	4 886	(4 712)	0,16	(0,16)	24 389		59,1
Free State Geduld	4 494	187	(165)	15 294	636	746	(799)	9,5	(9,6)	†592	(623)	0,09	(0,09)	77 304	3 977	233,6
Free State Saai	11 209	466	(412)	15 394	640	500	(510)	2,5	(2,7)	†638	(653)	0,16	(0,15)	4 691	1 838	(14,5)
President Brand	4 462	185	(139)	15 301	636	836	(840)	8,2	(9,0)	†717	(988)	0,15	(0,12)	73 829	5 912	188,6
President Steyn	5 589	232	(210)	15 316	637	972	(1 033)	6,5	(6,6)	†1 511	(1 224)	0,09	(0,10)	59 358	7 356	166,8
Vaal Reefs	4 345	181	(168)	15 625	650	2 097	(2 199)	8,3	(8,6)	2 178	(2 147)	0,20	(0,20)	202 806	47 309	387,4
Welkom	6 514	271	(254)	15 322	637	634	(629)	4,8	(4,9)	†338	(326)	0,21	(0,20)	26 133	2 799	97,1
Western Deep	3 715	154	(131)	15 730	652	800	(849)	13,4	(14,2)	550	(623)	0,10	(0,10)	132 785	3 617	151,7
Western Holdings	3 952	164	(141)	15 302	636	835	(843)	8,0	(8,6)	†1 041	(1 058)	0,09	(0,09)	74 964	3 918	355,6
ANGLOVAAL																
ET Cons	5 146	216	(219)	14 383	604	76	(74)	7,1	(6,9)					4 942	163	46,2
Hartebeestfontein	4 674	196	(190)	15 043	632	752	(747)	10,6	(10,8)	872	(749)	0,14	(0,13)	82 653	2 231	278,9
Loraine	12 835	539	(630)	14 750	619	415	(408)	3,5	(3,2)					2 805	(73)	(1,0)
GENCOR																
Bracken	7 289	303	(259)	15 067	627	240	(220)	3,6	(3,9)					6 899	156	18,0
Buffelsfontein	5 501	228	(231)	15 130	627	863	(820)	8,2	(8,2)	787	(776)	0,20	(0,18)	68 149	5 276	225,6
Grootvlei	6 767	282	(272)	15 017	625	440	(440)	3,6	(3,6)					13 480	(255)	49,0
Kinross	5 099	212	(197)	15 034	626	400	(400)	5,6	(5,6)					22 458	78	47,2
Leslie	8 372	348	(338)	15 091	628	315	(315)	3,0	(2,9)					6 569	(43)	16,3
Marievale	8 408	350	(312)	15 201	633	240	(240)	1,4	(1,4)					2 297	163	23,8
St Helena	3 827	159	(146)	15 098	629	565	(555)	7,5	(7,7)					47 064	787	186,2
Stilfontein	5 915	245	(209)	15 174	628	485	(539)	8,4	(8,6)	886	(828)	0,20	(0,21)	37 924	(2 493)	95,9
Unisel	5 515	230	(226)	15 300	637	240	(240)	6,3	(6,2)					14 853	(544)	50,8
WR Cons	22 286	925	(926)	15 614	648	550	(556)	1,3	(1,2)	285	(293)	0,35	(0,33)	(4 654)	6 649	26,2
Winkelhaak	3 462	144	(137)	15 130	630	540	(555)	6,6	(6,4)					41 833	845	126,1
GFSA																
Deelkraal	9 734	409	(449)	15 238	640	285	(215)	4,1	(3,9)					6 474	216	5,1
Doornfontein	4 821	202	(200)	15 636	657	360	(360)	8,6	(8,5)					33 632	1 358	100,1
East Drie	2 417	101	(98)	15 578	654	656	(670)	14,9	(14,9)					129 048	4 909	89,8
Kloof	3 031	127	(127)	15 759	662	540	(525)	14,5	(14,5)					100 079	2 665	118,8
Libanon	5 979	251	(233)	15 982	670	420	(420)	5,9	(6,1)					24 877	1 175	118,3
Venterspost	9 342	392	(389)	15 641	657	345	(331)	4,2	(4,3)					9 169	1 763	91,6
Vlakfontein	7 775	326	(343)	15 576	654	180	(180)	1,1	(1,1)					1 560	163	13,5
West Drie	2 796	117	(106)	16 068	675	675	(675)	14,6	(15,7)	310	(306)	0,20	(0,20)	131 746	9 356	354,6
JCI																
Randfontein	6 746	280	(302)	15 814	657	1 054	(1 045)	5,1	(4,9)	942	(1 045)	0,18	(0,16)	48 741	8 380	201,8
Western Areas	8 818	367	(347)	15 496	644	1 092	(1 093)	4,4	(4,5)					32 172	3 040	11,8
RAND MINES																
Blyvoor	5 310	220	(205)	14 946	619	524	(531)	8,3	(8,7)	492	(468)	0,17	(0,16)	42 062	2 051	66,1
Durban Deep	10 134	421	(405)	15 277	634	547	(560)	3,3	(3,3)					9 452	(286)	105,8
ERPM	10 464	433	(399)	15 064	623	614	(606)	4,7	(4,9)					13 369	(351)	27,9
Harmony				15 281	634	1 882	(1 950)	4,1	(4,0)	1 693	(1 520)	0,08	(0,08)	69 822		102,1
INDEPENDENT																
South Rood	20 145	846	(618)	14 969	629	(86)			(1,7)					(92)	31	(4,2)
Wit Nigel	10 970	461	(551)	14 807	622	75	(72)	4,1	(3,3)					1 166	36	0,2

* Figures in parentheses refer to previous quarter † Deliveries to Joint Metallurgical Scheme

§ Calculated at R1=$1 35 when details not provided by mine

CHEMICAL

(Continued)

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SUNDAY TIMES, Business Times, February 1, 1981 3

S Times 1/2/80 (214)

Gold-dominated shares unattractive

● STUDY'S FINDING DESPITE PROSPECTIVE YIELDS

By Elizabeth Rouse

WITH important exceptions, gold-dominated mining holding shares are not highly attractive at current prices despite typically appealing prospective dividend yields, according to a study by Simpson, Frankel, Hern, Kruger Inc.

The exceptions include Mid Wits, Wit Deep and possibly also Freddev, which hold significant mineral rights, and more broadly based holding companies like Vogels, Metamin and Sentrust

Mining holding companies where precious metals predominate in portfolios like Amgold, New Central Wits, New Wits, Selmin and Wit Deep, appear to be somewhat vulnerable at present as the gold price bull trend seems to have run out of steam

Although the team of analysts who compiled the study do not foresee too great a downside in the gold price, they say it is difficult to foresee any significant upward movement during the next 12 months

A lower rate of oil-price escalation, a stronger US dollar and acceptance of political instability throughout the world should impart a downward pressure on the gold price in the short term

Furthermore, the jewellery trade will learn to live with higher prices, hence it is expected that jewellery demand will revive

As far as the gold mines are concerned it would appear that maintenance of current earnings is in most cases unlikely except under the most optimistic gold-price scenario

Similarly, the analysts foresee that metal investments are also vulnerable currently

Manganese dollar prices are expected to rise, absorbing a fair proportion of the domestic producers' cost increases. Chrome prices, however, are expected to remain weak in 1981

Top-rated Amgold's all-gold portfolio makes it vulnerable to gold-price weaknesses in the short term In addition, Amgold is probably one of the largest drawers of foreign investment in this sector, which makes the share price particularly vulnerable to variations in overseas investor confidence in gold and South Africa itself

With about 70% of Freddev's income being derived from precious metals, the share appears vulnerable in the face of declining precious metal prices

Metamin's wide investment spread ensures that it has a relatively low gearing to gold-price cycles Earnings should show a most satisfactory growth rate over the next two years, even in the face of a gold price decline The share's yield is comparatively low because of the quality coal investments in the portfolio, notably TC Lands.

Midwits remains a hold, based solely on its prospective diamond mine development in the Zoutpansberg (if the go-ahead signal is given) The analysts believe that the Zoutpansberg find is a major one. They say the deposit contains quality gemstones and is sufficiently large to support recoveries of at least 2 mill carats annually.

Although New Central Wits looks relatively attractive from a short-term prospective-yield viewpoint, the share remains heavily dependent on income from its gold investments. Furthermore, the lack of cover leaves no cushion to absorb the effects of a lower gold price

Sentrust remains a sound long-term hold because of the heavy profit ploughback in recent years, diversification away from gold, purchases of high-yielding industrials, and preference shares and the company's participation in potential new developments.

UCI is vulnerable because of its heavy reliance on dividends from gold and platinum companies A continuing weakness in the platinum price will result in a downgrading of the share In the longer run, UCI holds attraction in its Beisa and Beatrix participations and possible participation in projects within the Gencor group

Vogels can be bought at a price below 250c (current price is around 200c) because of its coal income, its unlisted zinc investments and intentions actively to pursue investment opportunities in the energy field. In the near term, the weak tin price is a real problem as it will inhibit earnings growth

'Beware marginal gold shares'

By Elizabeth Rouse

BEWARE of marginal gold shares but stay with the intermediate or better-class golds, advises Dr Fred Collender, a former Johannesburger who is now gold-mining analyst with a major London broking firm

He advises investors to get out of marginals for the time being as he expects that gold will crawl sideways at the $500 level until the next major break, and that might be either up or down.

Marginals like Durban Deep, ERPM and Leslie might well have to go back on State aid if the gold price declines further, he warns

Chartists are now generally looking to the $400 level as the next base line Strong inflationary pressures could well cause the chartists to advise clients to sell off, says Dr Collender.

Up to a few months ago the mining industry was looking towards a base of $550. This was before the remarkable increase in US interest rates. Now the industry has naturally adjusted its thinking to a $500 or lower level

Intermediate and major gold shares are now discounting a $450 gold price for the current year.

But there is a glimmer of hope for the second half of the year, Dr Collender believes The world's monetary turmoil is by no means over and should US workers this summer continue to demand major wage increases — as UK workers did last summer — a new inflationary trend could be sparked.

"In the second half of the year the gold price could well break through the current downtrend chart lines and head back over the $600 level."

The unfreezing of the Iranian assets has helped to restore some stability to the market and with Reagan's election it was inevitable that the gold price would fall

However, with Reagan in command, the US is unlikely to place gold on the market from its reserves.

Dr Collender's philosophy is that the gold price is not just the sum of supply and demand by producer and consumer.

"It is part and parcel of a major new irrational money game fired by man's most powerful underlying emotions — fear and greed As such the price is an over-sensitive barometer of international socio-political and deflationary or inflationary economic events "

submitted in C E 214, design

P C Watt

Major step on mining at Erfdeel-Dankbaarheid

STAR 2/2/81 (214)

A major step towards the mining of the Erfdeel — Dankbaarheid area was taken at the weekend when shareholders of Free State Saaiplaas Gold Mining Company, Welkom Gold Mining Company and Western Holdings approved the formation of a Western Holdings complex

At general meetings, shareholders of the companies approved resolutions ratifying agreements whereby the undertakings of Free State Saaiplaas and Welkom Gold Mine will be transferred to Western Holdings in return for shares in Western Holdings The Western Holdings shareholders also approved the special resolution creating the shares to be issued to those companies

Effectively, Saaiplaas shareholders will get an interest equivalent to 13 Western Holdings shares for every 100 Saaiplaas shares held, and Welkom shareholders will receive an interest equivalent to 26 Western Holdings shares for every 100 Welkom shares held

In terms of the scheme, a mine with a mill capacity of about 200 000 tons a month will be established in the Erfdeel-Dankbaarheid area as part of a larger Western Holdings complex

The scheme has yet to receive final approval from the Minister of Mineral and Energy Affairs Once approved the date upon which the arrangements will become effective will be the First day of the quarter following the quarter in which the Minister's approval is given — Sapa

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CHEMICAL

Homeland strikes a crock of gold

5/2/80 5406 214

By Bob Davis

Bophuthatswana has become the first homeland to strike gold — and it happened while drilling for water.

The strike has been made about 20 km east of Rustenburg.

Early reports indicate that gold in a 20 cm reef on land owned by the Bophuthatswana Government may be rich enough to be mined.

Further exploration begins in the Bethanie area today, with a R250 000 drilling machine bought for this purpose by the Bophuthatswana Government.

The strike was made in a borehole sunk to provide water for Bethanie village and for agriculture in the area.

Bophuthatswana's Director of Mining and Geological Survey, Dr B S I Marengwa, said ore samples had been sent to the South African Government Assay Office because in addition to exploring for water, his department was engaged in searching for mineral deposits.

Very grim, says proto team leader after battle to free bodies at Buffelsfontein

STAR 19/2/81 214 ~~212~~

Rockfall kills 4, traps 17 miners

By Tony Duigan and Mike Cohen

Four miners died and 17 others were trapped for several hours after a massive rockfall at the Buffelsfontein Gold Mine near Orkney yesterday

Throughout the night proto teams battled to free the bodies of three of the dead men. One body was brought up last night

The rockfall occurred yesterday morning after a huge tremor measuring 4.8 on the Richter scale shook the area

The tremor was the worst experienced in the area for many years according to assistant manager Mr I Bell

At 10.32 am yesterday the seismic shock shook buildings, temporarily cut power at the minehead and brought down hundreds of tons of rock — 2 500 metres below ground — at the 19th level of Pioneer shaft

Teams were immediately sent underground to assess the damage and to discover how many men were trapped

By yesterday afternoon 17 miners were brought to the surface

Ten were admitted to hospital

Next of kin

Proto teams had to work in dangerous conditions with fears of further rockfalls as they battled to bring up the injured men and to dig out the dead

"It was very grim" said Mr Arthur Barlow, leader of one of the proto teams who spent more than 13 hours underground

A worker on the mine said that the tremor severely shook buildings and loosened ceilings in some places

"It scared a lot of people and I heard that one girl who was standing up against a window fixing curtains, fell through it because of the severity of the tremor"

By mid-morning today, all the bodies had been brought to the surface and efforts were underway to identify the men and inform their next-of-kin who are living in various homelands and black states

The names of the dead will not be released until their next of kin have been informed

Mr Bell said today that production at the mine would not be severely affected but the section in which the fall took place would probably be permanently closed

Eight months ago a similar tremor shook the Buffelsfontein mine and caused a rockfall which seriously injured

• To Page 3, Col 1

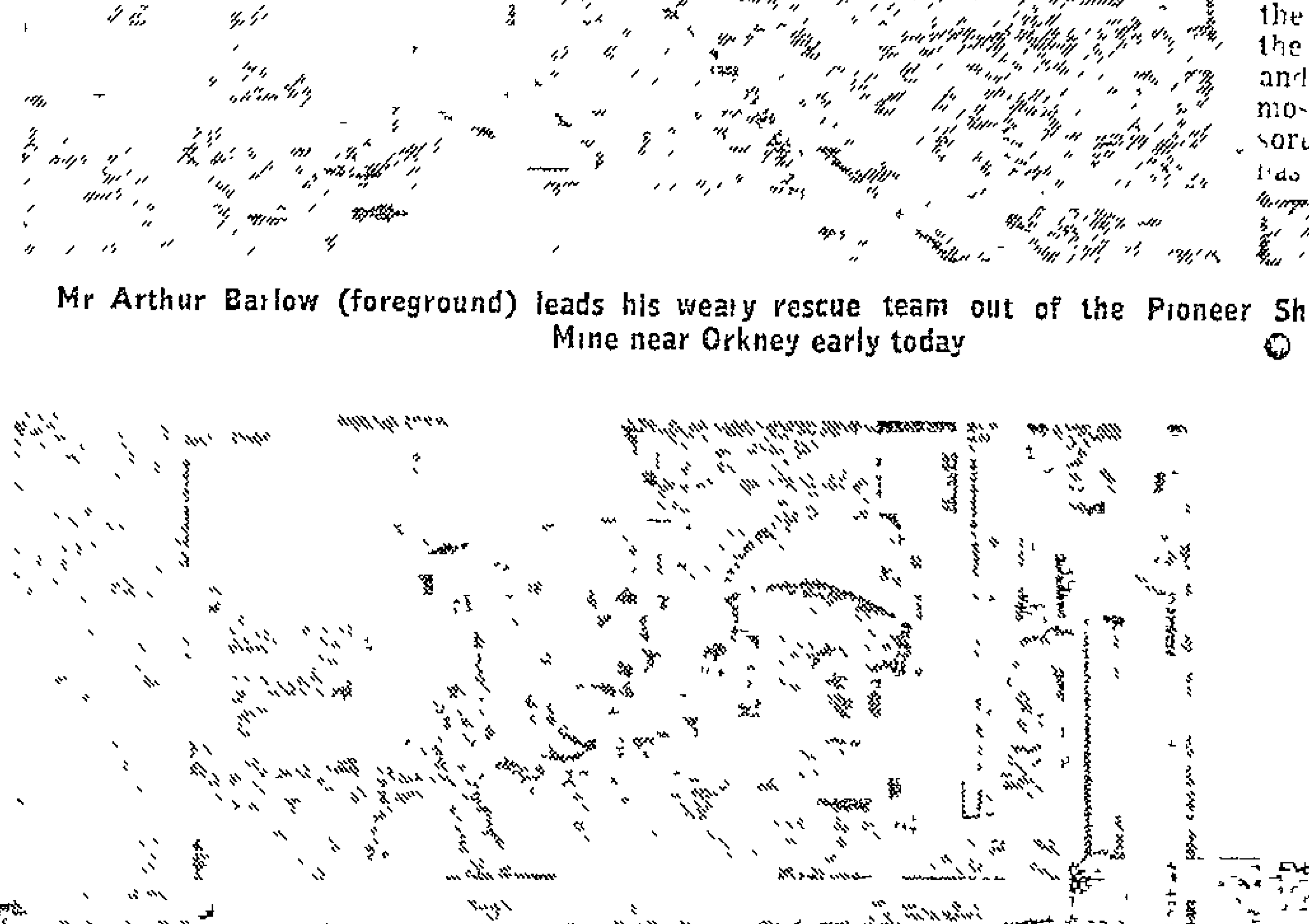
Mr Arthur Barlow (foreground) leads his weary rescue team out of the Pioneer Shaft at the Buffelsfontein Mine near Orkney early today © Pictures by Alf Chapman

Rockfall kills 4, traps 17 (214)

one miner and trapped another

Last year's tremor measured 4.[illegible] on the Richter scale and lasted 14 minutes in Pretoria and two minutes in Stilfontein

Buffelsfontein is one of the wealthiest mines in the General Mining stable and recently installed the most modern [illegible] radiometric sorting [illegible] which has [illegible] output



Two members of a proto team sign off at 2 am this morning after spending more than 13 hours underground trying to rescue mine colleagues.

For 13 hours they fought against the clock to reach trapped men

By Tony Duigan

At 1.30 am today Arthur Barlow led his weary proto team out of Buffelsfontein's Pioneer Shaft. For more than 13 hours he and his team and shifts of miners had battled against time and the threat of further rockfalls to try to save 21 trapped men

The calm, matter-of-fact attitude of the men who poured out of the cage at the head of the shaft belied the underground drama

Miners don't see themselves as heroes. "We're just doing our job," they say

But the assistant manager, Mr I Bell, says that there is never a need to call for volunteers when an accident happens underground

All the men are willing to go down immediately to help if there is an accident said Mr Bell

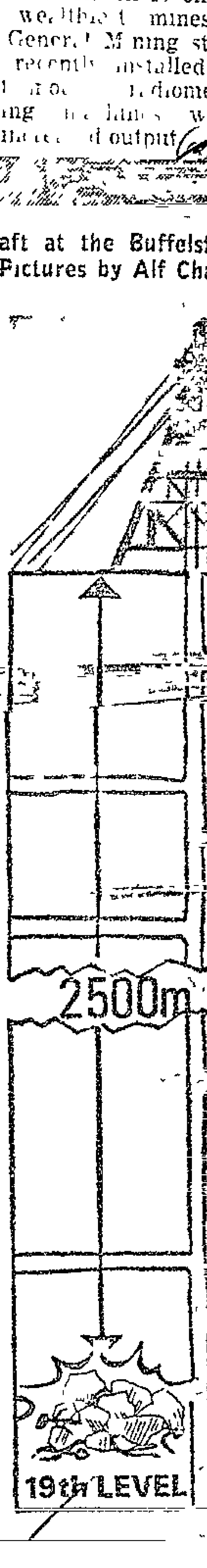
It is a phone call to the family to say "I'll be late." Then it's into mine overalls and to the section manager's office for the briefing before waiting at the shafthead for the other shift to come up

And so it continues, night and day, until all the accident victims are brought to the surface

But in every tragedy there are the poignant details. As in the case of one of the dead miners. He was helping out for the day, filling in for someone else

Now the mine management is busy tracing his family in one of the homelands to tell them

"It is very grim down there," was Arthur Barlow's only comment as he headed for the showers and a bite to eat before catching some sleep and returning for further duties at the shafthead

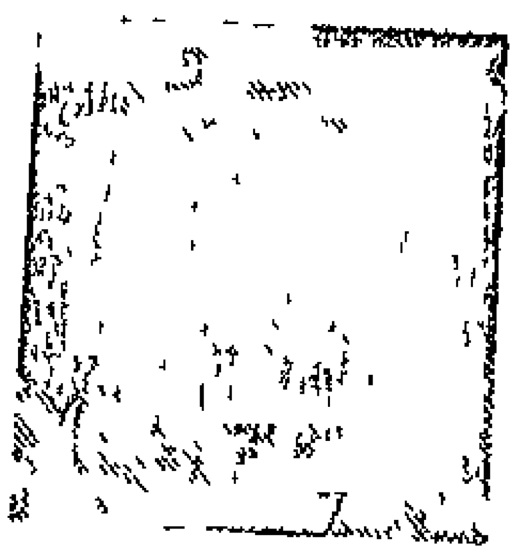


Fundamental factors still favour gold — Chamber expert

STAR 14/2/81

214

The chief economist of the Chamber of Mines, Mr Mike Brown, told an NDMF conference in Durban this week that most of the basic fundamental factors in the gold market remain strongly in the metal's favour



GEOFF SHUTTLEWORTH includes in a survey on gold the views given by Mr Mike Brown, chief economist of the Chamber of Mines, to the National Development and Management Foundation.

These include:

- **The steady decline in world gold production. Gold's shortage in a period of enormous growth in world liquidity substantially improves its intrinsic value**

- **World central banks, having been major suppliers of gold for many years — for instance sales though the US Treasury and IMF gold auctions — have become net buyers of gold in more recent times. Central banks bought nearly 200 tons of gold on the free market last year and obviously now have an increased interest in supporting the price of gold**

- **World inflation remains an endemic problem which will not be readily solved and gold has historically proved to be the prime hedge against inflation The ability of the US authorities to maintain high interest rates together with monetary and fiscal discipline to alleviate the problems of inflation in the US economy will be of considerable importance to the gold market**

VULNERABLE

It should be borne in mind that growth in the US is basically consumer-led and major industries such as the car industry, the housing industry and durable goods industry are most vulnerable to high interest rates

The success of the new administration in combating rising inflation in a possible scenario of increasing budget deficits, high defence expenditure and probable tax cuts will therefore be watched with considerable interest by gold users and investors

- World political tensions are likely to be accentuated over the next decade Russian expansionism, Middle East and Far East nationalism, instability in Africa and South America and a less conciliatory attitude by the West to Russia marked by a substantial build up in defence expenditure will all be factors that should make gold attractive as a political hedge against uncertainty

- The industrial market for gold which has been significantly reduced because of the higher gold price should recover as the major economies resume an upward momentum later in the year and industrial users become attuned to relatively higher gold prices.

- The gold market has broadened substantially in recent years and gold is now traded worldwide, thereby increasing the number of people with a stake in the market and an interest in its continued upward trend in the medium and long term

Apart from current fundamentals such as high interest rates, the alleviation of a considerable degree of international tension and the strengthening of the US dollar, Mr Brown noted that many gold investors believe that President Reagan's economic policies will be basically anti-inflationary and this has helped dampen inflationary expectations

It is on this point that many brokers and analysts believe the immediate future trend of the gold price depends Most believe that President Reagan's speech will be largely "empty rhetoric," especially as far as anti-inflationary measures are concerned

They anticipate that the gold price will probably move sharply downwards to the extent of 15 or 20 dollars immediately after the State of Union on February 18 if the speech takes a hard line on inflation and especially if new measures are announced.

They note that thereafter gold will rise slowly and confidently to levels approaching the 614 dollar average price received last year by the mines

Most are sceptical of US ability, and still less President Reagan's ability, to introduce concrete fiscal measures which will boost the US economic performance without being inflationary

INDICATIVE

Most industry sources cite the sharp movements in the gold price over the last 10 days as indicative not only of investor and particular chartist nervousness but also, more importantly, the thin state of the physical market.

They said there is a singular lack of interest in dealing in bullion, ahead of President Reagan's address

Price swings had gold move 18 dollars last week and this week gold in Hong Kong reached 521 dollars before falling to 486.75 at Thursday close in London — a move of nearly 35 dollars in twice that many hours

While not in any way comparable with the massive upward movements seen at the beginning of last year, these swings nevertheless indicate that a new direction in the gold price is about to materialise Most seem to think that an upward but slow course is indicated while there are those who argue for a further dip to the lower 400s before the bottom is reached. The gold share market on Thursday afternoon rose off the bottom despite falling bullion prices which most brokers saw as signalling a bottoming.

There are the more eccentric commentators, among them Dr Clive Roffey who argue for 1 000 dollars but few are taking them seriously.

Friday February 20 1981

Sudden death for 12 miners

214 20/2/81!

By Jasper Mortimer

Twelve men were killed instantly and another slightly injured when a runaway trailer broke away from a skip 1 700 m underground at the Winkelhaak Gold Mine, Evander yesterday

The miners were erecting a loading station at the bottom of an incline shaft at about 6.45 am in this Eastern Transvaal mine owned by Union Corporation.

When the 4-metre-long trailer broke loose from the skip, it sped down the shaft, crashed through a barrier of steel girders and killed all but one of the 13-man construction team

The thirteenth man escaped death by diving under the rails a split second before the trailer struck

Apart from a cut nose, he needed only treatment for shock The rest of the team died instantly.

Mine manager, Mr P T Hucklesby described the accident as "grave" and was surprised that the trailer — which normally carries equipment such as packs and sticks — could have smashed through the barrier

He said the barrier, called a penthouse was "meant to withstand a blow like that" and had been put up to protect the construction team

It is thought the trailer broke loose when the cable attaching it to the skip snapped Work was held up in Number 2 shaft while the Department of Mines investigated the accident

Mr Hucklesby said this kind of accident was "reasonably rare — you hear of it once in five years"

The names of the dead will be released once their families have been informed

This is the second accident in two days on a mine belonging to the General Mining group On Wednesday an earth tremor triggered a rockfall which killed four men at the Buffelsfontein Mine near Orkney

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[illegible] pha[illegible]

i) Using whatever land is available to grow food. Vegetable gardening must be seen as a priority. Community education with regard to improved farming techniques must be intensified. Groups should be encouraged to form agricultural co-operatives for the purposes of seed, fertiliser etc. Properly organised markets should be established.

ii) The improvement and protection of water sources can best be effected by co-operative community action and this will only come about when the need for a safe protected water supply is thoroughly understood.

iii) The establishment of consumer co-operatives especially in the remoter areas not served by trading stores.

iv) Community awareness programmes pertaining to social problems such as alcoholism, illegitimacy and delinquency.

v) Health and nutrition education programmes.

vi) The establishment of "vigilante" committees to ensure that action is taken against persons or groups who endeavour to exploit rural communities. Attention could then be paid to shopkeepers who disregard price control regulations, civil servants who demand bribes, and school authorities who embezzle funds.

Many other projects are feasible but the essential ingredient [illegible] that they have been [illegible]

industrialists have yet to acknowledge that they have a very heavy debt to pay off in the rural areas from where the bulk of their labour force comes.

Very definite steps need to be taken to counteract the [illegible] of problems that the migrant labour system precipitates at family level.

Every company employing large numbers of migrant workers must establish a division in their personnel section that deals specifically with migrant labour issues.

This division should [illegible] projects aimed at:

i) Helping the migrant worker adjust to urban life. Orientation lectures covering all aspects of life in urban areas should be arranged.

ii) Consolidating the migrant worker's position as a responsible head of a family unit.

Workers should be encouraged to consider [illegible] improvement projects' whether they are related to [illegible]ture, animal husbandry, type of dwelling etc. [illegible] should be assisted to make the necessary savings and acquire the necessary knowledge while in the urban area. Perhaps each year a different project could be undertaken. Essentially this would necessitate the organisation of adult education [illegible]

S A mines may hedge gold

214

3/3/81

Mercury Correspondent

JOHANNESBURG—The South African gold mining industry is still considering selling gold forward on U S or other markets, in spite of a conflicting report from New York.

In an interview, Dr Simon Brand, chief of financial policy in the Department of Finance, was reported to have said that a South African Chamber of Mines study had determined that to allow gold mining companies to hedge on futures markets would not be advisable.

The report said Dr Brand indicated the Chamber had not made a final decision on the subject, but informed industry sources said yesterday the whole question was still very much under negotiation.

The sources added that the Chamber's study had produced pros and cons, and 'various alternatives' but these were still under consideration.

The Reserve Bank has already given its blessing to the hedging proposals and has said approval for foreign exchange needed to hedge on the futures markets.

Output

The Chamber's study was an internal one, and the sources said there was little likelihood of its full findings being published.

They said it was a 'very involved subject', with broad and important implications for shareholders in the mining companies.

'If we were to lock a portion of our future production into a price of $500 and the price went up to $1 000 an ounce, we would look a little sick, while a fall in the gold price to, say $350, would be of much benefit to shareholders.'

One of the alternatives to hedging on the futures markets would be to sell forward to bullion dealers, effectively meaning that dealers would lend cash to producers.

Dr Brand said in the Reuters interview that South Africa's 1980 gold production was around 650 tons, down from around 700 tons in 1979, reflecting the policy of mining lower grade ore as the gold price rises.

During informal discussions in Washington, Dr Brand said he had underlined a call by Finance Minister Mr Owen Horwood for an International Monetary Fund investigation of the role of gold in the world monetary system.

The sharp rise in the gold price over the last two years had caused a major inflow of funds to the South African economy and a surge in money supply, and there would be a strong attempt to get the money supply under further control, said Dr Brand.

This would mean that domestic interest rates would be at a higher level than last year.

Major moves would probably be delayed until the findings of the De Kock Commission on the monetary system, which was expected to report its findings on monetary reform towards mid-year.

The higher interest rates would be one factor reducing economic growth, said Dr Brand, and the growth rate for this year was estimated at 5 percent, compared with 8 percent in 1980.

He said the recent sharp appreciation on the rand was also likely to stop.

Premium

The present 30 percent premium of the commercial rand over the financial rand was unlikely to change in the near term, in spite of the Government's stated desire to unify the two rates.

South Africa's current account surplus was likely to be reduced in 1981, and the Government would need to borrow only externally to keep a presence in international markets.

Dr Brand added, however, that Escom and the South African Railways would need capital during the year, and if conditions in domestic capital markets were not right, they would possibly borrow on international markets in 1981.

The Natal Mercury, Friday, March 6, 1981

Govt claims on market 'will increase'

(214)

JOHANNESBURG—South African Government claims on the domestic capital market will probably be appreciably greater in the 1981/82 fiscal year than in the current year, the South Africa National Life Assurance Company (Sanlam) said in its latest economic survey.

It said the tax on gold mining will be appreciably lower due to the fall in gold price, while spending is expected to rise by between 16 and 17 percent, after a 14 percent rise this year, mainly due to the sharp increase announced for public servants' salaries, Sanlam said

The Government has budgeted for a deficit of R2,23 billion in the 1980/81 financial year, but due to the sharp rise in gold mining tax income, Sanlam estimates the deficit on the current year to be slightly over R1 billion

Sanlam said, however, government spending will rise at a lower rate in 1981/82, due to the slower expansion anticipated in domestic economic activity, the less rapid increases of company profits and a declaration of the growth rate of merchandise imports

It is essential, however, that the Government obtain more effective control over domestic money supply, as it is evident the ample liquidity conditions which exist increase the danger that an excessive demand for goods and services may develop

This implies that the money supply increase should be below the inflation rate, around 15 percent, and the recent one percent bank rate rise to eight percent was an important step in this direction, it said

The survey said the indications of government policy are that in the near future it will be aimed at counteracting overheating in the economy, while at the same time maintaining a reasonably satisfactory growth rate

Sanlam does not expect, however, that these policies will contribute much to reducing inflation in the shortened term Inflationary pressure, it said, is expected to increase further in the first half of 1981, the average for the year remaining around the current 15 percent

Interest rates are expected to rise further due to the weakening of the current account balance of payments, the restrictive effect on liquidity caused by Government policies and the continuing high inflation rate — (Sapa-Reuter)

this survey. The tables below show length of time on farm against cash wage, age against cash wage and number of dependents against cash wage, for the workers as a group. Correlation co-efficients have been calculated for all three combinations.

Tests for workers on individual farms were also attempted (pp. 70-72).

Once again, inspection of the table suggest that these two variables are not associated to any significant extent. This is not surprising, in view of farmers' replies to questions about the schooling of workers. Of 31 farmers questioned, only two said, without qualification, that they preferred to employ workers who had been to school. Four farmers preferred not to answer,seven were in favour of limited schooling for farm workers and 11 farmers were indifferent. Seven farmers actually preferred workers not to have been to school, claiming that only one person - the farmer - needed to do any thinking, that when workers tried to make decisions on their own (a practice which they might have learned at school) they made mistakes, that workers who had been to school 'thought they knew everything' and tried to t

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Anger over new shifts in gold mines

314 STAR 14/3/81

By Drew Forrest

The simmering dissatisfaction of white workers over the introduction of new shift systems on many mines is threatening to disrupt industrial peace in the gold mining industry

The situation has become so serious that the Federation of Mining Unions has requested an urgent meeting with the Chamber of Mines, the federation's chairman, Mr Ben Nicholson, said yesterday.

Six trade unions are affiliated to the federation, representing more than 10 000 white engineering workers employed in mining

The trouble was sparked a fortnight ago after an agreement between the Chamber of Mines and the federation over working hours. The agreement reduced the number of hours worked by most mine artisans from 96 to 92 for an 11-shift fortnight.

But the agreement soured almost at once, with the unionists accusing mine managements of "manipulating" shift systems without consulting workers.

A major bone of contention has been attempts by some managements to turn Saturday's current half-shifts into full seven-hour shifts, Mr Nicholson said.

The matter was currently being pursued through the grievance procedures on individual goldmines. But because of the unrest throughout the industry, the federation had decided at a meeting yesterday to "draw the attention of the chamber to the seriousness of the situation"

Failing all else, Mr Nicholson said, the federation would recommend to union members "certain forms of action which could be embarrassing for the mining industry."

Mines push on with new projects

S Times 15/3/81

214

By Andrew McNulty

SOFT GOLD PRICE WILL NOT AFFECT R2 000-m PLANS

CAPITAL-expansion programmes, estimated at as much as R2 000-million, announced by the gold-mining industry during the past year, will proceed as planned, and few — if any — will be reconsidered as a result of the current soft gold price

This was made clear in interviews with senior executives of four major mining houses this week

Most said they will review programmes at mid-year against latest circumstances but so far foresee no need for material changes

All have allowed for wide fluctuations in the gold price in planning decisions for expansions of mines

The lessons of 1974/5, when the gold price soared to nearly $200, precipitating many capital expansions which were later cut back when gold fell back by about 40% for two to three years, have been well learnt

Gold Fields (GFSA), for example, criticised by some for conservatism with dividends, has assumed in planning capital programmes that the gold price could again remain soft for three years

Even if the gold price stays at current levels, GFSA's retained surpluses will help ensure that programmes are safe for the next two to three years, probably without any increase in the levels of retentions

ERPM, a former marginal mine which many are watching closely as its R300-million programme was based on a gold price of $600, can weather a price of $500 for at least a year

No changes are likely at this stage, says the chairman of Rand Mines' gold division, Dammy Watt

All believe the US interest rates are the biggest factor in the current gold market and that the rates will have to rise before the gold price firms

The head of GFSA's gold division, Colin Fenton, expects the gold price to stay at current levels, or even lower, for some months

Certainly dividend payments this year will in most cases suffer seemingly heavy cut-backs

"But 1980 was a crazy year By comparison with 1979, when the gold price averaged $309, there should still be dividend growth that shareholders normally wouldn't be upset about," says Gerald Langton, managing director and chief executive of Anglo American's gold and uranium division

The extent of dividend cuts will vary between mines, being least severe where higher retained surplus is available for capital programmes

However, the trend to lower grades, embarked on during 1980 with the higher gold price, will continue With the exception of GFSA the mining houses say they carry out major mining plan reviews only on a six-to-12-month basis, and then a decision to lift grades would take about a year to implement fully (See also page 4)

Simmers gold mine back in business

Argus 20/3/81

214

SIMMER AND JACK, one of the country's oldest gold mines, is back in business in a R44-million joint venture with the Anglo American group.

Detailed feasibility studies of gold prospects in its Kimberley Reef area confirm the venture is viable, says the company.

Plans are going ahead as quickly as possible for the erection of the plant, to be commissioned in 1983.

The Anglo group will treat a combination of surface tailings and underground material and Simmers will receive a royalty of 50 percent of the working profit

As a separate project, Anglo is also to explore the deeper reefs on Simmer's property for the establishment of a new mine.

● Prospects for dividends in 1981 from **Consolidated Murchison** must be considered remote, failing an upturn in antimony demand, says the chairman, Mr H Dalton-Brown.

Dividends for 1980 fell to 30c from 100c after working profit dropped to R1,6-million from R9,1-million

Contrary to expectations, sales of antimony stopped almost entirely in the second half of last year, says the chairman

● **African Gate's** earnings rose 66 percent to R1,5-million for the half-year to December. Dividend income, received mainly in the second half is expected to be 25 percent more than a year ago

● **Union Cold Storage's** profit dropped to R288 000 from R300 000 after tax

R44m capex at Simmer

(214)

RDM 20/3/81

By ADAM PAYNE

THE agreement reached between Simmer & Jack Mines and Anglo American Prospecting Services last year, subject to the satisfactory resolution of certain technical matters, will involve a R44-million capital expenditure programmme to be borne by a nominated company within the Anglo American group.

Detailed feasibility studies of gold prospects in the Kimberley Reef area confirm the venture is viable and plans are going ahead as quickly as possible for the building and commissioning of the plant, says Simmer

It is intended that the Anglo American group will treat a combination of surface tailings and underground material, initially in the ratio of two to one, and it is expected the plant will be commissioned in 1983

Simmer & Jack will receive a royalty effectively equivalent to 50% of the working profit, after allowing for operating and financing costs and redemption of capital expenditure

Until Anglo American commissions the plant, Simmer will continue to earn profits from the treatment of surface materials through its existing plant

As a separate undertaking it has also been agreed that Anglo American Prospecting Services will explore the deeper reefs on the Simmer property with a view to the establishment of a separate mining venture

While Anglo will bear the initial R3-million costs, the financing of any extension into the deeper reefs will be a joint venture between Anglo and Simmer.

By Irene Saunders
Washington

Gold mutuals are still attractive

S. Times 22/3/81 (214)

THE half-dozen US gold mutual funds that invest in bullion and mining stocks have lost little of their appeal despite the recent sharp decline in gold prices

Sales among the diversified groups, while somewhat dampened, still outpace redemptions

Investors in the mutual funds have had a broad spectrum of orientations from which to choose

The three largest funds, International Investors Strategic Investments and United Services are load funds Golconda Investors, Research Capital and Goldfund are not

Bullion accounts for roughly 40% of Golconda and Goldfund assets, while the others concentrate primarily on mining stocks

Only the shares of the South African gold-producing mines are held by Research Capital, while International and United add developing gold and silver mining stocks to their portfolios

Assets range from $1,5-million (Goldfund), to $352,2-million (International Investors)

The funds overall performance has been astounding for the five years ended December 31 1980

According to Lipper Analytical Services which tracks all six funds, net asset values have surged an average of 312% during the five-year period

In 1980 alone, the average gain was 63,77%, with individual performance as follows Golconda 42,3%, United Services 78,8%, Goldfund 51,2%, International Investors 64,7%, Research Capital 71,7% and Strategic Investments 73 8%

So far this year, the funds' performance has been less encouraging For the first two months of 1981, net asset value for the group fell 17 29% according to the Lipper analysts

Strategic suffered the most losing 20,2% of its net asset value International Investors registered the best performance, but nevertheless lost 14 8%

Golconda dropped 15,4% Goldfund slid by 16,5%, Research Capital 17,4% and United Services 19, 2%

The main culprits were the decline in the price of gold and of gold-mining shares But errors in judgment compounded the problem, say some analysts

Strategic, for one, anticipated higher gold prices and thus invested in stocks of marginal mines such as Durban Deep and Venterspost, where the potential for larger gains was high

But when the price of gold slipped, the leverage turned to the disadvantage of the fund

Goldfund on the other hand, correctly predicted the metal's decline but, on the mistaken premise that mining equities would slide more than bullion, the fund sold its South African stocks and bought bullion at just the wrong time

But war stories aside investors remain bullish on the funds In January Research Capital's sales of $900 000 totaled $110 000 more than redemptions and the pace accelerated through mid-February

As for Strategic, January redemptions amounted to only 14% of its $1-million in sales, and were just 19 6% of its $851 000 sales in February

Each is dealing with the dip in the gold price in its own way Research Capital (the only fund authorised to deal in options) wrote three and four month slightly out-of-the-money call options in a handful of its portfolio stocks Asarco, Homestake, Newmont Mining and Texas-Gulf, to hedge its position in gold shares

Golconda has plans to increase its stock of bullion Portfolio manager Bassett Winmill asserts that, since gold must average $700 an ounce in 1981 for the mining outfits to pay dividends on the order of the generous payouts of last year bullion will be the most profitable way to deal in gold

None of the other funds are worrying about a dividend cut since, they say, the mining houses have the necessary cash to meet dividend requirements

Whether it's by bullion, coins or mining company stock, the funds all plan to increase their holdings of the metal near-term

Goldfund, for one intends to purchase some mining shares it sold earlier (at a profit)

Strategic is also on a run of buying, particularly the more conservative mining stocks such as Western Deep Levels and East Driefontein

(257) Ibid., 1975-1976, p.3.

(258) Ibid., 1973-1974, 1974-1975, 1975-1976, 1976-1977, Tables XV.

(259) Ibid., Tables XXIVB.

(260) Ibid., Tables XVI.

(261) Ibid., 1975-1976, p.2.

(262) NRIOD, 1975 and 1976, Foreword.

(263) RMBOD, 1973-1974, 1975-1976, p.2 and p2.

(264) Ibid., 1974-1975, 1975-1976, p.6 and p.4.

(265) Ibid., 1974-1975, p.6.

(266) Ibid., 1975-1976, p.2.

(267) Ibid., 1973-1974, pp.5-6.

ERPM, Durban Dp dividend cuts loom

RDM 23/3/81 (Q1/4)

Financial Reporter

A WARNING that lower dividends can be expected from both ERPM and Durban Deep gold mines in June is sounded by the chairman of the two, Mr D T Watt, in the annual reports.

Mr Watt also warns of the dangers of severe cost increases

Both mines are members of the Barlow Rand group

He says of ERPM· "The total dividend for the year ended December 31, 1980, amounted to 370c a share

"This distribution represented a substantial increase over that of the previous year when dividends totalling 100c were declared.

"It was mentioned in the circular to members, dated October 9, that the directors were of the opinion that it should be possible to maintain a dividend of at least 360c a share per annum during the capital expenditure programme on the basis of the gold price averaging $600 for the period July 1, 1980, to June 30, 1981, and thereafter increasing at the same percentage rate as working costs "

ERPM is committed to a R300-million expansion programme over the next five years

About R52-million is due to be spent this year and R70-million in 1982, but some spending in that year might be deferred.

Mr Watt says "In view of the current turmoil in the world bullion markets and uncertainty as to the economic policies to be followed in the US, it would appear that the gold price will be below $600 for the first half of 1981.

"Under these circumstances and taking account of the major capital expenditure programme, the dividend to be declared will be less than the 180c which could have been expected if the gold price had averaged $600."

He says, however, gold should continue on a generally rising trend — subject to wide fluctuations — but that this may be more moderate in the short term than had been expected a while ago.

Mr Watt says of Durban Deep "A dividend of 300c was declared in December 1980, making a total distribution for the year of 460c "

But the gold outlook has altered circumstances

Mr Watt says· "Under these circumstances the dividend to be declared in June 1981 will be lower than that declared in June last year (160c)

"The level of the distribution will be determined in the light of all the relevant factors and circumstances prevailing at the time "

Mr Watt refers in both reports to the major problem of rising costs.

He tells ERPM shareholders "Despite concerted efforts on the part of management, costs continue to rise at an alarming rate

"The prospects of an early reversal in this trend are not good Perhaps the most we can hope for in the year ahead is a reduction in the rate of increase

"Management remains committed to implementing whatever cost saving measures may be possible

"This critical need to control costs and build sound industrial relations will be the two greatest challenges facing mine managements in the immediate future."

market The philosophy, according to one dealer, seems to be take your money and run before it is too late And that kind of mood can hardly sustain a prolonged rally

There continue to be general doubts about interest rates, which have played such a dominant role in market perceptions in recent months Since January short-term rates have been coming down steadily helping the stock market along On Tuesday the prime came down to a general level of 17% — a long way from the record 21,5% just before Christmas Now the view is that short-term rates are bottoming out and that is dampening market sentiment

But at present at least these worries seem to be overshadowed by all the excitement and action the market has offered with the latest rash of takeover bids, the fortunes made on call options and all

face to face

214 FM 27/3/81

DESMOND PRETORIUS

A look at gold trends

Gold has been through some major gyrations over the past few years But the general price trend is upwards for the rest of this century as supply steadily falls below demand That is the view of Professor Desmond Pretorius, director of the Economic Geology Research Unit at the University of the Witwatersrand,

***FM:* How will gold impact on world economies in the short- and long-term?**

Pretorius: Gold will remain as important as ever as a medium of exchange to underpin currencies Worsening inflation decreases the confidence in paper money As countries are increasingly introducing gold coins, people are switching from jewellery to coins as an inflationary hedge

Is the demand for gold likely to increase substantially over the next two decades?

The irregular fluctuation in world demand for gold was reversed from 1976 onwards when there was a marked upsurge in demand to the extent that an ever-increasing deficit between output and demand developed It is thought that the shortfall between demand and output will continue to the end of the century

Demand is expected to peak in 1990 at 2 500 t with production expected to peak in 1995 at marginally over 1 600 t (it was slightly below 1 400 t in 1980) Both demand and output should show a relatively steep decline from 1995 into the next century Demand is expected to diminish at a somewhat slower rate than output, thereby aggravating the deficit between the amount of newly-mined gold and the amount required by potential purchasers

In 1985 it is expected that world demand will be 1 955 t, reflecting a 450 t shortfall It is anticipated that by the year 2000, the world demand of 1 950 t will show that the shortfall will be 500 t — or, in other words, an increased shortfall of 30%

How is the shortfall between production and demand, which totalled 385 t in 1979, being met?

In 1979 the shortfall was met mainly by gold sales held by the US Treasury and the IMF However, indications are that the US will not continue these sales

What effect will this increasing shortfall have on the gold price?

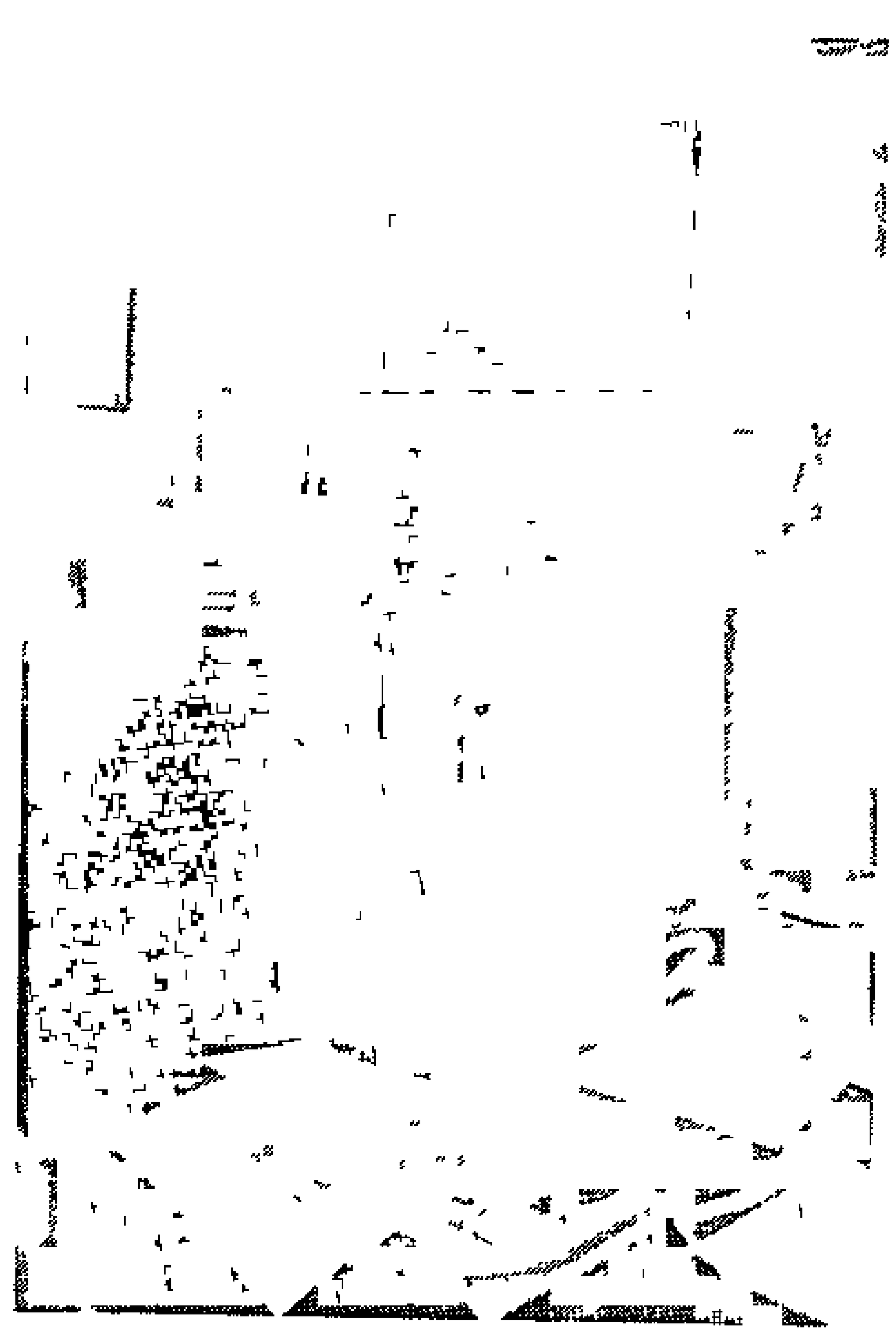
Obviously, it is a contributing factor to a long-term bullish trend for the gold price with fairly radical short-term fluctuations Banking institutions and world commodity markets have predicted prices ranging between \$2 000 and \$3 500 before the end of the century

Is SA implicated in the decreasing production of gold and to what extent?

Unless SA discovers another goldfield comparable to the Witwatersrand basin, projections are that, by the year 2000, SA's production might have decreased to 50% of what it was in 1979 (703,3 t) when SA contributed 53% of total world production

The assumption is made on the calculation that no new goldfields will be found in the Witwatersrand basin, but that several new mines will come into operation

Which countries are likely to overtake SA gold production?



Estimates of the trends of future gold production in the western world speculate that by the year 2000, SA will produce 360 t (25% of world production), Canada 140 t (10%), the US 80 t (6%), Brazil 50 t (3%), Australia 50 t (3%) and the rest of the western world 120 t (8%) — a total of 800 t

These projections reflect an overall downturn in production of 17% compared to 1979 output, with SA down 50%, Canada and the US each increasing production by 185%, Brazil increasing output by 90%, Australia by 175% while the rest of the western world decreases production by 15%

Is this overall downward trend reflected in the communist world?

Communist countries' production is expected to rise 56%, from a 1979 total of 418 t to 650 t by 2000 It is anticipated that Russian production will be up 35% to 510 t and China's up 330% to 130 t Production from the rest of the communist world is expected to show a 10% decrease in production to 10 t The total production of the communist world is expected to reflect a 56% overall increase to 650 t compared to 418 t in 1979

What is expected to happen in the next century?

Within the first quarter of the 21st century, it is estimated that total gold output from communist countries will surpass that of the West, mainly as a result of the projected diminution in SA's gold production

What consequences do you expect from this production turnaround?

With both the availability and price of the metal under the influence of the USSR, it can be expected that manipulations of the gold market will be aimed at disrupting western economies, to the benefit of the communist world

It would seem that gold, within the next 10 years, could become as important a weapon as oil Constraints on the supply of the latter would cripple industrial development, a restricted availability of gold could destroy national economies

Vaal Reefs goes for more tonnage

RDM 31/3/81

(214)

By ADAM PAYNE

VAAL Reefs, the world's biggest gold mine which milled more than 8-million tons of ore last year, is evaluating a plan to increase production by exploiting the Ventersdorp Contact Reef. At present it exploits only the Vaal Reef.

Mr Dennis Etheredge, the chairman, says in his annual review that the mine has been examining the possibility of mining the Ventersdorp Contact Reef on an extensive scale

"A proposal is now being evaluated which envisages an increase in production of 60 000 tons a month from the area served by Nos 6 and 7 shafts

"A further feasibility study is in progress with the intention of increasing production from the Vaal Reef horizon so as to match gold-milling and treatment capacity with that available for uranium Included in the study is an investigation into the use of autogenous milling which may result in more efficient and lower-cost milling operations"

The mine's planned gold production for 1981 is 67 200 kg (69 876 kg) This will be achieved by milling 8-million tons of ore (8 595 000 tons) at a recovered grade of 8,4 g/t (8,13 g/t)

The South Lease area will contribute 28 325 kg of gold from 2 750 000 tons of ore at a recovered grade of 10,3 g/t

Planned uranium production is 1 700 tons (1 758 tons), of which 750 tons will be extracted from the South Lease area

Estimated capital expenditure for 1981 is R110-million (R126-million) of which R54-million will be spent in the South Lease area including R27-million for the No 9 Shaft system

Also included in the capital spending programme are R23-million for the Afrikander Lease area, R11 500 000 for refrigeration and R16 800 000 on mining equipment and development

The capital costs of the VCR project and the increase in the capacity to treat the Vaal Reef are not included in these forecasts

For the third successive year, there was a significant interest in the royalty paid to Southvaal Holdings, which reached R196-million (R67-million)

However, this royalty is liable to be lower this year than last if the gold price remains at a lower average level

In the Vaal Reefs South lease area the major items of equipment for the pressure leach plant have been ordered and the plant is expected to be operational by the middle of next year

It is being built at a cost of R29-million as an addition to the South uranium plant

Work on the No 9 Shaft in the South division continued last year, with the main and ventilation shafts reaching depths below collar of 2 155 m and 1 600 m respectively at the yearend

Progress is slightly behind schedule, and commissioning of the shaft is expected to take place in the third quarter of next year

At Afrikander Lease, a subsidiary of Vaal Reefs, the widening and re-equipping of the incline shaft was completed to the five level elevation, the lowest existing level Surface infrastructure for the first phase of the project was completed

The expected completion of the pressure leaching unit has been delayed until about mid-1982 because certain aspects of the plant, particularly design and selection of materials for construction, are being re-examined.

It is estimated that the loss of uranium sales resulting from commissioning delays will be more than offset by improved operating costs Capital spending for the current year on the project is forecast at R23-million

It is possible that Vaal Reefs may decide to meet Afrikander Lease's contractual uranium supply commitments from its own resources and at production costs substantially below those predicted for Afrikander Lease

Should this happen, elements of the mineral lease agreement with Vaal Reefs will be renegotiated to ensure that Afrikander Lease is in the same position concerning royalty receipts, which would have been the case had the contract been supplied from Afrikander Lease material

COMMENT. The importance of the proposal to mine the VCR is that the project will lengthen the life of the North mine The life of the South mine is already long, with a shaft still being sunk.

The ore from the VCR will be considerably lower grade than the Vaal Reef, but this will be partly compensated by the lower costs because the ore is at much shallower depths

Africa, we have devoted very inadequate time and attention to the development of a strategy of our own that is in line with the needs of local cultural and value systems. We accepted the unfortunate view that what is good for Europe and America, is good enough for us in Africa. This approach, of course, led to an energetic expansion of our services while we struggled in a heroic fashion to bring these services in line with norms and standards as we knew them from travelling abroad. This approach may be - even if only partly - recommendable and applicable when it comes to those on the Westernised end of the scale in the dichotomy of acculturation, but what does it offer to those who by circumstance or deliberation find themselves at the other end of the scale?

Acceptance of the medical model in mental health services leads us inadvertently to accept a body-mind dichotomy. This dichotomy is already apparent in the meaning of the word disease. The medical doctor's domain is the body, while the mental health team is expected to see to the 'mind problems' of people. This fragmentation is even carried further into the mental health field, where the psychiatrist, the social worker and the pastoral counsellor, all attend to certain needs of the same patient, while they still struggle to find each other so as to be able to work together as an integrated team.

Another innate question-mark in our present system is that the medical model carries with it a rigorous tradition of subjection to proven scientific method. This leads to a negative attitude towards lay workers and especially towards traditional healers, who try to move into the area which medical science claims as its monopoly. Of course, we know of the limitation and the disregard of the traditional medicine systems for the scientific methods and research with its unrelenting

disciplinary codes which it imposes on the art of healing. However we have to admit that when it comes to health promotion, traditional systems have a lot to offer - under the right guidance and subject to the establishment of dialogue. When it comes to psychiatry and especially to psychotherapy, traditional practitioners are the only ones that can reach that large section of our population where those with an exclusively Westernised insight, have very little

Randfontein capex rises to R100m

RDM 31/3/81

2/4

By ADAM PAYNE

CAPITAL spending at Randfontein mine is expected to rise from R79-million last year to R100-million this year, but the company's programme of capital works will depend to some extent on levels and trends in the gold price.

Mr P A von Wiellgh, the chairman, says in his annual review that the present capital programme can be financed from the company's own resources, provided a reasonable gold price is maintained

He says "The unpredictable gold market makes it impossible to give a realistic forecast of the level of dividends for the current year

"Contingency plans to adjust the mine's basic operating parameters are constantly updated and they will be implemented in the light of prevailing market conditions as far as the flexibility of the mine's ore reserves will allow"

He holds out little hope of containing increasing costs at a more acceptable level than that last year

On the technical side, Mr Von Wiellgh says the viability of gold-bearing ore in some parts of the Randfontein lease area is being investigated and this could lead to the production of modest tonnages from these areas

At the Cooke section it is expected that production could be increased when No 2 A ventilation shaft is commissioned, making additional hoisting capacity available

Ore reserves increased in 1980 by 21% to 5 400 000 tons grading 9,6 g/t based on a price of $550 an oz Uranium reserves were at a value of 0,213 kg/t

we ... medically and almost nothing to offer psychotherapeutically to the traditional patient. Taking this into account, we can predict that to the traditional patient the non-medical members of the mental health team must appear as a group of impotent and powerless workers.

t...les (primary health care workers, paramedical workers, health auxiliaries and so on) and the duties and responsibilities of VHWs vary widely between countries However all VHW programmes are aimed at promoting health care at the village level and expanding the availability of health services to remote populations.

In Lesotho, the VHW programme at present has been introduced only in three areas The three VHW programmes, each operating in different hospital districts, were planned and implemented almost independently of one another While the programmes are all aimed at promoting

Sallies looks at new mine

214 RDC 31/3/81

By ADAM PAYNE

SOUTH African Land and Exploration (Sallies) is to carry out a two-year underground sampling programme at a cost of about R10 100 000 over the area served by the old Van Dyk No 5 Shaft to produce information which will enable technical advisers to evaluate with greater accuracy the potential which exists for a full-scale mining operation.

In his 1980 review the chairman, Mr N F Oppenheimer, says the sampling programme will involve the installation of a hoist in the Van Dyk No 5 subvertical shaft and pumping facilities to dewater the underground workings

The programme is necessary because geological and sampling information obtained recently suggests the extent and value of the ore reserves and the potential reserves might not be as great as was thought

During the feasibility study of the shaft last year a plan was obtained from the Government Mining Engineer's office which showed the values of development and the ore reserves at the time when mining operations ceased at the shaft

This information was significantly different from that used in the preliminary feasibility study The values in the second plan are lower and indicate a marked decrease in the amount and value of the ore reserves and the projected reserves estimated to be contained in the area

In spite of the apparent decrease in the estimated payable reserves available from the Van Dyk shaft, it is considered that the area still has potential It is also clear that prospect development on reef from the No 5 shaft is the only reliable way of evaluating the data

"After exhaustive research it is considered that an opportunity may exist in the long term, for the development of a new gold mine and I believe that this opportunity should be examined further," says Mr Oppenheimer.

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These ... attempts to create new models of health care delivery, are all based on the recognition that it is inadequate to continue to mould health services on the pattern of those in developed countries, with their doctor, urban and hospital-centred approach, and that it is necessary to adapt health services to the needs of the population. Although not sketched out fully above, these experiments also emphasise an increasing international awareness that health care delivery systems must evolve within - not alongside - widescale development programmes. Further, the experiments indicate the necessity of involving members of each community in the task of promoting health and not leaving this task solely in the hands of trained and technical professionals. Given that a new model of health care delivery is necessary in South Africa,

there is much that can be learned from the experiences of other developing countries.

If South Africa is to become a health-promoting and healthy society, it needs both new social structures and new medical structures. This means that medicine must reject the belief, unfounded in fact, that its technology by itself can improve the health of any large population. Wage levels, patterns of income distribution, employment opportunities, housing, agricultural production, nutritional programmes all affect the health of any population more than do formal medical services. To be effective, medicine must be directly involved in the promotion of health producing social structures. In South Africa this results in an immediate obligation on the medical profession to combat all aspects of apartheid that have institutionalised a range of political and social constraints denying the opportunity of good health to large sections of the population. At the same time, the medical profession and members of the society should be working towards creating a new and innovative model of health care delivery. Neither task will be easy. The challenges facing South African medicine are great but no great than its potentialities.

Western Deep faces fall in profits

RDM 31/3/81 (214)

By ADAM PAYNE

WESTERN DEEP Levels this year expects to produce less gold than it did last year and as the price is likely to be lower, profits will decline.

Mr Gerald Langton, the chairman, says in his annual review that planned production for the year is 43 646 kg compared with 45 621 kg last year — a fall of 4,4%

The mine plans to mill 3 233 000 tons (3 329 000 tons) — a fall of 96 000 tons The average recovery grade this year is estimated at 13,5 g/t (13,7 g/t)

The mine expects to mill less tonnage because reef-hoisting capacity may be marginally restricted by the increased tonnage of rock arising from development towards the new No 1 Shaft area.

Additional skip capacity has been made available and experiments will be carried out to develop effective means of waste-rock disposal

A uranium plant was commissioned in the middle of last year and uranium production is expected to be higher at 284 tons (212 tons)

Mr Langton says the proportion of the after-tax capital spending on No 1 Shaft to be funded by transfers from current profits will be determined during the year and will depend to a large extent on the gold price

Progress with the establishment of the No 1 Shaft system is on schedule Of a total of R715-million in 1980 money terms expected to be spent on the project, spending in 1980 was R28 400 000

Full-scale sinking of the service shaft is expected to start during the fourth quarter this year.

Capital spending for 1980 at R71 900 000 exceeded the estimate by R12 900 000, mainly because of progress on the No 1 Shaft project

Estimated capital spending for 1981 is R137 600 000, of which R73 600 000 is forecast to be spent on the No 1 Shaft project.

A significant proportion of surface infrastructure is planned to be completed this year

Mr Langton describes the shortage of skilled workers as critical Far from diminishing since last year, this shortage has been aggravated by increased activity in the industrial and construction sectors of the economy

He hopes that recruiting campaigns initiated in SA and overseas towards the end of last year will help to ease the situation

He says "It is important that all those concerned with the industry should recognise that any lessening of the shortage of skilled manpower by the recruitment of trained artisans can only be a temporary measure, and that in the long term the only acceptable solution is the proper training and utilisation of South Africa's total manpower resources

"The period of initial training of apprentices will have to be reduced further, without in any way changing the accepted standards, by giving apprentices the basic skills which will be consolidated and enhanced by continuous training programmes throughout the early years of their careers "

Mr Langton says the black-white wage gap in the mining industry is closing slowly, but there will have to be further substantial increases in the real earnings of the lowest-paid workers to raise them to the rates paid in heavy industry and provide an acceptable standard of living ~~for their~~ families

Gold price resilient, say mine chairmen

Argus 31/3/81

214

THE gold market will stabilise in 1981 and supply and demand fundamentals will ensure that the trend remains upward, the chairmen of Anglo American's Transvaal gold mines say.

Mr Harry Oppenheimer of Elandsrand, Mr Gerald Langton of Western Deep Levels, Mr Dennis Etheredge of Vaal Reefs and Mr Nicholas Oppenheimer of SA Land say in their annual reviews that though the market is described as weak, it is showing remarkable resilience in the face of high real interest rates, particularly in the United States.

There is evidence of increasing offtake by the industrial sector.

LIKELY TREND

This underlying long-term strength reflects the compensatory nature of the various market sectors and the likely trend over the next few years.

'It seems clear the price volatility in the past year stemmed almost entirely from activities of short-term investors who used the gearing opportunities of the futures market to trade enormous quantities of gold.'

Elandsrand will make a

Brueck, the Deputy Minister of Economic Co-operation, and the West German Ambassador to Zimbabwe, Mr Richard Ellerkamann

Mr Brueck said the agreement was an 'important milestone' in the co-operation and friendship between the two countries

'Any friendship stabilises peace,' he said, 'and peace is exactly what we want'

Dr Chidzero, who is Minister of Economic Planning and Development, told Mr Brueck that 'Zimbabweans will not rest until they have transformed this country into a prosperous, industrious country for the benefit of its people and the rest of

FINANCE

PHELPS DODGE LIKELY TARGET FOR TAKEOVER

News 2/4/81

274

— London brokers

PHELPS DODGE, the American mining giant, is a likely target for a takeover bid by either Anglo American Corporation or Consolidated Gold Fields, according to London brokers.

Its involvement in South Africa includes a 49 percent stake in the Black Mountain lead, copper and silver mine in the Northern Cape

Phelps Dodge is capitalised at 800-million dollars (R637-million) without any major shareholder and therefore has no big blocking vote, says one broker

A major announcement could be made shortly more likely for Cons Gold than Anglo, reports Reuter

SHORT LIST

Analysts say both conglomerates are seeking major acquisitions, preferably in North America. Besides Phelps Dodge, the short list of prospects includes Newmont, Asarco and Homestake.

Anglo recently announced a sweeping restructure of international investments through the transfer of R637-million worth of assets into Mineral and Resources Corporation (Minorco), its Bermuda based investment arm

The purpose, say brokers James Capel, was to create a sizeable vehicle in terms of assets and cash flow for Minorco to take advantage of any mining opportunity on an international basis, but with a preference for North America.

WELL PLACED

Fuelled by cash from Anglo's established Southern African companies, Minorco has assets of almost R1 600-million, and with low gearing is well placed to borrow large sums to finance new business.

Cons Gold last November raised R326-million through a rights issue on which it has not yet acted and is estimated to have R2 880-million earmarked for investment

De Beers, with an estimated R800-million cash resources, will be devoting its attention and large sums to supporting the sagging diamond market instead of looking for expansion outside, brokers say.

Once objectives are expressed in terms of measurable indicators programmes can be ranked according to their impact on these measures and those achieving the largest reductions in mortality/morbidity per rand chosen. Again, since information on the impact of programmes is frequently lacking, the effect of using indicators systematically to assess health programmes would be to direct research more from the purely scientific to epidemiological lines of inquiry, and from collection of data on health status, only, to research into the impact of different dispositions of [illegible]

Anglo perseveres with OFS drilling

3/4/81 (214) STM

Anglo American has embarked on close space drilling in two large blocks south of the Orange Free State goldfields.

Amgold's Mr J O Thompson said in the review that intensive drilling results in these two blocks have been sufficiently encouraging to undertake this type of drilling which will better define ore reserves.

Anglo, along with other mining houses has been extremely active for the last two years in this particular area, which while undefined is in roughly the same area as the developing Beisa and Beatrix mines (Gencor).

Beisa is to be a uranium mine which produces gold as a by-product. Grades at Beatrix are about 5,5 grams a ton — low by average industry standards — but the new Anglo/Lonrho gold mine on Erfdeel/Dankbaarheid is expected to mine grades of 4,5 grams a ton.

One of the reasons Anglo went ahead with the Erfdeel / Dankbaarheid mine was because of the tax shield of other mines which could to a considerable extent, be utilised to offset the R400-million cost of establishing the new mine.

It is unlikely that such benefits will accrue to the two blocks indicated in the Amgold review because no existing Anglo mine is believed to be sufficiently close to have a contiguous boundary with the new areas.

A decision to open a new mine will only be taken some time hence — analysts believe as far ahead as two or three years.

Mr Thompson said that developments elsewhere in the Orange Free State were less encouraging.

Deep holes are being drilled south and south-west of Vaal Reefs to prove up extensions of Vaal and other reefs. Results of shallow drilling for Vaal Reefs were disappointing.

Exploitation for gold north of Klerksdorp has yielded promising results and a low grade deposit has been located in one area. Further drilling for the Ventersdorp Contact Reef and Elsburg Reef in the block south of Western Areas has confirmed previously encountered grades.

Additional fill-in drilling is required to assess the continuity of a number of reefs occurring at great depths.

He added that although prospecting was pursued on targets elsewhere in the Transvaal, insufficient results are on hand to comment on these. — Geoff Shuttleworth

[illegible] allocated, and that there are clear advantages in [illegible] such judgements explicit.

4.2.4 Cost-Benefit Analysis

The aim of cost-benefit analysis is to compare the total cost of a programme to society with the social benefits, and thus to arrive at a measure of the Net Social Benefits. If Net Benefit is positive the project should be undertaken. If however, there are too many projects for the available funds, one would rank the projects on the basis of their benefit-cost ratios and choose those with the most favourable ratios[16]. In either case the procedure gives an answer [illegible] tion whether a project should be carried out at [illegible] us could have a bearing on the relative size of [illegible] budget. (It is felt that the development of the [illegible] omics in the evaluation of health programmes in [illegible] d the U.K. has been partly a defensive move by [illegible] ive ministries to safeguard the size of their [illegible] inst encroachment by other ministries able to [illegible] inds on a more 'economic' basis.)

[illegible] the flows of costs and benefits arising from [illegible] ramme. In the case of health, the total cost [illegible] te of ill health is represented by the benefits from removing it. These costs 'comprise three [illegible]: loss of production; expenditures for medical [illegible] d the pain, discomfort and suffering that [illegible] y a disease. Because economists concentrate [illegible] ring the first two elements, the third is [illegible] glected for lack of data and an appropriate [illegible] ogy' (17).

16. For a discussion of cost-benefit techniques and their problems see 'Guidelines for Project Evaluation', P. Dasgupta, S. Marglin & A. Sen, UNIDO, New York, 1972.

17. A.L. Sorkin, 'Health Economics for Developing Countries' Lexington, New York, 1976.

CHAIRMEN'S REVIEWS FM 3/4/81 (214)

RECORD PROFITS FROM WESTERN DEEPS AND VAAL REEFS FOR THIRD SUCCESSIVE YEAR

Companies administered by Anglo American Corporation

The following are general comments on the gold and uranium markets, mining operations and related matters extracted from the annual reviews for 1980 of
Mr H F. Oppenheimer, chairman of Elandsrand;
Mr D A Etheredge, chairman of Vaal Reefs;
Mr G Langton, chairman of Western Deep Levels, Southvaal Holdings and Afrikander Lease, and
Mr N F. Oppenheimer, chairman of S A Land

Gold

Last year the price of gold was not expected to drop to the average level of 1979 In the event, the average price during 1980 reached $614 an ounce which was just double the average of $307 achieved during the previous year Not only was the average price much higher, but the pattern underlying the average was also significantly different During 1979 the price rose relatively steadily from a low of $225 at the beginning of the year to $524 at the close However, the price last year was subject to violent fluctuations and fell from its record high of $850 in January to a low for the year of $474, just two months later, before recovering some of its previous strength

It seems clear that the price volatility during the past year stemmed almost entirely from the activities of short-term investors and speculators who used the gearing opportunities afforded by the futures markets, particularly in New York, to trade enormous volumes of gold The influence of these futures markets has grown spectacularly along with their trading volumes During 1975, the first full year of trading, approximately 900 000 gold contracts were traded in the US markets Last year a total of 11 million contracts were traded, representing approximately 34 400 tons of gold or 138 tons of gold daily on average Looking at such volumes in the context of a total supply of physical gold in 1980 of only about 1 074 tons, excluding scrap, the dominance of the futures markets rather than the physical bullion markets in short-term price determination is hardly surprising

Although the current market is described as weak it is showing remarkable resilience in the face of high real interest rates, particularly in the US, and there is evidence of increasing offtake by the industrial sector This underlying long-term strength reflects the compensatory nature of the various market sectors and the likely trend of market fundamentals over the next few years It bodes well for the future, irrespective of the short-term fluctuations which will undoubtedly persist In this connection it is worth noting that last year's volatility was relatively of the same order as that seen in 1973-74

It is estimated that the total supply of gold to the market during 1980 amounted to only about 1 074 tons, excluding scrap, compared with 1 765 tons in 1979 Net supplies by the major producing nations, South Africa and Russia, declined to approximately 645 tons and 80 tons respectively after 703 tons and 230 tons in 1979 The high gold price enabled South African producers to exploit lower grade ores and the Reserve Bank to withhold gold from the market It also assisted the communist bloc to achieve its foreign exchange requirements with significantly lower sales volumes Despite the continuing expansion of the South African gold mining industry, supplies from this source are unlikely to increase significantly due to the lower grades being mined, however, Soviet sales could possibly return to previous levels should economic circumstances so dictate

Elsewhere in the world, production is estimated to have increased from 260 tons in 1979 to approximately 280 tons Intensified exploration activity and efforts to recover by-product gold should result in increased production but this increase should be more than offset if central banks in producing countries decide to withhold greater volumes of gold from the market

SUMMARY OF OPERATIONS

Gold	Vaal Reefs 1980	Vaal Reefs 1979	Vaal Reefs South Lease area‡ 1980	Vaal Reefs South Lease area‡ 1979	Western Deep Levels 1980	Western Deep Levels 1979	Elandsrand 1980	Elandsrand 1979•	S A Land 1980	S A Land 1979
Tons milled 000s	**8 595**	8 183	**2 858**	2 679	**3 329**	3 241	**985**	582	**1 336***	1 285*
Yield – grams/ton	**8,13**	8,22	**10,59**	10,29	**13,70**	14,78	**5,33**	5,04	**1,11**	1,24
Production (kg)	**69 876**	67 282	**30 270**	27 560	**45 621**	47 890	**5 250**	2 931	**1 486**	1 595
Cost-Rand/ton milled	**36,39**	31,88	**38,21**	34,40	**44,17**	37,15	**42,98**	35,47	**3,93+**	3,17+
Cost-Rand/kg produced	**4 399**	3 878	**3 608**	3 344	**3 223**	2 514	**8 063**	7 044	**3 537+**	2 557+
Price received – Rand/kg	**15 784**	8 183	**15 784**	8 147	**15 931**	8 358	**15 491**	9 270	**15 438**	8 099
Working profit R000s	**799 047**	290 870	**368 270**	132 942	**582 885**	280 952	**39 801**	7 151	**6 720†**	3 072†
Royalties paid	**195 637x**	66 976	**195 587**	66 976	—	—	—	—	—	—
Capital expenditure R000s	**126 106**	103 876	**54 197**	54 992	**71 936**	72 749	**37 055**	69 000	**2 545**	530
Tax R000s	**335 120**	108 678	—	—	**328 303**	136 001	—	—	**2 114**	2 137
Dividends cents/share	**1 320**	510	—	—	**800**	320	—	—	**55**	40
Uranium										
Production (tons)	**1 758**	1 273	**773**	486	**213**	199	—	—	—	—
Profit R000s	**46 396**	61 821	**21 631**	18 674	**3 501**	9 484	—	—	—	—

‡ Included in Vaal Reefs figures
• First full year of production
* From dumps
\+ Unit production cost (excluding the delivered cost of dump material)
† After taking account of the delivered cost of dump material
x Includes royalty of R50 000 paid to Afrikander Lease

The IMF supplied only 69 tons in 1980 in the final auction sales of its four-year programme, compared with 170 tons in 1979 Despite the substantial quantity of gold still held by the IMF it seems unlikely that further supplies will be made available from this source, at least for the foreseeable future

Partly as a result of consumer resistance to higher and more volatile prices and partly because of the trend towards lighter and lower caratage jewellery pieces, new gold offtake by jewellery manufacturers is estimated to have fallen to about 350 tons or less than half that of 1979 levels. Renewed demand nevertheless may be expected as the market eventually adjusts to higher price levels and as the availability of scrap gold declines

After a slump early in the year sales of official coins resumed later, although at lower tonnage levels than before There is still good demand for the one ounce coins even though they have tended to become too expensive for the smaller investor In September, therefore, Intergold launched a series of fractional Krugerrands containing precisely one-half, one-quarter and one-tenth of an ounce of fine gold Judging from the market's initial reaction these coins are proving attractive to a broader spectrum of investors and, because they are aimed at a different market, they have not affected demand for the one ounce Krugerrand Sales of all official coins are estimated to have totalled 200 tons in 1980, nearly half of which were Krugerrands

In monetary terms, investment demand grew substantially with tonnage remaining relatively constant If purchases and retentions by central banks and other monetary authorities are added to investment demand it can be seen that gold has regained a large measure of its importance as the asset of last resort

Unless official sales resume on a large scale, and this is unlikely, it would seem that demand will match the supply from all sources with price fluctuations being the determining factor In the longer term these fundamental considerations will govern the development of the gold market Notwithstanding short-term speculative influences, I believe that 1981 will prove to be a year during which the market stabilises and, in the longer term, supply-demand fundamentals will ensure that the trend will remain upward

Uranium

Uranium prices in the spot market fell dramatically during the year and opportunities for doing new short-term business at reasonable prices were further reduced In the recessionary economic climate affecting most of the developed world, projections of demand for additional power generation have slipped considerably Although exploration activity is now diminishing, a number of high-grade orebodies have been discovered in various countries during the past few years and existing producers have extended their production capacity As a result, an oversupply is developing and this is affecting uranium consumers' perceptions of the security of their future supplies Arising from these altered perceptions and the influence of high interest rates early in the year, certain electricity utilities in the US began to dispose of surplus inventory and this accelerated the market's decline

At current price levels, and with production costs escalating rapidly, more and more primary producers of uranium will be forced out of business while producers of by-product uranium and new, low-cost primary producers take their place in the market Such a trend is already evident and the balance between supply and demand will consequently be re-established eventually, although it is anticipated that uranium inventories will continue to increase in the medium term

In the longer term there can be no doubt that utilities must start ordering new generating capacity again to maintain a sufficient generating reserve and to match the slow growth in electricity demand They must look, also, to the replacement of obsolete capacity and, later, oil-fired stations The trends of supply and demand are, therefore, bound to change direction again The difference this time will be that projections of nuclear power growth will be rather more realistic than in the past and prices more in line with market fundamentals

Another factor with which South African uranium producers must contend is the desire of many of the utilities to diversify their supply sources The fact that Australian producers are receiving permission to proceed with the development of their mines has presented the utilities with this opportunity which has been compounded by the aggressive pricing policy adopted by the Australians

Shareholders will note from the graph which appears on this page that the uranium spot price has fallen substantially since mid-1979, however, the steady appreciation of the rand relative to the dollar has accentuated this decline in South African money terms Given a situation in which uranium over-supply is projected for some years, it is difficult to see how spot prices can improve and pressure from our present customers to modify our existing contracts appears a likely corollary I believe that, at best, it will be possible to maintain present contract prices only in current money which means, of course, a decline in real terms

Labour

In my review last year I made reference to the shortage of skilled workers in South Africa this shortage, far from diminishing, has been aggravated by increased activity in the industrial and construction sectors of the economy, to such an extent that I now regard the situation as becoming critical It is hoped that recruiting campaigns initiated both locally and abroad towards the end of last year will help ease the situation

However, I feel it is important that all those concerned with the industry should recognise that any lessening of the shortage of skilled manpower by the recruitment of trained artisans can only be a temporary measure, and that in the long term the only acceptable solution is the proper training and utilisation of South Africa's total manpower resources The period of initial training of apprentices will have to be reduced further, without in any way changing the accepted standards, by giving apprentices the basic skills which will be consolidated and enhanced by continuous training programmes throughout the early years of their careers A decision has been taken to construct a new centre devoted to apprentice training in Carletonville to service mines in this area This will supplement the expanded facilities at Welkom and Vaal Reefs and will enable the ratio of apprentices to artisans to be increased to 1 2

The black-white wage gap in the mining industry is closing slowly, but there will have to be further substantial increases in the real earnings of the lowest paid workers to raise them to the rates paid in heavy industry and to provide an acceptable standard of living for their families

Regionalisation

During 1980 the Anglo American Corporation established a regional office in the Carletonville area The main purpose of this move was to bring together, for better decision making, the consulting staff normally based at Head Office and the management of the two mines in the area which are administered by the Corporation, namely Western Deep Levels and Elandsrand

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The annual reports, which include the chairmen's reviews, may be obtained from Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 2001

Annual General Meetings

The annual general meetings of the members will be held at 44 Main Street, Johannesburg as follows

Tuesday, April 21 1981

The South African Land & Exploration Company Limited	08h30
Elandsrand Gold Mining Company Limited	09h00

Friday, April 24 1981

Southvaal Holdings Limited	08h30
Vaal Reefs Exploration and Mining Company Limited	08h45
Western Deep Levels Limited	09h00
The Afrikander Lease Limited	10h00
East Daggafontein Mines Limited	10h15

ESCALATING COSTS

	Cost R/t milled 1979	1980	% increase	Cost R/kg 1979	1980	% increase
Durban Deep	25 08	31 90	27 2	7 097	9 376	32 1
ERPM	37 31	45 57	22 1	7 153	9 206	28 7
Elandsrand	35 47	42 98	21 2	7 044	8 063	14 5
Randfontein	27 88	34 58	24 0	4 655	6 784	45 7
SA Land	8 08	12 23	51 3	6 513	10 995	68 8
Stilfontein	39 93	45 43	13 8	4 778	5 189	8 6
Vaal Reefs	31 88	36 39	14 1	3 878	4 399	13 4
WR Cons	26 06	28 50	9 4	19 273	21 969	14 0
Western Areas	27 43	35 87	30 8	5 150	7 926	53 9
Western Deep Levels	37 15	44 17	18 9	2 514	3 223	28 2

GOLD REPORTS 214

The capex crunch

FM 3/4/81

It is little consolation that we have been through it all before, but the combination of lower gold prices, soaring costs and heavy capital spending this year seems set to put a sharp squeeze on gold mine dividends And all three factors are more or less out of the control of the industry

For the present, the slight political froth seems to have disappeared from the gold price — Poland has settled down to some sort of *modus vivendi* between government and Solidarity, while the Reagan shooting did little more than send ripples through the gold market Essentially gold, like other commodities, is responding largely to economic factors And they are not altogether favourable for the price to be maintained above $500

Link that with operating costs which are rising at an annual 20% clip and the fact that several mines are locked into major capital spending programmes, and the dividend prospects are not bright

Some leeway does exist for mines to cut back this year's capital spending but, on the whole, any benefits would be marginal The projects announced over the past few years and which are now being implemented have, in several cases, been justified on gold prices substantially lower than today's And they are essential to carry the mines into the next century What we have is an industry introducing new productive capacity at a cost of around R1 billion a year and set to rise sharply over the next year or so

Last year, when gold averaged $614, total capex by the gold mining members of the Chamber of Mines was R922m, equivalent to an average 12,6% of pre-tax profit This year, unless gold rises soon and sharply, the percentage could exceed 20% by a fairly wide margin That, of course, will result in considerable tax savings, but the effect on distributable earnings of heavily committed mines is obvious

Elandsrand. Management's plans for a R120m rights issue and to increase borrowing powers from R40m to R100m are a pessimistic comment on the mine's near-term prospects The mine came into production officially at end-1978, two years ahead of schedule and with a lot of self-congratulation that the capital cost to initial production was R17m less than the R200m originally forecast

What seems to have happened is that once the main shaft was completed and the haulages driven to Western Deep, management decided to advance production by mining low-grade ore in the northern part of the lease area rather than sink a sub-vertical shaft to gain access to high-grade VCR indicated by boreholes UD17 and UD19 south of the main shaft system

Now the mine is stuck with another couple of years of low-grade operations until the high-grade ground is opened up, and with insufficient cash generation from current operations to fund the capital cost

This year capex is estimated at R32,5m, mainly for the sub-vertical shaft, while mill throughput is slated at 1,2 Mt with a gold recovery grade of 5,08 g/t Higher mill throughput should allow unit costs to be contained at not much more than R40/t So by raising R120m, management appears to be either banking on a gold price collapse to below $400 and/or is planning to repay short-term borrowings which were R38,6m at end-February But if the latter is the case, what is the point of increasing the mine's debt capacity?

Whichever way it is looked at, dividends are highly unlikely until mining starts in the high-grade ore or unless the gold price takes off quickly

Rights are to be offered to shareholders registered on April 24 and if management fears a weakening gold price, the offer price will almost certainly be at a healthy discount to the market At this stage the best terms would probably be 25-for-100 at 640c That, however, does not seem to be particularly attractive, whichever way gold moves If the trend is downwards, the share price will have some way to fall and investors could buy the shares below the issue price later in the year On the other hand, if gold advances, Elandsrand will be awash with cash and almost forced to distribute dividends, which will be taxable in shareholders' hands But that will only be after payment for rights from after-tax money On the whole, and unless the rights are made ultra-attractive, investors taking a two or three-year view on things can probably optimise their own cash flows by not subscribing for additional shares

Vaal Reefs Though investment in Afrikander Lease, which is managed by Vaal Reefs on a royalty basis, is highly unattractive the same is far from true of Vaal Reefs

Reading between the lines, some major problems have arisen in the construction of Afrikander Lease's uranium plant And it may be wise to assume the worst and estimate that the plant will not be completed by the now-planned mid-1982 In the meantime, don't count on annual income greater than the R50 000 royalty minimum

Snags at Afrikander Lease should, however, have only a minor effect on Vaal Reefs' results This year though mill throughput is slated to drop to 5,3 Mt from 5,7 Mt, gold recovery grades from the North lease area are planned to increase from 6,9 g/t to 7,4 g/t In the South lease area, from which royalties are paid to Southvaal, grade is set to fall from 10,6 g/t to 10,3 g/t and mill throughput from 2,86 Mt to 2,75 Mt

Vaal Reefs' own earnings, then, will be protected to some extent from lower gold prices by higher recovery grades and a lesser royalty to Southvaal There will be a further advantage as R56m capex (including Af Lease) is planned in the North against R72m last year, while in the South capex is planned at an unchanged R54m These figures could be higher if, as seems likely, it is decided to increase VCR mining capacity by 60 000 t a month

Western Deep· Though the mine plans to mill a slightly lower tonnage and grade this year, intends spending R137,6m on capital projects and is faced with higher working costs and a lower average gold price, dividends need not come under undue pressure Last year's debenture issue raised R60m from shareholders and a further R30m is due from Wit Deep and Western Ultra Deep this year

This and tax savings arising from the higher capex should mean that any variation in distributable earnings from last year's figure will effectively depend on gold price and working cost variations An additional R30m is due next year from Wit Deep and Western Ultra Deep So if gold is weak at the end of the year and showing no signs of improvement, management could decide on relatively heavy retentions this year to help fund next year's capex That could be modified if the mine decides to increase borrowings up to its authorised limit of R200m In any event, next year's capex is unlikely to be less than that slated for 1981, while a total of R450m in 1980 terms is planned through 1986 to increase mining and milling capacity by 160 000 t a month

SA Land: There may or may not be adequate ore reserves available at the Van Dyk No 5 shaft to warrant establishment of a mine But following the upcoming rights issue to fund a R10m exploration programme is probably worthwhile Main Reef Leader is contained in well-defined though erratic pay shoots in the area And though previous drilling from surface by Sallies was inconclusive, management seems reasonably confident of finding ore in payable quantities and grades

Perhaps this is not the right time to be recommending speculative shares But Sallies seems to be a reasonable bet in this category

Randfontein: Capital expenditure this year is planned at R100m as sinking of Cooke No 3 shaft gets into full swing However, if gold performs badly, some capital items could be deferred Last year the mine used the period of high gold prices to accelerate capital spending with not insignificant cost savings

In addition, now that mining operations are well under way at Cooke No 2 shaft, the mine has greater flexibility to vary mining grades in response to gold price changes Additional flexibility will be possible when the No 2A sub-vertical shaft is completed

Though the Cooke plant's uranium problems are not completely resolved, they should be soon But that is unlikely to compensate more than marginally for weaker uranium prices

The joint uranium exploration effort in the Karoo with JCI has been severely hampered by the Laingsburg flood This year progress in the area is likely to be slow and there seems little possibility that a viable ore deposit will be disclosed

Western Areas Though production problems which hampered operations last year will persist, they should be largely overcome by the end of this year The shortage of stope faces at the North shaft should be alleviated when the 4E sub-vertical shaft is completed around mid-year, while working conditions at the South shaft will improve when the refrigeration plant is completed towards the end of the year

Though these improvements are in the pipeline, the mine could still find it difficult to keep working cost increases below the industry average in 1981

This year capital expenditure of R45m is planned, though some of that may be deferred if lower gold prices squeeze earnings Some flexibility has been built into the capital programme by last year's decision to expedite spending while profits were boosted by high gold prices But it is not an absolute flexibility Construction of the uranium plant cannot be delayed, nor can shaft sinking This year's dividend payout will be well below last year's 120c

ERPM. The gold price crunch has hit the mine sooner than management seems to have expected The cost of expansion programme and annual dividends of 360c were predicated on a gold price of $600 in real terms

There is now little doubt that this year's interim will be a lot less than 180c, while parts of the R52m capex planned for 1981 and the R70m-odd for 1982 may well be deferred If the mine's longer-term future is to be assured, it will be difficult to reduce capex more than marginally And, unless gold moves ahead fairly soon, the price shareholders will have to pay for that is significantly lower distributions Short of a major gold price collapse the capital programme is not threatened At end-December the balance sheet was cash-flush from last year's rights issue And, hopefully, gold will have recovered sufficiently to make the R40 a share issue exercisable in 1983, 1984 or 1985 to raise R15,8m attractive to rights holders

Ore reserves available for mining this year have an average grade of 6,8 g/t against last year's 7,1 g/t On that basis recovery grade will probably be lower than last year's 5,0 g/t

Durban Deep The weakening gold price has probably placed management in something of a quandary Capex this year is planned at R20m, largely to improve and recommission production facilities But that is not the only factor exercising management's mind

For the present, tonnage drawn from the Kimberley reef is being reduced, while mill throughput will be maintained by increased extraction rates on the higher grade but deeper Main and South reefs

That is all very well as an interim measure, but it seems that the mine's long-term future lies in exploiting Kimberley reef well to the south of the existing workings Though it is generally deeper than the Kimberley reef currently being exploited, four boreholes which probed the area disclosed reasonably attractive values The problem is, however, that exploitation of the area would almost certainly mean provision of a new mill and at least one shaft Shareholders are unlikely to be enthusiastic about a rights issue to fund such a development while gold continues to wallow at current levels

Stilfontein: With completion of the now-operating Chemwes plant, capital spending has returned to reasonably low levels This year R10m is planned, of which R6m is for acid plant extensions and R1,4m for exploration and development of a 120 000 m² block of VCR If this relatively large area proves to be payable, it will be a significant base from which to establish mining operations in virgin ground east of the Kromdraai fault And perhaps more to the point, it could be an important factor in increasing the mine's life beyond the seven or eight years now remaining

This year, 85%-owned Chemwas should kick in with its first dividend, though that may not be great as uranium prices remain low

West Rand Cons. While gold remains weak and uranium prices show no signs of an early recovery, the mine is in a tricky position Capex has been pared to the bone and an intensive search is under way for additional payable ore

Dividends are possible if the gold price averages somewhere in the mid-$500s But it is probably safest to count on a dividend drought for a year or two as management will, in all likelihood, decide to retain as large a portion of earnings as possible

Jim Jones

HOW THEY PERFORMED

	Average monthly milling rate 000t	Recovery grade g/t	Gold produced kg	Gold revenue Rm	Total profit Rm	Capex Rm	Net EPS c	1980 dividend c	1980 dividend projection at $550 gold c	Price c	Prospective yield %
Durban Deep	178	3,4	7 278	112,4	29,2	11,7	655,7	460	140	2 700	5,2
ERPM	198	5,0	11 772	184,4	55,3	28,9	355,4	370	150	2 000	7,5
Elandsrand	82	5,3	5 250	83,1	36,8	37,1	(0,4)	—	—	700	—
Randfontein	340	5,1	20 817	324,9	145,5	78,6	1 235,8	1 100	800	6 900	11,6
SA Land	111	1,1	1 486	23,0	5,3	2,5	41,5	55	25	710	3,5
Stilfontein	116	8,8	17 388	276,1	80,1	7,2	558,2	460	350	2 250	15,6
Vaal Reefs	716	8,1	69 876	1 106,3	377,1	126,1	1 321,1	1 320	950	7 900	12,0
WR Cons	173	1,3	2 687	41,9	10,8	1,3	168,4	17,5	5	390	1,3
Western Areas	360	4,5	19 554	304,6	103,7	58,1	113,1	120	70	740	9,5
Western Deep Levels	277	13,7	45 621	729,9	271,0	71,9	801,5	800	550	5 325	10,3

214 FM 3|4|81

Western Areas Gold Mining Company Limited

(Incorporated in the Republic of South Africa)

Member of the Johannesburg Consolidated Investments Group of Companies

Chairman's Review by Mr P.A. von Wielligh

I have pleasure in presenting my review for 1980 during which year an average gold price of R15 511 per kilogram, equivalent to US$623 per ounce was received, compared with R8 480 per kilogram in 1979 (US$316 per ounce) As a result, revenue from gold and silver increased by some R108 million or nearly 55% to the record level of R304,6 million

Notwithstanding a significant increase in working costs, the operating profit nearly doubled, rising by R73,6 million to R152,7 million and the total dividend declaration was increased from R18,9 million in 1979, equivalent to 47 cents per unit of stock to R48 4 million or 120 cents per stock unit.

Taxation and State's share of profit rose by some 180% to R53 4 million

Capital expenditure on mining assets continued at a high level and rose from R40 3 million in 1979 to R57,4 million in 1980 The first two tranches of the interest-free loan of R30 million, negotiated to assist in the financing of the construction of the uranium treatment plant and the establishment of underground reserves on the Middle Elsburg Reef horizon, were received during the year and the third and final instalment of R10 million was duly received in January 1981

Operations

Although mill thoughput was only marginally lower than in 1979, the significantly lower recovery grade of 4,5 grams per ton (1979 – 5 3 grams per ton) resulted in a 15 4% reduction in gold production to 19 554 kilograms This reduction in grade was in accordance with the company's declared policy of optimising extraction from the multiple reef orebody during a period of high gold prices and was also to some extent, the result of supplementing production from underground with low grade ore from surface dumps

Total working costs increased by 30,2% to some R155 million in 1980 while unit working costs rose by 30 8% from R27 43 per ton milled in 1979 to R35,87 per ton milled Increases in labour and stores costs were again the main contributors to the significant escalation in the cost of operations The higher labour costs arose both from the increase in the underground labour complement required to ensure the optimum utilisation of the hoisting and milling facilities and from wage awards granted by the mining industry during the year

Productivity is limited by the scattered nature of the workings at the North Shaft while at the South Shaft the greater depth of the mining operations has resulted in more arduous environmental conditions Conditions at the South Shaft will be largely alleviated with the commissioning of the new surface refrigeration plant at the end of 1981

Development and exploration

Development of the Middle Elsburg Reef horizon continued between 41 and 50 levels west of the North Shaft From this development exploratory drilling continued in order to confirm the areas of further potential The results obtained confirmed the economic viability of the E9EC reef band with some encouraging values also being obtained on the UE1A reef band

Although total development was reduced by some 14% as a result of the reduced tempo of the Middle Elsburg access development reef development was increased by some 9% During 1980 reef development was directed mainly towards those areas with a lower in situ grade, the higher gold prices being realised having the effect of making large tonnages of hitherto unpay ore viable Exploratory development on the Ventersdorp Contact Reef horizon west of the shoreline continued within two selected areas and results generally were better than had previously been encountered

Ore reserves

The ore reserves at 31st December 1980 calculated at an average gold price of US$550 per ounce totalled 11 561 000 tons at an average grade of 5 6 grams per ton (1979 – 11 767 000 tons at an average grade of 6 4 grams per ton) A critical reassessment which has been made of all areas that have become viable at the higher gold prices has indicated that in many cases major preparatory work will have to be undertaken before mining operations can commence Where the time required for this work exceeds twelve months the areas concerned have been excluded from the declared available ore reserves

Included in these ore reserves is sufficient tonnage for two years' mining operations on the Middle Elsburg Reef horizon

Capital expenditure

Activity on various capital projects increased, with particular emphasis on shaft sinking, ore treatment plants underground refrigeration and employee accommodation

Advantage was also taken of favourable terms offered by contractors and suppliers of major long delivery items of capital equipment to expedite delivery and installation

Although the net expenditure on mining assets was some R17 million higher than in 1979 this increase did not materially affect the funds available for distribution to members due to the higher revenue received from sales of gold In addition, the obvious advantage derived from tailoring expenditure to revenue should result in considerable future savings

Economic constraints in the past were such that the provision of a number of essential facilities required for the purpose of maintaining normal production levels had of necessity, to be deferred In view of the fact that it would be inadvisable to defer such expenditure for a further period, your company is faced with a capital expenditure programme of not inconsiderable magnitude

Capital expenditure for 1981 is estimated at R45 million but the rate of expenditure actually incurred will to some extent, depend on the gold price realised

Uranium sales contract

The interest-free loan of R30 million is assisting in the financing of the facilities required for the production of uranium oxide concentrates Production is scheduled to commence in 1982 and the first contractual deliveries of uranium oxide are due in the first quarter of 1983

Underground fires

Improved fire detection equipment and procedures have considerably reduced the risks inherent in high exposure mining operations and only one fire of any significance occurred during the year

Safety

As previously reported, the mine achieved one million fatality-free shifts in February, 1980 The high level of attention to safety throughout the company's operations which resulted in the attainment of a five gold star rating in 1979 in terms of the International Mine Safety Rating Scheme continued and this prestigious rating was again achieved in 1980

Outlook

The shortage of stoping face at the North Shaft will be eased after the 4E sub-vertical shaft is commissioned towards the middle of the year, and the position will be improved further when full-scale stoping on the Middle Elsburg Reefs commences, probably early in 1982 It is intended that a rate of development sufficient to ensure that adequate stoping face is available, will be maintained

A surface refrigeration plant with a capacity of 20 000 kilowatts to supply chilled water to the underground workings at South Shaft, which is in the course of construction, is scheduled to be commissioned towards the end of 1981 and should assist in improving production efficiencies

The carbon-in-pulp plant which was completed in November 1980 and which is presently being commissioned, is expected to reduce the gold losses in the residues Encouraging results are being obtained from these operations

In view of the fact that your mine is a relatively low grade producer its profitability is particularly sensitive to cost and revenue fluctuations

The increase in working costs in the mining industry is a matter of considerable concern and while every effort will be made to contain costs as far as possible the inflationary trend prevalent, both nationally and internationally, is such that it is almost certain that your mine's working costs will again increase significantly in the current year

While I remain confident about the longer term future for gold the possibility of a further short-term decline in the price from the present level cannot be excluded

Clearly any reduction in revenue will have an adverse influence on the level of future dividend distributions Contingency plans to adjust the mine's basic operating parameters are constantly updated to cater for any significant changes which might affect the profitability of your company However, the extent to which any such adjustments may be implemented is limited by the flexibility of the mining plan at any given time

Acknowledgements

In conclusion, I wish to express appreciation of the excellent services rendered by the general manager Mr J Coetsee, the manager Mr S J Sadowski, the mine staff, the consulting engineer Mr M A Madeyski, and the technical and secretarial staffs at head office

Mr Coetsee has recently assumed the responsibilities of a consulting engineer within the Group and I take this opportunity of welcoming Mr L S Halasz as general manager of the mine and wish him well in his new position

Johannesburg
13th March 1981

Elsburg Gold Mining Company Limited

(Incorporated in the Republic of South Africa)

The board of directors of the abovementioned company draws attention to the review by the chairman of Western Areas Gold Mining Company Limited, the text of which is published above

Most notable structural change

rise in importance of mining industry due to [illegible]

Sensitivity to world prices

UNION TIN (continued)

Underground exploration drilling was carried out throughout the year and it revealed several extensions to known lodes which is encouraging On the other hand, the deep drilling programme which was instituted to test the mine at depth has proved disappointing, and due to the poor results obtained the programme has been terminated During 1981 exploratory underground drilling will continue in an attempt to locate new lodes and to find further extensions of lodes presently being worked

The monthly average L M E tin price started the 1980 year at the equivalent of R13 700 per M T After the first quarter it began a gradual decline to approximately R13 000 in September It then fell to R11 200 at the year-end and has fallen below this level during the first few months of 1981 It appears that the outlook for the tin price during the remainder of 1981 can only be described as unexciting Whilst there might be a slight fall in world production as a result of lower prices and higher costs of production, the overall demand for tin metal is likely to remain weak In addition the continued expectation of greater G S A disposals and prevailing high interest rates will tend to depress prices for some time to come Against this of course is the fact that the price is unlikely to fall substantially because it is widely considered possible that the tin producers will at the I T C meeting in April seek higher support prices on which the buffer stock manager could operate If successful this will result in an effective floor price being set at about current levels

Therefore, whilst it is expected that the mine will send more ore to the plant in 1981 and will have more tin in concentrates available for sale, the total revenue and gross profit arising from tin mining will be less than the 1980 figures by virtue of the expected lower average tin price prevailing throughout the year Should this eventuate then it seems likely that the company will not be able to maintain its dividends at the rate of 24 cents per share

During the year Mr M B Forsyth resigned as chairman and Mr R A Hope resigned as a director I would like to place on record the board's appreciation of the services rendered by these two gentlemen and to express its pleasure that Mr Forsyth is remaining on the board

On behalf of the board, I would like to thank the former consulting engineer, Mr B Moore, the consulting engineer, Mr O A Jones the former manager, Mr W M Eksteen, the manager, Mr A V Peake, and all the staff at the mine and head office for their services rendered throughout the year

A M D Gnodde
Chairman

Johannesburg
12 March 1981

ROOIBERG TIN LIMITED

The 1980 year was a very successful year for the company and it is interesting to note from the summary of results that the profit before tax earned in the year exceeded the total profit before tax earned during the first sixty-three years of the company's operations, namely from 1908 to 1971

The year was also significant in that it reflected the first full year of operation of the smelter Various plant modifications together with improved operator skills resulted in recoveries improving from 95,5 per cent at the beginning of the year to 97,8 per cent at the year-end The doubling of the dust collecting system capacity in December 1980 should reduce tin unaccounted for, which at present is 1,2 per cent of total input The balance of 1 per cent remains in the slag

I am happy to report that in December 1980 the mine completed one million fatality free underground shifts This milestone was reached after a period of thirty-three months and was a fine reward for the major effort made by all staff I hope that the mine will now steadily work towards the two million fatality free underground shift target

Production of tin in concentrates was 2 236 tons compared with 2 071 tons in 1979 This increase flows not from an improvement in grade but an increase in the tons of ore sent to the "A" mine plant The production of gravity concentrates was handled in the smelter and a total of 1 972 tons of tin metal, which met all the required specifications was produced

Sales of tin in concentrates and tin metal amounted to 2 244 tons which reflects a considerable improvement on the comparable figure of 1 934 tons for the previous year This increase, together with the fact that the bulk of the sales took the form of tin metal rather than concentrates and the higher tin price which prevailed in the first three quarters of the year, resulted in the total sales revenue being substantially higher at R29 073 000 than the figure of R21 814 000 for 1979 The cost of sales at R13 826 000 was also significantly higher than the comparable figure of R9 666 000 for the previous year Both these figures however are arrived at after making adjustments for the cost of production of concentrates and metal at the beginning and end of each year and the adjustment for 1979 was especially favourable In fact working expenditure for 1980 was R13 703 000 as against R10 937 000 for 1979 It must be remembered that the 1980 expenditure included the costs of operating the smelter for a full year This additional processing resulted in an increase in revenue obtained After allowing for sundry revenue, the resultant profit before tax for the year at R15 707 000 reflects an increase of R2 839 000 over the figure for the previous year Taxation absorbed R4 142 000 and so after adding the unappropriated profit brought forward there was an amount of R11 728 000 available for appropriation Of this, R6 770 000 was transferred to non-distributable reserve for expenditure on fixed and other assets Two dividends totalling 230 cents per share and absorbing R4 773 000 were declared which was the same as the total declared in 1979 After these appropriations, an amount of R185 000 was carried forward as unappropriated profit

The total tonnage mined decreased from 684 000 to 582 000 tons as a result of the completion of the stripping of the over-burden at the opencast operation at "A" mine The total ore sent to plant increased by just over 9 per cent to 514 000 tons It was decided to reduce the tonnage of ore stockpiled on surface and accordingly the "A" mine stockpile was exhausted and the "C" mine stockpile was reduced to 7 000 tons

Capital expenditure in 1980 totalled R5 706 000 The major item of expenditure was the improvement of the accommodation and amenities for all employees on the mine In addition, R1 299 000 was spent on improvements at the "C" mine plant where a fines heavy-media separation plant and improved float disposal arrangements were installed Work on a tin flotation plant for the recovery of tin from current and accumulated slime tailings commenced and will be completed during 1981 Capital expenditure for 1981 is forecast to amount to R6 000 000 and details are given in the technical advisers' report Once again, the largest single item will be expenditure on accommodation and amenities for staff In addition, it is hoped that at last it will be possible to install a pipeline to convey water from "C" mine to "A" mine to provide for both domestic and plant requirements This is of vital concern due to the wide fluctuation of rainfall in the area and is only being held up pending final negotiation with various freehold owners

Following the G S A 's unexpected decision in March 1980 to delay offerings of stockpiled tin until July, the tin price reached a record high of £8 450 (R15 200) per M T This price could not be sustained and so the balance of the year saw steadily declining prices The low point was reached in December 1980 when a price of £6 133 (R10 700) per M T was reached As a result, the average tin price in 1980 was £7 242 (R13 000) per M T compared to an average of £7 100 (R12 600) per M T in 1979 The members of the International Tin Council were not able to finalise a new agreement due to differences, inter alia, regarding the extent of the buffer stock and export controls with the result that the fifth agreement was extended to June 1982 The buffer stock price range was raised by 10 per cent during the year entitling the buffer

214 FM 3/4/81

The Randfontein Estates Gold Mining Company, Witwatersrand, Limited

(Incorporated in the Republic of South Africa)

Member of the Johannesburg Consolidated Investments Group of Companies

Chairman's Review by Mr P.A. von Wielligh

I have pleasure in presenting my review for 1980, a year which was characterised by dramatic increases and fluctuations in the gold price The beneficial effect of a higher averge gold price was lessened both by a softening of the uranium market and a disturbing increase in working and capital costs

Operations

The tonnage treated for gold increased by 4% to 4 081 000 tons while the recovery grade decreased by 15% to 5,1 grams per ton The mine produced 20 817 kilograms of gold some 11% less than in 1979

The tonnage treated for uranium increased by 18% to 3 933 000 tons The recovery grade improved by some 31% to 0 164 kilograms per ton, resulting in a total production of 616 152 kilograms of uranium oxide, an improvement of some 55%

Working costs amounted to R141 2 million equivalent to R34 58 per ton milled, reflecting an increase in unit costs of 24% while the average price received for gold increased from R8 160 per kilogram (US$307 per ounce) in 1979 to R15 530 per kilogram (US$621 per ounce) The operating profit for the year increased by 109% to a record level of R209 3 million and total profit amounted to R211 million This attracted tax of R72 1 million which after adjustment compares with R3 3 million in respect of 1979 Appropriations in respect of capital expenditure amounted to R79 million long-term loans were reduced by R9 5 million and dividend distributions absorbed R59 5 million Retained earnings decreased marginally by R2,6 million to R25,4 million

Expansion programme

During the year a decision was made to proceed with the development of Cooke No 3 Shaft and the ancillary extensions necessary to the processing facilities and other services Progress on the planning and construction of the project as a whole is proceeding very satisfactorily somewhat in advance of the anticipated rate

Capital expenditure

Expenditure on capital works continued at a rate commensurate with the requirements of the mine's current level of operations In addition expenditure on the expansion programme is mounting as the project gathers momentum

Of the R79 million spent during 1980 R29 6 million was required for the Cooke No 3 Shaft project and the balance for maintenance of capital works related to the current mining operation

Present estimates indicate that capital expenditure during 1981 will amount to some R100 million but clearly the company's programme of capital works will depend to some extent on levels and trends in the gold price

Karoo uranium

Your company continued in its association with Johannesburg Consolidated Investment Company Limited in the exploration of the Karoo Basin its share of the cost for the year amounting to R1 013 000 Exploration and evaluation of the area held under option is continuing

Ore reserves

A much improved rate of development resulted in ore reserves at the Cooke Section based at an average gold price of R13 600 per kilogram (US$550 per oz) increasing by 21% to some 5 1 million tons at estimated grades of 9 6 grams of gold and 0 213 kilograms of uranium per ton

Despite a considerably higher rate of development ore reserves at the Randfontein Section were significantly reduced as a result of a decision to exclude certain areas of the Bird Reefs now found to be uneconomic

Randfontein section

The surface stockpile of ore accumulated while the Cooke plant was being brought to its optimum rate of throughput was depleted during the year and the input of ore to the plant was then limited to current production from the Bird Reef horizon This made plant capacity available to be utilised to treat old sand dumps for gold

The recommissioning of No 2 North Shaft is not considered to be justified in the present depressed state of the uranium market The state of the market has also occasioned a reduction in the scale of mining operations on the Bird Reef horizon at S D 32 Shaft However the viability of the ore present on other gold-bearing reef horizons in certain parts of the Randfontein lease area is being investigated and this could lead to the production of a modest tonnage from these areas The relationship between the gold price and the cost of production will obviously determine the scale and extent of any operations on these horizons

Cooke section

Production from both No 1 and No 2 Shafts was most satisfactory and well in excess of their original designed capacities Productivity of an order well above the industry average has been achieved It is anticipated that production could be increased when the No 2A Ventilation Shaft is commissioned making additional hoisting capacity available

Development

In the year under review development increased significantly by some 30% to a total of 61 907 metres of which 10 770 metres were sampled an increase of 25% over the previous year

In October 1980 the mine recorded an advance of 978 metres for a 31-day period in the 128-level haulage planned to link Cooke No 2 and No 3 Shafts This constituted a world record for twin haulage development in hard rock The same development team subsequently surpassed its own achievement when 1101 metres were advanced in a 31-day period in January 1981

I wish to take this opportunity to congratulate all concerned on this outstanding achievement.

Policy and objectives

One of the prime objectives set by your board has been the full utilisation of the shaft and processing facilities of your mine The tonnage throughput is now on average equivalent to the rated capacity of the treatment plants Extraction efficiencies at the Cooke Plant have considering the mineralogical characteristics of the ore been optimised for gold and have been much improved for uranium They will be further improved as continuing research enhances available technology

The board considers that the commissioning of the Cooke No 3 complex within the prescribed period is of prime importance Continuing efforts to expedite its completion will be restricted only by the limits of the available resources and the project will receive priority in apportioning the capital funding appropriate to the prevailing economic conditions

Outlook

During the last ten years the company has experienced a remarkable metamorphosis, from a practically dormant operation to a major and thriving concern with capital assets of some R382 million and a turnover of some R325 million This growth was achieved without necessitating any recourse to shareholders for funds

It is my considered view that the present capital programme could likewise be financed adequately from the company's own resources, provided a reasonable gold price is maintained

Fluctuations of the gold price have in recent months been a matter of some concern and factors influencing the market are such that a prediction of the short-term behaviour of the price would be pretentious The unpredictable market makes it impossible to give a realistic forecast of the level of dividends for the current year

Contingency plans to adjust the mine's basic operating parameters are constantly updated and they will be implemented in the light of prevailing market conditions as far as the flexibility of the mine's ore reserves will allow

Working costs in the mining industry are also viewed in a serious light The inflationary trend, prevalent both nationally and internationally, offers little hope of containing costs at a more acceptable level during the current year

Safety

I am happy to take this opportunity to congratulate the General Manager and his staff on their achievements in safety of operation On 13th August 1980, the mine completed 3 016 945 consecutive fatality-free underground shifts Only once before in the history of the industry has a mine achieved a similar record

In addition, the mine was awarded five gold stars under the International Mine Safety rating scheme, becoming the fourth mine in the world to attain this status

Acknowledgements

The board accepted with regret the resignation on 31st July 1980 of Mr B A Smith as a director and as chairman of the company During the 10 years under his chairmanship, the mine's transformation from a dormant property to what it is today was very ably directed by him

With my fellow directors I want to acknowledge the dedication of the operating and technical personnel in tackling and to a very encouraging extent overcoming the operational problems that had been experienced in the processing plants

In conclusion, I want to express the board's appreciation of the excellent services rendered by the general manager, Mr H A G Slater, the manager Mr L S Halasz and the staff at the mine and by Mr R C Bertram the consulting engineer and the technical and administrative staffs at head office Mr Halasz has recently assumed responsibilities as general manager of another mine within the group, while Mr G W Tregoning and Mr M L A Fitzgerald have been appointed managers of your mine

Johannesburg
13th March 1981

Argus 3/4/81 (214)

AMGOLD STEPS UP PROSPECTING

GOLD prospecting by Amgold in South Africa and in South America increased substantially last year and will escalate further this year, says the chairman, Mr J Ogilvie Thompson.

He says in Amgold's annual review intensive drilling in two blocks south of the Free State goldfield has been encouraging, but less encouraging elsewhere

Deep holes are still in progress south and south-west of Vaal Reefs mine and exploration north of Klerksdorp has been promising

The company is taking part in gold exploration in Brazil through Mineracao Morro Velho SA, has started to participate in prospecting programmes in Chile and Argentina and continues to do so in Australasia

The industry has taken advantage of the higher price of gold to embark on many new projects. Twenty shafts on 16 of the 37 mines in South Africa are being developed — the greatest number to be opened since the 1950s when the Free State gold field was developed

Amgold's earnings of R315-million last year were nearly 2½ times those of 1979 and the ordinary dividend is up 119 percent to 1 150c

● **Diroval** is on the take-over trail and R3,5-million is now available for investment During the year the Repfin Factoring group of companies was sold for R3 9 million to Bankorp The entire portfolio of listed shares was also disposed of resulting in a surplus of R78 000

The company intends to pay a dividend of not less than the 7c paid last year

Vincent Leroux

Anglo may open more mines

RDM 3/4/81

(214)

By ADAM PAYNE

ANGLO American Corporation's big prospecting drive south of the Orange Free State goldfield, during which it has paid millions of rands for options and in exercising options, is nearing success and there is now a strong possibility of a new mine or mines being opened

Mr Julian Ogilvie Thompson, chairman of Anglo American Gold Investment Company (Amgold) reports that intensive drilling in two blocks south of the OFS goldfield has been sufficiently encouraging to justify embarking on closer- spaced drilling to define reserves

Mr Thompson has also disclosed that exploration for gold north of Klerksdorp has yielded promising results and a low-grade deposit has been located in one area

Anglo is issuing no further details about the Free State discovery but I am told that the main concentration of drilling is near the two developing Gencor mines, Beatrix and Beisa

A forest of drills has sprouted like mealies on both sides of the main road betwen Welkom and Theunissen and greatest interest is now centred on a big farm, Welgelegen, where Anglo is reported to have exercised options and bought mineral rights Similar action has been taken on nearby farms

The fact that encouraging results have been obtained in two blocks indicates the possibly that two new mines could be opened

Welgelegen farm is near Beatrix developing mine, where gold grades, although low, are high enough to justify an investment by Gencor of R320 million in 1980 money

The recovered grade at this developing mine is expecxted to be about 5,5g/t compared to an industry average of 7,28g/t, but some mines are exploiting ore as low as 3,5g/t

SA mine may buy Russian smelting plant

Argus 4/3/81

214

A RUSSIAN smelting process may be bought to treat lead ore from the new Black Mountain mine in the Northern Cape.

By TOM HOOD

The Kivcet process, as it is known, is being investigated by Gold Fields of South Africa along with others developed in Australia and the United States for a multimillion-rand smelter planned for the mine.

The Russians are far ahead of anyone else in the world in lead smelting techniques, a GFSA spokesman said this week.

GFSA is one of a string of companies interested in buying the Russian lead smelting process, according to the Financial Times of London, which says a decision on the smelter is expected within two years.

'Finance for the smelter will possibly come from the South African Government's Industrial Development Corporation, the report says.

Close contact

Talks on the smelter are taking place with the West German engineering company Kloeckner-Humboldt-Deutz, which has close contacts with the Russians and is handling licensing arrangements for the Soviet process in the West.

Companies in the United States, Canada and Australia are also interested in acquiring the process.

GFSA said the whole smelter project was still being investigated, including its location, which would be influenced by infrastructure and Government incentives.

It might be more economic to build the smelter at Springs, Vereeniging, or even next to a harbour rather than next to the mine at Aggeneys.

Years away

The project was several years away, however. The mine had more than R120-million in loans to pay off before it could indulge in capital spending.

Asked about the possibility of IDC finance, the spokesman said 'Someone in London seems to know more about this than we do ourselves.'

● This week Black Mountain reported a trading profit of R42-million and a net profit after loan charges of R29,2-million last year, its first year of production.

1) Date: the agricultural census refers to 1972-73, the Unisa survey to January and February 1975 and this survey to end-1975 and early 1976.

2) Area: the census includes all holdings in four Karoo magisterial districts, the Unisa survey includes 300 farms scattered all over the Cape (a breakdown by district is not given and the inclusion of Boland farms, where cash earnings for men workers are highest, may draw the average upwards), and this survey includes farms scattered in four magisterial districts but not evenly distributed.

include

stic workers

Profits drop at eight Gold Fields mines

214

By Geoff Shuttleworth

The average gold price received by eight Gold Fields mines in the first quarter of the year fell by 14 percent but taxed profit declined by 21 percent to R158-million. The average price received was R13 572 a kilogram (R15 776).

The larger percentage fall in net profits was largely because of higher working costs, lower grade and resultant lower production

Working costs were abnormally high when viewed against the background of a quarter when no wage or salary increases were effected

As a percentage, costs rose 3 5 percent, though, in the case of Libanon and Venterspost costs a ton milled were almost static

The largest rises were at West Drie and East Drie followed by Deelkraal The group average now stands at R39 2 a ton milled

The milling rate was marginally higher at 3,5-million tons — an increase of 6 000 tons but lower grades resulted in production of 35 114 kg (35 873 kg)

Working profit from gold was 21,7 percent lower for the March ended quarter at R342-million (R437 million) and profit before tax was 19,7 percent lower at R368-million

"ABOUT RIGHT"

WEST DRIE turned in [illegible] profits of R43,7 million (R52,9 million) The mill rate was unchanged at 675 000 tons though a slight decline in the grade to 14 5 g a ton (14,6 g) resulted in lower production

Mr C Fenton head of the GFSA gold division, said that the current grade was "about right" based on present gold prices and working costs

There were no uranium sales during the quarter

EAST DRIE'S mill rate was brought up to 675 000 tons from the 656 000 tons last quarter (because of a fire) but a lower grade of 14 g a ton (14 9 g) offset the gain in the mill rate resulting in lower gold production

Taxed profits were R46,5 million (R57-million). Mr Fenton said that the grade could go lower depending on stability of pay limits Capex for the financial year is estimated at R32-million

COMPRESSORS

LIBANON had a stable mill rate and recovery and costs were marginally down at R35,2 a ton milled (R35,3) Taxed profits only declined to R11,2-million (R12,3-million) aided by increased capex of R3,7-million (R3-million)

Mr Fenton said the grade was unlikely to be changed unless the gold price was static and costs rose

KLOOF lost 15 000 tons milled to 525 000 tons as a result of problems with three compressor machines These faults have been rectified Grade was stable at 14 5 g a ton, largely because of the predominance of long wall mining techniques

DOORNFONTEIN taxed profits fell to R14 5-million (R22 2 million) largely because of lower capex incurred in the quarter — R5 2-million against R12,2 million before

The mill rate was unchanged at 360 000 tons and grade fell marginally to 8,4 a ton (8,6 grams)

OVERSIZED

At **DEELKRAAL** the milling rate was 287 000 tons (285 000 tons) Mr Fenton said that Deelkraal should be milling 300 000 tons, but problems with oversized rocks cut back on the rate The problem has been partly overcome and the mine is now milling 100 000 tons a month

The planned mill rate is 120 000 tons a month To achieve this target larger balls for the mills have been ordered and a primary jaw-crusher will be commissioned in August

Part of Deelkraal's capex programme is for the building of a second mill — though this will not increase throughout R25 million has been earmarked for this aspect and housing

Mr Fenton said there were many options open to the mine — such as deepening the sub-vertical shaft and/or raising the tonnage to 180 000 tons a month He added that grade is likely to improve from the current 4,2 g a ton when raise boring is competed about the end of the year

The company's own cash flow will be sufficient to cover the Capex programme but, questioned on dividend prospects, he said this depended on the gold price

BOREHOLES

At **VENTERSPOST** grade was 4 g (4,2 g) and the mill rate stable at 345 000 tons Costs were little changed at R39,5 a ton milled (R39,2) and taxed profit was R3,6-million (R5,6-million)

VLAKFONTEIN had a stable 1,1 g a ton grade Mill throughout was unchanged at 180 000 tons but the proportion of purchased material declined to 36 percent (45 percent)

Problems with drilling means that results of four borehole probes (to a depth of about 1 000 m) will only be known in the middle of next year Mr Fenton said that the target area is small and the probe is aiming at establishing the viability of a portion of the Kimberley Reef

Taxed profits were R552 000 (R807 000)

GOLD QUARTERLIES 214

The cost syndrome

FM 10/4/81

If the Soviet Union would make up its mind to invade Poland, much of gold's current uncertainty would disappear On Monday, when invasion fears were high, bullion managed a rise to $534,25 at the morning fix in London, before falling to $508 on Wednesday morning

For the present, Poland is the only factor which could give gold a fillip Industrial demand for the metal is recovering, but it appears to react quickly to advances to the $550 range And US futures markets are preoccupied with economic developments in America For once, US stock and commodity markets are marching in step to the economic tune And the counterpoint is declining inflation rates which lessen gold's speculative attractions

Not that gold's stodginess is altogether bad for the mines The rand's drop to $1,24 in line with gold price weakness is helping to support rand-denominated earnings But that is not enough to offset weakening dollar gold prices let alone rising operating costs

On an annualised basis, operating costs are currently advancing at 20% or more, while the rate for capital costs is several percentage points higher And though most mines, particularly those managed by GFSA, have used the past year or so of strong gold prices to improve operating flexibility, their scope for raising grades is not enough to offset a gold price drop into the $400s Prospects for the rest of this year are not particularly bright — we may well have to wait until 1982 before the gold and gold shares markets are the places to be'

Deelkraal Unlike its neighbour Elandsrand Deelkraal is confident that remaining capital expenditure can be funded from retentions That is all very well but it implies a poor dividend performance until mining operations are well-entrenched in higher-grade and deeper VCR to be exploited from the No 1 sub-vertical shaft Mining that reef will not start until early next year with full production only being achieved by end-1982

In the meantime the mine is overcoming some of its milling problems Monthly mill throughput is currently 100 000 t, and management reckons that when a second mill is installed in a few months time throughput will increase to a sustainable 120 000 t

The mine obviously needs a higher milling rate if it is to exercise some meaningful control over costs Technical problems last quarter helped boost unit costs by 8 to R42 95 t — an annualised advance of 36% And that was in a quarter when no major structural cost advances were incurred

Last year Deelkraal paid a maiden final of 5c Unless the gold price improves rapidly there is little point in counting on anything better this year This year s capex is planned at R10m of which only R1 1m was spent in the March quarter leaving attributable earnings of 2 6c a share So if gold wallows and the capex plan is met distributable earnings may not be much greater than 5c this year

East Drie Though the mine s average recovery grade has dropped from more than 20 g t to 14 g t in seven quarters it has further to fall Unless the gold price falls putting higher tonnages in the unpay category and thereby boosting the average grade of the mine s payable ore reserves recovery grade could fall to nearly 13 g t during the remainder of this year

That may be labouring a point as the mine has the industry s lowest production cost per ounce of gold But on the basis of the March quarter s results unit costs are set to rise sharply this year During the quarter just completed they advanced 4,5% to R37 64 t while the June and September quarters will be affected by the up-coming round of wage and salary hikes

The mine has considerable flexibility to adjust grades to changing gold price and cost parameters But it has little or no scope to increase mill throughput to spread the load of operating costs over a larger production tonnage This year s capex is slated at R32m of which R27 5m remains to be spent in the final three quarters Unless the gold price moves quickly into higher ground it is unlikely that the interim dividend will be much greater than 120c

West Drie. While gold remains at current levels, recovery grade should remain relatively stable at around 14 5 g t And the share remains one of the most comfortable to be in During the last quarter production costs averaged $118 ounce of gold And though unit costs were 3 5% higher at R42 36 t with more to come as wage increases take their toll over the next two quarters the chances are that recovery grades will hold up for another two or three years

The mine is moving into lower-grade Carbon Leader reef in the eastern Nos 3 and 6 sub-vertical shaft areas But grade drops should be alleviated to some extent when extraction of ore in the high grade western shaft pillars starts in a couple of years from now

Doornfontein . . . capex on schedule

The mine has retained about 500c from the first three quarters operations and a final dividend of 700c is well within reach

Kloof It is well known that Kloof s longwall mining method prevents it from adjusting mining grades in response to gold price and cost shifts That is fine when gold is moving favourably but while gold is weakening with no particular sense of direction the mine has less flexibility to bolster earnings than its sisters in the GFSA group

For the present that is nothing to worry about Recovery grade is stable at 14 5 g/t and the cost of producing an ounce of gold was a low $127 last quarter But on the March quarter s figure unit costs are rising at an annual rate of 21% — last quarter they advanced 3 9% to R45 64/t

Rententions during the first three quarters amounted to 175 7c And as there is no need for the mine to retain large amounts to fund future capex a final of at least 250c is possible

Doornfontein. The capex programme to open up new mining areas in the southern part of the property is on schedule with shaft sinking due to start in July or August As that gets under way management will probably take a cautious line on dividends unless the gold price gets back into gear

Meanwhile in line with most other gold mines in the group unit costs are rising at a high rate They were 4 7% ahead in the March quarter rising to R43 41/t The mine can adjust recovery grades upwards to compensate for higher costs and a stodgy gold price but that cannot be maintained indefinitely A 135c interim was declared in December and the mine retained 296 8c a share during the first three quarters So there is scope for a final of more than 300c but that will depend on capex plans and gold price expectations

Libanon Recovery grades have been edging down to their latest 5 9 g t for several years but a turning point could be coming The mining plan envisages a grade upturn if gold remains static while costs rise And despite a small and unexpected unit cost fall from R35 38 t to R35 24 t in the March quarter the cost trend is inevitably upwards Much depends on how the March quarter s cost cut was achieved — GFSA is still looking into it — but higher labour costs over the next two quarters will lift costs onto a higher structural base Recovery should move above 6 g t this quarter and hold that level for the next six months if gold is stagnant

The mine has retained 196 5c from the first three quarters operations so look for a final of about 250c to follow the 130c interim

Venterspost Costs were well maintained last quarter though an advance is on the cards as development in the Middelvlei area gathers pace But as with most of the other GFSA mines the mining schedule is programmed towards higher recovery grades As an interim target a return to 4 2 g t seems likely but an advance to 4,5 g/t is possible if the gold price remains at current levels for the rest of 1981

Planned capital spending is minimal the only large projects under way are provision of refrigeration plants — so there is no need for excessive retentions The first nine months operations have resulted in retentions of 122 6c and a 150c final is possible after the 100c interim

Vlakfontein The problem of weaker gold prices has been temporarily overcome by reducing the tonnage bought from outside sources Mill throughput has been maintained by increasing the treatment rate of the mine s own rock dumps But that of course reduces life expectancy based on the company s own resources Strategy is to extend operations based on treatment of surface material until a decision can be made on resuming underground mining Four drills are to probe known occurrences of Kimberley reef but the first has been delayed This year it will be difficult to repeat last year s 40c payout

Jim Jones

Chairman's review

Amgold

ANGLO AMERICAN GOLD INVESTMENT COMPANY LIMITED

FM 10/4/81

(214)

Amgold's equity earnings rise by 146 per cent to R315 million

The industry has taken advantage of the higher gold price to embark on many new shafts

— MR. J. OGILVIE THOMPSON

An abridgement of the annual review by Mr J Ogilvie Thompson, chairman of Anglo American Gold Investment Company Limited

FINANCIAL

The year was spectacular for both the gold mining industry and the company The industry's revenue of over R10 000 million was 80 per cent higher and its profit of R2 575 million, after tax and capital expenditure, was 125 per cent higher than in the previous year The company's earnings at R315 million were nearly two-and-a-half times those of the previous year and the ordinary dividend was increased by 119 per cent to 1 150 cents These results were the effect of a very much higher, though fluctuating, gold price, which averaged $614,63 in 1980, almost twice that of the previous year

Retained earnings for the year amounted to R62,5 million (R12,7 million) In the light of the higher gold price for the year it was decided to retain a larger proportion of earnings than in recent years to enable the company to take advantage of investment opportunities and in the hope of minimising fluctuations in the dividend distributions if last year's average gold price should not be matched

The value of investments, which had risen from R2 246 million last February to R2 925 million at the half year, had returned to a level of R2 335 million at the financial year end It is interesting to note that the gold prices at the three dates were $638, $632 and $507 respectively The company's net asset value at February 28 1981 was 10 829 cents a share compared with 10 182 cents last year At March 13 1981 net asset value was 10 794 cents a share

For the industry as a whole, working revenue from gold reached the staggering figure of R10 193 million, reflecting the increase in the dollar gold price partially offset by an average appreciation of the rand against the dollar of 8,2 per cent and a further decline in gold production from 702,8 tons to 674,0 tons Tons milled increased by 7,7 per cent while, as forecast last year, the average grade fell by 11,1 per cent to 7,28 grams a ton

There was a marked acceleration in the escalation of working costs per ton milled which rose by 17,7 per cent in 1980 compared with 11,2 per cent the previous year Nevertheless, working profit from gold more than doubled to R6 800 million and with uranium profit, sundry revenue and sharply reduced State assistance, total profit amounted to R7 335 million as against R3 537 million in 1979 Capital expenditure on producing mines, which had increased by over 50 per cent the previous year, rose by a further 34 per cent to R922 million Taxation and State's share of profit and the resultant distributable profits were each 125 per cent higher at R3 838 million and R2 575 million respectively Dividends declared absorbed R2 279 million

GOLD

The acute variations in the gold price during the past year and early in 1981 must be viewed in the international political and economic context Events in this arena have driven the price up from the average levels in 1978 and 1979 of around $200 and $300 respectively to over $600 in 1980, from which it receded to below $500 recently At the same time, they have imparted a new volatility to the market This is not surprising in view of the extraordinary degree of uncertainty, that has prevailed in world political affairs and the gyrations in money supply and interest rates in the United States It is testimony also to the mounting importance of the futures markets and the ability they afford for the trading of gold in volumes far in excess of physical supplies The behaviour of the price reflects how the various influences interacted and how different elements dominated at different times

In retrospect, it can be seen that the upward momentum in late 1979 and early 1980 was motivated overwhelmingly by investment and speculative demand in an environment where fears of political and economic instability outweighed all other considerations, Restrictive monetary measures in the United States late in 1979 induced only a brief reaction, as had been the experience in the preceding two years Early in 1980, however, the underlying mood altered The mounting cost of gold in terms of all currencies had already affected consumption by the jewellery industry and the high price encouraged dishoarding by traditional holders Furthermore, when the political situation in the Middle East and Afghanistan, coupled with the US hostage issue, failed to precipitate further calamity, investors and speculators, seemingly inured to forebodings of disaster, began to reconsider the extent of their holdings Record American interest rates and the attractions of assets denominated in a stronger dollar thus became dominating influences Naturally, activity on the futures markets, which had magnified the extent of the previous surge, played a large part in the rapid descent at this stage, which was compounded by the debacle in the silver market

During the second phase, the price recovered substantially The Middle East situation became increasingly tense and other problems, for example in Turkey and Poland, began to emerge Yet the major influence was the response by the United States authorities to an unparalleled decline in growth in the second quarter Interest rates fell markedly and money supply expanded at an explosive rate The dollar declined once again and doubts about the United States Administration's ability to maintain control of inflation became an overriding consideration in the gold and, to a lesser extent, in other metal markets

The revival was, however, not sustained despite the intractability of the hostage issue, the outbreak of hostilities between Iraq and Iran and growing appreciation of the longer-term inflationary implications of the debt service problems of the LDCs and of certain Eastern-bloc countries Interest rates in the United States, which had started to rise again in August 1980, were perceived to be on an inexorably upward course as the Federal Reserve quickly changed its monetary stance Despite the Presidential election, these policies were maintained with vigour in the closing months of the year, with the result that interest rates in both nominal and real terms climbed to new heights and the dollar made record gains against other currencies In this context, and with the growing realisation that the new Administration would have to take action to resolve the manifold structural dilemmas inherent in the American economy, the gold price continued to decline Its fall was accentuated after the ending of the hostage crisis and resolute pronouncements on economic policy by the new Administration

Looking at the statistical picture, an outstanding feature of the year was the dramatic reduction in supplies to the market, despite a somewhat greater flow of scrap gold This drop was the result of lower sales from the Communist bloc and, more particularly, of the cessation of the IMF auctions early in 1980 and the absence of any sales by the American treasury With the disappearance of these two dominating supply factors, the official sector in fact emerged as a net buyer for the first time in many years This includes retentions by the South African Reserve Bank and also reported significant additions to monetary gold stocks of central banks of developing countries in the Middle East, Asia and South America The continuance of the reserve asset diversification process, which has gained momentum over the past two years, as well as the transfer by certain central banks of their gold stocks to their own countries, provide added confirmation of the importance attached to gold as the major single component of international reserves On the other hand, estimates are that consumption by the jewellery industry halved, other fabrication was slightly lower as was the offtake for official coins, including sales of all Krugerrand coins which absorbed 3 142 500 ounces compared with 4 940 755 in 1979 Net hoarding and investment, although much reduced, accounted for almost a third of total demand

The outlook for gold supply is for a continued gradual decline, barring substantial increases in Communist sales which are more than usually difficult to predict in present circumstances Further IMF and US Treasury auctions are not foreseen, especially in light of the renewed focus on gold's monetary role by the United States Congress and elsewhere On the demand side there is evidence that both jewellery and certain categories of investment demand have begun to improve in response to the lower and relatively less volatile price, and other applications should recover gradually with the projected revival in the world economy later this year The role of the central banks cannot be predicted with any certainty However, lack of progress on the Substitution Account proposals, the persistence of global payments imbalances and potential restrictions on the free transfer of monetary assets continue to impart an additional dimension of security to gold holdings as the ultimate means of settlement Private investors will be influenced by these issues and the firmer military stance being taken by the Reagan Administration as well as by the more immediate negative implications for gold of tight monetary policies and a strong dollar Nevertheless, there is little consensus on the short-term economic outlook in the United States or on the wider implications of the proposed new fiscal strategy and the prospects of a lasting abatement of inflation In the meanwhile, energy problems are far from resolved and the geo-political balance remains precarious In this setting, the incessant build-up of investment funds, in the Opec countries and elsewhere, implies that gold will continue to have a role in accordance with the risk-aversion principle in prudent portfolio management

In relation to expected supplies, therefore, I believe that overall demand will be sufficient to ensure a reasonable price for gold in the forthcoming year but the present climate dictates a cautious approach in the light of further weakness that could still occur

URANIUM

I mentioned last year that spot uranium prices were expected to decline in the short term and a rather dramatic drop has indeed occurred, fundamentally owing to the fall in projections of demand for additional power generation Existing producers have expanded their production capacity and several new producers are about to emerge, particularly in Australia, where companies are receiving permission to proceed with the development of their high-grade mines As a result, an oversupply is developing that is affecting uranium consumers' perceptions of the security of their future supplies This fact, and the desire to benefit from prevailing high interest rates, caused electricity utilities in the United States to begin to liquidate surplus inventory which, in turn, accelerated the market's decline

At current price levels, some existing high cost primary producers of uranium may be forced out of business, while producers of by-product uranium, including some of the South African gold mines and new, low-cost, primary producers take their place in the market The fact that production costs are escalating rapidly, and that as a consequence profit margins are narrowing, will only hasten this development

In the longer term, there can be no doubt that the balance between supply and demand will re-establish itself, especially when utilities start ordering new generating capacity to maintain sufficient generating reserve and to replace obsolete capacity However, it is likely that when this balance does return to the market, projections of nuclear power growth will be more realistic than five years ago and prices will be more in line with market fundamentals The desire of uranium consumers to diversify their sources of supply may have an adverse effect on long-term supply contracts with South African producers, particularly since the future high-grade, low-cost producers in Australia have adopted an aggressive pricing policy

In 1980, the South African industry increased production by 28 per cent to 7 078 tonnes thus contributing to the global oversupply The continuance of this situation in the next few years will render it unlikely that spot prices will improve and at best, current contract prices will only be maintained which will mean a decline in real terms

MINING OPERATIONS

The rate of increase in working costs which had been contained to 11,2 per cent a ton in 1979 increased to the unacceptably high rate of 17 per cent, compared with a rate of inflation in South Africa, as measured by the production price index, of 16,7 per cent

Unskilled labourers' wages escalated at a higher rate than the average and it is accepted that this must continue Further emphasis must be placed on a united move by the industry to achieve an acceptable unified wage structure for all employees

Technological development is an area in which much effort is being concentrated with a view to reducing cost inflation It is important that there should be breakthroughs in the 1980s particularly in relation to deep level mining where the problems of heat and rock pressure must be ameliorated Initial steps have already been taken in the development of stabilising pillars in attempts to reduce the effects of seismic activity The process involves the sacrifice of a proportion of mineable ore, but this will be justified if it makes mining at greater depths safer With the same aim trials have been conducted to establish a practical method of milling waste rock to fill mined-out stopes, and underground tests will commence during 1981 These developments will assist in increasing the productivity of the workforce since much time is lost in repair of the working place after rock bursts and seismic activity

The new dispensation in industrial relations introduced as a result of the first report of the Wiehahn Commission, has enabled black workers to form and join trade unions The effect of this dispensation has been less in the mining industry than in South African industry in general, principally because the high rate of turnover of the labour force and the great variety of its origins result in mine labour not lending itself easily to unionisation

Meanwhile, the shortage of skills referred to in my review last year is becoming more apparent daily Legislation which prevents the upward mobility of blacks still applies and it is to be hoped that the forthcoming report of the Wiehahn Commission on industrial relations in the mining industry will suggest the means to overcome this problem Imaginative thought will have to be given to training schemes as the old methods such as trade apprenticeship will not cater sufficiently rapidly for the needs of the future Unless there are legislative changes soon and a greater emphasis on training in the private sector, the rate of economic growth will slow down and it can even be visualised that some of the mines will not be able to reach their production targets or complete capital projects on schedule

NEW DEVELOPMENTS

The industry has taken advantage of the higher gold price to embark on many new projects Twenty shafts on 16 of the 37 mines in South Africa were in the process of development and it was perhaps only in the early 1950s, when the

Orange Free State goldfield was being opened, that as many shafts were being sunk as is happening now throughout the Witwatersrand Basin The difference is that today one of these shafts costs more than a complete mine in the 1950s The cost of the new shaft at Western Deep Levels, which will eventually reach a level 3 880 metres below surface, quite easily the deepest in the world, together with related costs such as surface plant, hostels and houses, is R715 million in 1980 money terms. This new shaft will facilitate mining in the southern part of the lease area and will also eventually provide access to a large tonnage of Ventersdorp Contact Reef that lies to the south of the lease area Agreement has been reached whereby Western Ultra Deep Levels Limited will cede the mineral rights of this area to Western Deep Levels in return for 550 000 special Western Deep Levels shares

In the light of the cost escalation referred to above and in spite of the higher gold prices, it has only been possible to announce the development of a new mine to the east of Welkom on the Erfdeel/Dankbaarheid property, where gold and uranium grades are comparatively low, by working out a complex scheme which gives greater flexibility to the mining operations of the adjacent mines in that area

The new No 9 shaft at Vaal Reefs Exploration and Mining Company Limited (South) reached a depth of 2 155 metres by the year-end and commissioning has been brought forward to mid-1982 The anticipated completion date of the uranium plant at The Afrikander Lease Limited has been delayed to mid-1982 as a result of a decision to do additional research into the design of the pressure leaching unit Work on the gold treatment section has progressed on schedule and is expected to be completed in the last quarter of 1981

It has been decided to proceed with dewatering and sampling of the underground workings of the old No 5 shaft of Van Dyk Consolidated Mines Limited in an area to the west and south of The South African Land & Exploration Company Limited's previous mine workings This programme will cost R10 million and will take almost two years to complete, whereupon a decision will be taken on further exploitation of the underground workings

At Elandsrand Gold Mining Company Limited gold production was 24 per cent less than forecast at 5 250 kilograms Good progress is now being made in developing to the lower levels accessible from the present shaft system but mineable ore reserves will not be established before the end of 1981 Against this background the company proposes to have a rights issue to raise R120 million to enable it to reach its planned production of 180 000 tons per month

EXPLORATION AND DEVELOPMENT

The tempo of gold prospecting conducted by Anglo American Corporation, in which we participate, again increased substantially during the year and will escalate further in the coming year

Intensive drilling in two blocks south of the Orange Free State goldfield has been sufficiently encouraging to justify embarking on closer spaced drilling to define reserves Elsewhere in the Orange Free State results were less encouraging

Deep holes are still in progress south and south-west of Vaal Reefs mine to prove up extensions of Vaal and other reefs Results of shallow drilling for Vaal Reefs were disappointing Exploration for gold north of Klerksdorp has yielded promising results and a low grade deposit has been located in one area Further drilling for VCR and Elsburg Reef in the block south of Western Areas mine has confirmed grades encountered previously Additional fill-in drilling is required to assess the continuity of a number of reefs occurring at great depths

We are participating in gold exploration in Brazil through Mineração Morro Velho SA Promising results were obtained in one area where drilling is in progress and a study has been commissioned to assess the possibility of exploiting the additional ore reserves proved last year Morro Velho is to develop a small mine at Jacobina with an initial milling capacity of 20 000 tons a month Your company has started to participate in prospecting programmes in Chile and Argentina and continues to do so in Australasia

CONCLUSION

1980 was undoubtedly a most exceptional year for the gold mining industry, and at current gold prices the same level of dividends cannot be maintained It is worth noting that the company's earnings in the year under review were approximately four-and-a-half times those of two years ago The industry is indeed in an extremely healthy position and the developments to which I have referred are further strengthening it However, cost inflation remains a major problem and it is today even more important that mine management achieves a greater control over costs, both by effective management of stores and by improved utilisation of human and physical resources

The average gold price for the year to date is $517,14 compared with $614,63 in 1980 and the price at the time of writing is $493,25 The extent to which President Reagan succeeds in his aims of rejuvenating the American economy, reducing inflation, and re-establishing American presence in the world, will be of critical importance to the gold price as it will influence the factors which affect investment and speculative demand inflationary expectations, the strength of the dollar and political and economic uncertainties In this environment, and given the reduced level of supplies, there is hope for greater stability in the market which would be to the benefit of consumers of gold, particularly in the jewellery trade I have already referred to the increased monetary role of gold Overall one can therefore be confident of the gold price in the medium and long term so that the outlook for your company continues to be favourable

17 March 1981

The annual general meeting of members will be held at 44 Main Street, Johannesburg on Friday, April 24 1981 at 12h00

The annual report and chairman's review may be obtained from Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 2001

Little ground for East Dagga jump

RDM 10/4/81

By ADAM PAYNE

EAST Daggafontein shares have jumped from 205c on March 27 to 340c last week and 300c yesterday — the movements being prompted by rumours of a merger, or possibly a second Ergo.

But I am told that there is no foundation for reports that a merger scheme will be undertaken

People are aware that "something is going on", but I am told that possible moves would not go beyond tributing arrangements and are not of great importance

Talk that started the run in the shares covers three possibilities.

First, that East Dagga is about to merge with Marievale which adjoins it Marievale would exploit East Dagga's ground to minimise capital spending

Second, that East Dagga, which has 73-million tons in dumps grading 0,16 lb uranium and 0,43 g/t gold, could be involved in an Ergo-style arrangement with Marievale, the old Daggafontein mine, and possibly Vogels

Thirdly, speculation in a broker's letter about possible plans for a large low-grade mine to take in Daggafontein, which has low-grade Kimberley and Main Reef

Since any developments are likely to involve tributing it is worth looking at the present tributing arrangements

Bonanza Gold Mine has since 1977 received royalties from limited underground operations carried out by that company around the old No 1 and May shafts

Profit from these arrangements received by East Dagga amounted to R108 000 last year

Another tributing arrangement is with Marievale which mines an area bordering on the north-western corner of its mining lease over which claims were held previously by East Dagga East Dagga shares in both the revenue and costs of this operation and made R133 000 last year compared with R16 000 in 1979.

A tributing arrangement with Grootvlei allows Grootvlei to mine in East Dagga's mining lease, in an area adjoining the southern boundary of Grootvlei's workings. Profit from this arrangement totalled R855 000 for East Dagga last year compared with R173 000 in 1979

In terms of another agreement with Grootvlei, that company is to mine in an area totalling 62 ha in East Dagga's original mining lease area, south of the existing tribute area.

East Dagga will receive 25% of the revenue from this work and will meet 25% of the costs

28. control and contraventions such as side-payments to brokers

27. his drug to make doctors believe that it is superior, the loss in sales due to the higher price is negligible.

From this it can be deduced that the superior knowledge of the "inputs of consumption" (i.e. the nature of the drugs) and ./...

But such direct measures will probably prove impossible to ./...

SUMMARY OF QUARTERLY RESULTS
Comparison of March 1981 and December 1980 Quarters

	Tons Milled 000s	Yield g/t	Costs R/ton	Costs $/oz	Revenue $/oz	Net profit R000s	Profit after capex	EPS after capex cents
RANDFONTEIN	1 014	5,4	35,99	271,5	520,2	28 731	10 820	200
December	1 054	5,1	34,40	280,4	657,2	47 494	10 922	202
WESTERN AREAS	1 085	4,3	40,97	388,5	524,2	14 514	8 214	20
December	1 092	4,4	38,91	366,5	644,0	35 481	4 772	12

Conversion factors: March quarter for Randfontein R = $1,3099, Western Areas R = $1,3109 In December quarter R = $1,3361 for both miners

Randfontein and W Areas get lower capex lift

EDM 15/4/81

(214)

By ADAM PAYNE

BIG falls in capital spending helped Randfontein mine to maintain its earnings a share and Western Areas to improve its earnings a share in the March quarter in spite of much lower profits.

This is in contrast to the results at all Gold Fields of SA mines where eps were down in the March quarter

The big drop on the Johnnies mines' capex was caused by forward buying of capital equipment in the December quarter which boosted Randfontein's capex to R36-million, or more than double the figure in March

Randfontein is budgeting for capex of R100-million this year, or an average of R25-million a quarter, but in the March quarter spent only R18-million Western Areas expects to spend R45-million

One feature emerging from these reports is that both the gold price and the rand have fallen together, so that if the gold price is $480 and the rate of exchange is R1=$1,2315 — as it is now — then the price is as good as $518 when the rate was R1=$1,336 as it was in December

The rand has dropped 8%, and this gives an 8% boost in rand revenue for gold sold in dollars

Therefore one can expect that if the gold price falls further so will the rand, thus compensating for much of the loss from a lower dollar price

RANDFONTEIN: The mine raised its grade to 5,4 g/t (5,1 g/t) in the March quarter and should maintain this grade during the year

Revenue was down 14% because of the lower gold price and net profit fell 39,5% to R28 731 000

Although working costs were up in rands a ton, they were down in total with less ore milled

The lower tonnage was due to the Christmas holidays being included in the March quarter for accounting

The Millsite plant at the Randfontein section continued to operate at full capacity on underground ore from this section and on 139 000 tons from the old surface tailings dumps This was a bigger proportion of tailings than formerly, but is the level at which dump treatment will continue

Had the same tonnage been milled at Randfontein in the March quarter as in the December quarter, the 4,6% rise in unit costs would have been greatly reduced or almost wiped out

Improvements to the operations of the gold section at Cooke plant were achieved and this contributed to the increased average recovery grade for the quarter

Improved recovery efficiencies at both uranium plants — Cooke and Millsite — largely offset the expected drop in production from lower throughput at Millsite, and uranium production fell marginally from 166,6 tons to 163,8 tons

However, uranium profit slumped from R5 981 000 to R2 117 000

The price under the main uranium contract is renegotiated annually and it is at a lower level this year than last Although uranium production was maintained, sales in the quarter were down

In development, the average value at Cooke No 2 Shaft was lower than in the previous quarter at 6,9 g/t (9,8 g/t), but this is not regarded as significant The development happened to be in a lower-grade area

Cooke No 3 Shaft should be down to reef and developing on reef by the end of the year

Although there was development on the Kimberley Reef, this reef is erratic and the horizon has limited tonnage potential It is not included in the current mining programme

In the old Randfontein section the search for payable values continues, but the results have been discouraging

WESTERN AREAS. Tonnage was maintained, but grade was slightly down at 4,3 g/t The mine should continue at this grade during the year

Because of the lower yield, gold production was marginally down Because of the lower gold price and higher costs, profit from gold was less than half the figure in the December quarter

The mine has heat and depth problems which affect productivity, particularly at the height of summer The management is trying to overcome these problems with improved refrigeration and ventilation

Mr George Nisbet, managing director of the Johnnies gold division, says the capital programme takes up a great deal of shaft capacity

The reduction in shaft availability because of materials handling resulted in lower tonnages of both reef and waste rock being hoisted Throughput was maintained by treating 77 900 tons (67 300 tons) from low-grade surface dumps

"We have to get the No 4 sub-vertical shaft and No 3 sub-vertical shaft going for the mine to continue, therefore the capital programme must go on," says Mr Nisbet

The carbon-in-pulp plant at the North Shaft is slowly but surely coming up to expected performance levels

Work on the uranium plant is on schedule and it will be operational by the yearend

Business Mercury

Profits down for mining companies

(214) 15\4\81

JOHANNESBURG—Quarterly reports released yesterday by Johannesburg Consolidated Investments, Randfontein Estates and Western Areas Gold Mining Companies reflect a sharply-reduced net profit compared to the December quarter.

In the case of Western Areas, the drop was a massive 59,1 percent to R14 514 000 from the previous R35 481 000 and at Randfontein, the reduction was 39,5 percent — from R47 494 000 to R28 731 000

In spite of a lower production of 1 014 000 tons milled at Randfontein in the March quarter (compared to 1 054 000 in December) the mine produced more kilograms — 5 475 against 5 375 — with an increased yield of 5,4 grammes per ton (5,1 g/t)

However, revenue per ton milled was down from R80,64 to R68,95 and working costs were up from R34,40 to R35,99 per ton milled

Yield down

At Western Areas, tonnage milled was slightly down, as were kilograms produced and yield

However, with the drop in the gold price, revenue per ton milled was again the big factor, falling from R68,37 to R55,28, while working costs were up from R38,91 per ton milled to R40,97.

A summary of the results of the two mining companies for the March quarter, with the December quarter's figures in brackets

Randfontein - tonnage milled - 1 014 000 (1 054 000), yield - 5,4 g/t (5,1), kg produced - 5475 (5 375), costs per ton milled - R35,99 (R34,40), cost, dollars per ounce - 271,5 (280,4), revenue, per ton - R68,95 (R80,64), net profit - R28 731 000 (R47 494 000)

Western Areas - tonnage milled - 1 085 000 (1 1092 000), yield - 4,3 g/t (4,3), kg produced - 4 666 (4 818), cost per ton milled - R40,97 (R38,91), cost, dollars per ounce - 388,5 (366,5), revenue per ton - R55,28 (R68,37), net profit - R14 514 000 (R35 481 000) — (Sapa)

96

they are peripheral to several geographical races. It seems highly probable to me that the more races we create the more unclassifiable populations there would be at fewer and fewer levels of differences, until we should reach a state of subdivision close to an enumeration of all existing populations, i e., the units to be classified.

Though not based on a systematic testing, my impression

cluster analysis, but reflect an attempt to extract from the anthropological data the peculiarities common to most populations of vast geographical areas This is, for example, the case of the classification into thirteen races falling into seven main groups proposed by Boyd (1963), in which the races are defined by characteristic ranges of gene frequencies. Such a splitting of mankind essentially belongs to a diagnostic key. Its equation to a genuine classification is not clear. The conditions necessary for a valid classification will be examined later.

Probably many will find the requirement of a maximal intra-cluster distance lower than the minimal inter-cluster one too exacting. But again what is the usefulness of a classification of races *A* and *B* if we know that some populations of race *A* are nearer to some of race *B* than to some of their own race?

Though seemingly extreme, the position here expressed concerning the intrinsic resistance of contemporary mankind to any coherent taxonomic subdivision might be partly shared by many who use racial terminology. Dobzhansky (1962), commenting on Livingstone's (1962) paper on the nonexistence of human races (in which arguments similar to mine are set forth), agrees that "if races have to be discrete units, then there are no races," but is satisfied by races as a category of biological classification so vague that ". . . how many [races] should be recognized is a matter of convenience and hence of judgement." Boyd (1950) states "Whatever races we choose to distinguish will be almost entirely arbitrary, and their dis-
d on the particular characteristic on which
them." Washburn (1963) expresses the
races are open systems which are inter-
r of races will depend on the purpose of
Though defining a local race as a breeding
1961) does not apply this concept when
for example, he considers the Bantu as a
ntu breeding populations number more
in fact, he applies his former concept of a
arn and Coon 1955): "our enumeration [of local races] depends on the minimum size of the population units we wish to consider," thus introducing a highly arbitrary element into his system. There seems to be no basic theoretical disagreement between these authors' views and those exposed here. The difference lies in the fact that they consider it useful to separate into discrete units, in a somewhat arbitrary manner, the open intergrading systems that they record (there is no escaping it: if you put a label, be it a name, a letter or a

The industry is not the only cause of this, but the call is made "to oppose the media forces that advise analgesics for every minor pain, tranquillizers for each of life's minor day-to-day setbacks, and antibiotics for every cold, running nose or fever." (9)

The actual methods of promotion have also been analysed by the critics as well as by the industry and deserve attention.

(5.3) The methods of Promotion Used.

... of promotion used and ... e up by ... of ... tion budget.

Mines need $670 to maintain profit

(214) RDM 15/4/81

SINGAPORE. — South Africa's gold mines would need an average price of $670 an ounce this year to maintain profit margins, said the vice-president of Merrill Lynch International, Mr David Fitzpatrick, at a two-day gold conference sponsored by Euromoney and Advanced Management Research International.

He said that given the continued rise in costs in the industry, the unit cost of producing an ounce of gold should register at least a 20% increase in the next 12 months.

Although political upsets could drive the gold price above $670 at times, gold would probably trade below $670 for much of the year.

South African gold mines continued to offer high dividend income, even on the basis of a cautious gold-price forecast.

But in 1981 it was less likely that gold shares would outperform US stock markets in particular and world stock markets in general.

The gold price had been in a secondary bear market since January 1980 when it briefly touched $850, and it could reach its low in the next three months, said Mr Fitzpatrick.

In 1980, about half of all new gold produced flowed into investment discounts. But this year, jewellery and industrial demand could absorb 90% of supplies, which would be bullish for the gold price.

At $480 gold was at a comparable stage of its price or investment cycle as it was in mid-1976 when it traded near $120. — Reuter

... e extent: ... eveals ... ntact ... that jou... ... e drug

with other doctors accounted for 22% of doctors, ... firm literature, adverts and detailment accounted for 78%. (11) Detailmen were a particularly prevalent source of information.

Although doctors also rely on information sources such as MIMS, it is clear that promotional activities of firms are also of considerable influence; the fact that drug firms continue promoting must indicate that the effort pays off.

./...

(5.3.1) The Operation of Detailmen.

Detailmen play a large positive role in providing information and answering doctors' queries. Doctors want good detailmen and find their help of value. (12) On the other hand, however, much criticism has been leveled at the way in which the detailmen operate.

Detailmen make an average of 8 calls per day and work on a six-week cycle. Each detailman is thus able to cover about 250 doctors in a year. To cover the 11 500 doctors in S.A. thus requires each firm to employ up to 45 detailmen, clearly a costly undertaking. (13) The cost is warranted from the firm's point of view, otherwise they would not incur the expense. But the social return has been questioned because of several of the practices of detailmen.

Criticism has been levelled at the fact that detailmen are not knowledgeable enough to give doctors adequate information. Adverts aimed at recruiting medical representatives that have appeared recently in South African newspapers require only a matriculation certificate by way of educational qualification, but stress that selling experience is essential. This may indicate where the priorities of drug firms lie.

An area that has been the topic of much research is the type of appeal made by the detailman to the doctor. (14) Detailmen may be able to promote drugs for ailments that they were not intended to cure. In South Africa a drug is registered by the Medicines Control Council if it is safe and useful for the treatment of just one ailment. It would then be available for general prescription and it is possible that detailmen recommend its use for other illnesses as well.

Research into approaches by detailmen has concluded that side-effects and contra-indications are usually ignored or played down. Little attention is paid to price of new forms of treatment. Where detailmen use case-studies, the drug of choice is always the one being promoted and no other form of therapy is considered.

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(214) FM 17/4/81

AMGOLD

Capital commitments

Activities *Anglo's major gold and uranium investment vehicle Holds most of the group's strategic gold mining company stakes, both in-house and in mines managed by other groups Has a 10,9% interest in GFSA Participates in Anglo s gold and uranium exploration programmes worldwide Anglo has 48,6% of the shares*
Chairman· *J Ogilvie Thompson*
Capital structure *22m ordinaries of 10c, 25m red cum prefs of 10c Market capitalisation R2 156m*
Financial· *Year to February 28 1981 Net cash R144,7m Current ratio 1,5 Capital commitments Nil*
Share market· *Price 9 800c (1980-81 high, 14 700c, low, 7 875c, trading volume last quarter, 305 000 shares) Yields 14,6% on earnings, 11,7% on dividend Cover 1,25 PE Ratio 6,8*

	'77	'78	'79	'80
Investments				
Book value (Rm)	185	207	208	217
Market value (Rm)	766	1 103	2 246	2 335
Investment income (Rm)	45,2	74 4	133 9	321 4
Earnings (c)	189	318	583	1 435
Dividends (c)	165	250	525	1 150
Net asset value (c)	3 415	4 916	10 181	10 829

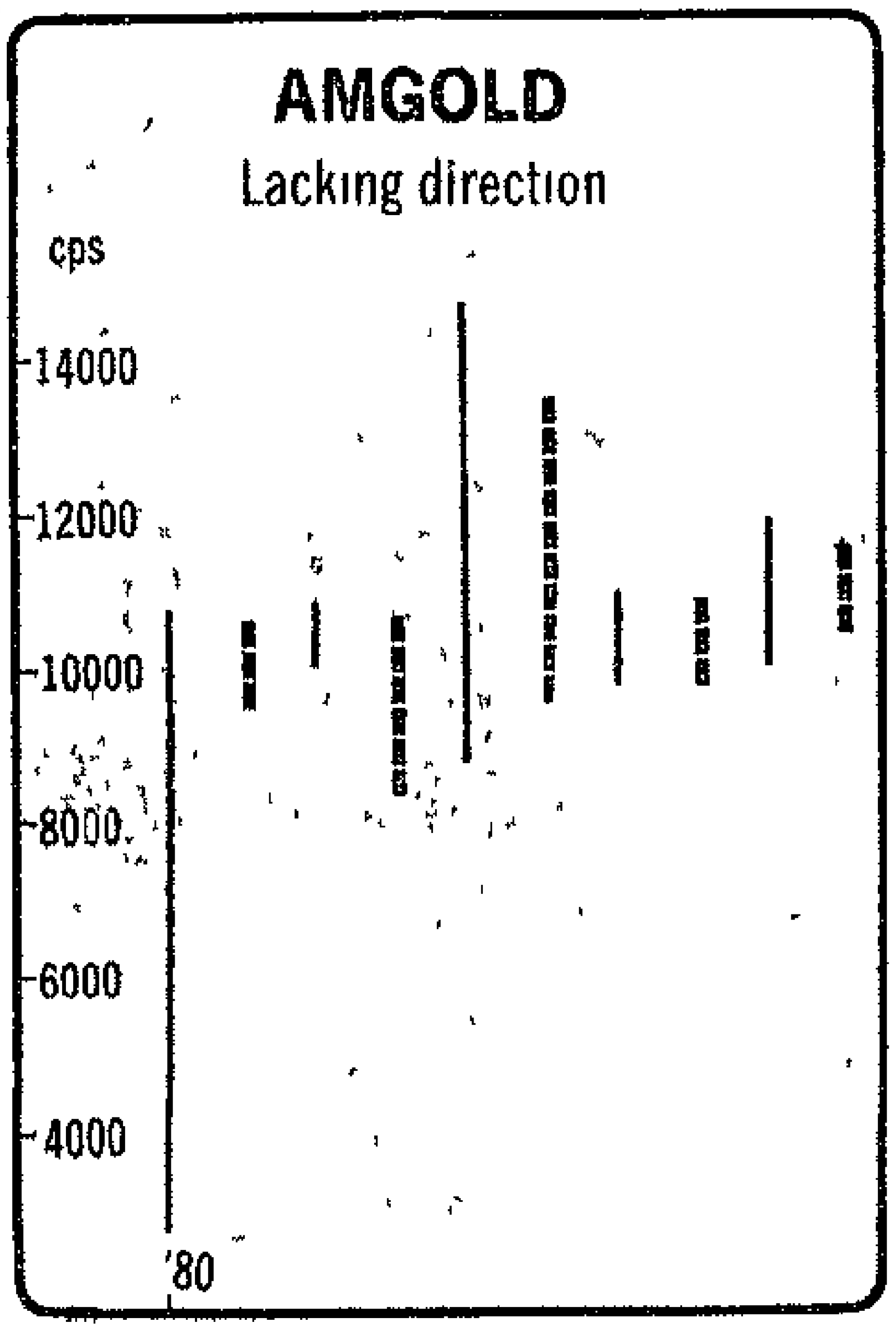
* 12 months to December 31 † 14 months to February 28

For the present, Amgold's share portfolio appears to have stabilised The company sold no shares last year and, apart from following its obligation to fund the Western Deep Levels expansion, the only major portfolio addition was 100 000 Unisel, lifting the holding to 1m shares

More to the point, though, the company took advantage of last year's quantum increase in investment income to strengthen liquidity Net current assets increased from R9,9m to R62,3m while dividend cover was increased from 1,11 to 1,25 times However, it remains to be seen whether management decides to support distributions from cash resources this year as dividend income will almost certainly be lower

The next couple of years are likely to see some relatively heavy calls on Amgold's resources This year at least R28m will be needed to follow Elandsrand s R120m rights issue And there is a commitment to subscribe a further R14,3m for Western Deep Levels debentures

Last year, prospecting expenditure rose to R3,9m (R2,2m) and the tempo of exploration is likely to increase steadily over the next couple of years Funding Amgold's share of the Anglo group's exploration programme is no strain But judging by the confident way chairman Julian



Ogilvie Thompson talks about the southern OFS drilling programme, the group could be involved in the establishment of a new mine within a couple of years

It was possible to fund the Erfdeel/Dankbaarheid project with the tax saving alchemy of a merger of Welkom, Western Holdings and Free State Saai That may be more difficult as far as new mines south of the existing producers are concerned And until any possible new mine reaches the planning stage, Amgold is likely to take a fairly cautious line on retentions

What it all adds up to is the likelihood that this year's distributions will move in line with dividend income In the longer term, funding new ventures in the OFS could coincide with additional calls if Anglovaal's eastern Transvaal exploration programme (in which the Anglo group has a 40% interest) results in the establishment of new gold mines

This may appear unduly negative as far as near-term dividends are concerned But Amgold is arguably the best gold investment available — its portfolio spread ensures that And it is worth paying the price of near-term income slackness to be in on the ground floor of major new mining projects

At 9 800c the share yields a high historic 11,7% — almost 70% higher than the yield of this time last year The market seems to be counting on a dividend drop to about 700c this year, though the share price may not yet fully reflect that If gold continues to weaken over the next few weeks, first-half income will almost certainly reflect relatively high rententions (and at the same time cautious dividend declarations) by mines with heavy capex programmes And when that is reflected in Amgold's earnings and distribution, the share price could come under further pressure

On a short-term view, a purchase of the share cannot be recommended, nor can it be until gold escapes from its current bear trend Investors with longer-term objectives could see better buying opportunities during the next few months *Jim Jones*

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RDM 22/4/81 (214)

Super mine planned

By JOHN MULCAHY

GOLD Fields of South Africa has announced the formation of a new Carletonville "super-mine", with the merger of East Driefontein and West Driefontein and the development of the North Driefontein area

The merger proposals, announced by the GFSA chairman Mr Robin Plumbridge yesterday, will result in East Driefontein becoming the largest gold producing company in the world — with an annual output of more than 80 000kg of gold

The merg[illegible] operat[illegible] is expected to [illegible] market value in excess of R3 000-million on the Johannesburg Stock Exchange

The combined operation will have a workforce of about 28 000

● See Page 15

Merger plan will make East-West Drie world's biggest gold producer

CT 22/4/81

~~232~~ 214

By JOHN MULCAHY

JOHANNESBURG. — Gold Fields of South Africa has announced the merger of East Driefontein and West Driefontein, which together with the North Driefontein mining lease area will make the merged operation the largest gold producing company in the world.

Based on results for the quarter ended March 31, and at the planned milling rate of 5 700 000 tons, the merged operation is expected to produce more than 80 000 kg of gold a year, from which will flow annual revenue of more than R1 100-million and an annual working profit of around R880-million.

In terms of the proposals, released yesterday by GFSA chairman, Mr Robin Plumbridge, West Driefontein will become a wholly-owned subsidiary of East Drie from July 1 this year, in consideration for 285 new East Drie shares for every 100 West Drie shares held.

East Drie will acquire from Gold Fields Mining and Development (Pty), a wholly-owned subsidiary of GFSA, the mining lease over North Drie in consideration for 7 362 000 new East Drie shares.

The North Drie lease area, 985 hectares in extent, includes an area of 54 hectares over which a subsidiary of Texasgulf Inc of the US has the mineral rights. In consideration for this portion of the lease area Texasgulf will receive 294 480 shares in the new East Drie from GFSA.

One company

In essence, said Mr Plumbridge, the purpose of the scheme was to merge West Drie and East Drie into one company, and take cession of North Drie, "so that we can plan a major integrated operation in this very rich part of the Witwatersrand."

Following implementation of the scheme, and based on recently prevailing Johannesburg Stock Exchange prices, the merged operation is expected to have a market capitalization in excess of R3 000-million.

The new East Drie will have 102-million shares in issue, and GFSA will have an interest of around 30%.

Milling rate

Mr Plumbridge said the combined milling rate of East Drie and West Drie, which at present is 450 000 tons a month, will be increased to 475 000 tons a month by July, the increased milling rate being justified due to the relatively shallow tonnage in North Drie becoming available for mining in the short to medium term.

He said the rate would be sustained at this level, and there was no further increase in production envisaged at this stage.

The increased milling rate will hopefully be achieved without additional labour, said Mr Plumbridge — "The challenge to mine operators will be to get increased tonnage without any increase in labour."

New shafts

East Drie is currently mining on the southern boundary of the North Drie area, and by extending these workings a portion of North Drie could be mined within a year. Major development of North Drie will require two new shafts, and Mr Plumbridge envisages large scale mining in the area in five to six years.

North Drie is underlain by an estimated 27-million tons of ore on the Ventersdorp Contact Reef, averaging 14,3 g/t over a width of 172 cm, and could be brought to account as an independent operation.

However, West Drie's mining infrastructure already exceeds that which is required for its current production rate, and this excess is expected to increase over the remaining life of the mine, so allowing North Drie to be developed at a far lower capital cost than would be required for a totally independent mine.

The surface shaft for major development of the North Drie area would probably go to a depth of 1 900 to 2 000 metres, said Mr Plumbridge, and the tail-end of the area would be accessible from the East Drie No 2 sub-vertical shaft, now being sunk.

In addition, the North Drie development will fall within the tax structure of the merged operation. Mr Plumbridge said the tax formulae for the new East Drie had not yet been established, but it would be a fairly simple tax situation, and "will make life easier than it is at present."

50-year life

The life of the merged operation will be about 50 years, according to Mr Plumbridge, which compares with East Drie's estimated life at its present production rate, of 70 years, while it is estimated that West Drie's current planned milling rate of 225 000 tons a month could be maintained for about 10 years, after which underground production will decline fairly rapidly over the next 10 years.

The merging of the various mining leases, which is subject to approval by the Minister of Mineral and Energy Affairs will allow the new East Drie to remove inter-mine boundary pillars, and this will commence as soon as the necessary approval is received, said Mr Plumbridge.

The ore contained in the boundary pillars is of a very high grade, and the pillars are estimated to contain 28 000 kg of gold worth around R350-million at current prices.

The gold contained in the pillars will be removed as quickly as possible to avoid "losing" the ore as remnants.

The advantage of the scheme to the existing East Drie is that it will enhance the value of holdings by accelerating the exploitation of its lease area.

West Drie's mining infrastructure will provide many of the facilities required to support North Drie and, in the longer term, make it possible to sustain a higher production rate from the deeper levels of East Drie.

It is intended at some later stage to use West Dries No 6 shaft to accelerate mining at East Dries in the southern area.

Production rate

Maintenance of the current production rate of 225 000 tons a month requires a continuous costly programme of shaft sinking to obtain access to tonnage in the deeper levels of the mine. East Drie's life, estimated to be in excess of 70 years, suggests that a higher production rate should be contemplated.

Technically, says Mr Plumbridge, this would require massive additional capital expenditure on the provision of the required mining infrastructure, and on technical and financial considerations such an expansion programme is not considered prudent.

To facilitate implementation of the scheme East Drie will change its financial year to June 30, and the company will issue a report and financial statements for the six months to June.

The new shares to be issued by East Drie will not rank for dividends until the scheme has become effective, and East Drie and West Drie will consider the declaration of dividends in respect of their existing issued shares in June.

if the individual is removed from dust exposure. Silicosis ... progressive disease in which nodules

nodulation becomes less marked and regular and may even disappear in the fibrous masses matted together and containing 'obliterated ... vessels and bronchi'. (133) Obliteration of the blood supply ... namely

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associates with silicosis - and this can occur in the simple or advanced stages of the latter disease (141) - it can be extremely difficult to identify the tuberculotic element. Even the typical silicotic nodules are not recognisable in progressive massive fibrosis (142). The nodules are no longer well defined. They show evidence of necrosis (caseation or death of tissue) and cannot be sharply distinguished from the surrounding inflammatory tissue. Also the characteristic pathological features of tuberculosis are modified or absent

see p.19(a) / ...

RDM 22/4/81 (214)

GFSA announce gold mine merger

By JOHN MULCAHY
Mining Editor

GOLD Fields of South Africa has announced the merger of East Driefontein and West Driefontein, which together with the North Driefontein mining lease area will make the merged operation the largest gold producing company in the world

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In essence, said Mr Plumbridge, the purpose of the scheme was to merge West Drie and East Drie into one company, and take cession of North Drie, "so that we can plan a major integrated operation in this very rich part of the Witwatersrand"

Following implementation of the scheme, and based on recently prevailing Johannesburg Stock Exchange prices, the merged operation is expected to have a market capitalisation of more than R3 000-million

The new East Drie will have 102-million shares in issue, and GFSA will have an interest of around 30%

Mr Plumbridge said the combined milling rate of East Drie and West Drie, which at present is 450 000 tons a month, will be increased to 475 000 tons a month by July, the increased milling rate being justified due to the relatively shallow tonnage in North Drie becoming available for mining in the short to medium term

He said the rate would be sustained at this level, and there was no further increase in production envisaged at this stage

The increased milling rate will, it is hoped, be achieved without additional labour, said Mr Plumbridge — "The challenge to mine operators will be to get increased tonnage without any increase in labour"

East Drie is currently mining on the southern boundary of the North Drie area, and by extending these workings a portion of North Drie could be mined within a year Major development of North Drie will require two new shafts, and Mr Plumbridge envisages large scale mining in the area in five to six years

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However, West Drie's mining infrastructure already exceeds that which is required for its current production rate, and this excess is expected to increase over the remaining life of the mine, so allowing North Drie to be developed at a far lower capital cost than would be required for a totally independent mine

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The life of the merged operation will be about 50 years, according to Mr Plumbridge, which compares with East Drie's estimated life at its present production rate, of 70 years, while it is estimated that West Drie's current planned milling rate of 225 000 tons a month could be maintained for about 10 years, after which underground production will decline fairly rapidly over the next 10 years

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Maintenance of the current production rate of 225 000 tons a month requires a continuous costly programme of shaft sinking to obtain access to tonnage in the deeper levels of the mine East Drie's life, estimated to be more than 70 years, suggests that a higher production rate should be contemplated

Technically, says Mr Plumbridge, this would require massive additional capital expenditure on the provision of the required mining infrastructure, and on technical and financial considerations such an expansion programme is not considered prudent

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The new shares to be issued by East Drie will not rank for dividends until the scheme has become effective, and East Drie and West Drie will consider the declaration of dividends for their existing issued shares in June

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ oz	Revenue $ oz	Net profit R000s	Profit after capex R000s	EPS -after capex cents
GROOTVLEI	440	3,6	24,78	267	493	4 304	3 722	33
December	440	3,6	24,37	277	625	6 333	5 602	48
KINROSS	400	5,8	29,80	198	502	7 893	6 552	36
December	400	5,6	28,55	211	626	9 099	8 496	47
WINKELS	535	6,6	23,99	140	507	13 314	12 246	101
December	540	6,6	22,85	143	630	16 372	15 363	126
BRACKEN	240	3,6	27,32	291	509	1 871	1 736	12
December	240	3,6	26,24	299	627	2 704	2 524	18
LESLIE	315	3,2	25,98	313	505	2 283	1 813	11
December	315	3,0	25,12	343	628	3 289	2 611	16
MARIEVALE	240	1,3	11,84	354	480	413	413	9
December	240	1,4	11,77	349	633	1 070	1 069	23
ST HELENA	530	7,3	30,38	161	500	14 625	12 479	130
December	555	7,5	28,71	159	629	19 340	17 919	186
UNISEL	246	6,5	34,31	205	510	11 654	11 831	42
December	240	6,3	34,74	229	637	14 309	14 213	50

Unicorp mines hold cost increases

214 RDM 23/4/81

By JOHN MULCAHY

THE feature of Union Corporation's gold-mining results for the March quarter was the group's commendable cost containment, which helped to offset the considerably lower average gold price.

Outstanding in the cost control area was **GROOTVLEI**, which maintained unit working costs at R24,78 a ton milled compared with R24,37

The milling rates were unchanged, except in the case of St Helena, where production dropped to 530 000 (555 000) tons This was caused by a caving in the mine's No 8 shaft ore pass which necessitated the development of new legs, reducing tonnage and diluting ore hoisted by waste rock, causing a lower grade of ore to be sent to the mill.

Gold prices received by the eight mines ranged from $480 to $510 an ounce, way below the previous quarter's averages of $625 to $637 Costs, expressed in dollars an ounce of gold produced, ranged from as low as $140 in the case of Winkelhaak to $354 at Marievale

Overall, Union Corp producers' taxed profit fell by 22% to R56 357 000 from R72 548 000 in the December quarter

ST HELENA's tonnage milled was about 5% lower, and its average yield dropped slightly to 7,3 g/t from 7,5 g/t, with a resultant fall in gold production to 3 869 kg from 4 163 kg in the previous quarter

Partly in consequence to the problems at No 8 shaft, unit working costs increased to R30,38 a ton milled from R28,71, and with the average gold price down to $500 from $629, gold working income fell to R33 771 000 from R47 064 000.

Taxed profit was R14 625 000 compared with R19 340 000 in the previous quarter, and after capital expenditure of R2 146 000 (R1 421 000) earnings a share fell by 30% to 130c from 186c

WINKELHAAK's earnings a share after capex fell to 101c from 126c Taxed profit after capex was R12 246 000 compared with R15 363 000 in the December quarter

Unit working costs rose to R23,99/ton milled from R22,85 Tonnage milled was a shade down at 535 000 tons (540 000 tons), and the yield was unchanged at 6,6 g/t

Average gold price received was $507 against $630, and gold working income fell to R33 623 000 from R41 833 000 Tax and State's share of income took R20 737 000 compared with R26 306 000, and capital expenditure was R1 068 000 (R1 009 000)

BRACKEN'S milling rate and yield were unchanged at 240 000 tons and 3,6 g/t, but the lower gold price — $509 compared with $627 — and the increase in working costs to R27,32/t from R26,24 resulted in a reduction in taxed profit to R1 871 000 from R2 704 000.

After capex of R135 000 (R180 000), earnings a share amounted to 12c, a 33% fall on the previous quarter's 18c.

MARIEVALE, with its extremely sensitive gold-price relationship — unit costs for the March quarter amounted to $354 for every ounce of gold produced — had taxed profit 65% lower at R413 000 from R1 070 000, and earnings a share after capex dropped to 9c from 23c

Tonnage milled was unchanged at 240 000 tons The average yield slipped to 1,3 g/t from 1,4 g/t Costs were well contained at R11,84/ton milled against R11,77, and the tax charge was almost halved to R547 000 from R1 064 000

KINROSS's taxed profit fell by only 13% compared with a fall in the average gold price of more than 20% Profit was R7 893 000 (R9 099 000), and the gold price dropped to $502 from $626.

A factor in the comparitively small fall in profit was an increase in the average yield to 5,8 g/t (5,6 g/t) from unchanged tonnage of 400 000

After capex of R1 341 000 (R603 000) earnings a share fell to 36c from 47c

The feature of **GROOTVLEI**'s results was its cost containment, but a particularly low average gold price of $493 ($625) whittled away this advantage, leaving taxed profit of R4 304 000 compared with the December quarter's R6 333 000

Tonnage milled was unchanged at 440 000, as was the 3,6 g/t yield, and after capex of R582 000 (R731 000) earnings a share totalled 33c against 48c in the previous quarter

LESLIE's taxed profit fell by 30% to R2 283 000 from R3 321 000 in spite of an increase in the average yield to 3,2 g/t from 3,0 g/t, and a marginal rise in unit working costs to R25,98/t from R25,12.

The mine's average gold price fell to $505 from $628, and gold working income dropped to R5 025 000 from R6 569 000.

Capital expenditure was lower at R470 000 after R678 000, and earnings a share after capex amounted to 11c compared with 16c in the December quarter

UNISEL increased its mill throughput slightly to 246 000 tons from 240 000 tons, and there was an improvement in grade to 6,5 g/t from 6,3 g/t, but these factors, together with a reduction in working costs from R34,74/t to 34,31 were not enough to offset the fall in the gold price, and taxed profit slipped to R11 654 000 from R14 309 000

Earnings a share after capex were 42c (50c)

Capital expenditure on **BEISA** amounted to R11 437 000 in the March quarter, and the total spent to date is R116 543 000

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13. FACTORS INFLUENCING MEMBERS' COMMITMENT TO PROJECTS.

I include his diagram of variables which affect solidarity. He explains in the text that.

I. Those variables which help to make it obvious to the individual member that he cannot hope to obtain alone what he can, through association.

II. Variables which measure the propagation or spread of
IV. solidarity, creating values. II deals with emotion and IV cognitive orientation.

III. Social control, i.e., the possibility that one has to asses and to raise the quality and quantity of work done by others.

(See diagram - Page 72)

I have already discussed the improbability of solidarity creating values (i.e. II and IV) operating as a general force in the reserves under the present system in No.9 under "Response."

I. As regards No. I, it is obviously very important that projects run efficiently if they are to benefit members, if they don't, members will leave. Mr Gidimi, the extension officer who set up the 6 very successful communal gardens at Keiskammahoek (successful in terms of drawing membership, being a focus for group activity and inspiring others to start gardens) (59), outlined a pattern of project development.

positive correlation
negative correlation

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ oz	Revenue $ oz	Net profit R000s	Profit after capex R000s	EPS after capex cents
BUFFELS	839	7,9	47,67	245	544	23 944	14 542	132
December	863	8,2	44,85	228	627	34 367	24 814	226
STILS	470	8,1	51,34	256	519	10 202	8 772	67
December	485	8,4	49,64	244	628	13 874	12 524	96

Buffels profit 30% lower

RDM 23/4/81

(214)

By JOHN MULCAHY
Mining Editor

GENCOR's Klerksdorp producer Buffelsfontein, hit by a substantially lower average gold price, a slightly lower milling rate, and a fall in average yield, had its March quarter profit reduced by 30% to R23 944 000 from R34 367 000 in the previous quarter.

An additional negative factor in Buffels results was the sharp drop in uranium income to R3 581 000 after the exceptional December quarter when income from this source totalled R9 390 000

Earnings a share after capital expenditure were 41% down on the previous quarter at 132c from 226c

Ore milled was lower at 839 000 tons compared with 863 000 tons, although production was unusually high in the December quarter, and a more fair comparison would probably be with the September quarter's production of 820 000 tons

Contrary to expectations the average yield was lower at 7,9 g/t against 8,2 g/t The lower tonnage milled helped to increase unit costs by 6% to R47,67/ton milled from R44,85

The average gold price received was $544 an ounce compared with $627, and working income from gold was down at R48 858 000 from R67 755 000

Sundry income rose to R2 349 000 from R1 460 000, and outgoing tributing and royalty payments were down at R3 305 000 from R5 180 000

Capital expenditure was almost static at R9 402 000 compared with R9 553 000 in the December quarter, and there were commitments for contracts placed amounting to R11 591 000 at March 31

Buffels stablemate STILFONTEIN fared better than its neighbour, containing costs, and suffering only a slight fall in the milling rate But the sharply lower gold price resulted in a drop in taxed profit to R10 202 000 from R13 784 000

Earnings a share after capex of R1 430 000 (R1 604 000) fell by 30% to 67c from 96c

Unit working costs rose to R51,34/ton milled from R49,56, and the average gold price received was $519 an ounce against $628 in the December quarter

The fall in the average yield to 8,1 g/t from 8,4 g/t was expected as the mine has been moving into pillars left as unpayable when the gold price was lower

Stilfontein's 85%-held subsidiary, CHEMWES, had net income of R5 973 000 for the March quarter against R8 091 000 the previous quarter

Pulp treated was lower at 857 000 tons compared with 866 000 tons, and with the yield unchanged at 0,20 kg/t oxide production fell to 172 320 kg from 175 923 kg

WEST RAND CONS suffered a dramatic setback in the quarter, producing a net loss of R1 450 000 compared with taxed profit of R1 569 000 in the December quarter

The working loss on the gold account rose to R7 394 000 from R4 889 000, mainly because of the lower average gold price received — $501 compared with $643 in the December quarter Working income from uranium was down at R5 842 000 from R6 572 000

After taking into account State aid of R1 890 000 (R1 387 000), there was a net profit of R440 000 compared with R2 956 000 in the previous quarter

FM 24/4/81 (214)

General Mining Union Corporation Group

Gold Mining Companies' Reports for the Quarter ended 31 March 1981

All companies mentioned are incorporated in the Republic of South Africa

STILFONTEIN
Gold Mining Company Limited

Issued capital – 13 062 920 shares of 50 cents each

		Quarter ended 31 3 1981	Quarter ended 31 12 1980
Operating results			
GOLD			
Mined	*(m²)*	127 876	135 954
Ore milled	*(t)*	470 000	485 000
Gold produced	*(kg)*	3 798	4 070
Yield	*(g/t)*	8,1	8,4
Working revenue	*(R/t milled)*	104,02	127,33
Working costs	*(R/t milled)*	51,34	49,56
	(R/m² mined)	188,68	176,82
Working income	*(R/t milled)*	52,68	77,77
Gold price received	*(R/kg)*	12 872	15 174
	($/oz)	519	628

The above figures exclude ore processed for Buffelsfontein Gold Mining Company Limited

	Quarter ended 31 3 1981	Quarter ended 31 12 1980
Financial results (R'000)		
GOLD – Working revenue	48 889	61 757
– Working costs	24 127	24 039
– Working income	24 762	37 718
Sundry income	1 222	1 628
Tribute and royalty payments – net	(3 189)	(5 362)
Income before taxation and State s share of income	22 795	33 984
Taxation and State's share of income	12 593	20 200
Income after taxation and State s share of income	R10 202	R13 784
Capital expenditure	1 430	1 604
Dividend declared	—	39 189

Development

		Quarter ended 31 3 1981 Vaal Reef	Quarter ended 31 3 1981 VCR	Quarter ended 31 12 1980 Vaal Reef	Quarter ended 31 12 1980 VCR
Advanced	*(m)*	8 497	147	8 390	171
Advanced on reef	*(m)*	1 301	73	1 507	162
Sampled	*(m)*	1 029	69	1 230	159
Channel width	*(cm)*	20	74	19	65
Average value					
– gold	*(g/t)*	66,7	2,5	61 4	2,9
–	*(cm g/t)*	1 314	184	1 161	189
– uranium	*(kg/t)*	1,081	0,127	1,075	0,102
–	*(cm kg/t)*	21,30	9,44	20 31	6,61

REMARKS

Capital expenditure

Commitments in respect of contracts placed R3 966 000
Amounts approved not yet spent R9 906 000

Dividend

A dividend of 300 cents per share was paid on 6 February 1981

Chemwes Limited

(A subsidiary of Stilfontein Gold Mining Company Limited)
Issued capital – 1 000 shares of R1 each

		Quarter ended 31 3 1981	Quarter ended 31 12 1980
Operating results			
Pulp treated	*(t)*	857 000	866 000
Oxide produced	*(kg)*	172 320	175 923
Yield	*(kg/t)*	0,20	0,20
Financial results (R'000)			
Net income		5 973	8 091

REMARKS

Capital expenditure

Commitments in respect of contracts placed R60 000
Amounts approved not yet spent R199 000

WEST RAND
Consolidated Mines Limited

Issued capital – 4 250 000 ordinary shares of R1 each
– 25 000 deferred shares of R2 each

		Quarter ended 31 3 1981	Quarter ended 31 12 1980
Operating results			
GOLD			
Gold section			
Mined	*(m²)*	72 973	75 816
Ore milled	*(t)*	271 500	261 000
Gold produced	*(kg)*	557	541
Yield	*(g/t)*	2,1	2,1
Uranium section			
Mined	*(m²)*	117 981	131 253
Ore milled	*(t)*	273 000	288 500
Gold produced	*(kg)*	150	163
Yield	*(g/t)*	0 6	0,6
Working revenue	*(R/t milled)*	16,22	20,00
Working costs	*(R/t milled)*	29 80	28,90
	(R/m² mined)	84,97	76,88
Working income	*(R/t milled)*	(13,58)	(8,90)
Gold price received	*(R/kg)*	12 491	15 611
	($/oz)	501	648
URANIUM			
Mined	*(m²)*	117 981	131 253
Pulp treated	*(t)*	273 000	285 000
Oxide produced	*(kg)*	85 170	100 002
Yield	*(kg/t)*	0,31	0,35

	Quarter ended 31 3 1981	Quarter ended 31 12 1980
Financial results (R'000)		
GOLD – Working revenue	8 831	10 990
– Working costs	16 225	15 879
– Working loss	(7 394)	(4 889)
URANIUM – Working income	5 842	6 572
Sundry income	102	168
Tribute and royalty payments – net	—	119
Income before taxation	(1 450)	1 970
Taxation	—	401
Income after taxation	(R1 450)	R1 569
Capital expenditure	346	110
Dividend declared – ordinary shares	—	425
– deferred shares	—	142
State aid	1 890	1 387

		Quarter ended 31 3 1981	Quarter ended 31 12 1980
Development			
Uranium section			
Advanced	*(m)*	3 501	4 904
Advanced on reef	*(m)*	1 645	2 546
Sampled	*(m)*	1 497	2 709
Channel width	*(cm)*	53	52
Average value – uranium	*(kg/t)*	0,954	0,914
–	*(cm kg/t)*	50 77	51,57
– gold	*(g/t)*	2,66	2,85
–	*(cm g/t)*	142	161
Gold section			
Advanced	*(m)*	4 539	3 533
Advanced on reef	*(m)*	1 225	1 021
Sampled	*(m)*	1 212	1 098
Channel width	*(cm)*	78	79
Average value – gold	*(g/t)*	8,43	9,98
–	*(cm g/t)*	660	788

REMARKS

Capital expenditure

Commitments in respect of contracts placed R176 000
Amounts approved not yet spent R380 000

Dividends

Dividends of 10 cents and 567 cents to ordinary and deferred shareholders respectively were paid on 6 February 1981

Production

Underground production in the uranium section was affected by two separate underground fires

BRACKEN Mines Limited

Issued capital – 14 000 000 shares of 90 cents each

Operating results		Quarter ended 31 3 1981	Quarter ended 31 12 1980	6 months ended 31 3 1981
GOLD				
Mined	*(m²)*	61 436	62 216	123 652
Ore milled	*(t)*	240 000	240 000	480 000
Gold produced	*(kg)*	864	864	1 728
Yield	*(g/t)*	3,6	3,6	3 6
Working revenue	*(R/t milled)*	47 72	54,99	51,36
Working costs	*(R/t milled)*	27 32	26,24	26,79
	(R/m² mined)	106 76	101,23	103,98
Working income	*(R/t milled)*	20 40	28,75	24 57
Gold price received	*(R/kg)*	13 084	15 067	14 076
	($/oz)	509	627	568
Financial results (R'000)				
GOLD – Working revenue		11 455	13 197	24 652
– Working costs		6 559	6 298	12 857
– Working income		4 896	6 899	11 795
Sundry income		94	130	224
		4 990	7 029	12 019
Tribute and royalty payments received – net		2	26	28
Income before taxation and State s share of income		4 992	7 055	12 047
Taxation and State s share of income		3 121	4 351	7 472
Income after taxation and State's share of income		R1 871	R2 704	R4 575
Capital expenditure		135	180	315
Dividend declared		4 200	—	4 200
Development – Kimberley Reef				
Advanced	*(m)*	1 135	923	2 058
Advanced on reef	*(m)*	231	199	430
Sampled	*(m)*	234	204	438
Channel width	*(cm)*	32	29	31
Average value – gold	*(g/t)*	37,0	38,9	37 4
–	*(cm g/t)*	1 185	1 129	1 159

REMARKS

Capital expenditure

Commitments in respect of contracts placed R28 000
Amounts approved but not yet spent R986 000

Dividend

On 13 March 1981 dividend No 37 of 30 cents per share was declared to members registered at 27 March 1981 Dividend warrants will be posted on or about 30 April 1981

MARIEVALE Consolidated Mines Limited

Issued capital – 4 500 000 shares of 25 cents each

Operating results		Quarter ended 31 3 1981	Quarter ended 31 12 1980
GOLD			
Mined	*(m²)*	14 973	14 498
Ore milled	*(t)*	240 000	240 000
Gold produced	*(kg)*	312	336
Yield	*(g/t)*	1,3	1,4
Working revenue	*(R/t milled)*	16,04	21 34
Working costs	*(R/t milled)*	11 84	11 77
	(R/m² mined)	189,81	194,85
Working income	*(R/t milled)*	4,20	9,57
Gold price received	*(R/kg)*	12 336	15 201
	($/oz)	480	633
Financial results (R'000)			
GOLD – Working revenue		3 850	5 122
– Working costs		2 842	2 825
– Working income		1 008	2 297
Sundry expenditure		(42)	9
		966	2 306
Tribute and royalty payments net		6	172
Income before taxation		960	2 134
Taxation		547	1 064
Income after taxation		R413	R1 070
Capital recoupments		—	1
Dividend declared		—	2 925

REMARKS

Dividend

A dividend of 65 cents per share was paid on 6 February 1981

General

Two boreholes drilled north of K 11 inclined haulage on the old Nigel mine gave the following results

Borehole No	Depth of Kimberley reef below surface m	Number of intersections accepted	Average grade g/t	Average width cm	Average value cm g/t
1 461	291	5	12 2	45	550
1 477	257	5	2,9	28	81

The drilling programme is now complete

WINKELHAAK Mines Limited

Issued capital – 12 180 000 shares of R1 each

Operating results		Quarter ended 31 3 1981	Quarter ended 31 12 1980	6 months ended 31 3 1981
GOLD				
Mined	*(m²)*	122 144	135 333	257 477
Ore milled	*(t)*	535 000	540 000	1 075 000
Gold produced	*(kg)*	3 531	3 564	7 095
Yield	*(g/t)*	6,6	6,6	6,6
Working revenue	*(R/t milled)*	86,84	100,32	93,61
Working costs	*(R/t milled)*	23,99	22,85	23,42
	(R/m² mined)	105,07	91,17	97,76
Working income	*(R/t milled)*	62,85	77,47	70,19
Gold price received	*(R/kg)*	13 025	15 130	14 082
	($/oz)	507	630	569
Financial results (R'000)				
GOLD – Working revenue		46 457	54 171	100 628
– Working costs		12 834	12 338	25 172
– Working income		33 623	41 833	75 456
Sundry income		268	586	854
		33 891	42 419	76 310
Tribute and royalty payments received – net		160	259	419
Income before taxation and State s share of income		34 051	42 678	76 729
Taxation and State's share of income		20 737	26 306	47 043
Income after taxation and State s share of income		R13 314	R16 372	R29 686
Capital expenditure		1 068	1 009	2 077
Dividend declared		26 796	—	26 796
Development – Kimberley Reef				
Advanced	*(m)*	2 748	2 923	5 671
Advanced on reef	*(m)*	613	561	1 174
Sampled	*(m)*	621	594	1 215
Channel width	*(cm)*	50	75	62
Average value – gold	*(g/t)*	20,3	18,9	19,5
–	*(cm g/t)*	1 013	1 419	1 211

REMARKS

Capital expenditure

Commitments in respect of contracts placed R862 000
Amounts approved in addition to commitments R22 913 000

Dividend

On 13 March 1981 dividend No 42 of 220 cents per share was declared to members registered at 27 March 1981 Dividend warrants will be posted on or about 30 April 1981

General

Borehole 1411 was drilled immediately outside the lease boundary 2,7 km north of No 5 shaft and borehole 1412 3,5 km north-east of No 5 shaft just beyond the boundary of the area in which the company has acquired the right to apply to prospect and acquire the right to mine

Borehole No	Depth of Kimberley reef below surface m	Number of intersections accepted	Average grade g/t	Average width cm	Average value cm g/t
1 411	2 071	7	1,29	79	102
1 412	628	2	1,19	17	20

BEISA Mines Limited

Issued capital – 3 925 000 shares of R1 each
Loan capital advanced to date R110 843 000

Shafts

At No 1 shaft the cutting of the reef and waste passes up to 5 level, the loading station and relevant construction work have been completed
The programme of raiseboring the waste and reef passes between 1 and 5 levels is complete
Metres advanced from the ventilation shaft on No 1 and 2 levels were 1 952

General

The erection of the second and third enclaves of the hostel the dressing station and metallurgical laboratory has been completed
Building of the bar and beer garden in the hostel has commenced
The building of houses in Welkom has continued
The construction of the uranium and gold extraction plants has reached an advanced stage and initial commissioning is in progress

Capital expenditure

Net expenditure for the quarter on property, shafts plant and equipment and general expenditure has amounted to R11 437 000 (to date R116 543 000)
Commitments in respect of contracts placed R5 657 000
Amounts approved in addition to commitments inclusive of estimated escalation to 31 December 1981 –R55 784 000

UNISEL Gold Mines Limited

Stated capital – 28 000 000 shares of no par value

Operating results		Quarter ended 31 3 1981	Quarter ended 31.12 1980	6 months ended 31 3 1981
GOLD				
Mined	(m²)	43 861	43 654	87 515
Ore milled	(t)	246 000	240 000	486 000
Gold produced	(kg)	1 599	1 512	3 111
Yield	(g/t)	6,5	6,3	6,4
Working revenue	(R/t milled)	85 50	96,63	91,00
Working costs	(R/t milled)	34,31	34,74	34,53
	(R/m² mined)	192,45	191,02	191,74
Working income	(R/t milled)	51,19	61,89	56 47
Gold price received	(R/kg)	13 114	15 300	14 176
	($/oz)	510	637	572

Financial results (R'000)	Quarter ended 31 3 1981	Quarter ended 31.12 1980	6 months ended 31 3 1981
GOLD – Working revenue	21 034	23 192	44 226
– Working costs	8 441	8 339	16 780
– Working income	12 593	14 853	27 446
Sundry expenditure	939	544	1 483
Income	R11 654	R14 309	R25 963
Net capital recoupment (expenditure)	177	(96)	81
Loan repayments	6 000	3 114	9 114
Dividend declared	11 200	—	11 200

Development		Quarter ended 31 3 1981 Basal Reef	Leader Reef	Quarter ended 31 12 1980 Basal Reef	Leader Reef	6 months ended 31 3 1981 Basal Reef	Leader Reef
Advanced	(m)	1 711	125	1 722	—	3 433	125
Advanced on reef	(m)	619	60	611	—	1 230	60
Sampled	(m)	612	53	581	—	1 193	53
Channel width	(cm)	124	139	143	—	133	139
Average value – gold	(g/t)	17,1	4,3	11,6	—	14,2	4,3
–	(cm g/t)	2 116	601	1 660	—	1 884	601

REMARKS

Capital expenditure

Commitments in respect of contracts placed – R208 000.
Amounts approved in addition to commitments R2 420 000.

Dividend

On 13 March 1981 dividend No 3 of 40 cents per share was declared to members registered at 27 March 1981 Dividend warrants will be posted on or about 30 April 1981

ST. HELENA Gold Mines Limited

Issued capital – 9 625 000 shares of R1 each

Operating results		Quarter ended 31.3 1981	Quarter ended 31.12 1980	6 months ended 31,3 1981
GOLD				
Mined	(m²)	101 040	104 983	206 023
Ore milled	(t)	530 000	555 000	1 085 000
Gold produced	(kg)	3 869	4 163	8 032
Yield	(g/t)	7,3	7,5	7 4
Working revenue	(R/t milled)	94,10	113,51	104,03
Working costs	(R/t milled)	30,38	28,71	29,53
	(R/m² mined)	159,36	152,24	155,49
Working income	(R/t milled)	63,72	84,80	74 50
Gold price received	(R/kg)	12 854	15 098	14 016
	($/oz)	500	629	567

Financial results (R'000)	Quarter ended 31.3 1981	Quarter ended 31.12 1980	6 months ended 31,3 1981
GOLD – Working revenue	49 873	62 997	112 870
– Working costs	16 102	15 933	32 035
– Working income	33 771	47 064	80 835
Sundry income	55	787	842
Income before taxation and State's share of income	33 826	47 851	81 677
Taxation and State's share of income	19 201	28 511	47 712
Income after taxation and State's share of income	R1[illegible]5	R19 340	R33 965
Capital expenditure	[illegible]6	1 421	3 567
Dividend declared	[illegible]3	—	31 763

Development		Quarter ended 31 3 1981 Basal Reef	Leader Reef	Quarter ended 31 12 1980 Basal Reef	Leader Reef	6 months ended 31 3 198[illegible] Basal Reef	Lead[illegible] Ree[illegible]
Advanced	(m)	1 443	108	1 432	132	2 875	24[illegible]
Advanced on reef	(m)	184	64	218	16	402	80
Sampled	(m)	173	79	228	26	401	105
Channel width	(cm)	100	150	89	137	94	147
Average value – gold	(g/t)	18 1	4 5	9,6	2,3	13 5	4,0
–	(cm g/t)	1 813	670	851	318	1 265	584

REMARKS

Capital expenditure

Commitments in respect of contracts placed R3 386 000
Amounts approved in addition to commitments R30 476 000

Dividend

On 13 March 1981 dividend No 51 of 330 cents per share was declared to members registered at 27 March 1981 Dividend warrants will be posted on or about 30 April 1981

General

Caving has occurred in the No 8 shaft ore pass system between 25 and 26 levels which has necessitated the development of new legs As a result the tonnage of ore hoisted has been reduced and dilution by waste rock caused a lower grade of ore to be sent to the mill

KINROSS Mines Limited

Issued capital – 18 000 000 stock in units of R1 each

Operating results		Quarter ended 31 3 1981	Quarter ended 31 12 1980	6 months ended 31 3 1981
GOLD				
Mined	(m²)	96 242	102 918	199 160
Ore milled	(t)	400 000	400 000	800 000
Gold produced	(kg)	2 320	2 240	4 560
Yield	(g/t)	5 8	5,6	5 7
Working revenue	(R/t milled)	75,38	84,70	80,04
Working costs	(R/t milled)	29 80	28 55	29 18
	(R/m² mined)	123 87	110,97	117 21
Working income	(R/t milled)	45 58	56 15	50,86
Gold price received	(R/kg)	12 900	15 034	13 948
	($/oz)	602	626	563

Financial results (R'000)	Quarter ended 31 3 1981	Quarter ended 31 12 1980	6 months ended 31 3 1981
GOLD – Working revenue	30 152	33 879	64 031
– Working costs	11 922	11 421	23 343
– Working income	18 230	22 458	40 688
Sundry income	50	337	387
	18 280	22 795	41 075
Tribute and royalty payments – net	159	259	418
Income before taxation and State's share of income	18 121	22 536	40 657
Taxation and State's share of income	10 228	13 437	23 665
Income after taxation and State's share of income	R7 893	R9 099	R16 992
Capital expenditure	1 341	603	1 944
Dividend declared	14 400	—	14 400

Development – Kimberley Reef		Quarter ended 31 3 1981	Quarter ended 31 12 1980	6 months ended 31 3 1981
Advanced	(m)	3 465	3 200	6 665
Advanced on reef	(m)	814	894	1 708
Sampled	(m)	758	951	1 709
Channel width	(cm)	29	43	37
Average value – gold	(g/t)	45,1	36,9	39,5
–	(cm g/t)	1 308	1 587	1 463
The above includes development for No 2 shaft area as follows				
Advanced	(m)	2 610	2 170	4 780
Advanced on reef	(m)	587	453	1 040
Sampled	(m)	561	512	1 073
Channel width	(cm)	23	36	29
Average value – gold	(g/t)	70 2	68 0	69,3
–	(cm g/t)	1 614	2 447	2 011

REMARKS

Capital expenditure

Commitments in respect of contracts placed R2 172 000
Amounts approved in addition to commitments R50 508 000

Dividend

On 13 March 1981 dividend No 26 of 80 cents per unit of stock was declared to members registered at 27 March 1981 Dividend warrants will be posted on or about 30 April 1981

LESLIE
Gold Mines Limited

Issued capital – 16 000 000 shares of 65 cents each

Operating results		Quarter ended 31 3 1981	Quarter ended 31 12 1980	6 months ended 31 3 1981
GOLD				
Mined	(m²)	68 082	71 485	139 567
Ore milled	(t)	315 000	315 000	630 000
Gold produced	(kg)	1 008	945	1 953
Yield	(g/t)	3,2	3,0	3,1
Working revenue	(R/t milled)	41,93	45,97	43,95
Working costs	(R/t milled)	25,98	25,12	25,55
	(R/m² mined)	120,21	110,68	115,33
Working income	(R/t milled)	15,95	20,85	18,40
Gold price received	(R/kg)	12 967	15 091	13 995
	($/oz)	505	628	565
Financial results (R'000)				
GOLD – Working revenue		13 209	14 481	27 690
– Working costs		8 184	7 912	16 096
– Working income		5 025	6 569	11 594
Sundry expenditure (income)		28	(16)	12
		4 997	6 585	11 582
Tribute and royalty payments – net		3	27	30
Income before taxation and State's share of income		4 994	6 558	11 552
Taxation and State's share of income		2 711	3 237	5 948
Income after taxation and State's share of income		R2 283	R3 321	R5 604
Capital expenditure		470	678	1 148
Dividend declared		4 640	—	4 640
Development – Kimberley Reef				
Advanced	(m)	2 041	1 866	3 907
Advanced on reef	(m)	634	621	1 255
Sampled	(m)	673	614	1 287
Channel width	(cm)	18	20	19
Average value – gold	(g/t)	22,4	16,3	19,3
–	(cm g/t)	404	326	367

REMARKS

Capital expenditure

Commitments in respect of contracts placed R707 000
Amounts approved but not yet spent total R4 765 000 of which R2 938 000 has been approved by the Government Mining Engineer for 1981

Dividend

On 13 March 1981 dividend No 31 of 29 cents per share was declared to members registered at 27 March 1981 Dividend warrants will be posted on or about 30 April 1981

The GROOTVLEI
Proprietary Mines Limited

Issued capital – 11 438 816 stock units of 25 cents each

Operating results		Quarter ended 31 3 1981	Quarter ended 31 12 1980
GOLD			
Mined	(m²)	108 958	112 442
Ore milled	(t)	440 000	440 000
Gold produced	(kg)	1 584	1 585
Yield	(g/t)	3,6	3,6
Working revenue	(R/t milled)	45,76	55,01
Working costs	(R/t milled)	24,78	24,37
	(R/m² mined)	100,08	95,38
Working income	(R/t milled)	20,98	30,64
Gold price received	(R/kg)	12 678	15 017
	($/oz)	493	625
Financial results (R'000)			
GOLD – Working revenue		20 134	24 205
– Working costs		10 905	10 725
– Working income		9 229	13 480
Sundry expenditure		194	11
		9 035	13 469
Tribute and royalty payments – net		171	244
Income before taxation		8 864	13 225
Taxation		4 560	6 892
Income after taxation		R4 304	R6 333
Capital expenditure		582	731
Dividend declared		—	12 811
Development – Kimberley Reef			
Advanced	(m)	1 199	1 391
Advanced on reef	(m)	751	752
Sampled	(m)	738	744
Channel width	(cm)	20	19
Average value – gold	(g/t)	40,1	33,2
–	(cm g/t)	801	630

REMARKS

Capital expenditure

Commitments in respect of contracts placed R2 218 000
Amounts approved but not yet spent R27 124 000

Dividend

A dividend of 112 cents per unit of stock was paid on 6 February 1981

BUFFELSFONTEIN
Gold Mining Company Limited

Issued capital – 11 000 000 shares of R1 each

Operating results		Quarter ended 31 3 1981	Quarter ended 31 12 1980	9 months ended 31 3 1981
GOLD				
Mined	(m²)	209 855	219 888	668 661
Ore milled	(t)	839 000	863 000	2 522 000
Gold produced	(kg)	6 663	7 036	20 395
Yield	(g/t)	7,9	8 2	8 1
Working revenue	(R/t milled)	105,91	123,36	120 18
Working costs	(R/t milled)	47,67	44,85	46,10
	(R/m² mined)	190,59	176,03	173,87
Working income	(R/t milled)	58,24	78,51	74,08
Gold price received	(R/kg)	13 335	15 130	14 860
	($/oz)	544	627	612
The above figures include ore processed by Stilfontein Gold Mining Company Limited				
URANIUM				
Pulp treated	(t)	779 000	787 000	2 342 000
Oxide produced	(kg)	153 900	154 300	450 600
Yield	(kg/t)	0,20	0 20	0,19
Financial results (R'000)				
GOLD – Working revenue		88 855	106 462	303 085
– Working costs		39 997	38 707	116 261
– Working income		48 858	67 755	186 824
URANIUM – Working income		3 581	9 390	14 489
Sundry income		2 349	1 460	5 238
Tribute and royalty payments – net		(3 305)	(5 180)	(12 782)
Income before taxation and State s share of income		51 483	73 425	193 769
Taxation and State s share of income		27 539	39 058	103 353
Income after taxation and State s share of income		R23 944	R34 367	R90 416
Capital expenditure		9 402	9 553	26 476
Dividend declared		—	34 100	34 100
Development – Vaal Reef				
Advanced	(m)	14 492	16 430	47 404
Advanced on reef	(m)	1 595	1 334	4 668
Sampled	(m)	1 515	1 278	4 530
Channel width	(cm)	114	111	112
Average value gold	(g/t)	15 55	16,06	14 71
–	(cm g/t)	1 765	1 775	1 650
– uranium	(kg/t)	0,482	0,493	0,447
–	(cm kg/t)	54,75	54,48	50,19

REMARKS

Capital expenditure

Commitments in respect of contracts placed R11 591 000
Amounts approved not yet spent R143 219 000

Dividend

A dividend of 310 cents per share was paid on 6 February 1981

Strathmore shaft system

Development of the Strathmore shaft system is progressing according to schedule

NOTES

1. **Development values quoted above represent actual results of sampling (no allowance having been made for any adjustments which may be or were necessary) when estimating ore reserves at the end of the financial years**
2. **All financial figures are unaudited**
3. **The quarterly reports have been approved and signed on behalf of the respective companies by two directors.**

Johannesburg, 22 April 1981

GOLD QUARTERLIES (214)

State Aid again

FM 24/4/81

The flow of March quarter reports is serving to underscore the near-term problems facing the gold mining industry Gold recovery grade increases, such as they were, have been insufficient to offset the combined impact of lower gold prices and sharply escalating costs And there is no relief in sight as far as uranium earnings are concerned

Some mines have been able to reduce the dollar cost of producing each ounce of gold through a combination of higher recovery grades and a weaker rand dollar exchange rate But that is largely a cosmetic improvement and will almost certainly be reversed once higher gold prices result in lower grades and a stronger rand

Back to State Aid

As if to add insult to injury, one mine, Loraine, has had to resort to State Aid to fund an operating deficit and a relatively heavy capex programme Two others, ERPM and Durban Deep, are likely to follow suit once their capex programmes have been approved by the GME and unless gold improves sharply within the next week or so As it is, by Wednesday afternoon this week gold had broken upwards to $501 But even if it does manage to trade above $500 for the rest of the quarter, profits are still likely to be lower than in March

That may have no more than a temporary influence on gold shares Investors here and overseas are fast getting the message that substantially higher gold prices will be needed if last year's record earnings are to stand a chance of being repeated

Loraine: The share must rank among the best gold price jobbing stocks The mine returned to State Assistance during the March quarter as a combination of lower recovery grades and mill throughput pushed operations into a loss And for the remaining two quarters of its financial year, Loraine will be hard pushed to generate a positive cash flow without State Assistance Capex is likely to run at about R4,5m in each of the June and September quarters

However, the situation may not be quite as bad as the March quarter's results seem to indicate The mine is in the process of adjusting the mill feed balance back in favour of underground rather than surface ore, while extraction of the higher-grade Elsburg reefs in the northern part of the mine has already started As extraction of those reefs increases, recovery grade should rise to about 4 g/t by end-September And next year there should be a further rise to about 5,5 g/t But that will be offset in part by the higher cost of mining the Elsburgs

Dividends are out of the question this year, no matter what happens to the gold price In fact, the mine will probably need additional debt financing to fund this year's capital programme But if nothing untoward happens to gold, next year could see dividends resumed

Harties. The difficulties facing uranium producers have been underlined by the mine Treatment of surface slimes is to end and sales demand satisfied by production from currently milled ore That is aimed at limiting the cash lock-up in uranium stocks In other words, the mine has no intention of producing uranium it cannot sell and sees little prospect of an early improvement in the uranium market There is, however, little point in expecting a significant improvement in quarterly uranium profits

Unit costs rose 3,5% to R51,27/t during the March quarter and management believes that an advance of between 17% and 18% is in prospect this quarter If so, and if gold continues to dither below $500, expect a temporary halt to the steady gold recovery grade decline of the past several quarters In the longer run, however, grade is planned to fall to about 8 g/t

Capex during the first three quarters was R11,2m against the R30m thought possible for the year by the chairman If the capex programme has been deliberately slowed, it should be possible to pay a final equal to the 500c interim

ET Cons: Perhaps more than any other mine, ET Cons can quickly adjust its recovery grade in line with changing gold prices and working costs Last quarter, gold recovery rose to 7,3 g/t while gold receipts averaged $510 an ounce against 7,1 g/t and $604 in the December quarter Obviously, the grade increase was not enough to offset the cost squeeze of a lower gold price and a 3,5% working costs rise to R37,58/t But it was enough, coupled with a lower rand dollar exchange rate, to reduce the dollar cost of producing each ounce of gold

Unless the gold price collapses dramatically during the next few weeks, the mine should maintain last year's total dividend payment It has paid an interim of 70c (40c) and, with retentions from the first three quarters' operations of 67,6c, a final of 80c (110c) is well within reach

Harmony. Part of gold's price drop was parried by a higher gold recovery grade during the March quarter But, though there is scope for a repeat performance this quarter, there is little point in looking for any compensatory increases in uranium revenue The uranium market is likely to be dead for at least a year, and no one is likely to negotiate higher delivery prices from SA producers, no matter what sort of sales contracts have been written.

The final dividend, declared in March, was 160c Capex is planned at R7,3m during the current and final quarter and will be followed by about R20m in the next financial year So until the gold price moves ahead strongly, it is probably best to assume an interim declaration in September much lower than this year's final

ERPM: The way gold is performing at present, there is little point in expecting much in the way of dividends this half. Capex of R9,5m exceeded first quarter profit by just over R1m and a further R48,3m is slated for the rest of the year. Once the capital programme has been approved by the GME it should, if necessary, be possible to claim State Assistance Last year's rights issue has provided the mine with sufficient cash to fund near-term capex commitments But until the gold price improves materially, management would be justified in an ultra-cautious distribution policy

Unit costs were reduced by 4,9% by milling surface sands, but that resulted in a lower overall gold recovery grade There is room to further increase milling of surface material without reducing that treated from underground

Durban Deep. Management appears to have decided to reduce this year's capex programme until gold recovers It was estimated at R20m in the annual report, but is now likely to be nearer R15m following the first quarter's R2,5m And until it is clear what can be claimed in State Assistance, dividend policy should be highly conservative

During the first quarter, pre-tax profit, based on an average gold price of $524, was R4,3m while R13,1m capex is planned for the final three quarters Unit costs rose sharply by 7,8% to R36,35/t and gold recovery was not increased to compensate for lower gold prices So, with further cost increases in the pipeline, unless recovery grade can be increased sharply, dividend payments will be little more than token until gold rises to well over $500

Blyvoor. A higher gold recovery went some way to offsetting lower gold price receipts But it is difficult to see any further significant increases if gold decides to fall again Even so, a reasonable final dividend should be declared this quarter Retentions during the first three quarters amounted to 204,4c, and though June quarter capex is planned at R5,8m to be followed by R14,5m in financial 1982, there is no reason why the final should not at least equal the 160c interim

Jim Jones

SUPER MINE (214)

FM 24/4/81

Gold Fields announces the formation of a massive new mine near Carletonville through the merger of existing East and West Driefontein mines and the inclusion of a new North Driefontein area. The new mine will produce more than 80 000 kg of gold a year, making it the largest producer in the world

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ oz	Rev $ oz	Net Profit R000s	Profit after capex 1 000s	EPS after capex cents
WEST DEEP	728	13,14	57,15	182	521	43 613	27 869	111
Dec	800	13,37	49,66	155	652	73 047	37 937	152
VAAL REEFS	2 100	8,53	38,42	187	514	63 655	37 125	195
Dec	2 097	8,32	37,05	181	650	123 085	73 610	387
ELANDS	266	4,07	46,01	473	522	683	(5 670)	—
Dec	210	4,68	55,35	493	645	2 556	(8 654)	1
SA LAND	358	1,16	3,68	132	521	988	947	14
Dec	346	0,97	4,46	192	633	1 782	135	2

42% profit fall at Anglo's Transvaal gold mines

RDM 24/4/81 (214)

By JOHN MULCAHY
Mining Editor

ANGLO American's Transvaal gold producers, including Ergo, were hit by the substantially lower gold price and taxed profit fell 42% to R128 345 000 in the quarter to March 31 from R224 858 000 in the December quarter.

Western Deep Levels experienced technical problems underground, resulting in a 10% drop in production, and a concomitant rise in unit costs

A feature of the Transvaal results was the significant rise in Elandsrand's milling rate, which exceeded 100 000 tons a month for the first time in March

The mine's 26% rise in mill throughput had the effect of reducing unit working costs for the quarter by 16%

In January and February **WESTERN DEEP'S** No 2 shaft was faced with refrigeration plant breakdowns, causing reduced production from two of the higher-grade Carbon Leader longwalls Normal results were achieved in March

Tonnage milled fell to 728 000 from 800 000, and unit working costs spiralled by 15% to R57,15/ton milled from R49,66

Actual gold working costs rose 4% to R41 603 000 from R39 725 000, leaving profit on gold 39% lower at R79 785 000 compared with R132 785 000 The average gold price received fell to $521 from $652 an ounce

Taxed profit was R43 613 000 against R73 047 000 in the previous period, and after the sharply reduced capital expenditure of R15 744 000 (R37 015 000) earnings a share totalled 111c (152c)

There was a turnaround on Western Deep's uranium account Profit on uranium oxide was R1 476 000 compared with a loss of R520 000 in the December quarter

The December uranium oxide results were affected by a change in the basis of stock valuation to the last in first out method, reducing pre-tax profit by R1 127 000 and taxed profit by R354 000

Tonnage treated for uranium fell to 530 000 from 550 000, and there was a slight fall in yield to 0,09 kg/t from 0,1 kg/t, with a consequent reduction in production from 55 460 kg to 49 014 kg

At **VAAL REEFS** costs were well maintained, rising by an average of 1,2% a month, or 3,7% for the quarter, and were only 6% higher than the March quarter last year Unit working costs were R38,42/ton milled compared with R37,05

Tonnage milled was almost static at 2 100 000 compared with 2 097 000 Yield improved to 8,53 g/t from 8,32 g/t, and gold production increased to 17 903 kg from 17 442 kg

The average gold price received fell 21% to $514 an ounce from $650, and gold revenue dropped to R224 493 000 from R278 640 000

Taxed profit was 48% lower at R63 655 000 compared with R123 085 000, and after capital expenditure of R26 530 000 (R49 475 000) earnings a share were almost halved to 195c from 387c

Uranium-oxide profit was well down on the December figure at R3 568 000 compared with R17 063 000, and tributing profits were 37% lower at R5 347 000

Operations in the Afrikander Lease area in the March quarter resulted in a loss of R839 000 compared with a loss of R920 000 in the previous quarter, and a proportion of the tonnage mine was not treated to stockpile sufficient ore to commission the 50 000 ton a month uranium plant in the first half of next year

ELANDSRAND'S mill throughput rose to 266 000 tons from 210 000 tons, but the average yield deteriorated to 4,07 g/t from 4,68 g/t, and gold production rose by 9,8% to 1 079 kg from 983 kg

Profit on gold was halved to R1 639 000 from R3 297 000, and after sundry expenditure of R956 000 (R741 000) net profit was well down at R683 000 compared with R2 556 000

The most striking facet of **SALLIES** results was the tight rein being kept on costs, which were reduced to R3,68/ton milled from R4,46 Mill throughput was slightly higher at 358 000 tons compared with 346 000 tons

The average yield was up, at 1,16 g/t against 0,97 g/t in the December quarter, and gold revenue rose to R5 328 000 from R4 888 000. However, the tax charge was R835 000 compared with a credit of R575 000 in the December quarter and profit fell to R988 000 from R1 782 000

The tonnage of slimes treated at **ERGO** was little changed at 4 823 000 compared with 4 886 000, and gold production was steady at 1 710 kg against 1 709 kg Uranium production slipped to 73 641 kg from 77 070 kg, and sulphuric-acid production rose to 110 081 tons from 102 262 tons

Revenue fell to R27 511 000 from R32 186 000, reflecting the lower gold price — $528 against $639 — and a drop in revenue from uranium and sulphuric-acid sales

Net profit for the quarter was 20,5% down at R19 406 000 compared with R24 389 000

EAST DAGGAS had a surplus of R60 000 (R197 000) after tax from royalties of R104 000 (R486 000) and sundry revenue of R35 000 (R18 000)

Any attempt to implement an integrated rural development strategy must be based on an analysis of the present situation:

(a) To expose the workings of the present system and to look for places in the existing social order in the reserves where there seems to be potential for change.

(b) To try to discover through experience and assessment, types of projects which foster equitable development

Free Staters hold cost increases

RDM 24/4/81

214

By JOHN MULCAHY

ANGLO American's Free State gold producers did well in the March quarter by holding unit working cost increases to an average of 6%, but they could not escape the gold-price decline and taxed profit fell by 18,4% to R137 300 000 from R168 200 000.

The comparatively low rise in costs was all the more commendable considering the fall in overall tonnage milled to 4 418 000 — a drop of 2,3%. Gold production was down at 30 752 kg from 31 204 kg.

The drop in production, combined with the lower average gold price received — $528 against $637 — resulted in a dip in gold revenue to R405 800 000 from R473 800 000.

Capital expenditure for the six mines fell by 11,2% to R50 000 000 from R56 300 000, but the rate of capital spending is expected to increase in the remaining six months of the financial year

PRESIDENT BRAND's tonnage milled was down to 822 000 from 836 000, but the average yield rose to 8,45 g/t from 8,22 g/t, and gold production was consequently higher at 6 950 kg compared with 6 875 kg in the December quarter.

Unit working costs rose to R38,18/ton milled from R36,69, with total costs on gold up to R31 387 000 from R30 675 000

The gold price received fell to $526 from $636, and profit on gold fell to R59 616 000 from R73 829 000.

Taxed profit fell to R33 384 000 from R40 500 000 and after capital expenditure of R10 077 000 (R11 712 000) earnings a share dropped to 166c from 189c

Profit from the Joint Metallurigical Scheme was slightly lower at R6 097 000 compared with R7 707 000 in the last quarter.

The loan facilities granted to Free State Saaiplaas by President Brand and Anglo in equal proportions until March 31 have been increased to R40-million from R30-million and the period has been extended to June 30.

PRESIDENT STEYN'S taxed profit fell to R25 895 000 from R33 773 000 and earnings a share after capex to 121c from 167c.

Tonnage milled dipped to 912 000 from 972 000 and vield was unchanged at 6,5 g/t, but unit working costs rose to R39,98/ton milled from R36,33, and gold revenue eased to R77 893 000 from R94 669 000

Actual costs on gold were only slighty higher at R36 459 000 against R35 311 000, and the profit on gold fell to R41 434 000 from R59 358 000. JMS profit rose to R3 191 000 from R2 629 000

WELKOM was one of the better performers among the Free Staters, with an improvement in yield to 4,87 g/t from 4,75 g/t, and a negligible rise in gold working costs to R19 724 000 from R19 601 000

Tonnage milled dipped to 617 000 from 634 000 and unit working costs rose by 3,4% to R31,97/t from R30,92/t. The throughput includes 38 000 tons (65 700 tons) of ore milled and treated by Free State Geduld on a cost plus service charge basis

The average gold price received was $527 an ounce compared with $637, and gold profit fell to R20 007 000 from R26 133 000 Taxed profit dropped by 19% to R10 312 000 from R12 802 000, and earnings a share after capex were down to 66c from 97c

The feature of the **FREE STATE SAAIPLAAS** results was the level of working costs. Expressed in dollars for an ounce of gold produced, the costs were $506 — higher than the current gold price — and up from $467 for the December quarter.

Unit working costs rose to R29,37/ton milled against R27,42/t in the December quarter. Taxed profit fell by 83% to R1 056 000 from R6 529 000, and there was a deficit after capital expenditure of R5 840 000 (R4 082 000).

The average gold price received dropped to $525 from $640, and the profit on gold fell to R934 000 from R4 691 000. There was a sharp reduction in the mine's share of JMS profits to R317 000 from R1 781 000.

WESTERN HOLDINGS, thanks to a sharp rise in sundry income — from R2 511 000 to R7 607 000 — had marginally lower taxed profit in the March quarter — R28 982 000 from R29 643 000.

Unit working costs were held to an increase of less than 1% over the quarter — from R31,69/t to R31,92 on mill throughput of 846 000 tons, which was fractionally up on the previous quarter's 835 000 tons. The average yield was unchanged at 8 g/t.

Profit on gold, with an average received price of $528 ($636), declined to R62 291 000 from R74 964 000

Capital expenditure was substantially lower for the quarter at R1 849 000 (R2 984 000), and earnings a share after capex were higher than in December — 362c (356c)

FREE STATE GEDULD'S milling rate was lower at 706 000 tons compared with 746 000 tons, but grade improved to 9,71 g/t from 9,50 g/t, and gold production rose to 4 761 kg from 4 494 kg.

Unit working costs rose by 8% to R46,25/ton milled from R42,69, but actual gold costs rose only marginally to R32 650 000 from R31 844 000, and the profit on gold fell to R59 118 000 from R77 304 000.

Taxed profit dipped to R37 662 000 from R44 962 000, and after capex of R20 833 000 (R20 574 000) earnings a share dropped to 161c from 234c

JMS profit fell to R1 266 000 from R1 553 000 and there was sundry income amounting to R2 632 000 (R2 424 000)

The **JOINT METALLURGICAL SCHEME** earned an estimated profit of R12 111 000 in the March quarter (R16 933 000).

The scheme treated 4 693 000 tons of slimes (4 526 000), producing 276 337 kg of uranium oxide (265 553 kg), 93 820 tons of acid (85 997 tons), and 778 kg of gold compared with 611 kg in the December quarter

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ oz	Rev $ oz	Net Profit R000s	Profit after capex R000a cents	EPS after capex cents
P. BRAND	822	8,45	38,18	189	526	33 384	23 307	166
Dec	836	8,22	36,69	186	636	40 500	26 476	189
P STEYN	912	6,50	39,98	257	530	25 895	17 689	121
Dec	972	6,50	36,33	233	637	33 773	24 296	167
WELKOM	617	4,87	31,97	274	527	10 310	8 057	66
Dec	634	4,75	30,92	271	637	12 802	11 900	97
FS SAAI	515	2,43	29,37	506	525	1 056	(5 840)	[illegible]
Dec	500	2,45	27,42	467	640	6 529	(4 082)	[illegible]
W HOLDING	846	8,00	31,92	167	528	28 982	27 133	362
Dec	835	8,02	31,69	165	636	29 643	26 659	356
FS GEDULD	706	9,71	46,25	199	529	37 662	16 829	161
Dec	746	9,50	42,69	187	636	44 962	24 388	234

Tax savings finance merger to form giant mine

Argus 25/4/81 (214) ~~222~~ ~~220~~

Investment

By DEREK TOMMEY

THE plan to create a giant gold mine around West and East Driefontein and Rembrandt's proposal to sell half its stake in Rothmans to one of America's two big cigarette companies has given investors much to speculate about this week.

It is planned to merge West Driefontein, the world's richest gold mine, with East Driefontein and then use their combined resources to open up the North Driefontein lease area.

The resultant mine will be a giant by any standards Every year it will mill about 5,7-million tons of ore, produce about 80 000 kg of gold and, at current gold prices, earn revenue of around R1 100-million and have a working profit of R800-million.

The move makes good sense The mining industry can benefit from mass production as can manufacturing The economies of scale resulting from working the three mines as one will be considerable

However, perhaps the greatest benefit to be derived from opening up North Driefontein this way is that the Government will be footing the bill

Gold mines are heavily taxed, paying up to 66 percent of their profits to the Government But against this they can write off for tax purposes against their profits all capital expenditure in the year it occurs

should have gone to the Government

All funds expended on North Driefontein will now be written off against the profits of West Driefontein and East Driefontein

RISK CAPITAL

With money tight and risk capital in short supply this seems a much better way to finance a new mine than the old

How much simpler it would have been for these two companies if they could have been financed directly out of other gold mines' profits

However, the method of financing to be employed in opening up North Driefontein does not work in all cases The mine providing the finance must be making worth-

As a result of the merger, East Driefontein's profits and dividends should rise without any help from the gold price

So when the gold price starts increasing again holders of East Driefontein shares should doubly benefit

East Driefontein's shares, unfortunately, are expensive, now standing at R33,25 each To buy 100 shares would involve the quite high outlay of R3 325

An investor could overcome this through buying odd lots — that is in

Consequently it must be faced that governments throughout the world are likely to be under increasing pressure to take steps to curb it

Dr Rupert is undoubtedly aware of this and has been taking positive steps to lessen the group's dependence on income from this product

IMPRESSIVE

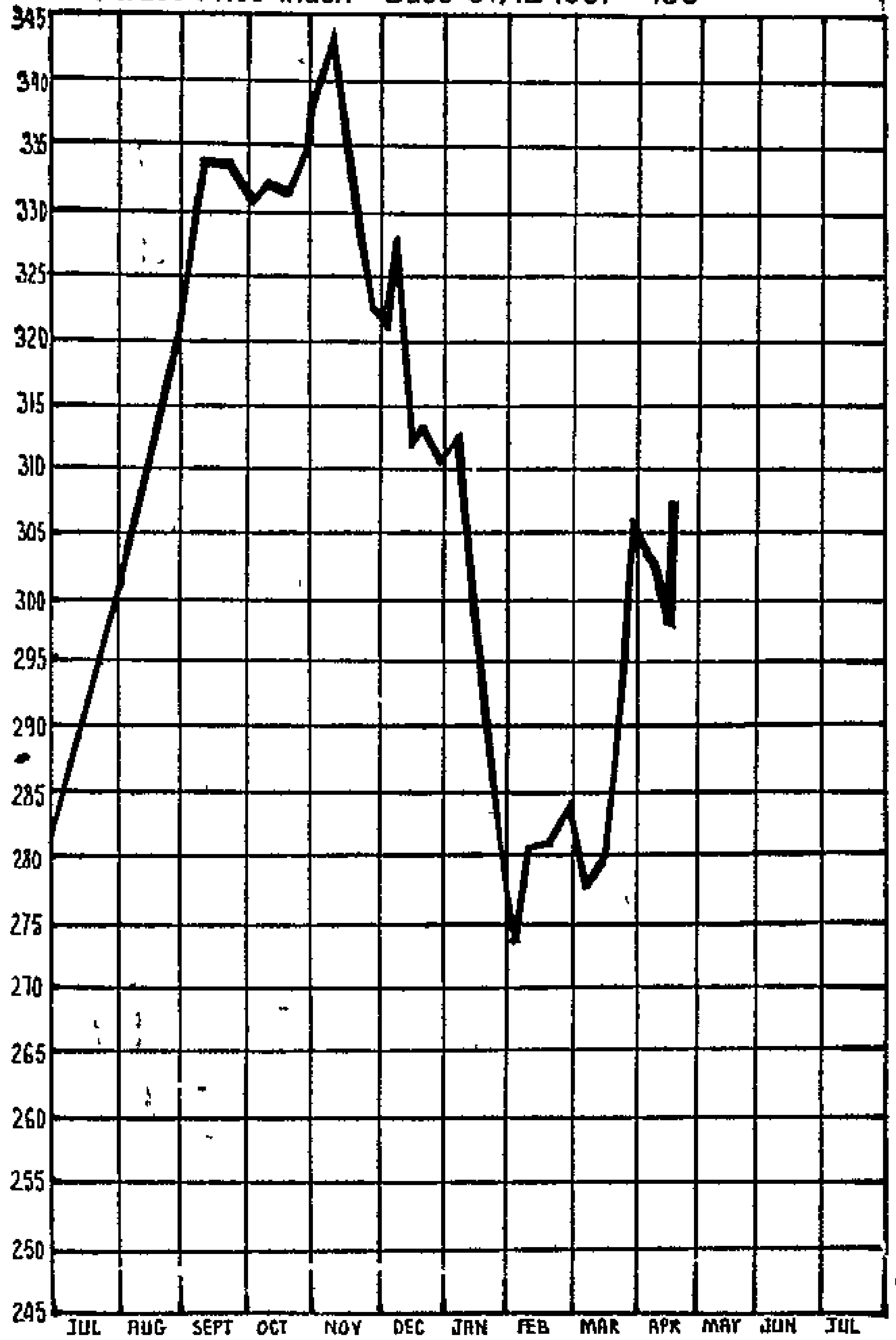
In this situation the sale of a half interest in Rothmans looks a sensible move If the buyer, Philip Morris, gives Rothmans a boost the Rembrandt group will share in the growth, and Rembrandt will have 360-million dollars to invest in non-tobacco interests

Rembrandt's investments outside of tobacco are extremely impressive They include a 20 percent stake in Total Oil, a 25 percent interest in Federale Mynbou, one of the country's major mining houses, a 20 percent interest in Volkskas, a 30 percent stake in Cape Wine, and a share in Henkel's South African operations

Rembrandt has always had a high investment rating The deal with Philip Morris could further enhance it

[redacted]

Unit Trust Price Index • Base 31.12.1967 = 100



THE ARGUS unit trust index rose 8,71 points this week to 307,02

... tal spending exceeds their profits they can carry the balance forward with accrued interest.

In consenting to the merger the Government has in effect given the enlarged company the go-ahead to finance the development of North Driefontein out of revenue which ...

... tutions. This latter course has been followed at Deelkraal and Elandsrand.

It is salutary to note that Elandsrand has already had to find R224-million and is now coming to the market for an extra R120-million.

... heavy taxes otherwise its dividends could suffer.

There is no risk of this happening in this case.

East Driefontein and West Driefontein paid about R700-million between them in taxes to the Government last year so they should have ample funds to finance North Driefontein without affecting their dividend payments.

DIVIDENDS

Taking a long view, an investment in East Driefontein, which is to be the holding company, would seem to have interesting possibilities.

... but would have to pay a little extra for the shares.

HALF INTEREST

THE SALE by the Rembrandt group of a half interest of its stake in Rothmans International for 350-million dollars should not surprise anyone who has been following the fortunes of this group.

It is clear that its founder and chairman, Dr Anton Rupert, has been aggressively seeking new interests for the group so as to sharply lessen its dependency on tobacco.

In the past two or three years the medical profession has amassed a most impressive weight of evidence on the harm that smoking does.

214

Argus 25/4/81

GOLD QUARTERLIES FM 1/5/81 214

In the doldrums

The final batch of March quarter reports has confirmed what everyone new — grade increases have been insufficient to offset the corrosive influence of higher costs and lower dollar gold prices And though there has been some relief from a weaker rand dollar exchange rate, that is something which could disappear if the rand rises against the dollar in response to a gold price advance later this year

While earnings are depressed, there are share buying opportunities for investors who believe that the worst of the gold price drop is past But what buying there is, is increasingly taking into account that it is more comfortable to be invested in a high-grade mine rather than in one of the more highly geared operations The three mines which returned to State Aid during the quarter, and the two which will follow during the current three months, are simply too hairy for investors who want to sleep at nights And even if gold develops a steady uptrend for the rest of the year, capex at some of the marginals could well prevent payment of dividends

Vaal Reefs. The improvement in December quarter North lease area sampling results and the deterioration in the South, had no effect on March quarter operating results In fact, recovery grade in the North fell to 7,1 g/t while that in the South rose strongly to 11,6 g/t Technical difficulties which hampered operations in the South appear to have been largely overcome And though mill throughput was marginally lower at 704 000 t (715 000 t) during the quarter, unit costs fell from R38,17/t to R35,85/t Even so, lower average gold prices resulted in a lower operating profit of R80m (R102,7m) in the South, while there was a drop from R126,6m to R74,2m in the North Afrikander Lease continues to operate at a loss and minimum royalty payments are being made At Vaal Reefs itself, uranium profits are in the doldrums and are likely to remain there for some time

Vaal Reefs remains one of the better gold shares on longer-term considerations But the lesser downside risk in Southvaal's earnings could make that share a more comfortable place to be until the gold price improves

Western Deep: The refrigeration plant breakdowns which cut production at two of the higher grade longwalls have been rectified, and the current quarter should see mill throughput return to full capacity and a grade rise to about 13,4 g/t The initial R450m capital expenditure programme to increase monthly milling capacity by 160 000 t to 440 000 t in 1986 is now in full swing, though the method of financing should mean it has a minimal impact on distributions However, if gold remains in a weak trend for the next few months, management could be cautious on dividend distributions There is little chance that last year's 800c total payout will be repeated

Elandsrand: Until mining operations are established in higher grade ore in the southern part of the mine, earnings will remain highly geared to the gold price Gold recovery grade fell yet again to 4,1 g/t in the March quarter, though higher mill throughput led to an increase in gold production and a 16,9% drop in unit costs to R46,01/t Unless cost inflation gets into an uncontrollable spiral, further unit cost cuts could be in prospect as mill throughput rises to its planned 180 000 t a month in 1983 Even so, I still doubt whether it is worth following the rights

President Steyn: "A" reef sampling con-may have been achieved in part by deferring maintenance expenditure In declaring a 29c interim dividend, more was distributed than was available after capex from the first half's operations Capex can easily be funded from current earnings, but distributable profits are highly geared to the gold price

Buffelsfontein· Cost control suffered with the March quarter's mill throughput drop Unit costs rose by 6,3% to R47,67/t And unless mill throughput can be increased, some stiff cost advances are in prospect for the current and September quarters In addition, last quarter's recovery grade drop to 7,9 g/t seems to indicate that the limit has been reached on grade support

The interim dividend reflected management's caution over the gold price, and the first three quarters' capex has lagged behind that expected at the start of the financial year While gold remains depressed, dividends will be constrained by the relatively heavy capex programme Retentions from the first nine months operations were 271,3c, but as the capex programme accelerates and if gold remains weak for the next few months, it may be too much to expect a final better than the 310c interim

Stilfontein Current VCR sampling results continue to be poor But if they are indicative of what can be expected in the large block of ground beyond the Kromdraai fault, it is hard to see why management should have authorised R1 4m capex for the exploration project On that basis better grades must be expected in the new area and, if they are revealed the mine s life could be transformed

Until the area has been proved shareholders should steadily amortise their investment The mine s remaining life on the Vaal reef is about eight years though recovery of gold and uranium from surface dumps should continue long after that Chemwes, the 85%-owned uranium facility, is operating as well as can be expected given uranium s price weakness Chemwes could start paying dividends this year once its debt has been repaid

WR Cons The combination of lower gold prices, higher costs and weak uranium pushed the mine into an operating loss in the March quarter State Aid made up the deficit and covered the small amount of capex There is little point in expecting dividends this year unless gold and uranium prices improve sharply Marginal improvements which resulted in an operating profit would simply allow the mine to carry out continued capex projects which have been deferred

Wit Nigel The gold price honeymoon is over for the time being During the March quarter the mine stayed in the black only because of a R279 000 State Aid infusion That was insufficient to cover the quarter s capital expenditure and the same can be expected this quarter as R1 9m is to be spent on shaft sinking Once that is completed, work on the unfinished No 10 shaft will cease, throwing some doubt over the mine's operations for the next few years The shaft is necessary for continued mining operations and, according to management, a gold price of more than $600 will be needed in the year to end-June 1982 if shaft sinking is to be resumed Dividends needless to say are unlikely for some years

Jim Jones

GOLD QUARTERLIES

	Gold									Uranium				Profit		
	Cost R/kg	Cost $/oz*§		Revenue R/kg	Revenue $/oz§	Milled *000 t		Recovery g/t*		Milled* 000 t		Recovery* kg/t		Gold R 000	Uranium & other R'000	EPS after capex c
ANGLO AMERICAN																
Elandsrand	11 321	454	(492)	13 003	522	266	(210)	4,1	(4,7)					1 639	956	(7,5)
Ergo				13 103	528	4 823	(4 886)	0,4	(0,3)	4 823	(4 886)	0,15	(0,16)	19 406		44,7
Free State Geduld	4 761	192	(187)	13 102	529	706	(746)	9,7	(9,5)	†634	(592)	0,09	(0,09)	59 118	3 898	161,2
Free State Saai	12 111	489	(466)	12 998	525	515	(500)	2,4	(2,5)	†700	(638)	0,15	(0,16)	934	122	(20,8)
President Brand	4 516	182	(185)	13 017	526	822	(836)	8,5	(8,2)	†505	(717)	0,17	(0,15)	59 616	5 728	154,7
President Steyn	6 150	249	(232)	13 105	530	912	(972)	6,5	(6,5)	†2 794	(1 511)	0,09	(0,09)	41 434	6 977	121,4
Vaal Reefs	4 463	180	(181)	12 720	514	2 100	(2 097)	8,5	(8,3)	2 209	(2 178)	0,20	(0,20)	144 533	(26 348)	195,4
Welkom	6 566	265	(271)	13 058	527	617	(634)	4,9	(4,8)	†359	(338)	0,20	(0,21)	20 007	1 473	65,8
Western Deep	4 348	176	(154)	12 861	521	728	(800)	13,1	(13,4)	530	(550)	0,09	(0,10)	79 785	3 650	111,5
Western Holdings	3 992	161	(164)	13 065	528	846	(835)	8,0	(8,0)	†1 128	(1 041)	0,08	(0,09)	62 291	8 427	361,9
ANGLOVAAL																
ET Cons	5 127	207	(216)	12 614	510	76	(76)	7,3	(7,1)					4 170	(10)	37,6
Hartebeestfontein	4 883	197	(196)	13 027	527	746	(752)	10,5	(10,6)	880	872	0,16	(0,14)	63 788	10 069	237,5
Loraine	13 595	550	(539)	13 113	530	396	(415)	3,3	(3,5)					(630)	1 407‡	(25,1)
GENCOR																
Bracken	7 591	291	(299)	13 084	509	240	(240)	3,6	(3,6)					4 896	96	12,4
Buffelsfontein	6 003	245	(228)	13 335	544	839	(863)	7,9	(8,2)	779	(787)	0,20	(0,20)	48 858	2 625	132,2
Grootvlei	6 884	267	(277)	12 678	493	440	(440)	3,6	(3,6)					9 229	(365)	32,5
Kinross	5 139	198	(211)	12 900	502	400	(400)	5,8	(5,6)					18 230	(109)	36,4
Leslie	8 119	313	(343)	12 967	505	315	(315)	3,2	(3,0)					5 025	(31)	11,3
Marievale	9 109	354	(349)	12 336	480	240	(240)	1,3	(1,4)					1 008	(48)	9,2
St Helena	4 162	161	(159)	12 854	500	530	(555)	7,3	(7,5)					33 771	55	129,7
Stilfontein	6 353	256	(244)	12 872	519	470	(485)	8,1	(8,4)	857	(866)	0,20	(0,20)	24 762	(1 967)	67,2
Unisel	5 279	205	(229)	13 114	510	246	(240)	6,5	(6,3)					12 593	(939)	41,0
WR Cons	22 949	884	(925)	12 491	501	545	(550)	1,3	(1,3)	273	(285)	0,31	(0,35)	(7 394)	5 944	31,7
Winkelhaak	3 635	140	(143)	13 025	507	535	(540)	6,6	(6,6)					33 623	428	100,5
GFSA																
Deelkraal	10 211	413	(409)	12 958	524	287	(285)	4,2	(4,1)					3 403	291	2,6
Doornfontein	5 168	209	(202)	13 801	558	360	(360)	8,4	(8,6)					26 211	1 795	92,9
East Drie	2 697	109	(101)	13 686	553	675	(656)	14,0	(14,9)					104 111	7 240	77,0
Kloof	3 147	127	(127)	13 317	538	525	(540)	14,5	(14,5)					77 727	3 647	96,1
Libanon	5 962	241	(251)	13 649	552	420	(420)	5,9	(5,9)					19 177	1 258	95,5
Venterspost	9 867	399	(392)	13 389	541	345	(345)	4,0	(4,2)					4 913	862	49,6
Vlakfontein	5 928	240	(326)	12 993	525	180	(180)	1,1	(1,1)					1 039	151	9,3
West Drie	2 922	118	(117)	13 686	553	675	(675)	14,5	(14,6)	320	(310)	0,19	(0,20)	105 716	10 296	293,4
JCI																
Randfontein	6 666	272	(280)	12 770	520	1 014	(1 054)	5,4	(5,1)	873	(942)	0,19	(0,18)	33 421	4 162	199,9
Western Areas	9 528	389	(367)	12 856	524	1 085	(1 092)	4,3	(4,4)					15 527	1 917	20,4
RAND MINES																
Blyvoor	5 379	217	(220)	12 931	522	518	(524)	8,6	(8,3)	480	(492)	0,17	(0,17)	33 809	1 963	54,2
Durban Deep	10 910	438	(421)	13 040	524	540	(547)	3,3	(3,3)					3 913	389	69,8
ERPM	10 333	420	(433)	12 918	525	674	(614)	4,5	(4,7)					7 973	1 239	(18,7)
Harmony				13 031	527	1 890	(1 882)	4,3	(4,1)	1 756	(1 693)	0,08	(0,08)	54 981		80,8
INDEPENDENT																
South Rood			(846)				(67)		(2,5)							
Wit Nigel	13 298	538	(461)	12 725	516	75	(75)	3,5	(4,1)					(152)	321‡	(19,9)

*Figures in parentheses refer to previous quarter
†Deliveries to Joint Metallurgical Scheme
‡Includes State Assistance
§Calculated at R1=$1 30 when figure not provided by mine

tinues to reveal attractive grades at Nos 1 and 2 shafts. And it could pay the mine to shift operations from the Leader reef at these shafts Recovery grade is on target and there should be little difficulty in maintaining the current 6,5 g/t for a few more years As the focus of operations moves towards the south, greater tonnages of higher grade Basal reef should be mined which will have a positive influence on grade even if higher tonnages are drawn from the "A" and Leader reefs Capex has peaked and should start declining over the next couple of years

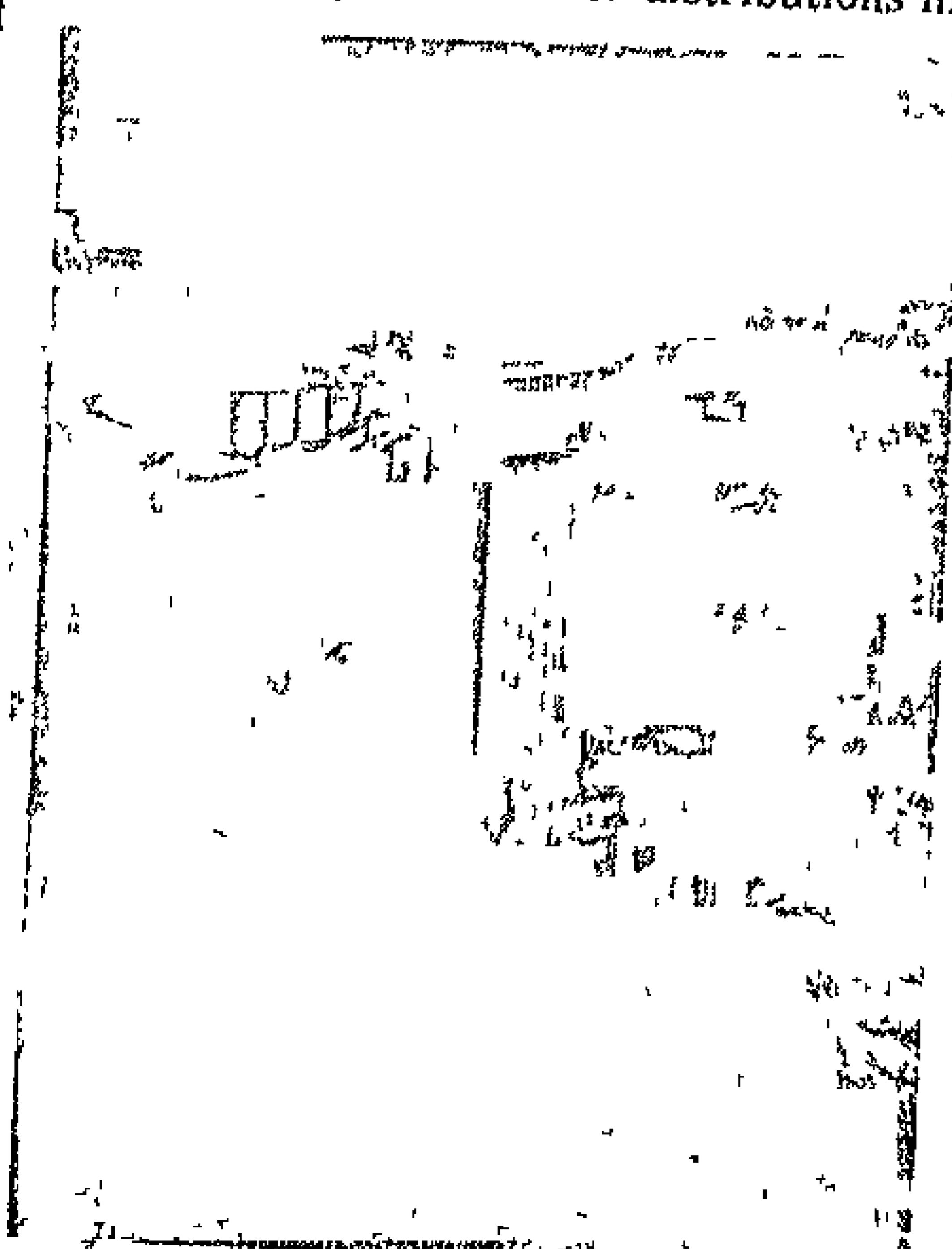
President Brand. The year's 8,4 g/t planned recovery grade is now being met though this was accompanied by a slight tonnage drop during the March quarter Capex, largely for the new No 5 shaft seems to be ahead of schedule though further relatively heavy spending is likely next year First-half retentions were 28,2c, but that will be insufficient to prevent a lower final than the 295c interim being paid unless bullion starts to move soon. During the current six months dividend income should be received from the 6,5% stake in the enlarged Western Holdings.

Western Holdings: The March quarter's results are largely academic, as are those of Free State Saai and Welkom. Once the Minister approves merger plans the three mines should report as one. Ahead of approval, Welkom and Western Holdings have declared interim dividends which absorbed almost all of the first half's distributable income Free State Saai's 2,4 g/t recovery grade continued to be well below the 3 1 g/t planned for the year, which could throw some doubt on grades which will eventually be recorded at Erfdeel/Dankbaarheid.

Free State Geduld: According to the annual report this year's capex was slated at R110m. If this is to be achieved, capex must rise sharply during the June and September quarters During the first six months capex totalled R41 4m. On this basis distributable earnings will be sharply lower in the second half From the first half's earnings 365c is to be distributed and 27,5c retained Recovery grade rose to compensate in part for weaker bullion but this does not lessen prospects of a steady decline as operations shift towards lower grade ore in the north The mine's vulnerability to lower mill throughput was made clear in the March quarter Mill throughput fell from 746 000 t to 706 00 t and unit costs rose 8,3% to R46 25 t If the treatment rate rises this quarter, better-than-average unit cost control should be possible Capex could remain relatively heavy for a few more years, particularly if another shaft is sunk in the northern part of the mine and additional uranium recovery facilities are erected

Unisel: Leader reef development has restarted, but without revealing attractive grades. On this basis it is unlikely that an early start will be made to exploiting the reef Basal reef development sampling is now disclosing reasonably high grades and there is little fear that the mine will reduce recovery below 6 g/t for several years Expansion of St Helena's milling capacity to treat 110 000 t a month from Unisel is being funded by a higher toll milling charge But that had no effect on March quarter costs which fell from R34,71/t to R34,31/t

Loans of R21m remain to be paid and will act as a drag on earnings for the remainder of this year Once they are repaid, the mine will start paying tax, which could point to lower distributions in 1982 even if the gold price improves



Western Deep . longwall advantages

St Helena. Technical problems cut March quarter mill throughput cut mill head grade and helped boost unit costs by 5 8% to R30,38/t Once the difficulty has been overcome and new legs established in the No 8 shaft ore pass system grade should recover to probably more than 7 5 g/t But that will probably be a short-term phenomenon and only maintained until gold moves above $500

Apart from the temporary production loss the mine is operating at full capacity Exploratory development is being done in the Ongegund area south of the mine's present lease area Results have not been differentiated from others But if they are satisfactory a new shaft could be needed before the mid-Eighties to exploit the area

Grootvlei Capital spending will soon become a major restraint on distributable earnings while at this stage of the mine's life, the ability to maintain higher recovery grades to compensate for weak gold prices and higher costs may be limited That, however, is a near-term detraction The mine should continue to operate until at least the turn of the century and the shares should be a major beneficiary of a gold price advance

Once the R24m capex programme is completed, mill throughput will rise to 165 000 t a month which should be a major help in containing operating costs If management decides to retain earnings ahead of capital spending the interim dividend may not reach 50c even though first quarter distributable earnings were 32,5c

Marievale: The two boreholes which completed the drilling programme on the old Nigel mine gave inconclusive results But it should be remembered that Kimberley reef in the area is confined within reasonably well-defined pay shoots The mine remains, at best, a gold price speculation, but the share is unattractive unless it is possible to resume underground mining on a reasonable scale An interim dividend of 15c seems likely

Kinross: Helped by greater tonnages being drawn from the higher grade No 2 shaft area, recovery grade rose to 5,8 g/t during the March quarter And if gold remains weak, grade could show further slight improvements during the next few months The R45m capex programme to increase monthly mill throughput to 165 000 t has yet to impact on distributable earnings But ahead of it, unduly high retentions are not being made Retentions during the first six months were R652 000 compared with after-tax earnings of R17m and an interim dividend total of R14.4m If gold continues its current performance, the squeeze of lower revenue and higher costs and capex will almost certainly ensure that the final is less than the 80c interim dividend

Winkelhaak: Management appears to have no qualms about the mine's ability to fund the R18m expansion programme from current earnings First half retentions were R813 000, or 6 7c a share But unless gold moves well above $500 and stays there there is little chance that the final will be as high as the 220c interim Unit costs were 5% ahead at R23 99/t in the March quarter, and repeat performances are on the cards in June and September as wage increases are incorporated into the mine's cost structure

Bracken: The mine is highly susceptible to gold price movements and it is doubtful that any meaningful grade increases are possible to counteract the erosion of weaker gold and higher costs On an unchanged mill throughput unit costs rose by 4,1% to R27,32/t in the March quarter and the June and September quarters could see a further advance of about 10% overall The 30c interim dividend fully absorbed the first half's available earnings so, on present performance expect a lower final

Leslie. Everything possible is being done to limit the effect of lower gold prices Recovery grade increased to 3 2 g/t during the March quarter while unit costs were held to a 3,4% increase, though that

The mines a RDM (214) falling gold 1/5/81 (7) price hurts most

By JOHN MULCAHY
Mining Editor

A SUSTAINED gold price be low $500 would have severe consequences for sveral gold mines, and a drop to $450 would place at least three producers in a loss situation.

The gold price has for some time been fluctuating below $500, and although the average for the year to date is about $520, there is a strong belief that the bottom is still much to the south

Rand Merchant Bank economist Mr Louis Kruger said recently that the average for the year would be $430, which would require a sustained fall to well below $400

There are opinions which contend that there are enough economic and political pressures to push up the gold price so that the average for this year is between $500 and $550 an ounce

While there are no detailed figures available on uranium, there are negative indications for the short and medium term Potential annual world output is estimated at 80 000 tons by 1985, and offtake is not expected to exceed 57 000 tons by that time

West Rand Cons, which is essentially a uranium producer, with gold as a by-product, can expect earnings of about 100c a share at a gold price of $500, but if the average falls to $450 the earnings potential disappears

It is not surprising that the mine has been receiving State aid since the last quarter of 1980 WR Cons break-even point for gold is more than $900 an ounce, and even when uranium costs are reduced from those of gold, the break-even is aBout $540, well above both the present price and the average for the year

Nine gold or gold/uranium producers are eligible for State aid, of which five are either receiving assistance or have applied for it

West Rand Cons, Loraine and Wit Nigel are receiving aid, and Durban Deep and ERPM applied for it in the March quarter The other producers which qualify for aid are ET Cons, Leslie, Stilfontein and Venterspost

Loosely, a mine qualifies for State aid if — in terms of a formula which takes into account the mining lease, ore reserves and capital expenditure — the Government Mining Engineer is satisfied that in the absence of assistance a mine's life could be reduced to less than eight years, and assistance would have the effect of prolonging the life

The aid is given by way of a reduction of the tax charge in the case of producers liable for tax, or by direct capital injection It is regarded as a grant and is not repayable

Producers with no possibility of extending their lives beyond eight years do not under any circumstances qualify for State aid, and producers in this category include Bracken, Marievale, Elsburg and Free State Saaiplaas — assuming there was to be no merger with Western Holdings and Welkom

Taking the downside extreme of the gold price potential — an average of $400 — the first of the remaining mines eligible for State aid likely to apply for assistance would probably be Venterspost For the March quarter Venters costs, expressed in dollars an ounce, rose to $396 and costs of stores and labour are rising all the time

It is doubtful whether the Government Mining Engineer would accept the Middelvlei development in the assistance calculation, and this is seen as a possible reason for Venters soft-peddling in the area

Leslie would probably not require State aid at a gold price of more than $350, at least in the short term Costs for the March quarter were $313 an ounce of gold produced, and Union Corp's ability to contain cost increases is renowned

Although Stilfontein has an element of uranium in its earnings structure, the mine is in a healthy state, and the break-even point for the March quarter was $256

It also has the prospect of loan returns from 85% subsidiary Chemwes, and the mine is expected to move into the Ventersdorp Contact Reef to a limited degree soon This should add to its viability

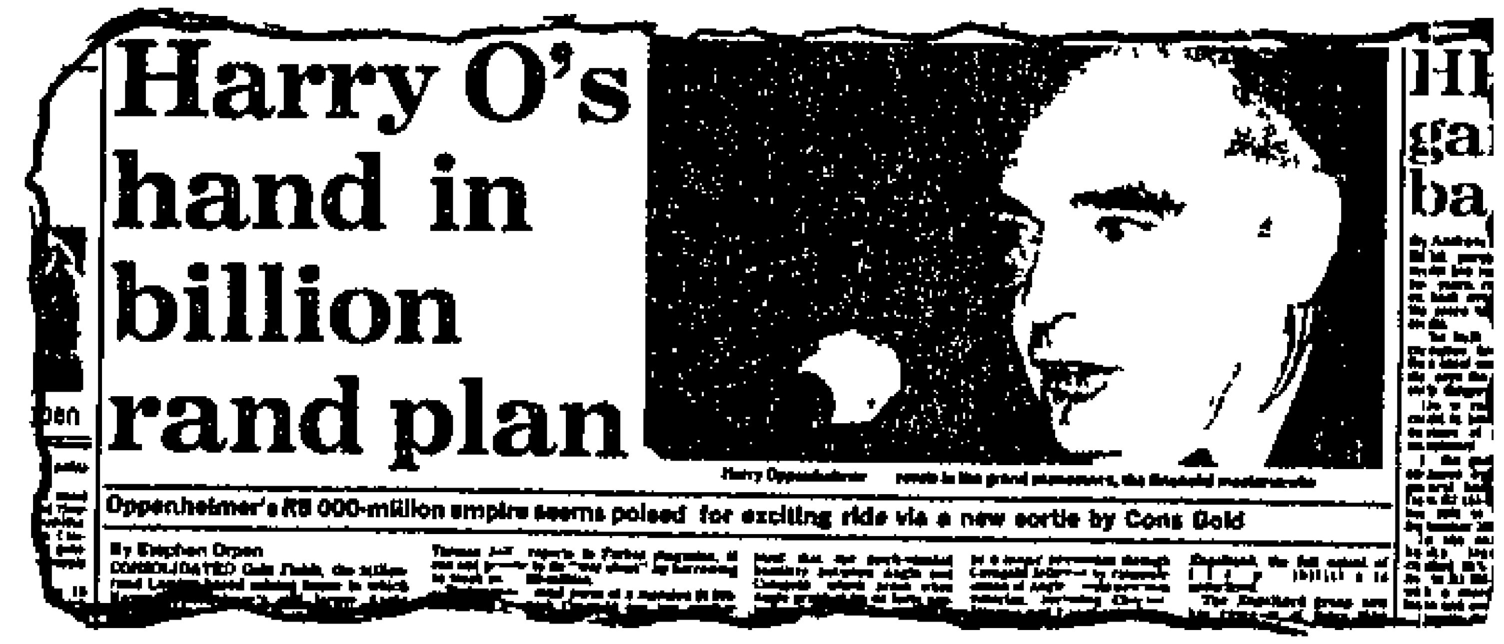
ET Cons is the least likely of the four "eligibles" to resort to State aid It has a strong balance sheet and one only needs to look at the previously difficult period of 1974 to 1976, when the mine managed to continue operating without assistance

Of the mines which have high cost elements, Elandsrand at $473 and Deelkraal at $410 are both new producers, with the problems regarded as temporary

Marievale ($354), Western Areas ($388,50) and Free State Saaiplaas, with costs of $506 an ounce, would not be regarded as viable for more than eight years by the GME

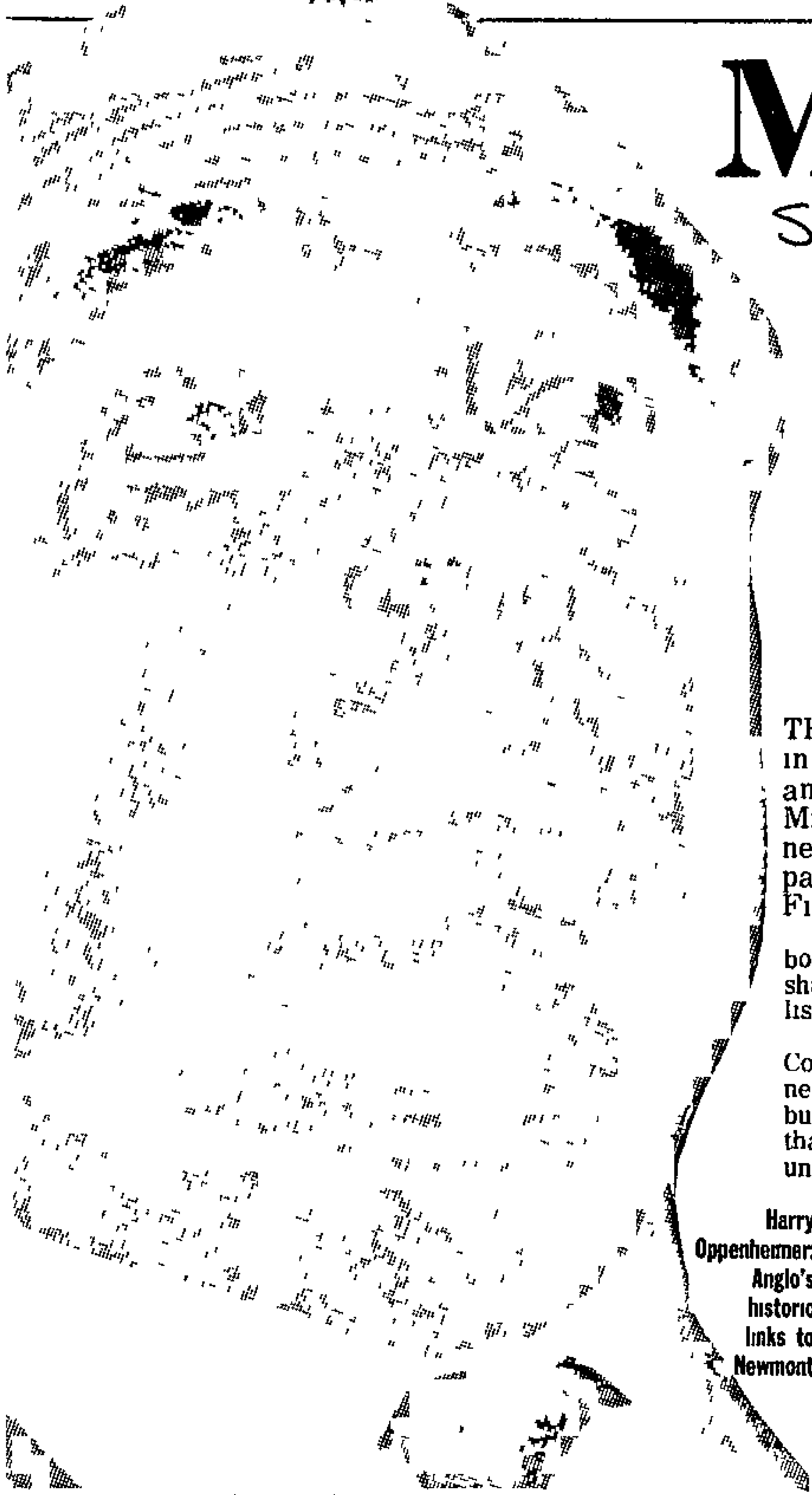
Mr O, Consgold on the march in massive U.S. thrust

S. Tiies 3/5/81 (214)



Tear-out from Business Times of December 21 1980

'PART OF ANGLO'S GRAND DESIGN TO BUILD UP INTERNATIONAL EMPIRE'



Harry Oppenheimer: Anglo's historic links to Newmont

By Neil Behrmann
London

THE acquisition of a small stake in the large United States mining and energy concern, Newmont Mining, is likely to be the forerunner of major North American expansion by Consolidated Gold Fields

In the past five weeks Consgold has bought 7% of Newmont s 26-million shares which are currently capitalised at $1 800-million

At a Press conference this week, Consgold s chief executive, Rudolf Agnew, said that the group intended to buy at least 25% of the company and that the stake could be built up to just under 50%

At Newmont's current market price of $70 this implies that the investment could range from $500-million to $1 000-million, and this could be even higher if the shares appreciate

Only a few months ago Newmont s shares were $38 and Consgold s average purchase price was $58 a share, or $107-million

In the past few months it has been widely mooted that Consgold would buy a stake in Newmont Phelps Dodge or Asarco — large mining and resource concerns in the US

Consgold picked the best company It has excellent management and a broad spread of interests commented a mining analyst at a brokerage house with strong links with Consgold and the Anglo stable

About 50% of Newmont's earnings come from copper and about 45% arrives from oil and gas, coal and gold interests

Newmont has a 29% interest in South Africa's Palabora copper mine and a minerals producer in South West Africa, Tsumeb

There are also investments in Australia and Peru Brokers such as James Capel believe that Consgold's North American expansion is part of Anglo American s grand design to build up its international empire

Anglo American holds 32% of Minerals and Resources Corporation (Minorco), which in turn has a 29% stake in Consgold

Julian Ogilvie Thompson, a key director of Anglo American, is a non-executive director of Consgold

Anglo American has histori-c[illegible] [illegible]ks with Newmont When Anglo American was established Newmont was the American half But in the early part of this century Newmont sold its holdings in Anglo

Though Anglo American apparently does not have an interest in Newmont brokers assume that it influenced Consgold

Yet executives of Consgold insist that their decision was independent They say that they had planned to enter the American mining sector several months ago

'Anglo was not involved in the decision The move was planned by ourselves and it is established policy said a Consgold spokesman

"We plan to increase our stake in North America '

Consgold has a 46% interest in Gold Fields of South Africa, and will have a 10% direct stake in the new merger of West and East Driefontein (first disclosed in Business Times on November 23 last year)

At the end of last year total assets employed by Consgold were in the region of R1 800-million On market values the major territorial investments were South Africa 55%, North American industrial companies 18%, United Kingdom 16% and Australia 11%

Mr Agnew said that the company raised about £180-million in a rights issue a few months ago About half of this money has been used, but the company has a further £800-million which can be borrowed for further acquisitions or internal expansion

This is besides the huge cash flow which is already coming from GFSA, Australia and other successful ventures

Though Consgold denies Anglo involvement, brokers close to Anglo believe that "it went ahead with Anglo's blessing

Minorco is already a remarkable concern

Through Consgold it will now have an indirect stake in one of the powerful US minerals and resources companies Newmont The[illegible] are ve[illegible] exciting times [illegible] Anglo Consgold and Minorco

Star 7/5/87

Eleven miners die

Own Correspondent

MARITZBURG — Ten mineworkers were killed in a methane gas explosion in the Newcastle-Platberg Colliery at Elandslaagte, about 20 km north of Ladysmith, yesterday

It will be several days before their next of kin will have been informed so the names of the dead men have not been released

The Inspector of Mines has gone to the scene to conduct an inquiry

A mineworker was killed and six others injured in an earth tremor at the Hartebeesfontein Gold Mine near Klerksdorp today

The injured men were trapped in the Number Four shaft area of the mine but an Anglo Vaal spokesman said they had been freed by mid-morning and taken to the surface None had suffered severe injuries

The name of the dead man will be released only after his next of kin have been informed

CONS GOLD 2/4 FM 8/5/81

Netting Newmont

At first sight Cons Gold's announcement that it had bought 7% of America's Newmont Mining for $108,2m and armed with resources amounting to $1,1 billion, planned to buy "at least 25% but less than 50%," smacked of a naivety alien to the hardboiled mining finance world. Nothing could have been more opposite to the treatment meted out to Cons Gold itself in the famous "dawn raid" of 1980 which netted the Anglo group an eventual 29%.

Having bought its initial Newmont stake at $58,76 a share, Cons Gold, by implication at least, was suggesting it may be prepared to pay up to $97 for the balance needed to reach just under 50%. As one commentator said, it looked like playing poker with transparent cards. Newmont promptly hit $70 before easing back into the [illegible] range.

There was immediate speculation that Cons Gold's move would bring out one of the oil majors as a counter-bidder. British Petroleum's purchase of Selection Trust and its US subsidiary Sohio's $1,77 billion takeover of Kennecott Copper as well as the aborted bid for Amax by Socal offered more than enough room for this thought.

It has yet to happen, but two events suggest the oil majors could cool towards paying top prices for mining groups. Kennecott, formally approving the Sohio offer, revealed a first quarter operating loss of $7,5m (mainly blamed on the 32% drop in copper prices) and Socal withdrew its $4 billion bid for Amax — which would have been the world's biggest if it had come off.

Newmont (whose equity earnings have grown from $31m to $190m in 10 years) is 50% dependent on copper earnings — it has direct and indirect stakes in 240 000 t of annual production — and is unlikely to escape the problems which have hit Kennecott. So while Cons Gold may have to go softly, it is not unreasonable to think its contracyclical buying could net it at least halfway towards its objective without having to pay the earth — although at $65 Newmont's historic yield of 3,1% is scarcely mouthwatering.

Cons Gold has emphatically denied it had to obtain the imprimatur of its majority shareholder at 44 Main Street before making the move. Yet the Newmont links with the Anglo-JCI hegemony in SA (ranging from Highveld to Tsumeb, O'okiep and Otjihase) plus, through these, the tie-up with Cons Gold in the Black Mountain mine, make it hard to fault ideas that the move is partly defensive against incursions by oil groups. And on the positive side, the Newmont stake could be the first step towards creation of an international co-operative troika, with Newmont as the third horse and Harry Oppenheimer holding the reins — even if loosely. *John Cavill*

TC LAND FM 8/5/81 214

Slow growth

As expected, gold mining dividends provided the bulk of TC Land's profit increase in the six months to end-March, though, on a taxed basis, coal interests improved their percentage contribution to group results

In the six month to end-March, TCL reported operating profit of R50,2m (R44,9m) of which R12,8m (R5,6m) represented dividend income from major gold investments Harmony, ERPM, Blyvoor and Durban Deep In contrast, the pre-tax (and consolidated) profits from subsidiaries Witbank Colliery and Welgedacht rose only 15,8% to R32,1m

Group earnings growth slowed to 3,4% following a reduction in share dealing profit to R30 000 (R855 000) and higher exploration expenditure of R2,1m (R922 000) of which R400 000 was in the two listed coal subsidiaries The balance was largely devoted to gold exploration

The taxed contributions of the various TCL divisions is clouded by a large increase in deferred tax — from R9,9m to R14,4m — and the redemption allowances at Witbank, which resulted in a nil tax charge in the mine s accounts for the period Ignoring deferred tax, the taxed profit contribution of coal increased to 66,5% (53,8%), largely because of Witbank's tax position Gold dividends contributed 27,6% (16,1%) on this basis

The reasons for the large increase in gold's contribution include the sharply improved dividends declared out of higher average gold revenues and the increased holding in ERPM since the rights issue That mine's final dividend was lifted to 195c (90c) and the new shares were eligible for payment In addition, TCL benefited handsomely from Harmony s 200c (85c) interim which contributed R9,3m (R4m) to group earnings

As a result of these higher total earnings TCL declared a 75c (65c) interim dividend — a 15 4% increase — from earnings which advanced only 3 4% thus reducing cover to 4 8 (5 4) times Last year s annual cover was 3,5 times

After the solid profit advances of recent years, the 1981 interim is something of a disappointment This reflected the modest pre-tax profit growth in coal subsidiaries as well as conditions prevailing in base metal and mineral markets which affected asbestos and chrome operations

For the second six months the directors

TCL . coal profit growth slows

forecast at least a repeat of last year's 150c final Prospects of an improvement on this figure will depend to a large extent on gold income which is currently under a cloud ERPM, for example is being increasingly squeezed between poorer gold profits and capex requirements though in general, TCL s major gold investments pay their greater dividends during the second six months

A bull point for the second six months arises from the February 2 domestic coal price increase Depending on Witbank s tax, and the extent to which TCL provides for deferred tax, this benefit could be partially offset

There was some sign of weakness after the interim announcement but the share at 6 100c still yields a low prospective 3,7%, indicating the market s belief that the 150c final forecast will be exceeded There could be short-term price weakness, but that should be seen as a buying opportunity for longer-term investors

ELANDSRAND (214)
FM 8/5/81

The full story

Elandsrand's rights issue circular contains nothing to alter my earlier view that acceptance of the 570c a share offer is not attractive It does, however, contain previously unpublished information on the problems that have bedevilled mining

In March 1978, when a start was made on sinking the sub-vertical rock and ventilation shaft, a dyke was intersected which forced the shaft's position to be changed This was not disclosed in the previous rights issue document, signed by the directors and technical advisers in May 1978, nor in any of the subsequent annual reports

According to managing director Rawdon Lawrie, the delay caused by this and a subsequent site move, again because of poor geological conditions, was not considered relevant as it was not thought to affect the mine's profits The sub-vertical shaft, which is vital if the mine is to exploit high-grade VCR to the south of the main shaft, is now slated to be commissioned in mid-1985, three years later than scheduled in the 1978 rights issue document

That would have been fine had the rescheduling of mining operations borne fruit Apparently favourable sampling results in development from the haulages linking Elandsrand with Western Deep prompted management to establish stoping operations in the area However the high grade area turned out to be fairly limited And once it was mined out, operations had to continue in lower grade ground The mine's record of low gold recovery grades since then is a matter of record

Technical problems, due to faulting and highly variable gold grades, became clear in 1979, though that does not appear to have accelerated the sub-vertical shaft sinking programme As management sees it, the problems could well persist in the lower levels to be exploited from the sub-vertical A zone of faulting appears to run from north east to south west through the present stoping area and into the higher grade ground to be stoped in the mid-1980s That could well make longwall mining, which is necessary at that depth, difficult In other words, it is far from certain that technical mining problems are on the way to being completely overcome

The present rights issue is intended to raise R120m to help fund an increase in monthly mill throughput to its targeted 180 000 t in 1984 and to sink the sub-vertical rock/ventilation shaft The total cost is put at R150m, part of which will be funded from future earnings In addition, a loan from Anglo, which presently stands at about R40m is to be repaid Unless gold starts performing well, a large part of earnings will be pre-empted and near-term dividend prospects will be poor That will be exacerbated by additional capex needed for a sub-vertical men/materials shaft to be started in late-1985 at a current cost probably of the order of R25m However, management now believes that the mine is funded until full production, so there is some room for dividends

Some brokers have tried to recommend the share and the rights on profit considerations once the exploitation of the higher grade ore reaches full potential five or six years from now They do caution, however, that drilling results on the VCR can be highly misleading So investors looking for a relatively safe investment might be best advised to steer clear of Elandsrand until the deeper ground is proved by development sampling

Then there are those who believe salvation can be achieved by a merger with neighbouring Western Deep That is highly unlikely Elandsrand was originally shown to be viable only by the inclusion of ground previously within the Western Deep lease area So any merger proposals would be seen for what they are, a means of avoiding tax, and unlikely to be agreed to by the Receiver and the Government Mining Engineer Nor is a merger with Deelkraal likely there would be no compelling rationale for such a move

Elandsrand has to plod on as best it can But there is little point in minority shareholders pouring any more money into the mine

Jim Jones

East Dagga teams up with Bonanza

RDM 8/5/81

214

By ADAM PAYNE

EAST Daggafontein has taken a 23% stake in Bonanza Gold Mine, a company which has been involved in small-scale mining on the East Daggafontein lease area under a tributing agreement since 1977 and which is to expand its operations to areas adjoining East Daggafontein.

The new areas to be mined include 2 966 precious metal claims on the farm Daggafontein 125 IR and 884 similar claims on the farm Rietfontein 276 IR Both adjoin the original East Daggafontein tribute areas consisting of 1 212 precious metal claims and a mining lease covering about 30 ha which East Daggas could no longer mine economically

The entire issued share capital of Bonanza together with certain claims on its loan account have been taken over by Messina (Transvaal) Development Company and by Southern Prospecting for R3-million

East Daggafontein has accepted a 23% participation in the Bonanza shares and the loan account claims This will cost East Dagga R423 000, to be met from existing cash resources East Dagga will also allow Bonanza to continue mining in the original tribute area without paying a royalty

Bonanza will continue to have the use of the East Daggafontein No 1 shaft to mine not only the tribute area but the adjoining areas over which it has acquired the mining rights.

The issued share capital of Bonanza will be held by Messina (62%), East Daggafontein (23%) and Southern Prospecting (15%) and the company will be managed by Messina

The directors of Southern Prospecting are Mr Jim Wilson, Mr Ken Whyte, Mr C I van Christierson and Dr R K J Winkler

Because of the uncertainty concerning the gold price and recovery values from the Bonanza mining area, it is not possible to forecast with any accuracy the improvement in Messina's and East Daggafontein's earnings as a result of their investment in Bonanza

COMMENT: The areas available for mining total 5 062 claims — a considerable area.

East Daggafontein had abandoned most of its claims, except for areas under tribute to Bonanza and Grootvlei.

Bonanza repegged parts of Daggafontein and East Daggafontein lease areas and now East Daggafontein has 23% of Bonanza.

This is a good consolidation. It is too early to evaluate the benefit to East Daggafontein, but the shares are probably fully valued at 365c. Some buying of the shares took place in March on unfounded rumours of an amalgamation with Grootvlei and Marievale.

BUSINESS

Conference told gold's long-term health assured

STAR 12/5/81

218

By Geoff Shuttleworth

Mr Reginald Eccles, joint editor of Metals Analysis Outlook told the Metals Bulletin conference in Johannesburg today that he is inevitably drawn to the conclusion that not only will the gold price recover from its recent decline, if not this year then certainly in 1982, but further, that the long-term health of gold is assured.

All the evidence points to a growing recognition of gold as the ultimate store of value in the domestic and international arena, he told the second and final day of the conference

"Unless it is assumed that the financial and political uncertainty which has given rise to this process is about to wane, then the trend will continue For my part, decelerating inflation and a strengthening dollar are entirely consistent with the current phase of the business cycle and I would not bet on either of these trends continuing once the next economic upswing is well under way"

ENVIRONMENT

"Nor would I bet on political stability in the Middle East nor a perpetually lacklustre oil market On the other hand, I do see a continued commercial institutionalisation of the gold market, a recovery in the commercial demand for gold and accelerating interest on the part of the monetary authorities," said the English editor

Commenting on the short-term influences on demand, Mr Eccles said that an environment of decelerating inflation is not conducive to a rising gold price — precisely the most recent experience However, if the next world recovery, which should soon be under way, results in a renewed acceleration in inflation, the results will be a most positive environment for the gold price

On the question of the disposition of gold reserves he said that at a price of 500 dollars an ounce, gold stocks currently represent 59 percent of total foreign reserves If the figure of the 1950s and early 1960s of about 66 percent is considered an appropriate level, the requisite gold price is 675 dollars an ounce

Commenting on gold and the oil exporters, Mr Eccles said that while the oil exporting bloc significantly increased its share of foreign currency reserves, it is a disproportionately small holder of gold

OBVIOUS

Industrialised countries currently hold 69 percent of their reserves in gold, whereas for the oil exporters the percentage is a mere 21 percent With accumulated cash surpluses of 400 million US dollars at the end of last year, the consequences to the gold market of a move by Opec members to emulate the percentage gold holdings of their industrialised counterparts is obvious At current prices, the Opec cash surplus equates to 26 years' of the West's production

"Given the current financial muscle of Opec and the critical importance of oil to Western civilization, it is not surprising that many analysts believe in a relationship between the gold price and the oil price"

Using the gold-to-oil price ratio (taking the Saudi Arabia oil price) since 1950, the ratio shows that on average, one ounce of gold bought 22 barrels of oil Currently, most Saudi Arabian oil is sold for 32 dollars a barrel implying a "right price" for gold of 704 dollars an ounce

Wages key factor in gold costs

RDM 14/5/81

2/4

By JOHN MULCAHY

THE OUTCOME of gold-mine working cost increases this year will depend to a large extent on wage settlements in the months ahead

The importance of wages in the cost structure is indicated by the fact that white and black labour accounted for 18,9% and 24,6% respectively of the working costs of Western Deep Levels in 1980, 20,3% and 32,3% at Stilfontein and 18,6% and 29,6% at East Driefontein

The London Mining Journal says in its quarterly review of SA gold shares that the full impact of wage increases will not be apparent until the September quarter as white union members wages are increased from May 1 (an effective 15%), white officials from June 1 and black workers' pay scales from July 1

The journal says the recommendation of the Wiehann Commission to enable black workers to form trade unions could have a major bearing on industrial relations in the mining industry

"Remarkably little time has been lost in the industry by strikes, and it must be hoped that the new situation will not result in inter-union rivalry that could be so damaging

The mining industry's capital commitments on shaft sinking with 20 shafts being developed at 16 gold mines — and other essential projects on many mines will increase the pressure on distributable profits at a time when working costs are rising sharply and the gold price is under pressure

In some areas, such as housing, there is a degree of flexibility in the timing of capital expenditure and some mines — particularly those in the GFSA group — accumulated considerable financial resources during the period of high gold prices

This will enable them to carry on with essential capital expenditure without undue calls on current profits

In the past two years various mines have steadily increased their ability to take advantage of high gold prices by working previously unpayable ore

If the trend of increasing costs continues and is aggravated by a sustained setback in the gold price, some mines will raise recovery grades

However, this is usually a comparatively slow process, as total output must be maintained if costs are to be controlled and low-grade areas can only be closed if their output can be replaced immediately from higher-grade areas

A few mines have a sufficiently large area of developed reserves for this to be possible, but for most there is the delay while new areas are commissioned

In addition, once an area has been developed for production the further cost of actually mining in the stope is marginal, and even in the lowest-grade areas little would be saved by discontinuing operations during the production phase

Decisions on the payability of an area are essentially long term and must be made at the development stage For this reason management normally determines pay limits on the basis of a six-month moving average of mine costs and the gold price

It is likely that there will be a considerably more flexible policy regarding replacing higher-grade ore with lower-grade material where total ore reserves are adequate, and the amount and rate of capital expenditure will be subject to close scrutiny in the light of curent requirements

If there should be a sustained pressure on the gold price the emphasis on increased efficiency and cost control will be stepped up

Wages key factor in gold costs

CT 15/5/81

(214)

Own Correspondent

JOHANNESBURG. — The final outcome of gold mine working cost escalations this year will depend to an important extent on wage settlements in the months ahead.

The importance of wages in the total cost structure is indicated by the fact that white and black labour accounted for 18,9% and 24,6% respectively of the working costs of Western Deep Levels in 1980, 20,3% and 32,3% at Stilfontein and 18,6% and 29,6% respectively at East Driefontein

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The Journal says the recommendation of the Wiehann Commission to enable black workers to form and join trade unions could have a major bearing on industrial relations in the mining industry

To date remarkably little time has been lost in the industry by industrial action, and it must be hoped that the new situation will not result in inter-union rivalry that could be so damaging

The mining industry's capital commitments on shaft sinking — with 20 new shafts being developed on 16 gold mines — and other essential projects on many mines will increase the pressure on distributable profits at a time when working costs are escalating sharply and the gold price is under pressure

In some areas, such as housing, there is a degree of flexibility in the timing of capital expenditure and a number of mines — particularly those in the GFSA group — have accumulated considerable financial resources during the period of high gold prices

This will enable them to carry on with essential capital expenditure without undue calls on current profits

During the past two years various mines have steadily increased their ability to take advantage of the high gold prices by working previously unpayable ore

If the trend of increasing costs continues and is aggravated by by a sustained setback in the gold price, a number of mines will tend to reverse the procedure and will raise recovery grades

However, this is usually a comparatively slow process, as total output must be maintained if costs are to be controlled and low grade areas can only be closed if their output can be replaced immediately from higher grade areas

A few mines have a sufficiently large area of developed reserves for this to be possible, but for most there is the delay while new areas are commissioned

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It is likely that there will be a considerably more flexible policy regarding replacing higher grade ore with lower grade material where total ore reserves are adequate, and the amount and rate of capital expenditure will be subject to close scrutiny in the light of curent requirements

Obviously if there should be a sustained pressure on the gold price the emphasis on increased efficiency and cost control will be stepped up

URANIUM

A price implosion?

FM 15th May 1981

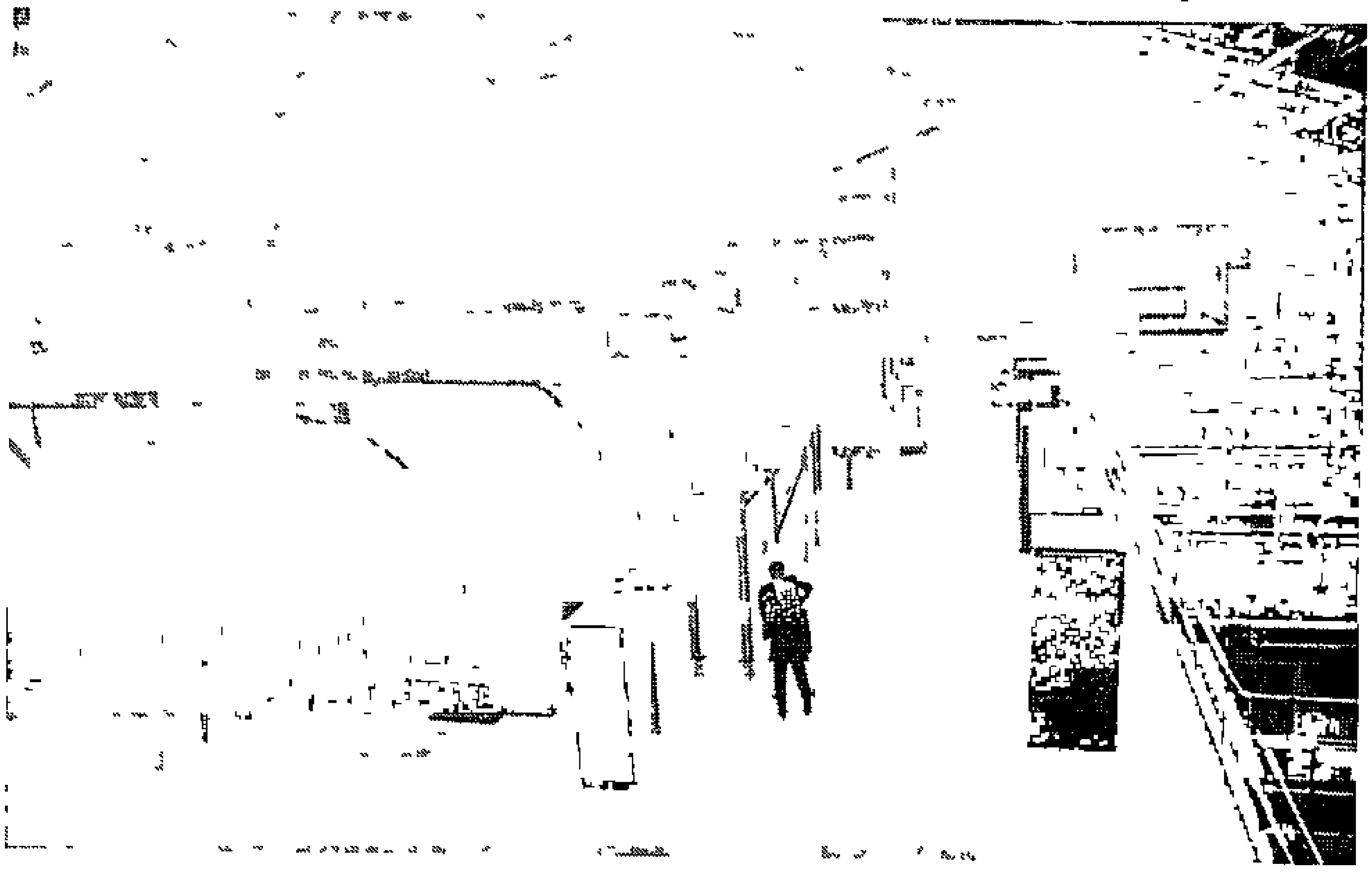
(214)

Anyone counting on a worldwide energy crisis to boost uranium prices and demand can forget about it, at least for the current decade That is the view of George White, senior vice-president of California-based uranium brokers Nuexco And before uranium bulls dismiss White's 10-year projections as too dogmatic or speculative because of the time span involved, it should be noted that his arguments are highly persuasive and realistic

Unlike other metals uranium has one main use — as a power station feedstock And because of the structure of the nuclear generating industry, it is possible to predict future consumption by the non-communist nations with a relatively high degree of precision When that is coupled with fairly accurate information on output by the main uranium producing nations supply-demand projections take on a degree of accuracy far better than that of other industrial metals

In the US, the West s largest generator of nuclear power a combination of financial and regulatory constraints and lagging load growth has lengthened reactor construction times to between 10 and 12 years That means that by 1990 only those reactors currently on line or under construction will be feeding power into the grid Nothing more is possible given the current regulatory environment That puts an upper limit on the nation s 1990 nuclear generating capacity In 1981 it will be 54 000 MW rising to 111 600 MW in 1980 And as uranium consumption can be accurately defined for each reactor that translates into a rise in annual consumption for U_3O_8 from 20,9m lb this year to 40,3m lb in 1990

Remember, this is *maximum* possible consumption Delays in reactor commissioning will reduce consumption below



Producing U_3O_8 adding to the world's oversupply

depressed levels, though how far that will translate into better producer prices is another matter Perhaps the best that can be expected is flat prices for at least a couple more years — in other words a steady decline in real terms They have been in a steady decline since 1976' And that pattern is unlikely to be broken soon

Jim Jones

these figures — there is no chance of anything higher

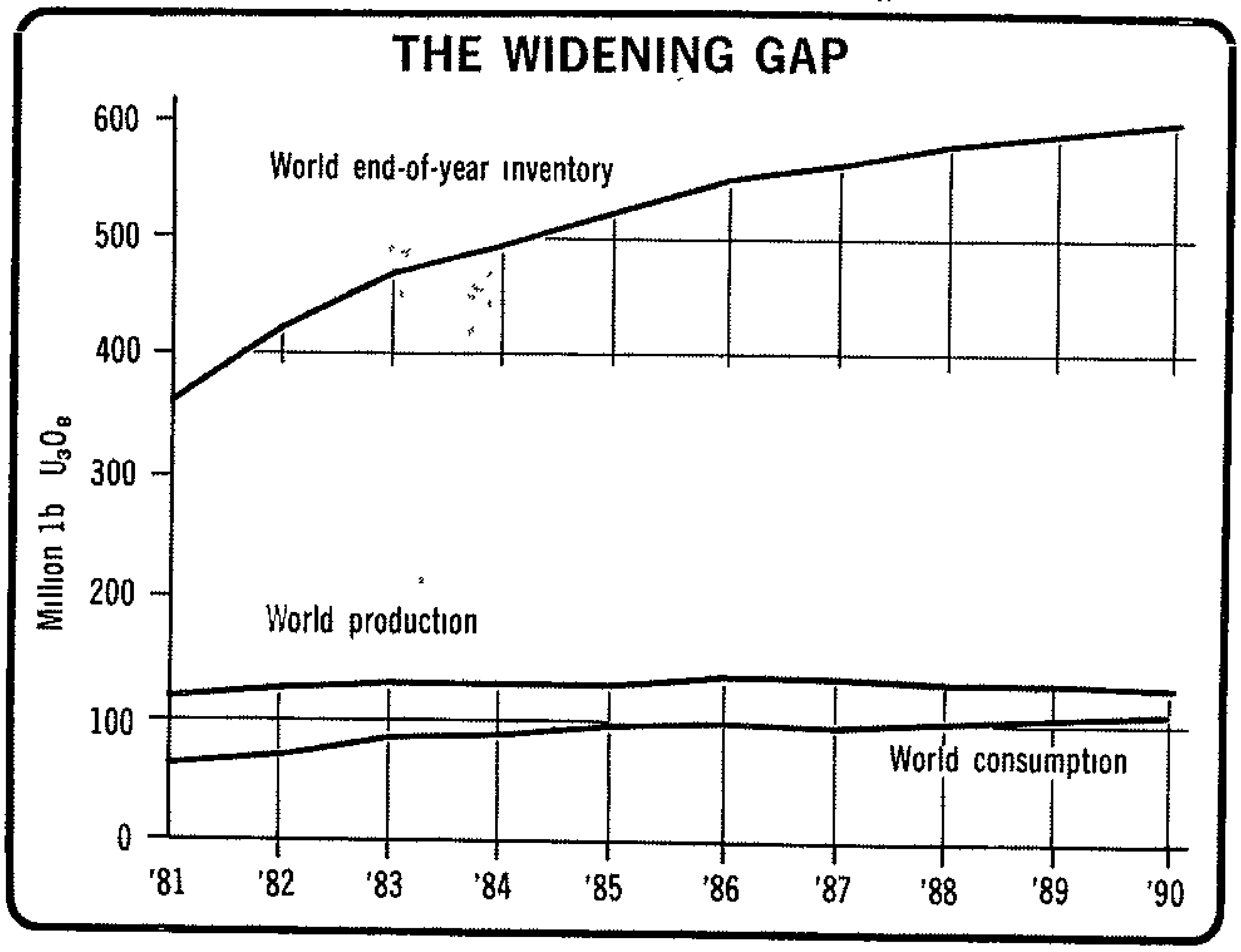
In the rest of the non-communist world with less onerous regulatory restrictions reactor construction times are shorter than in the US So projecting demand until 1990 is more difficult, particularly as far as France and Japan are concerned But assuming that Japanese and French reactors continue to be brought on line regularly — that means one every two months in the case of France — by 1990 the rest of the non-communist world should be using 63m lb of U_3O_8 against a 1981 figure of 35,6m lb Even on an optimistic view an acceleration in the rate of reactor commissioning would add little more than 10m lb to the projected 1990 consumption figure

Essentially, then, we have a reasonably sound estimate of a total consumption almost doubling from 56,5m lb in 1981 to 103,3m lb by 1990 This growth pattern is the basis for most of the bullish comment on uranium But using the consumption picture alone to project prices can be misleading, though I believe it is used by some brokers whose clients have large positions in highly geared uranium shares such as Afrikander Lease and West Rand Cons

Any optimism is quickly flattened when the supply side of the equation is taken into account

Taking a conservative view on cuts in production from high cost US mines from 31m lb in 1981 to 16m lb in 1990 and taking into account only firmly committed production from other countries Nuexco projects total non-communist world production rising from 106m lb this year to a peak of 119m lb in 1987 before falling slightly to 114m lb in 1990 Looked at another way, total inventories, excluding US strategic stocks, are set to rise from 360m lb at the end of this year to 600m lb by end-1990 That is almost six times annual consumption Even if a more optimistic view is taken of French and Japanese reactor construction rates the pattern is still of production exceeding consumption each year through 1990

In a perfect world an excess of production over consumption would lead to production cutbacks But the world of uranium is far from perfect Many utilities particularly in the US, are committed to buying uranium far in excess of their consumption needs and at prices which now bear no relation to Nuexco's exchange value (often viewed as the spot price) of $25 lb U_3O_8 These were contracts signed when there were fears of uranium shortages — fears which have now evaporated altogether



As Nuexco sees it, contracted purchases will continue leading to a steady growth in inventories But that translates into expectations that uranium will be a buyer's market for the rest of this decade There will be no upward pressure on prices, at least in real terms

The fact is, that with growing oversupply, consumers are becoming increasingly price sensitive, even in France and Japan where there are no local supplies And unlike Americans, the Japanese and French do not generally look on contracts as immutable If the latter two feel that contracts need adjusting they will go all out to adjust them That is exactly what I understand happened to one uranium producer late last year

It had borrowed the usual 'interest-free' front-end cash from a major consumer and had a sales contract in which annual selling prices were determined by escalation factors applied to a base price Escalation should have resulted in an average selling price of well over $40/lb U_3O_8 this year but the price sensitive customer insisted on, and won a price somewhere in the lower $30s The mine had no ground to stand on — this is, after all, a buyers market Nor was the customer prepared to take less-than-contracted deliveries It wanted and got its uranium at its own price

That pattern is likely to be repeated

The French and Japanese particularly, seem to be playing a canny game in uranium markets They appear to be encouraging new producers with attractive sales contracts and then demanding lower prices a few years later SA is learning that lesson now, while Australia which played politics with uranium and is only now in the throes of emerging as a major producer could be caught in the same trap by the mid-Eighties

With the exception of the Americans who are secure in the knowledge that they have enough domestic reserves to obviate any risk of delivery failures virtually no uranium-producing country is prepared to close mines Better some profit than no profit at all and the costs of mothballing production facilities

That is exacerbated by the fear that if one producer drops out of the market if only temporarily it will have great difficulty resuming sales later in the face of aggressive Australian and Canadian marketing The best sales contracts have already been signed and with a forecast glut of uranium, there is little incentive for utilities to sign long-term base escalated supply contracts At least for the next decade, the large inventory position will guarantee readily available supplies

How does this affect SA and SWA/Namibia?

Gold mines where the profit contribution from uranium is relatively small compared with gold, will almost certainly continue to produce even if they only see a marginal profit But mines such as West Rand Cons, which rely heavily on uranium, could well be in for several years of miserable profits and face the prospect of a protracted period of State Assistance Others, such as Afrikander Lease are unlikely to match earlier optimistic expansion forecasts Don't count on mill throughput being increased beyond the preliminary 15 000 t/month, or much better than minimal royalty receipts

Looking at SWA/Namibia, Nuexco sees no prospect of new uranium mines coming on stream before 1990 That is based on projected supply-demand patterns and ignores any political fears Projecting this I do not believe that any government of an independent Namibia would interfere with production at Rossing or try to move its sales away from the UKAE when there is a world uranium glut

As the decade progresses spot uranium prices could recover from their currently

Gold ready to cash in on the 1970s

15/5/81 RDM 214

By JOHN MULCAHY
Mining Editor

THERE is little doubt that the 1980s will be an important period for the South African gold-mining industry.

Sound investment decisions made in the mid-1970s when the gold price was substantially below current levels and when the immediate political and social outlook appeared to be less encouraging than it is today will all bear fruit, says Consolidated Gold Fields in its Gold 1981 report, prepared by its chief gold analyst, Mr David Potts

The SA gold-mining industry will have to face several problems, says the report

- A volatile gold price, which forces mines to be conservative in their production planning — while some mines have the flexibility to raise or lower grade, this is not always the case as some may have exhausted all their lower-grade or higher-grade ores
- High rates of inflation with concomitant effects on working and capital costs In 1979 the rate of increase in working costs was held below the rate of increase in the inflation rate, but last year the working cost rise of 18% exceeded the 14% inflation rate

Although the gold-price increases in 1979 and 1980 were far in excess of the rise in costs, this situation should be looked at in perspective, bearing in mind that in some years the gold price declines

The trends in capital costs have also been serious, and the cost of bringing a gold mine to production can range from $200-million to $450-million Elandsrand, which started in 1975, cost $220-million to the first bar of gold produced in 1979 and cost about $310-million to reach full production

- While the flow of unskilled labour to the industry is more than sufficient to meet requirements, the shortages of all categories of skilled and professional personnel are a serious bottleneck both in the mining industry and throughout SA
- A constantly changing and developing industrial relations scenario

Combating the negative aspects, however, are a host of favourable factors, says Cons Gold, and these include

- A broadening gold market with highly favourable implications for the price The prophets of doom have periodically forecast the demise of the SA gold industry, and the proponents of gloom can be heard again now

However, three interdependent demand factors have emerged, industrial, investment and monetary, and from time to time any of these factors will dominate the market with the inevitable periods of overall weakness while adjustments are made in the market place from one demand factor to another

In addition, the business cycle is a fact of life and it is inconceivable that gold should escape its clutches

- Improving productivity as the labour force stabilises A clear trend has emerged of employees looking to mining as a career and they are working for longer periods on the mines as well as returning after shorter stays at home
- Favourable mining legislation and attitudes towards free enterprise by the authorities
- The industry is innovative and is producing a metal which has stood the test of time and has retained its uniqueness and attraction

$600 next year

LONDON — Gold should start to recover from its current price weakness some time this autumn and comfortably exceed $600 in 1982, says Metals Analysis and Outlook in its spring issue.

Its current relatively weak price level and the improving world economic outlok should stimulate fabrication demand for new gold, which could reach an annualised rate of more than 1 000 tons by the end of the year.

Short-term prospects for silver and platinum are not so good, however, although they could turn up in 1982. Falling industrial production has curtailed demand for both metals over the past few months, and high stock levels and increasing supplies of new metal will continue to dampen prices.

Silver prices are expected to continue to slide, averaging between $10 and $14 an ounce over the current year. — Reuter.

SA gold policy — responsible self-interest

RDM 15/5/81 (98) 2/14

By JOHN MULCAHY

SOUTH AFRICA, as the world's main producer of gold, is expected to adopt a sales policy which balances international responsibility and an acceptable degree of self-interest

Consolidated Gold Fields says in its Gold 1981 review that international responsibility is met by SA supplying gold regularly to the markets and keeping the world informed about the progress and prospects of its mining industry

An acceptable degree of self-interest involves attempts to reduce the volatility of the gold price and SA has been developing some expertise in this area, says Cons Gold

"In the mid-1970s, when the gold price was weak after its fall from $197, SA urgently needed foreign exchange and direct sales at that time would have weakened the price further and exacerbated the foreign exchange problem "

The solution was found by swopping gold for foreign exchange and the terms of the exchange enabled SA to have the first option to buy the gold back at the swop price plus interest

Changed circumstances and higher gold prices in 1979 made it advantageous for SA to exercise this option, with 70 tons sold on private markets and eight tons added to official reserves Last year, 25 tons of swop gold was repurchased and went into official reserves, which according to IMF statistics rose by 66 tons

It is estimated that the non-communist private sector increased its gold holding by 807 tons last year Inflows of gold came from new mine production of 943 tons and net sales from the communist sector of 90 tons, but there was a net outflow of 230 tons to the official sector

This official buying was an outstanding feature of 1980, being a reversal of the flow of gold which occurred each year from 1973 to 1979 from the official sector to the private sector The net official purchase of 230 tons in 1980 compares with net sales of 544 tons in 1979

The US supplied only 11 tons of gold to the private sector in 1980, and this was transferred from the reserves to the medallion programme The US plans to release 1-million oz of gold a year in medallion form, although last year sales did not meet production and the gold bear market together with cumbersome marketing methods have been blamed as the chief reasons for the modest sales performance

The principal focus of attention in gold markets has not been on medallion sales, but with the gold policy of the US in relation to its reserves of 8 221 tons, which make up 23% of the total holdings of the official sector

It is becoming increasingly difficult to imagine the logical basis for a resumption of US Treasury sales when good selling opportunities have been ignored in the past 17 months One of the effects of the auctions has been to depress the price and lay the foundations for an explosive upward movement

US gold holdings have fallen substantially since the 1952 peak of 21 000 tons, and current holdings are lower than the reserves of the European Economic Community, although they are still more than double the gold reserves of West Germany, which is second in the international league

Cons Gold does not expect any dramatic changes in mine production this year Initial thoughts favour an increase in net sales from the communist sector because the Polish situation and poor Eastern grain harvests may require additional foreign exchange

This foreign exchange is unlikely to be obtained by the modest increases which are expected in revenues from Soviet oil and gas exports, and any net purchases by the official sector will mean that supplies of gold to the private sector will continue to be limited

The main feature of non-communist world mine production last year was the fall in production in countries with established gold mines because they were able to mine lower-grade ores

High gold prices in the second half of 1979 and for long spells in 1980 caused many mining companies to look again at areas which had previously been considered uneconomic or where mining had been suspended when the price was lower

Cons Gold says it is making a survey of these prospects with the objective of isolating those which are likely to complete the route to profitable production

Apart from Brazil and Ghana, where ambitious production possibilities have been mentioned, the output from each of these projects is not large, and the total of those which survive is unlikely to make up for the decline expected in SA production towards the end of the decade

* * *

CONS Gold expects a major improvement in private holdings of carat jewellery this year as dishoarding has stopped and there is some evidence that gold supplies to the jewellery manufacturing industry are increasing

It is estimated that in 1980 the private sector increased its holding of carat jewellery by 120 tons — an increase of 270 tons by the developed countries and a reduction in developing countries' holdings of 150 tons — representing a significant slowing down from the 737 tons increase in 1979 and the addition of 1 007 tons in 1978

The use of gold in the manufacture of electronic components took 81 tons in 1980, down 14% from the 94 tons used in 1979 A relatively flat trend is predicted for 1981, but if the US economy picks up strongly later in the year there may be an increase of 5%

Most firms project little change in their gold use in 1981 over 1980 levels, and the few firms that did so based their forecast on the marketing of new products On the other hand, technological substitution of gold will tend to continue

The use of gold in dental applications fell last year to 62 tons from 86 tons in 1979, and the dominant users, West Germany and the US, are again expected to reduce their requirements

In West Germany the insurance companies may soon insist on a lower gold content in dental alloys, and forecasts for gold use in dentistry for this year in the US are not optimistic Further reductions amounting to 15% to 20% of the 1980 level of 13,8 tons are expected

S. Times 17/5/81

Egoli's reserves 70-m tons

(244)

O From Page 1

ations in price, the tonnage treated showed a steady increase which offset the effect of the gold-price decline towards the end of the period

He adds: "Notwithstanding the recent downward trend in the gold price, I remain confident that demand from monetary, investor and industrial sources will ensure the price remaining at a reasonable level during the coming year, with satisfactory benefits to Egoli."

Current developments include:

O Egoli has recently been granted the right to peg 0 635 precious-metal claims on the East Rand which were previously held by Van Dyk Consolidated and Pr[illegible] Mines

Exploration work is under way to test the encouraging reserves calculated from the records of the two defunct mines.

Should these shallow reserves prove viable, it is hoped to start production within a relatively short time using existing reduction facilities in the area

If gold-mining operations are established, Egoli may subscribe for up to 40% of the venture, of which 10% will be free of consideration. Messina will have management control and a shareholding of between [illegible]% and 80%

O On the West Rand, the construction of the new plant had absorbed R1,7-million of company funds at February 28. When in full production later this year, the plant will treat 40 000 tons of dump material a month at an average grade of 0,08g-t.

O Since the end of the financial year, Egoli has been granted the right to peg 5?1 claims on ground adjacent to the new West Rand plant

It is estimated that the area contains 1-million tons of ore in situ with an average grade of 5g-t Because of its proximity to the plant, the ore can be easily processed in conjunction with the surface dump material

O The dump acquired from Johannesburg Exploration & Mining Corp was initially thought to contain in excess of 7?-million tons of material with a grade of 0,49g-t gold and 0,11 g-t uranium But there's much more . .

Egoli's reserves soaring

S Times 17/5/81

(244)

By John Spira

EGOLI's surface reserves of gold-bearing material have increased to 71,7 million tons compared with a relatively paltry 6,9 million tons at June 30 1980, according to chairman Joe Berardo

In his annual report to shareholders, Mr Berardo also reveals that arrangements are being made for an over-the-counter market in London for the company's shares

Taxed profit for the 14 months to February 28 1981 was R1,8-million (equivalent to 18,4c a share) compared with a loss of R662 009 in the 12 months to December 31 1979

The most recent results incorporate only 11 months of the operations of the principal operating subsidiaries acquired during the period

During the 11 months, 5?9 918 tons of dump material were treated at an average grade of 1,36g-t producing 568,8kg of gold

This is equivalent to a monthly production rate of 45 000 tons — a figure which, Mr Berardo tells Business Times, has risen to a current rate of 55 000 tons and which will rise to 95 000 tons by the end of the year, when the company's new gold-treatment plant on the West Rand will be commissioned

He points out that in the 14 months to end-February last, the gold price fluctuated between a high of $711 and a low of $486

In spite of the wide fluctu-

O To Page 3

M[illegible] TO BE SPENT ON

RD14

19/5/81

Hopes for drop in State gold rake-off

By JOHN MULCAHY

THE proportion of gold-mining profits taken by the State may be reduced because of the Government's often-stated position that it will encourage the private sector to play a greater role in new capital development.

The president of the Chamber of Mines, Mr Bill Lawrence, told the World Gold Markets 1981-82 conference in London yesterday that such a tax reduction would encourage new capital investment in gold mining

In addition, the higher distributable profits realised by the mines and their shareholders would have a significant multiplier effect on the SA economy by increasing the amount of capital in the private sector available for reinvestment

Value added to the economy by gold mining in 1970 accounted for about 6% of GDP In 1980, direct value added by mining contributed an estimated 17% of GDP

Allowing for the indirect effects arising from spending in mining affecting other areas of the economy, the multiplier effect, Mr Lawrence said it was estimated that last year about 26% of total expenditure on GDP was generated by the gold-mining industry

The shortage of skilled manpower would, if it persisted, undoubtedly act as a brake on expansion plans Mr Dennis Etheredge, the previous chamber president, said last year there was a shortfall of 1 600 skilled personnel on the chamber's member mines, equivalent to the entire complement of skilled workers required to man two medium-sized gold mines employing 20 000 people

Mr Lawrence said this problem had not been alleviated to any significant extent

He believed the next decade would be marked by a return to a greater degree of stability in world economic systems and financial markets

However, fluctuations related to economic cycles would continue and currency parities would react to differing rates of inflation or balance of payments positions in the world's trading nations

Inflation might be reduced, but would certainly not disappear Rapid changes in interest rates, equity values and political instability would still cause short-term surges of money into and out of investment assets, including gold

Three factors would be of prime importance in determining the performance of the gold price over the next 10 years, said Mr Lawrence

Industrial demand, which in eight out of the past 11 years accounted for 85% or more of total gold consumed, should stage a revival from current low levels as a general economic recovery gets under way in the near future

Purchases of gold jewellery continued to increase steadily in nominal terms over the past decade and this type of increase could still be expected

However, the sharp rise in the gold price had reduced the physical volume of gold consumed in jewellery, and a full revival of gold jewellery demand to its previous levels of about 1 000 tons a year could probably be expected only when the rate of increase in real disposable incomes on a worldwide basis equalled or exceeded the rate of increase in the gold price

The current renationalisation of gold reserves would continue to be a feature of the system in the years ahead, said Mr Lawrence Central banks would add to their gold reserves if and when feasible and gold collateral transactions would become more commonplace

"I would not be surprised to see the re-emergence of an inter-central bank market for gold, enabling countries in balance of payments difficulties to utilise their gold reserves as collateral or for currency swaps without affecting the free-market price of gold"

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Waverley rights deal

S. Times (214) 24/5/81

By John Spira

WAVERLEY Gold Mines, listed on the JSE under Curtailed Operations, has, according to Business Times sources, sold certain of its mineral rights to General Mining Union Corporation (Gencor) for a sum in the region of R850 000

An announcement is expected within the next few days.

The deal, which covers the mining rights of two portions of two farms in the Springbok Flats area of the Northern Transvaal, explains the recent strength of Waverley shares, which have added 40c to 190c in the past month.

Some 10 months ago, Waverley rocketed from 120c to 260c in the space of five days on rumours that a mineral rights deal with Gencor was imminent.

With only 1,7-million shares in issue, Waverley's cash injection from the Gencor deal translates into a fairly substantial per-share figure.

Carrig Diamonds, administered in the same stable as Waverley, will also benefit from the sale of the rights through its 12,5% participation agreement with Waverley

Estimates project gold dividend cuts

2/4

S. Times 24/5/81

ONLY THREE MINES EXPECTED TO BE AT PAR OR BETTER

By Elizabeth Rouse

	Broker A	Broker B	Broker C	Broker D
Blyvoor (185)	100	91	90	85
Buffels (430)	360	394	280	245
Doorns (100)	150	175	120	125
Dbn Deep (160) *	-	98	100	50
East Drie (120) *	140	132	130	115
ERPM (175) *	-	74	100	50
ET Cons (110)	-	70	65	50
Grootvlei (92) *	55	54	65	38
Harties (725)	500	520	400	365
Kloof (240)	200	248	170	210
Libanon (150)	150	155	140	110
Marievale (55) *	-	22	25	25
Randfontn (450) *	300	227	350	280
Southvaal (170)	155	142	160	170
Stilfontn (160) *	125	139	150	115
Vaal Reefs (620) *	450	477	450	430
Venters (135)	100	52	70	45
West Areas (40) *	25	27	20	25
West Deep (400) *	260	209	350	280
West Drie (850)	600	766	550	585

* Denotes interim dividends. Others are final payments. Previous June payments shown in brackets

GOLD-mining analysts forecast that only three companies — Doornfontein, East Drie and Libanon — will either pay slightly higher June dividends or hold payment at last year's levels

Otherwise estimates of coming dividend declarations show declines ranging from mild to substantial in the case of gold producers which face high capital spending

There are surprisingly wide variations in estimates for both interim and final dividends, with Johannesburg mining analysts generally being more optimistic about payments than the London analyst

This difference of opinion is clearly reflected in the lower dividend estimates of London Broker D in the acccompanying table In only five instances out of 20 shares listed does the London broker more ot less agree with Johannesburg forecasts

All think that prospects are good for a higher final payment from Doorns with estimates ranging from 120c to 175c Last year's final was 100c and the interim dividend amounted to 135c

Although Doorns' capital expenditure will be about R26-million for 1980-1981, previous high retentions have kept short-term dividend prospects sweet

However, the mine's proposed R152-million capital spending programme over the next six years will be a restraint on payments for several years to come, particularly if there is a prolonged setback in the gold price

The London broker does not expect Libanon to either hold or slightly raise its final, as two Johannesburg brokers are forecasting A maintained final of 150c makes an unchanged payment of 280c for the year.

Most analysts foresee a lift in East Drie's interim, but even the highest estimate of 140c is way below the final payment of 220c last year, even if allowance is made for the usual discrepancy between interims and finals

Estimates for Buffels' final payment range widely from 245c to 394c The interim payment amounted to 310c so this year's total payment will be well below last year's 590c

Broker B forecasts a slightly higher final for Kloof and other analysts foresee only a relatively slight decline in distribution

Broker D from London expects that Southvaal can maintain its final at 170c, which makes the year's total 340c against 460c paid in 1980

There is little variation in forecasts for Vaal Reefs' interim, which is put in the range of 430c to 477c The 1980 final amounted to 700c, which made total payment 1 320c

Obviously, West Drie is expected to improve on its interim payment of 500c, but except for Broker B's estimate of a 766c final, other analysts put possible year-end distribution at much lower than 1980's 850c

Not much joy is foreseen from Randfontein because of its R100-million capital spending this year In addition, the company is in the process of repaying its R104-million loan for the development of Cooke section

Not included in the table are lower-priced gold companies Estimates for June payments from Sallies are 24c and 35c, for Vlaks either 5c or 10c, 15c from Elsburg and 7c from WR Cons

Gold mines' costs are oustripping inflation

S. Times 31/5/81

(214)

INCREASED WAGES REMAIN THE MOST IMPORTANT FACTOR

By Andrew McNulty

WORKING costs on gold mines are expected to increase at rates well above the inflation rate during this year, making those mines best placed to contain their costs the potential best performers among gold shares

Even if inflation slows during the next six months, mining costs for the industry are likely to rise by 20% to 22% over 1981

This erosion of profits by costs has become one of the industry's most critical problems with the weakening of the gold price and, consequently, revenue earned on gold

Many mines have lowered their grades as a result of the higher gold price and will produce less gold during this year than in 1980

Wages are the most important cost factor, and increases handed out after current wage negotiations will have a crucial impact on gold working costs

Increases for white miners have already been announced at 13,5% and those for officials are still to follow

But increases for the 440 000 black mineworkers, usually announced in about August, will remain high as a result of efforts to close the wage gap, and rises of the order of last year's levels of 16% are expected

Prices of primary material inputs will rise substantially For example, the price of steel is projected to rise by 15% from July

Spending on stores is pushed upwards by both prices of goods and the volumes of stores consumed

Volumes normally rise sharply in periods when higher gold prices have given rise to expansion projects, and many mines have moved to develop areas of lower grade, and previously unpayable ore

These projects will in most cases continue even at today's gold prices

One important weapon the industry could employ against costs is better productivity, but in recent years only marginal improvements have been achieved

There is little optimism about productivity for the near term Due mainly to geological difficulties, major technological breakthroughs would be required before meaningful advances are likely

However, although the effect of costs on the industry is worrying, individual mines vary considerably in their vulnerability to cost increases Investors should remember that a mine's likely ability to contain costs is far more important than its current cost position relative to other mines, as the latter must be seen in conjunction with grades and the ruling gold price.

Quality of management at a particular mine can alone affect costs considerably There are also technical factors which include

- The depth of the orebody
- The mining techniques employed
- The size of mining operations
- The degree of faulting

Some of these factors also vary at a mine from quarter to quarter

Comparisons of cost increases in $/oz over the 12 months to December, 1980, show that while some rises were as high as those for Elandsrand (89,7%), Marievale (83,7%), Bracken (71,8%), West Driefontein (73,8%) and Western Areas (67,6%), others managed far more comfortable rises

Examples are Buffels 22,7%, Harties 34%, Unisel 27,2%, Stilfontein 32,6%, Welkom 25,8% and Randfontein 33,2%

One of the biggest factors in the next six to 12 months will be the amount of development work that mines have been able to complete ahead of immediate mining needs

Some are unable to stop development work already in progress, while others were unable to carry out development ahead of mining when the gold price was high.

Also vulnerable will be mines with heavy capital expansion programmes. These include W D Levels, East Dries, Doorns, P Brand.

An analyst says that mines likely to be most vulnerable to costs include Loraine, ERPM, Durban Deep, Wit Nigel, South Roodepoort, Elandsrand and the Free State mines generally, excepting FS Saaiplaas

Those in more favourable positions include Kinross, Winkels, Harties, Grootvlei, Vaal Reefs (and Southvaal) and Buffels.

(214) 2/6/81

The interior of one of the oldest hostels still in use, at Welgedacht Collieries — the room is cramped, with sparse light provided by the small windows — an indication of the squalor miners had to live in previously

"IT IS our firm belief that so far as possible, all our employees should be able to live with their families at or near their place of work if they so choose." — Mr Harry Oppenheimer, chairman of Anglo American Corporation and De Beers. An admirable sentiment but to what extent have mining companies actually attempted to improve the living standards of employees and what proportion of married workers have their families in close proximity? Mining Editor JOHN MULCAHY examines what they have done

Barrack-style hostels, accommodating up to 16 men in one room, were accepted form in the e... example is at Crown Mines, where the rooms are being upgraded to modern s...

(214) RDM 3/6/81

Some gold price benefits

IN THE early "gold rush" days, the emphasis by mining houses was on achieving maximum production as soon as possible, with scant regard given to home comforts in the compounds

At that time as many as 6 000 black workers were housed in the complex all sharing catering and washing facilities as well as limited recreational facilities

But the evolution in ideas has produced startling improvements in the workers lot and today the trend is towards more spacious, comfortable and aesthetically pleasing accommodation, although due to the nature of the mining industry's requirements mass housing remains a necessity

... reclamation scheme

There are presently 450 workers housed at the hostel, which is one of the oldest in use but wheels are in motion to upgrade the hostel "to the general Rand Mines standard"

The old Crown Mines hostel is primitive by any standards and is a good indication of the squalor in which workers were forced to live in the early days on the Reef

The new Crown Mines hostel will have a capacity of 620 workers, and employees at the plant all "section 10" people — those with the right to live and work in an urban area — will have the choice of living in single quarters on the property or in married quarters in ...

... vide their own accommodation

It is argued that the mining industry is alone in its legal requirement to provide accommodation, and for this reason criticism of facilities is regarded by some as unjustified

Mr van der Colff says Anglo American has a non-discriminatory housing policy and the type of house goes with the position held by the employee. As blacks move into more senior positions they will be provided with accommodation similar to that provided to whites in the same jobs

the turn of the century. It houses 800 workers and is built in a "laager" form with only two openings. The logic behind the laager system was that if there was any trouble in the compound the two openings could be closed and the troubled area sealed off

The new building at Welgedacht has 12 people a unit, compared with 18 per room at the old hostel. The rooms are being upgraded, and will eventually have 10 to 12 workers in a room, with storage space for clothes in lockers as well as a

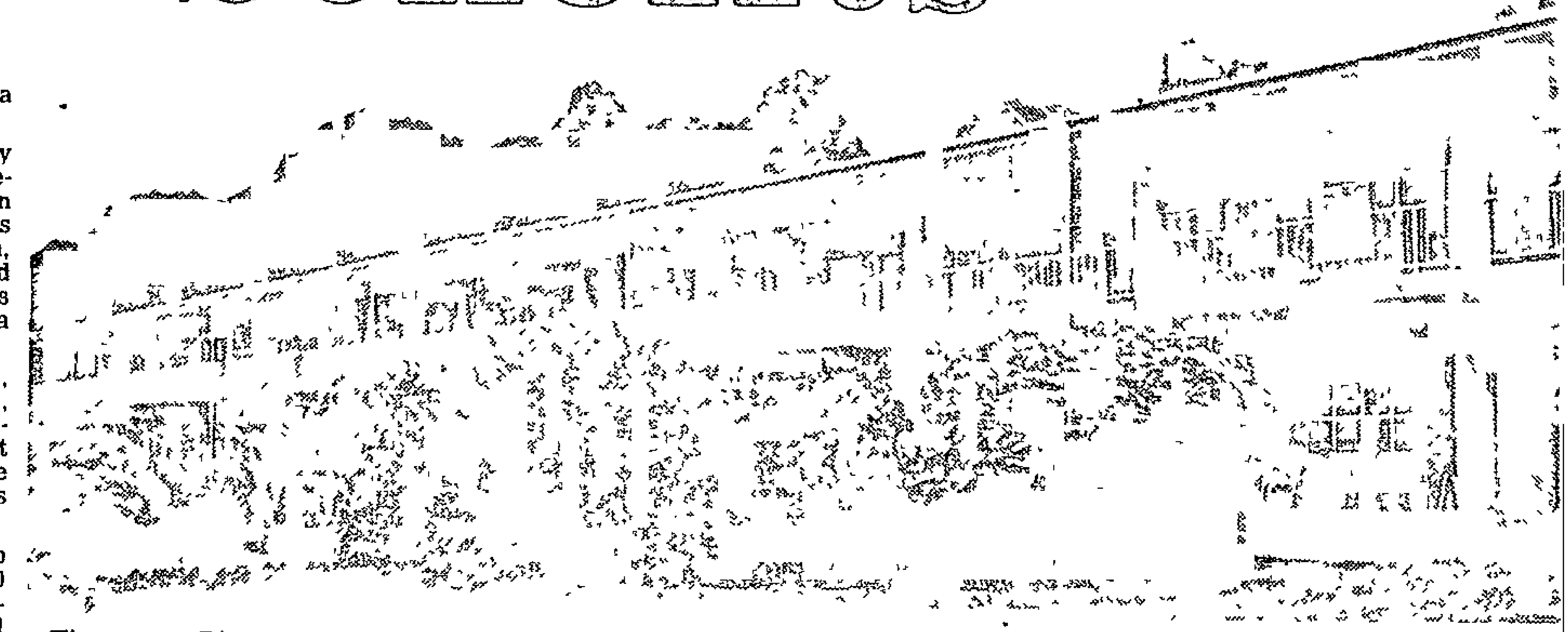
"Anglo is committed to a programme which will more than double the amount of married accommodation by 1985."

has a television set and a lounge area

Rietspruit has moved away from the beerhall form of recreation, and has a recreation club, which includes a men's and ladies' bar, snooker room, soccer fields, volley ball and badminton facilities as well as a swimming pool — all in a single complex

The new Anglo single units, as evidenced at Vaal Reefs, could at some stage be converted into married quarters "but this is way ahead, as no-one knows what the Group Areas Act is going to do"

The hostel at Vaal Reefs No 9 shaft presently houses 3 200 blacks, but is designed to accommodate 6 000. The hostel has been designed on a three leaf clover basis, with each leaf of the clover ultimately housing



The new Blyvooruitzicht single quarters, housing eight workers in a room — the rooms can easily b... required for married employees. Above is the Crown Mines hostel which is soon to receive ide...

allowed mining houses to divert more attention and money to the accommodation question The majority of black workers are still housed in single quarters or hostels — previously compounds

In terms of Group Areas legislation no more than three percent of the black labour force at any mine may be housed in married accommodation on the property and this 'dispensation' applies only to "local workers" — those who are citizens of the Republic of South Africa or the adjacent homelands

Until the early 1970s, only 25% of black workers on SA mines were 'locals", the balance being derived from such countries as Lesotho, Mocambique and Malawi — migrant workers from these countries are not permitted to house their families in this country Since 1974 the situation has changed, with the proportion of local to foreign blacks closer to balance

From a practical economic and, arguably, a self-interest point of view, quarters to accommodate married people does seem to lead to a more stable workforce

Availability of capital is the single major restraining factor in upgrading living accommodation, and this is evident from the state of hostels at the so-called marginal mines compared with the low-cost, long-life producers.

Rand Mines, at its Crown Mines No 17 shaft, still has an old-style hostel in operation — established in the 1920s — and housing workers employed on the Rand Mine Properties sand

personnel consultant ... van der Colff says the old system of housing 6 000 workers at a single hostel all sharing catering and recreational facilities created problems with personnel administration and management

Economy of size, especially when catering for huge workforces — in some cases as high as 35 000 — dictates a minimum of 2 500 to 3 000 workers which can be easily housed and controlled in a hostel, considering cooking and sporting facilities

Employees are still housed on an ethnic basis in the older hostels but the policy is to break up the tribal dividing lines in favour of residence on a working group basis

Mr van der Colff feels that with the process of decentralisation in hostels splitting them into units of 650 to 700 workers, it became possible to house workers in work groups on a mine overseer's section basis rather than in terms of their tribal origins

"This was such an obvious thing to do — they work together, so there is no reason why they should not live together"

At the time the mines originally built accommodation for workers, there was a desperate need for housing generally, but in theory the State — and workers themselves — should pro-

> "Employees are still housed on an ethnic basis in the older hostels, but the policy is to break up the tribal dividing lines in favour of residence on a working group basis."

The [illegible] hostel complex occupied since 19[illegible] has 5 400 workers with a centralised kitchen and dining area, but after renovations currently in progress the complex will house 4 800 with four different dining halls

As part of the upgrading process, coal burners are being replaced with electric heaters, and individual room population is being reduced to 16 from 20

It is estimated that at current prices the cost of new single accommodation is around R5 000 a bed

The new hostel at [illegible] has 17 blocks with 120 workers in each, split up to 8 workers per room. It was built about three years ago, and houses around 2 200 workers There is a public relations officer for each block, to deal with individual grievances at the first level

The modules can be converted into flats by opening 'false' doors between rooms

Winterveld Chrome mine, part of the Rand Mines group, has moved totally away from the block system, and its single accommodation is in the form of small units, the same size as married quarters

In spite of being one of the poorest companies in the group, with the downturn in the world steel industry having affected the chrome market seriously, it still places significant emphasis on accommodation, recreational and educational facilities.

The worker population is 1 300 at the village — the other workers living in their own homes in neighbouring areas

A striking feature of the Winterveld married village, which was completed three years ago, is the originality introduced to the largely similar buildings by the workers' initiative in developing gardens

Around 85% of Winterveld's black labour force are Lebowans, and this has helped tremendously in maintaining stability According to the mine manager, Mr Karl Eich "If we have 5 absentees in a day out of 2 000 workers it is a 'lot'"

When Winterveld began expansion in 1974 around 65% of the black labour force were 'foreign" workers

Probably the oldest mine hostel still in use is at Welgedacht — the hostel was built at

small houses are

Welgedacht has 59 houses for married workers at Utrecht and also has a home ownership scheme at Osizweni a township in nearby KwaZulu, about 20 kilometres from the mine The mine assists workers with deposits and houses are built by private contractors for the Corporation for Economic Development, which acts as a building society with the mine acting as a third party

The houses cost on average about R15 000 each and there is a housing allowance amounting to 1% a month of the total cost of the house, which in most cases more than covers the monthly bond repayments

The mine also provides rations and free domestic coal at a rate of two bags every 14 days

Rietspruit Colliery has a totally integrated wage system, and this has extended into housing and other fringe benefits Salary and accommodation are dependent solely on the job category, with scales of 1-15 on the Paterson Plan The minimum wage is R185 plus a 13th cheque as leave pay, and the houses are also graded from 1 to 10, 1 being the lowest level and so on up to the manager's house, which is grade 10

Single employees pay R45 a month for full board, while married employees pay R5 to R20 a month rent, depending on the standard of house No rations are issued at this mine, and workers are taken on shopping expeditions — twice a week for blacks and once a week for whites

At Rietspruit the intention is for 75% of the entire labour force to be housed in married accommodation on the mine property, and at this stage there are 8 single workers to a block, with each man having his own room

As Rietspruit is a joint venture between Rand Mines and BP, and the coal produced intended specifically for export, the mine was granted a special dispensation to house a large proportion of married workers on the property

The single blocks are designed in such a way that they will be easily convertible into married quarters when the need arises Each single block

> "The Du Rand commission on mine violence recommended no hostel should house more than 2 000 people, and Anglo had recognised the need for smaller units."

The individual wings are again divided into three sections each having its own catering and recreational facilities making nine sub-sections for the 6 000 workers

There is food available from 11am to 8pm every day — meat, fish and chicken are rationed but the workers are allowed to eat as much as they like of other food

Vaal Reefs has a unique "food factory" which is fully automated and exceptionally hygienic Food is cooked at the central kitchen and transported to the various dining halls in sealed, heated trolleys.

The food factory has been designed to cater for 3 000 initially, but can be extended to a capacity of 16 000 The raw food, such as mealie meal, is automatically despatched from the dry goods store to huge pressure cookers, the quantities being controlled by a dietician who sets the computerised system at the required level

The Vaal Reefs married village will have 1 000 houses available for occupation by the end of this year There are five basic designs for the houses, which are on average 65m² in size, and contain stoves, electric geysers and solar heating

The complex will ultimately include schools, a church and a shopping centre, as well as spacious gardens

On married accommodation, Anglo has never reached the three percent maximum laid down by Government, and presently has around just over one percent of its staff on gold mines housed in married quarters

Resistance by married workers to moving their families to the work-place is not regarded as a restraining factor in providing accommodation — but available cash certainly is

At a unit cost of at least R16 000 for a house, mines are particularly sensitive to prevailing and projected commodity prices before embarking on housing schemes

Anglo is committed to a programme which will more than double the amount of married accommodation by 1985

Where possible, houses are built in existing townships, so people can become involved in the larger community The

Anglo is committed to a programme which will more than double the amount of married accommodation by 1985

Where possible, houses are built in existing townships, so people can become involved in the larger community The Government has said that "key personnel" may be housed in existing townships but there has never been a query on any of the moves by Anglo personnel into these locations

There is little doubt that improved accommodation is high on the list of priorities of most mining houses, but a limiting factor in providing stable home lives to married workers and their families remains the Government control via the Group Areas Act

With a relaxation of the stipulations regarding the housing of married workers, there would be more possibility of achieving a fully integrated, satisfied and productive workforce

RDM 3/6/81

(214)

Anglo reaps huge boomtime bonanza

CT 3/6/81 ~~210~~ 214

By JOHN MULCAHY

ANGLO American Corporation, South Africa's biggest company and a major world money-spinner, has produced ~~a~~ phenomenal 64,3% rise in taxed profit, to R864 600 000 from R526 200 000 in the year to March 31.

The rise in fortunes in the past year for gold mines, which account for around 50% of Anglo's income, and boom conditions in most other sectors of its interest, mean the total value of assets it controls is nearly R9 500-million

This is equivalent to the total revenue South Africa will receive from gold sales this year if the gold price averages $500 an ounce.

Interest alone on cash and other deposits during the year earned Anglo a sum most companies would envy as total turnover — R149 300 000

Anglo's 22 000 registered shareholders, who hold 226-million shares, will participate in the bonanza year by way of dividends totalling R248 300 000 compared with R157 700 000 the previous year, at the rate of 110c a share

Individuals, who numerically represent over 90% of all Anglo shareholders, hold 18% of the company's ordinary shares, while companies, banks and nominees hold 53% and pension funds, assurance and investment companies 29% Of all these shares, 75% are held by South African interests and the balance abroad

At the end of March, the value of Anglo's investments listed on the Johannesburg Stock Exchange alone amounted to almost R6 000-million, and an indication of the growth in the company is that the total cost of all investments, including those not quoted on the JSE, was R3 000-million

The total value of the corporation's shares, based on yesterday's price of R16,45, is R3 700-million

An idea of Anglo's size is given by the fact that last year companies administered by the corporation produced more than 36% of South Africa's gold, or 27% of world production, 35% of its coal and 41% of its platinum

Among the more noted assets in the group are Vaal Reefs, the biggest gold mine in the world, the massive coal conglomerate Anglo American Coal, and its industrial subsidiary Anglo American Industrial, which includes under its wing motor manufacturer Sigma

In addition to these, Anglo has numerous investments in mining, industrial and investment companies worldwide

It is one of the most powerful forces in the mining world, with interests in the production of gold and uranium, diamonds, coal, copper, nickel, oil and gas, platinum, tin, potash, iron ore, vanadium, lead, zinc, manganese and wolfram

The mammoth operation employs 210 000 people in South Africa, but since its incorporation in 1917, Anglo has had only two chairmen — the founder, Sir Ernest Oppenheimer, until 1957, and the present chairman, his son, Mr Harry Oppenheimer

9/6/81 STAR

(214) 2

Dividends down at 3 mines

By Mervyn Harris

Another three gold mines — all in the Rand Mines group — have cut their latest dividend payouts due to the lower international bullion price.

The gold price has averaged 514 dollars an ounce in the first five months of this year against an average price of 613 dollars last year.

The least affected of the three mines was Blyvoor. It cut its final from 185c to 100c but the total payout of 260c for the year, 25c less than last year, is in line with market expectations.

Durban Deep cut its latest interim by nearly half from 160c to 85c.

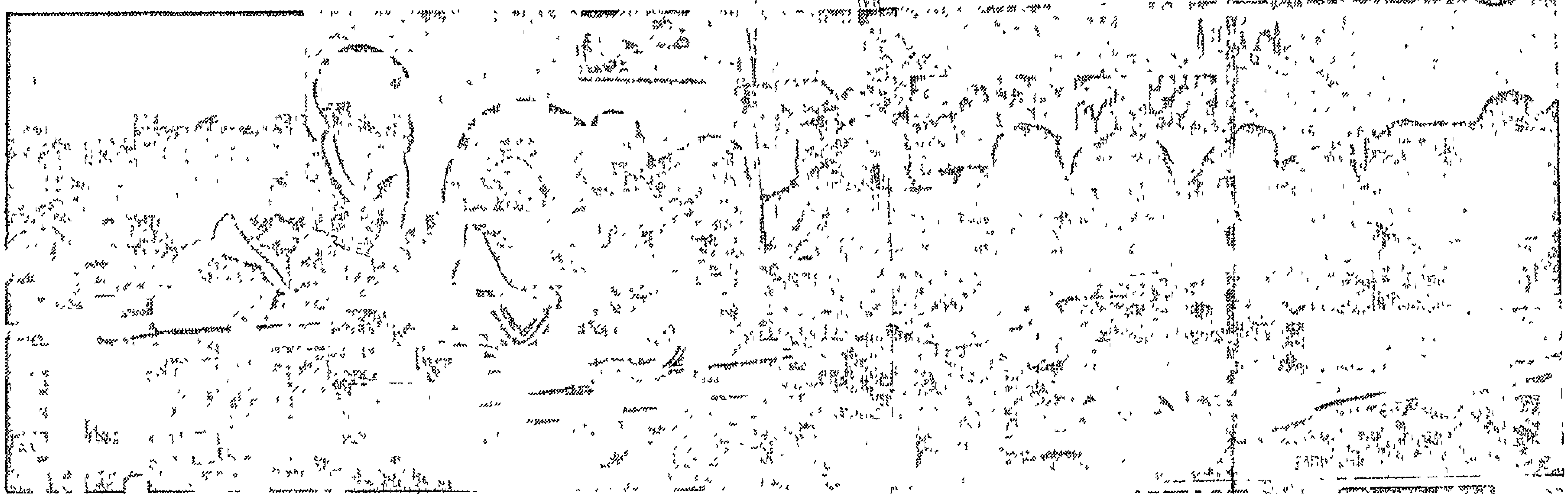
CONFIDENT

ERPM cut its interim to 50c from last year's interim of 175c and final of 195c. But the directors are confident about the long-term prospects for the gold price and are pressing on with the mine's capital expansion programme.

Both ERPM and Durban Deep recently lodged claims for State Aid but this was probably not taken into account in the calculation of profits for the half-year.

It's the super school

9/6/81 Star



The junior class at Ekuphakameni. It is well equipped, not overcrowded and the teacher is well paid and well trained.

Report and pictures by Bob Davis

The school has enough desks, teaching aids and classrooms. The teachers are well paid and are kept up to date with developments in the world of education.

It is called the Ekuphakameni (the sky is the limit) Primary School and is run by a mining house for the children of its black employees at the Blyvooruitzicht goldmine

The good news is that there are 24 others like it on the various mines of the Rand Mines group and that the grand total in the mining industry is 60, the bad news is that hundreds of thousands of black children have to be satisfied with much less because the department of Education and Training cannot provide comparable facilities

Headmaster Mr Livingstone Hashe of Ekuphakameni is a man with a broad smile because he gets whatever he asks for in respect of equipment, classrooms and teachers.

Rand Mines has budgeted R1 600 000 for its black schools for the next five years "but," says the group's education co-ordinator, Debbie McWilliams, "the budget is like elastic pants — it stretches."

A veteran teacher, daughter of a mining family ("I grew up on the goldmines") with a postgraduate degree from UCT, Mrs McWilliams has breathed life into an already enlightened education policy.

"She gives us whatever we ask for," teachers at the school said.

But apart from providing equipment, the group also ensures upgrading of the teaching staff by means of regular seminars.

Mr Hashe said, "I am a better teacher now than I was when I first came to this school in 1958, not only because of the experience but also because I have attended courses on many subjects"

Mr Hashe's wife, Martha, who teaches grades one and two at the school attributes her own proficiency to special training in regard to teaching six and seven-year-olds.

"I have learned how to teach by participation with the children and the aids have helped me to identify weak students who need additional attention," she said

"A pre-school class is being started at Ekuphakameni, the first of six such classes at the group's schools.

Headmaster Mr Hashe has also asked for and is getting two more classrooms and a library

"We are also building two more schools," Mrs McWilliams said

A policy of improving the quality of life of all its employees was the motivating factor behind the provision of black education at Rand Mines-owned mines.

Although Rand Mines leads the field in respect of providing for black education for the children of employees, other mining houses have adopted the same policy and the budget totals several million rand.

The Chamber of Mines said the commitment to black education was a continuing one and not a new departure.

The Chamber noted that in all [illegible], teachers were in the employ of mines and that enrolment was 13 000 children at primary school level.

While none of the mines had built a high school as yet, transport was provided for pupils to the nearest centre.

In addition to making provision at school level, the mining industry allocated increasing amounts each year to bursaries in a variety of educational institutions and for the subvention of teachers' salaries, the Chamber noted.

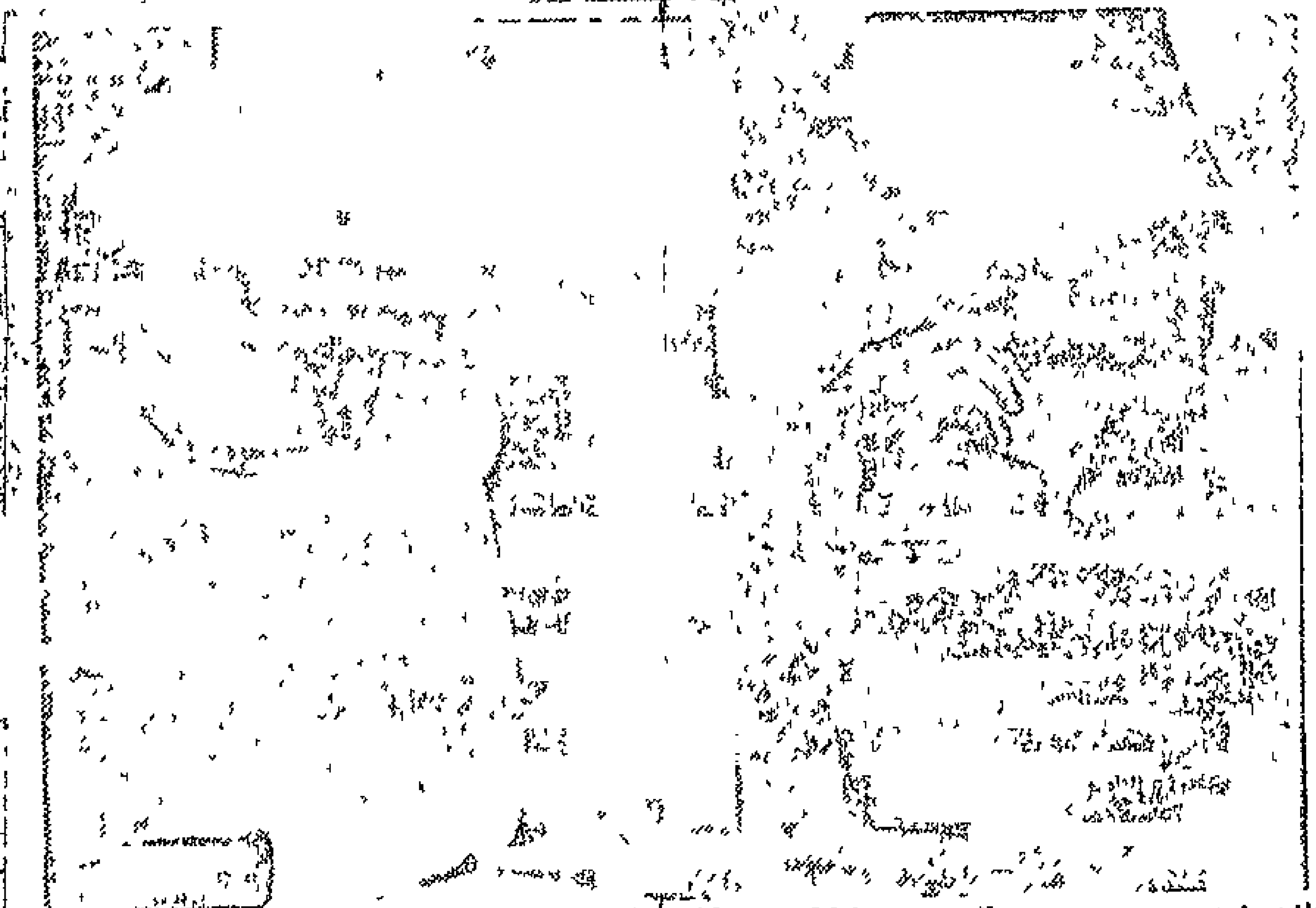
But what of the children of non-mining black families living in the vicinity of mines where schools have been established?

"We blink and admit them although we really shouldn't," a mining official admitted

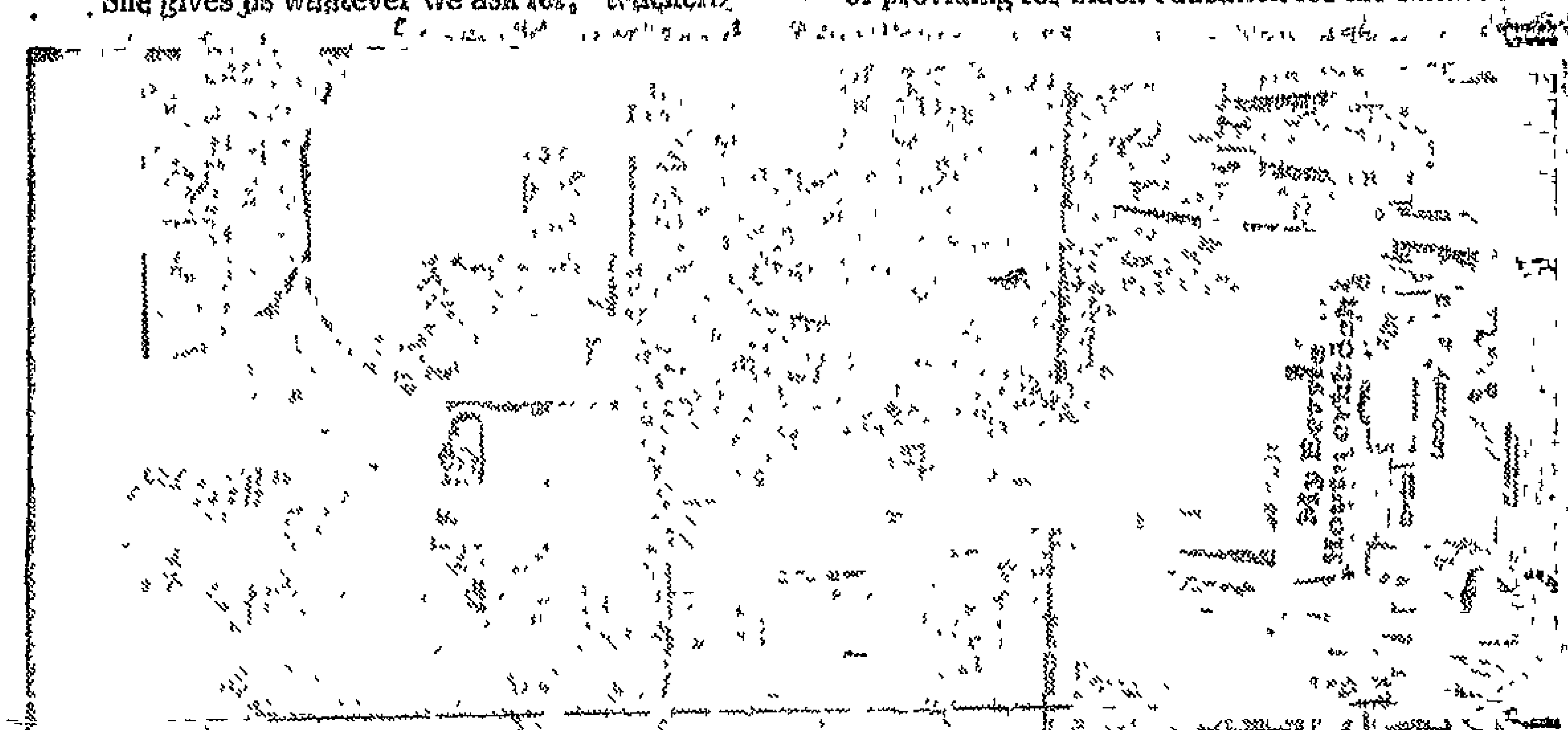
And Mrs McWilliams had a word of sympathy for teachers from ordinary Department of Education and Training schools

"We were at a seminar discussing teaching aids," she recalled, "and among the teachers there were some from other black schools

"I asked one of the other teachers for her opinion and she said, 'I cannot offer an opinion on these beautiful teaching aids, we don't even have enough desks at the school where I teach.'"



A new pre-school teacher at the school, Mrs Martha Dithejane, discusses a project with education co-ordinator Debbie McWilliams



Headmaster Mr Livingstone Hashe of the Ekuphakameni Primary School is a man with a smile. He has six classrooms, six teachers and the school is soon to have a library of its own.

GFSA in plat search at Brits

214

Kwam. 1/6/81

By ADAM PAYNE

GOLD Fields of South Africa has taken options on platinum-bearing ground in the Brits area of the Western Transvaal and says its work there is still in the exploratory stage.

The reef, I am told, is the UG2 Reef which is richer in platinum than the Merensky Reef and is found in a wide chromite reef, sometimes 1,5 m thick.

At times the platinum-group metals are found in a narrow strip and at other times they go right through the chromite

Western Platinum, operated by Lonrho, is the first mine to undertake recovery of platinum from this reef, using an extremely high-temperature furnace and recovery process developed by itself and the National Institute of Metallurgy

GFSA's exploratory programme throughout South Africa is on a greater scale this year than last year when R4-million was spent

The group has proved a valuable coal deposit at Sheepmoor, between Ermelo and Piet Retief on the Richards Bay coal export line

I am told that GFSA will apply for a coal export allocation if tonnage is raised to more than 60-million under Phase 4 of Richards Bay exports

A Government decision on increasing exports from 44-million tons a year of Phase 3 to a higher level under Phase 4 is expected in the next six weeks

The Sheepmoor deposit is high quality by South African standards and is in a narrow seam which could be exploited with continuous mechanical miners It is right at the Sheepmoor rail siding

Apart from this platinum and coal exploration, GFSA has intensified its search for mining projects and is concentrating on gold, tin and uranium

On the gold side, I am told that it is drilling to the east of Venterspost mine between the mine and Randfontein's Cooke section

Some interesting gold values have been disclosed on the Main Reef

Should the programme be successful, the reefs could be added to Venterspost's reserves and could lengthen that mine's life by about 10 years and lift its grade

GFSA is also reported to be drilling south of Kloof mine, where an upfaulted block could bring the Ventersdorp Contact Reef closer to the surface However, any development in this programme is not as close as possible developments east of Venterspost

GFSA's action in taking options on platinum-bearing ground could be its first step to entering into the mining of this metal, but there will be a long road ahead of geological exploration

Texasgulf, the Canadian company, has a large block of ground with UG2 Reef near Brits

It has sent samples of the reef to Britain for recovery of platinum-group metals by the high-temperature plasma smelting process

This method of recovering platinum from the UG2 Reef has been proved in laboratory tests at Farringdon and Texasgulf is now scaling it up

The UG2 chromite presents a metallurgical problem because it is not easy to smelt the chromite and platinum-group metals and separate them

However, when the chrome market improves, chromite from the UG2 could be smelted by the plasma process to produce ferrochrome

The Mining Corporation — formerly the Bantu Mining Corporation — is also working in collaboration with Johannesburg Consolidated Investment Company on methods of recovering platinum-group metals from the UG2 Reef

The corporation has a large UG2 orebody on the farm Maandagshoek in the Driekop area of the North-Eastern Transvaal

Mining companies were asked to tender on the exploitation of this orebody, but the response did not lead to any mining project

The Study

A sta dard questio naire was used to obtain information from the guardian and the children were weighed and clinically examined. Information concerning the nutritional knowledge of the guardian, changes which had been implemented by her subsequent to discharge from the NRU, and the condition of the child was then collated. The influence of factors ...

Three of the 9 control children had died since leaving the hospital (33%), which was not significantly different from the sample death rate. In 2 cases the predominant symptom preceeding death was diarrhoea. Again, death rate appeared to increase with distance from the hospital.

Weights: Eleven of the sample deaths (79%) had occurred in those children who had been less than 80% of expected weight at the NRU (calculated on the Boston 50th centile). Taking the deaths into account, the weight distribution of sample children at follow-up had not changed significantly from that at the NRU. There was a significantly higher proportion of children with a fall in percentage of expected weight amongst those spending 21 days or more at the NRU (0,01<P<0,05) - this may reflect a more serious original state of malnutrition amongst these children.

Changes in percentage of expected weight of control children at follow-up were not significantly different from those of the sample.

Clinical condition: There was no relationship between clinical condition of the sample children and period of stay at the NRU, nor to whether the guardian had absconded from the NRU. The proportion of control children with kwashiorkor (50% of those alive at follow-up) was higher than that of ... sample children (25%), bu... significant (0,1<P<0,3).

Agricultural Aspects

Vegetable gardens (... guardians had vegetable ga... gardens prior to their sta... increased their gardening ... NRU.- ie. a positive effec... was evident in 12 cases (3... ... control guardians seen had a garden, which was significantly different from the sample (0,01<P<0,05).

"Rehabilitated" villages and agricultural officers: The 36 sample guardians lived in 23 different villages or locations, 8 of which had been "rehabilitated". Only 5 guardians knew of government agricultural officers for their locations. The 7 control guardians lived in 7 different villages or locations, 2 of which were "rehabilitated". One control guardian knew of the agricultural officer for her location.

Zenzele membership: There were no Zenzele members amongst the sample or control groups. (Zenzele is a voluntary organisation promoting vegetable gardening in Transkei.)

Ergo pays for R55m expansion

Simmer's secret bared

By JOHN MULCAHY
Mining Editor

EAST Rand Gold & Uranium is the Anglo American group company nominated to bear the costs of Simmer & Jack Mines' R55-million expansion programme.

Simmer & Jack gave the game away in a staff advertisement in a newspaper yesterday Confirmation came a few hours later in an official announcement from Anglo American

Operators

The Simmer & Jack Gold Mine in Primrose, Germiston is the oldest operating mine on the Reef. The mine is currently managed by Ergo, one of the Anglo American Corporation's group companies. The mine has immediate vacancies for Gold Plant Operators experienced in Milling and Cyanidation. Recently retired Gold Pl- ... also invited to apply.

The advertisement that gave the game away.

The advertisement invites applications for gold plant operators and states "The Simmer & Jack Gold Mine in Primrose, Germiston, is the oldest operating mine on the Reef The mine is currently managed by Ergo, one of the Anglo American Corporation's group companies"

Anglo says Ergo is to acquire the rights to exploit the surface and underground resources of Simmer & Jack and will set up a R55-million project to treat material from surface dumps as well as from underground mining operations

In March it was announced that the agreement reached between Simmer & Jack and Anglo American Prospecting Services last year would involve a R44-million capital expenditure programme to be borne by a nominated company within the Anglo American group

A new metallurgical plant with a capacity to treat 150 000 tons of material a month will be built incorporating sections of the existing small unit, and should be commissioned two years after the start of the project

At the same time an underground prospecting programme will be undertaken to determine whether it is economic to exploit the ore reserves of the Kimberley Reef to a depth of about 1 174 metres — the level of the flood line

If sufficient payable ore is proved on the Kimberley Reef above this line mining operations underground will be built up to about 50 000 tons a month Surface deposits of sands and slimes suitable for treatment total 23-million tons at an expected average recovery grade of 0,68 g/t

The surface and underground rights to Simmer are now held by Garbin Holdings, a company owned by Anglo American Corporation and associated companies including Anglo American Gold Investment Company

Ergo will issue 1-million shares, to be credited as fully paid, for the entire issued capital of Garbin This puts a value of R8 400 000 on the rights based on yesterday's 840c closing price

At prevailing gold prices Ergo is expected to become liable for tax towards the end of 1981 and it has been agreed that Anglo and its associates will provide the full amount of the after-tax capital expenditure required by way of loans bearing interest at 14% a year

Ergo's obligation to repay these loans will be limited to 50% of its receipts from the Simmer project after deduction of a 15% administration fee The loans will bear interest for 10 years after which they will be interest free

Ergo will recoup it initial capital investment in the project, plus a 12% after-tax return, from the profits of the Simmer project The payments will be made quarterly and will rank as a prior charge against profits

Should any shortfall occur on the quarterly instalments, it will be carried forward Any extra profits will be divided equally between Ergo and Simmer & Jack Investments, which is a subsidiary of Simmer

Account has also been taken of a situation in which a substantial increase in the gold price occurs and it has been agreed that in this event Ergo will recoup its capital investment at a faster rate

If the average gold price exceeds $650 an ounce, Ergo will also receive 60% of the profit generated by an average price above $650 and up to $700, 70% of the additional profit generated by an average price above $700 and up to $750, and 80% of the additional profit generated by an average price above $750

In each following year the range of the gold prices will be moved up by $25 an ounce Once Ergo has recovered its initial capital outlay and its 12% taxed return, all profits will be shared equally between Ergo and Simmer

Anglo says the uncertainties surrounding gold-price movements as well as Simmer's accessible underground ore reserves and their values make it difficult to state clearly the effect of the Simmer project on Ergo's earnings

"However, at current gold prices the Simmer project is expected to make a worthwhile contribution to Ergo's profits"

COMMENT· The wisdom of using Ergo as the vehicle for Simmer's expansion is that the slimes-treatment company is approaching the end of its days under a tax umbrella, and expenditure on the new gold plant will delay the tax burden.

A market analyst says that on the basis of the relatively low gold price and the looming tax situation, Ergo's rating on present values is low in relation to other gold producers, and the new capital expenditure could result in a rerating.

In the short term, much depends on the extent of capital expenditure in the current year, and whether Ergo will be able to avoid tax The share price has been moving down over the past few weeks; reflecting concern about the tax situation. The price could rise soon.

New gold rush hits old mines

Star 12/6/81

(214)

By Bob Davis

Gold ore so rich that the metal is clearly visible in the rock has been found in a worked-out area of an Eastern Transvaal gold mine.

The find was made in an old stope, known as the Cathedral Stope, in the Sheba Gold Mine, near Barberton.

Mine manager Mr Paul Potgieter said the volcanic chute in which the find was made could run for a long way or peter out after a few metres.

"But we plan to mine it," he said.

He displayed pieces of pure gold which were brought up by a drill bit.

The Cathedral Stope is known to have been the richest gold strike ever made in any mine anywhere in the world.

It was discovered by Edwin Bray in the 1880s and yielded 2.5-million ounces of gold in a continuous chute of about 600 m.

The find in the Sheba Mine is one of several made in the past two years since the higher gold price kindled renewed interest in the Eastern Transvaal goldfields.

Veteran miner Mr Don MacCauley told The Star that many of the 30 or so old gold mines in the Barberton district were being reopened after major mining houses and private individuals had investigated their potential in the light of the higher gold price.

Among the old mines being opened or to be reopened were the Lily, Princeton, Mount Morgan, Kimberley West, Bonnie Dundee, Maid of the Mountain and several small gold mines in Louw's Creek.

Mr MacCauley said modern methods had made it easier to find gold in what had been thought to be totally worked-out mines.

"We use geophysical surveys and magnetometers to help us in our search."

Mr MacCauley, one of the old-timers in Barberton, said he expected new strikes to be made in the mountains between Barberton and Piet Retief, including the Kangane homeland.

He said gold discoveries were possible in the area because the rock formations were similar to those in which gold had been found in the Barberton district.

There were also several old mines in Swaziland which could be reopened but negotiations with the Swaziland Government had proved to be difficult because of the royalties involved.

General manager, Mr Roly Green, of Eastern Transvaal Consolidated, said there had been an increased tempo of exploration in the past two years.

Among the mining houses involved were Anglo Vaal, Anglo American, Gemcor and Rand Mines.

One of the groups had employed a claim-spotter to ensure that it had first option on claims that became vacant.

The mining houses had also bought up all claims on offer in the Barberton district, Mr Green said.

Five gold mines named as safe five-year investments

BULLION BEAR TREND LIKELY TO REMAIN UNTIL 1983

14/6/81 S Times 214

By Elizabeth Rouse

TAKE a five-year investment view of the gold-share market and accumulate, at suitable prices, shares in quality mines East Driefontein, Southvaal, Kloof, Hartebeestfontein and Western Deep Levels

Gold bullion is in a bear trend in relation to other investments and is likely to remain so until 1983. Hence the next five years will be the critical period from an investment point of view, so gear your investment strategy accordingly.

This is the conclusion reached in an extensive, in-depth study of the gold-price and gold-share market trend by a leading Johannesburg investment institution

The recommended five mines, according to a detailed analysis by the institution's mining experts, meet all the criteria as safe and rewarding investments over five years

Taking a short-term view of the market, best values are estimated to be Bracken, Leslie, President Brand, Randfontein, Stilfontein, and Vaal Reefs, relative to current share prices

Again, relative to current share prices, worst short-term values are claimed to be Deelkraal, East Driefontein (gold output will fall substantially in the next two years until new shafts come into production), Elandsrand and Free State Geduld

Best long-term values, at current prices, are estimated to be Randfontein, Southvaal, Vaal Reefs and Western Areas On the same basis, worst long-term values are Blyvooruitzicht, East Driefontein, Free State Geduld, Venterspost and Western Holdings

A summary of the analysts' assessment is given in the accompanying table The ranking of the shares on fundamental technical strength, with no regard to the current share price, is under the heading "Mine quality"

The table indicates undervalued and overvalued shares relative to current prices, on both a short-term and long-term view, in the columns "short-term potential" and "long-term potential"

The study reveals that gold shares are currently expensive relative to the present gold price Present value (PV) calculations show that share prices are discounting an immediate gold price of about \$545 on a five-year view and a price of about \$530 on a 20-year view

Based on dividend projections for the next 12 months, shares are discounting a gold price of around \$535

The analysts take the view that, although political events can add substantially to the gold price, the underlying trend is determined by economic factors This trend is substantiated by correlating world economic trends with the gold price On this basis the bear market is in its second leg

A lower inflation rate produces a lower gold price The major economic trend at present is disinflation and most economic forecasters point to lower inflation rates over the next two years (Charts show a close connection between the direction of inflation and the gold price since 1971)

A further disincentive to holding gold is the real returns which investors can earn on short-term money instruments. The analysts predict that current monetary policies will continue to produce real returns for the foreseeable future

This factor will encourage investors and speculators in gold to switch into other investments

RELATIVELY RATING SUMMARY

Mine	Short term potential	Long term potential	Mine quality	Gearing to gold price
Blyvooruitzicht	Average	Poor	Average	+Average
Bracken	Good	Average	Poor	—Average
Buffelsfontein	Average	+Average	+Average	+Average
Deelkraal	Poor	Average	Average	Poor
Doornfontein	Average	—Average	Average	Good
East Driefontein	Poor	Poor	Good	Poor
Elandsrand	Poor	Average	Average	Poor
Free State Geduld	Poor	Poor	+Average	—Average
Harmony	Average	—Average	Average	—Average
Hartebeestfontein	Average	Average	+Good	Average
Kinross	Average	—Average	Average	—Average
Kloof	+Average	+Average	Good	Average
Leslie	Good	Average	Poor	+Average
Libanon	Average	+Average	Average	Poor
President Brand	[illegible]	Average	+Average	Poor
President Steyn	+Average	+Average	Average	Poor
Randfontein	Good	Good	Average	+Average
St Helena	Average	Average	Average	Poor
Southvaal	—Average	Good	Good	+Average
Stilfontein	Good	+Average	—Average	Average
Unisel	—Average	Average	Average	Average
Vaal Reefs	Good	Good	—Average	Average
Venterspost	Average	Poor	Poor	Good
Western Areas	Average	Good	Average	Good
Western Deep Levels	Average	Average	Good	Average
Western Holdings	Average	Poor	Average	Poor
Winkelhaak	Average	Average	—Average	—Average

NOTES.
1 The short term and long-term potential relates the PV to the current share price.
2. Mine quality was established by using a points system to rate the mines according to size, life, costs, grade and expansion of production.
3 Gearing to gold price applies only for the next five years.

Caution urged over new gold-mining venture

S Times 14/6/81

214

ANALYSTS SAY THERE IS TOO LITTLE INFORMATION AVAILABLE ON WHICH TO ASSESS PROJECT

By John Spira

INVESTORS should be highly circumspect about buying shares being offered in a new gold-mining venture now being launched

The shares in the company — Hemisphere Mining & Developments — are being sold on the basis of a document which mining analysts believe contains far too little information on which to base a sound assessment of the project which is located in the Barberton area of the Eastern Transvaal

It is also pointed out that the promoters are offering the shares at 275c a share compared with the 5c a share at which the stock changed hands four years ago and compared with a net worth of, at most (

Further the whole exercise is being conducted under a veil of secrecy

No information is offered regarding the size of the orebody the grade the projected rate of production or the life — all data essential for the evaluation of any mining venture

According to one analyst "Based on the scant details contained in the Hemisphere offer document the public is being asked to pay a monstrous premium for the shares on the basis of hopes, promises and the barest minimum of supportive facts and information relevant to the company's viability

The issue is being kept under wraps because claims director Mike de Pinna, the company is negotiating to acquire mineral rights in areas adjacent to its present lease area and any publicity given to the issue would only serve to drive up the price of such rights

Although Mr de Pinna refused to reveal details of the venture Business Times was able to obtain a copy of the offer for sale (issued in terms of Section 141 of the Companies Act) from an individual who had been approached to buy shares in Hemisphere

Mr de Pinna is also a director of Principal Mining & Industrial Securities a firm which for the past decade has been promoting and selling shares in various companies to the small investor

The firm is believed to have a mailing list containing several hundred names to which free newsletters are sent The recipients are thought to be among the people to whom approaches are made when Principal Mining wishes to sell shares in the companies it promotes

One of Principal Mining's first ventures goes back to May 1972, when shares in a company called Iberica Textile Mills were sold to members of the investing public Iberica was placed under provisional liquidation in June 1974

Hemisphere is the new name for Jumpers Consolidated Gold Mining Co which was incorporated in 1934 and which till the mid-1970s was listed on the Johannesburg Stock Exchange is a property company

Apart from the paucity of information contained in the document, any attempt at an evaluation of the shares is clouded by the acquisition of shares in two companies — Redbark Mines and New Era Mines — during 1976 and 1977 about which little detail is disclosed

These companies were acquired via the issue of Hemisphere shares at 5c each That Hemisphere shares are now being offered for sale at 275c each is regarded as 'reasonable' by the directors because

- It holds a 60% stake in Redbark of the Witvlakte Pan which contains the sepio-carbonate clay In June 1978 says the document a joint venture agreement was signed with Yellowbark Mines (a subsidiary of Redbark) and a major international company

Development is claimed to be taking place with regard to the viability and marketing of the sepio-carbonate in order to form a mining company to commence production

The document goes on Through testing locally and overseas it seems that sepio-carbonate has the requirements for many exciting usages

The product is considered to have its most important applications in the plastic, paint rubber and paper industries, and could, say the directors be supplied at highly competitive prices compared with the overseas equivalent now being bought from abroad by users

- Redbark is conducting re-

● To Page 3

SOLUTION 5.2

Ace Druggists (Pty) Ltd.

(a)	Taxable ıncome		R130 000
(b)	Scientific research - mat	R 400	
	- sal	3 600	
	- cap ... (q)		
	R40 000 incurred on 1 Jan		
	25% of R40 000	10 000	
	add back: R30 000 - 1/10 ... 1)		22 000
	R8 000 incurred on 1 Apri		
	25% of R8 000	2 000	
	add back: R4 000 - 1/10 x ...)		3 200
	R2 000 incurred on 1 May,		
	25% of R2 000	500	
	add back: R500 - 1/10 x 0/		500
(c)	Donation to U.C.T. - s.11(	10 000	
(d)	Housing allowance - s.11(t)		
	R3 000 - 1/10 x 2/1 x 3000/		2 400
	- s.8(4)(a) recoupment:		
	tax value R15 400 (16 000		
	proceeds R15 500		
	R 100		100
		R 26 500	R158 200
			(R26 500)
	Taxable Income		R131 700

(Note 1) - It is not clear ... the relief is based on R40 000 or R3... h of the amount of such expenditure".

(Note 2) - It can be argued ... rch was carried on for two complete years al... only used for one complete year.

(Note 3) - In the year in wh... cted, the maximum allowance per s.11(t)(ii) w... e figure used in the calculation. The m... terms of the current s.11(t)(ii) is R4 000.

This solution is based on the Income Tax Act, including 1980 amendments.

Caution urged on mine venture

● From Page 1

search into the gypsum which is claimed to be located at Witvlakte Pan It is hoped that Hemisphere may be able to replace all or part of the gypsum currently being imported

● Redbark and New Era (81% held) own "majority equity of many claims in the North West Cape"

● Hemisphere owns a gold dump "situated on the Cleveland property This dump has allegedly been drilled and samples over the dump have been assayed at approximately 0,85 g-t"

"As it has been established that there is approximately 250 000 tons of slime contained in the dump, it is felt that the recycling of this dump can be highly profitable to the company"

● A Hemisphere subsidiary has acquired a share of a gold-mining property in the Barberton area.

"Infrastructure such as roads, foundations, addits, reef sampling has already been concluded, Certain plant and equipment have been purchased and installed at the mine Production is to commence shortly"

Because of all these projects which the directors consider "have every opportunity to be substantial profit earners", they feel that the increase in price "is fully justified"

Although Hemisphere has its finger in a number of pies Business Times believes that the shares in the company are being sold on the basis of the claimed future earnings potential of the Barberton project

Hemisphere's net worth on June 30 1979 (the latest available balance-sheet date) was 17c a share, of which more than half is accounted for by "capital development expenditure".

Net income for the year to June 30 1979 was R103 000 equivalent to 3c a share. If a profit of R132 000 from "profit on sale of portion of shares in subsidiary company" is excluded, then the company would have incurred a loss

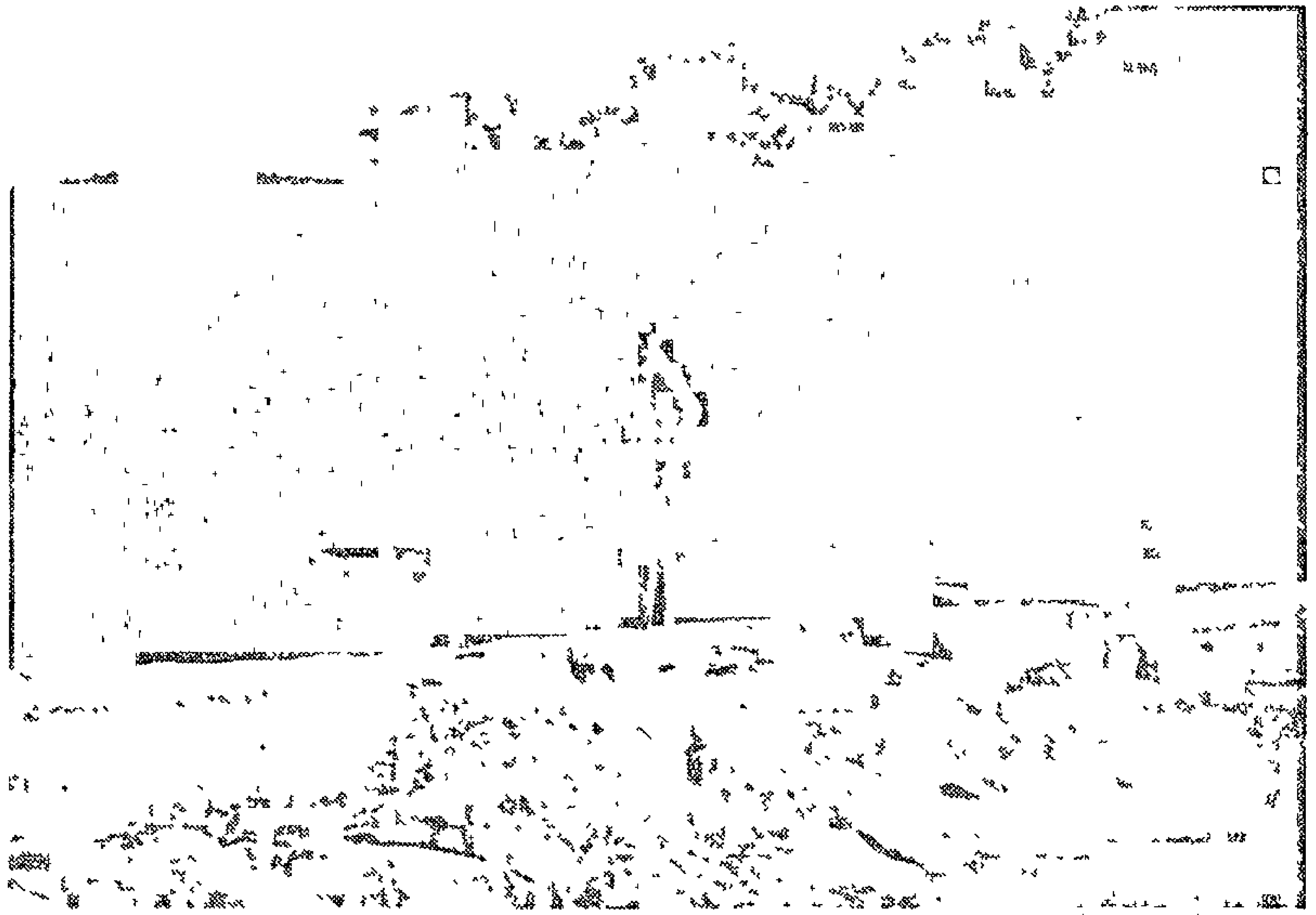
A loss of R1 700 is reported for the six months to December 31 1979, although, again, if the "profit on sale of shares in subsidiaries and associated companies" is ignored then the loss would have been in excess of R10 000

CSF PUBLICATIONS 1981
PO Box 5025 CAPE TOWN

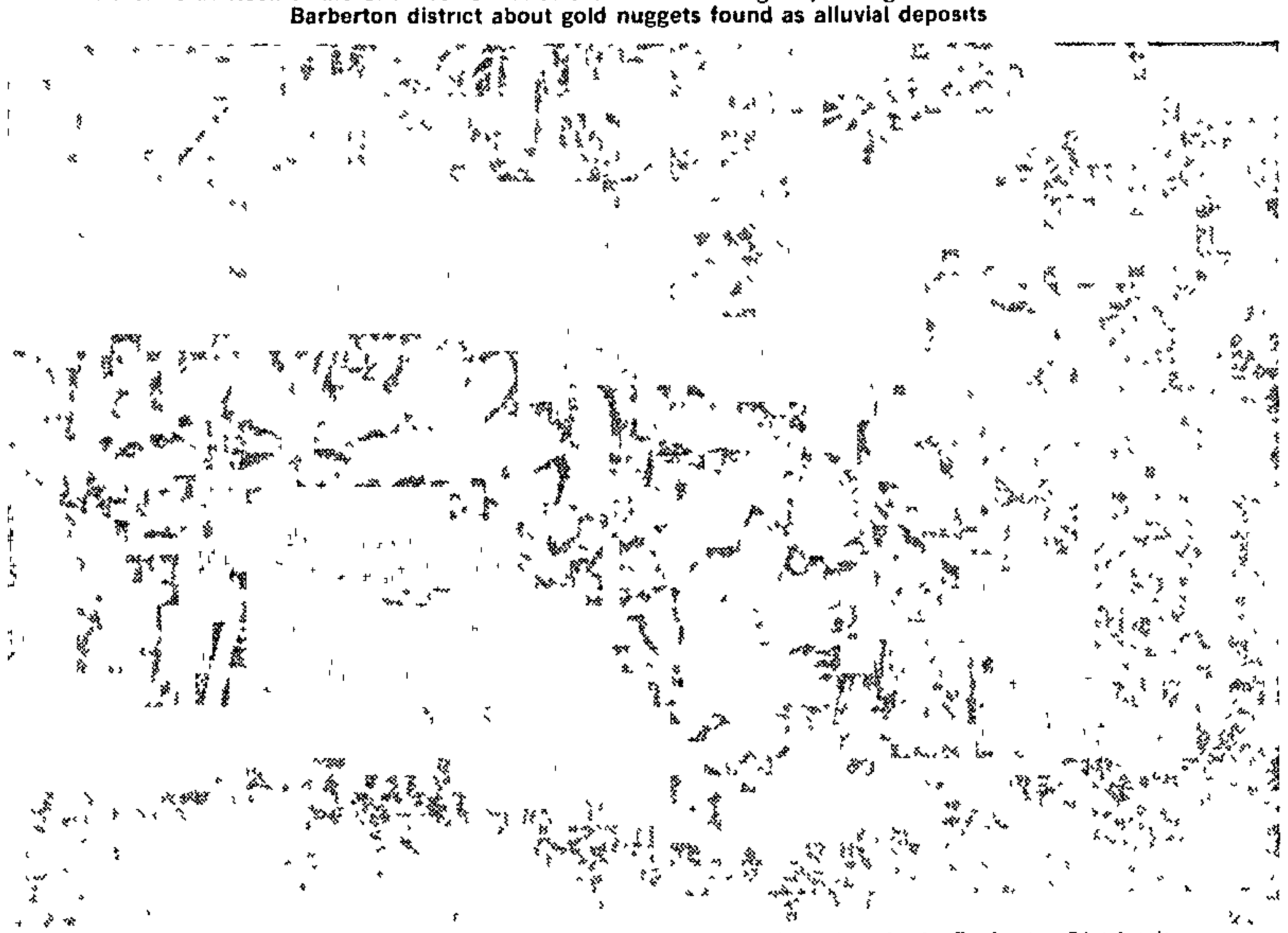
New rush on Barberton's 'lost gold'

Star 18/6/81

(214)



Mr Chris de Kock of the Chamber of Mines examines an old gold panning site. Stories abound in the Barberton district about gold nuggets found as alluvial deposits



The entrance to a mine that was closed down 40 to 50 years ago. Like others in the Barberton District, it will soon be examined for possible new veins

Story and pictures by Bob Davis

Small mining companies in Barberton are being flooded with visitors from their Johannesburg head offices — one recorded 17 visitors on a single day last week — indicative of the renewed gold mining interest in the area.

No one knows just how many of the 80 to 90 old mines in the district have been reopened but it is certain that all of them have been subjected to intensive investigation for deposits that may have escaped the attention of miners in the 1940s and earlier.

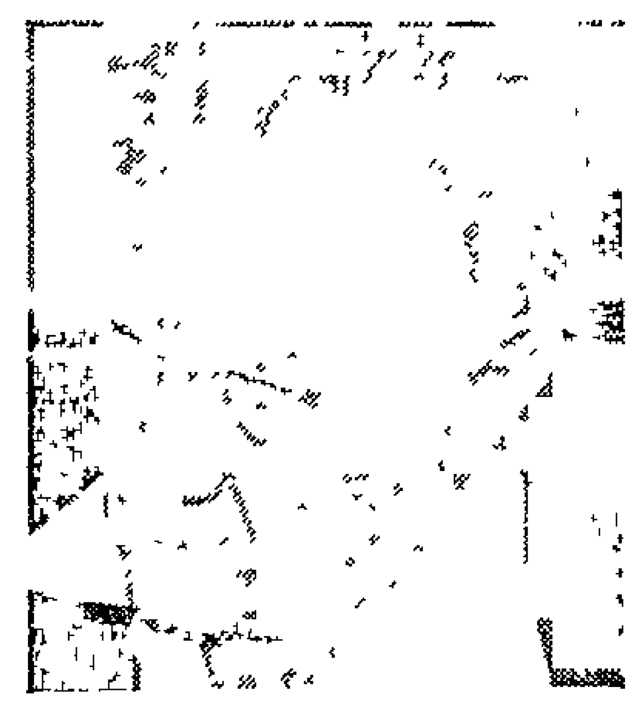
General Manager Roly Green of Eastern Transvaal Consolidated said exploration for gold was an ongoing process and the tempo had been increased in the past two years.

"We look again where we have looked a hundred times before and sometimes we find a vein that earlier attempts had missed."

Mr Green said claims over areas which could bear alluvial gold were held by the company but it had no plans at present to investigate them.

Barberton and district abounded with stories of panning operations and occasional spectacular finds, however.

To old timers like Len Harris



Old-timer Len Harris . . . always optimistic.

and Don MacCauley, the renewed interest in the Eastern Transvaal goldfields came as no surprise.

They were confident that gold would be found not only in the old mines but also at various places in the mountains between Barberton and Piet Retief, including the Kangane homeland and a portion of Swaziland.

Among the old mines which had been investigated were the Sudwala Caves mine, Lilly, Kimberley West, Bonny Dundee, Maid of the Mountains, French Bob and a string of small mines in Louw's Creek.

Mining groups in Johannesburg were unwilling to confirm or deny that any of these mines would be reopened.

Don MacCauley said one reason for increased optimism was improved methods of gold detection, which included geophysical surveys.

Len Harris said the old story of miners being able to smell the presence of gold was not all that far fetched.

"The miners have learnt that gold is often found in association with sulphides, including arsenopyrite, which has a distinctive smell when struck with a prospecting pick."

Mr Harris said there was very little scope for small companies in the new wave of gold fever because the larger groups owned most of the claims.

Anglo Vaal in Johannesburg said, however, there was still a lot of land that was not under option.

Meanwhile it remains every man's hope to find a replica of the famous Cathedral Stope in Sheba Mine, which produced 2,5-million ounces of gold from a 600 metre shoot said to have been volcanic.

"There must be others like it," the Old Timers say.

Paul Potgieter, manager of Sheba Mine, has confirmed that prospecting work was again being carried out in the famous old stope, site of the richest gold find in the world.

Anglo Vaal in Johannesburg refused comment on rumours of a gold find in the Cathedral Stope but it was obviously hopeful of discovering something that earlier searches had missed.

'We look again where we have looked a hundred times . . .'

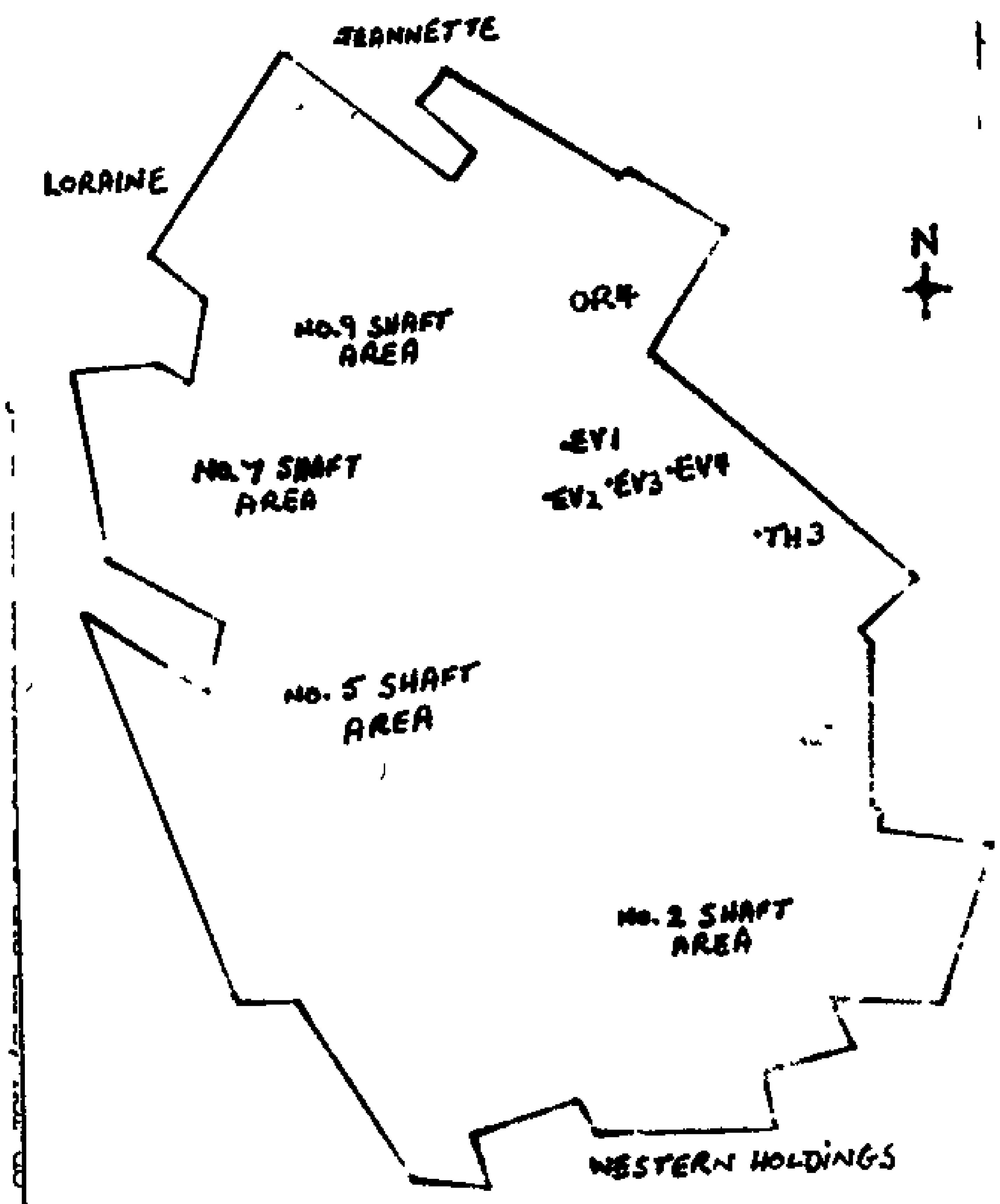
One of the small ventures in the Eastern Transvaal which is still fully operational is the Agnes mine. Many of the old mines have girls' names

Inside today: Soviets' space threat

Room 214 18/6/81

New Fregul shaft on the cards

By JOHN MULCAHY, Mining Editor



Free State Geduld GM The most likely siting of the new shaft is on the Dagbreek Fault, north of No 2 shaft and in line with No 7 shaft. The improved grades reflected in borehole results suggest that at least one, and possibly two shafts are required to provide access to the whole of the north-eastern lease area

FREE State Geduld's long-awaited new No 10 shaft system is believed to have passed the feasibility study stage, and approaching development.

Industry sources say the planning of the twin-shaft system in the Anglo American Corporation's mine has reached the drawing board, but the group has declined to comment

The most likely siting of the new shaft is on the Dagbreek Fault, north of No 2 shaft and in line with No 7 shaft This is in the vicinity of the EV series of boreholes, which have shown good results on deflections in the Kimberley A and B reefs, the Leader Reef and especially the Basal Reef, at depths of 1 600 metres to around 1 900 metres

The wisdom of sinking the shaft on a fault is that the pillars in the central shaft area are in any case locked in and it makes sense for the unavailable section to be unpayable

The technical advisers' report in Freguls' last annual report indicated that the expansion of the north-east lease area, and the planned increase in milling capacity, could to a large extent counter the rapidly declining grade in the south

It warned, however, that because of the skills shortage and the capital expenditure involved, a certain degree of ranking individual projects would be necessary and development will have to be carefully phased

Analysts note that even an early decision to go ahead with No 10 shaft will not have a short-term impact on the mine's fortunes, as the establishment of the new system will probably take about five years.

Given the establishment of the No 10 shaft in the above area, it seems probable that development will extend towards the east rather than north; as the Dagbreek Fault, which runs from the Western Holdings border in the south and extends through the No 2 shaft area, is still evident, although narrower, in the northern section

This will allow exploitation of the north-eastern section bordering on Leeuwbosch No 285, and development in the far north-west will require a further shaft system

The improved grades reflected in borehole results suggest that at least one, and possibly two shafts are required to provide access to the whole of the north-eastern lease area

The EV3 borehole in the year to June 30, 1979 reported grades of 69,1 g/t to 140,4 g/t on deflections 4 to 6 in the Basal Reef From the same borehole in the following year deflections 11 to 15, as well as 27 and 28, gave grades on the Kimberley A reef ranging from 2,0 g/t to 9,0 g/t

On the Kimberley B grades ranged from 8,1 g/t to 35,7 g/t, Leader Reef grades were 0,3 g/t to 28,0 g/t and Basal Reef, from deflections 17 to 24, showed grades of 4,3 g/t to 114,0 g/t

The EV4, which is east of the EV3, in 1979 reflected grades of 1,9 g/t to 119,0 g/t on the Leader and Basal Reefs According to the 1980 report relatively low grades of 1,4 g/t to 2,8 g/t were encountered on the Leader Reef, but values of up to 38,8 g/t were shown in deflections on the Basal Reef

The grades drop of towards the west, but further east the TH3 borehole struck values on the Basal Reef of up to 167,8 g/t

Further north, that is to the east of the No 9 shaft, the OR4 borehole in the report for 1980 showed grades on the Basal Reef ranging from 8,4 g/t to 80,4 g/t in deflections.

Freguls capital expenditure in the year ended September 30, 1980 amounted to R86 569 000, with costs on the No 5 shaft at R42 953 000

Chairman Mr Gerald Langton said in the annual report that the No 5 shaft programme would dominate the mine's capital programme during the current year, with expenditure approaching R60-million out of the total R110-million forecast for the whole year

He said the exploration and development of the northern area, as well as housing and accommodation programmes, would account for about R20-million

(4)

Hospital outpatient departments are in a position to provide specialist medical care, particularly as they employ specialists on their staff

(5)

accept as given that Day Hospitals in their existing form are the

be required to bring this about; is there reason for complacency in the Cape Peninsula - have we 'facilities equal to the best in the world' and provided an 'unrivalled service'(9) and finally, are the data systems sufficient for effective health service management. In essence, therefore, the study is a systems appraisal within the framework of the cost-benefit approach to health. Perhaps this study can also indicate the divergence between theory and practice that has been mentioned in the standard theoretical works

The possible alternative situations must be considered to gain an idea of the opportunity cost of the Day Hospitals If there were no Day Hospitals, their patients would either be attending outpatient departments or deterred by the distance to the hospitals or by the waiting time and crowding, would be consulting a private general practioner - a considerably more expensive option in terms of bills payable and medicines to be purchased. Alternatively the CPA (Cape Provincial Administration) might have been forced, by staff and patient dissatisfaction, to extend existing outpatient departments, in areas where land expensive, or it might have decided to build a whole new hospital with attached outpatient department, perhaps between Heideveld and Guguletu where the G.F. Jooste Post-Acute Hospital was built. Patients might

accept / ...

S. Times 21/6/81

Listing to be sought for old mines

214

By Andrew McNulty

THE Leader Reef Gold Mining Company is reopening historic, rich old gold mines near Barberton in the Eastern Transvaal — and the public may soon have the chance of participating through a JSE listing

Two old mines the Bonny Dundee and the Worcester, are now in production

This will be brought to a total of four when the Albion mine and the New Independent Prospect are reopened during the next few months, according to Pieter de Jager, a director of the Leader Reef

He says that he conservatively projects gross profits from current operations — which are being increased — in the next 12 months at about R4,5-million

Several kilograms of gold have been lodged at Barclays Bank

The company has the rights to, or has options on, 4 500 claims on a strip of land 17km long by about 4km wide within which runs almost all of the Jamestown schist belt, the site of many old mines that were worked between about 1875 and 1910

The well-known firm, Price-Waterhouse, is in the course of being appointed joint auditors along with Gibson Michie & Co One of their briefs will be to steer the company towards a listing

Future development is to be based on a report just completed by the company's mining consultant, Ken Coetsee, who retired three years ago as general manager of the nearby Eastern Transvaal Consolidated Mines, which is operated by Anglovaal

A metallurgical division is headed by David Price, formerly a metallurgist at Rand Mines

Mining and plant operations are controlled by Danie de Jongh, who until 18 months ago was a mechanical engineer at the National Institute for Metallurgy

Since starting as a syndicate 2½ years ago, the company has invested about R800 000 on securing claims and property, and on plant and equipment

Mr de Jager says that Leader Reef, a public company with about 215 shareholders, today has no debts Before applying for a JSE listing, planned for August, they aim to increase the capitalisation from the current 550 000 to about 9-million shares of R2 each

About R287 000 was spent on what is described as one of the most sophisticated, automatic alluvial gold recovery plants in the country

Profit from the Bonny Dundee mine, according to Mr Coetsee's report, would be about R578 570 in the first year, with working costs of R31/t, a mill grade of 4,27 g/t and milling 30 000 t in the year This assumes a gold price of R11/gm, and does not take into account substantial tax concessions

Also, this current production rate is from one section only and is expected to double by year-end

The Worcester mine is expected to produce gross profits of about R2-million in the next two years

Work is about to start preparatory to reopening in about six to nine months of the Albion mine, about 5km south-east of the Bonny Dundee, at a cost of about R1 8-million

FINANCE

MINES CHIEF OPTIMISTIC ON GOLD PRICE

Argus 23/6/81

214

JOHANNESBURG. — Optimism about the prospects for gold, tinged with concern about the effect of the skilled labour shortage on the country's ability to produce the metal, was expressed today by Mr R S Lawrence, president of the Chamber of Mines.

Addressing the chamber's annual meeting in Johannesburg he said the present relative stability in the gold price would be followed by real increases in the price continuing well into the future.

The gold price this year had been relatively low compared with the peaks last year

'Nevertheless the price this year has remained remarkably stable at levels which were unthinkable only three years ago

HIGH RATES

'This is particularly true if one considers the recent high United States interest rates, a strong dollar, an apparent stabilisation in the oil price and a generally slack international economy

'It appears from the available information that there is a closer balance between supply and demand at present.

'Consequently, in the immediate future it appears unlikely that the gold price will vary greatly.

'However, economic and political uncertainties remain. A turnaround in US interest rates, a weakening in the present strength of the dollar, further increases in the oil price and continuing political disturbances around the world are inevitable

UPWARD TREND

'I believe, therefore, that the gold price will resume its upward trend in order to balance projected supply and demand.

'In any event the broadening of the gold market which we have seen in the past five years will continue and this will ensure an increase in real terms in the gold price well into the future'

The development of the South African mining industry was a classic example of the free enterprise system working successfully, and it was an example which could well be followed in other areas of public endeavour with similarly successful results

'Nor should the benefits of co-operation and coordination be limited to South Africa alone

'These are benefits which can and should be enjoyed by Southern Africa as a whole working in partnership together'

EXPANSION

The mining industry was planning to spend R12 000-million on expansion in the period to 1985 and would create nearly 100 000 new jobs, though mainly for unskilled workers

However, it was difficult to see how these expansion plans could be implemented in the face of the worsening skilled manpower position

In the nine months to March the number of vacancies for skilled workers on gold mines alone increased by more than 40 percent to 2 609.

Mr Lawrence called for a sound basic schooling for all as a starting point to solving the country skilled labour shorta and the subsequent teac ing of technical skills anyone who sought acquire them, regardl of race or colour — Sa

Thousands could lose jobs, mine chief warns

Argus 24/6/81

214

~~217~~

Argus Correspondent

JOHANNESBURG. — Many thousands of black workers on South African mines could lose their jobs if the gold price remained at a sustained low level.

Dr Willie de Villiers, executive chairman of Gencor, said this at the Chamber of Mines annual meeting

He said the central role of black wage increases in the escalation of working costs on the mines had already come 'perilously close' to threatening the viability of marginal mines.

Some marginal mines were even threatened with closure in the present climate of declining metal and mineral prices

Compounding the problem was the fluctuation of the gold price.

CLOSING GAP

He warned the industry against closing the wage gap between black and white workers by a mere mechanical adjustment in pursuit of an even remuneration curve.

'A serious distortion would result if the entire black wage curve from the lowest entry wages were to be adjusted in order to linkup evenly with the existing white curve'

Over the past decade there had been a determined effort by the mining industry to bring wages to acceptable levels, resulting in a ten-fold increase in average earnings a month between 1970 and 1980

PRODUCTIVITY

'A point is, however, being reached where concern must be expressed at the fact that the increase in black labour productivity over this period has been negligible'

If the rate of wage escalation continued over the next few years, 'the marginal value of work done by many unskilled workers will be rapidly eroded and their employment threatened by mechanisation'

Higher margins of wage increases should be granted in the upper black job categories, while adjustments to starting wages should take into account only cost of living increases.

RAPID GROWTH

'This would serve the objective of not only closing the gap while to some extent containing the rapid growth in working costs but would have the desirable effect of steepening the wage curve'

Such a steepening would provide an incentive to the workers to advance into more skilled positions — an objective shared by all in the industry.

Gold drilling justifies new mine in OFS

RDM 1/7/81

214

By ADAM PAYNE

DRILLING by Anglo American Corporation geologists in two areas to the south of the OFS gold field has provided sufficiently encouraging results to justify embarking on a more detailed drilling programme to define reserves.

The directors of the corporation in their report for the year to March 31 make no comment but the fact that a more detailed drilling programme is being undertaken to define reserves indicates that a new mining venture or ventures is probable, especially if the gold price recovers as it is expected to do

The report says the extensive search for a wide range of base metals continued in South Africa, SWA/Namibia and in other parts of the world last year, although exploration for uranium was reduced because of the unattractive market outlook

Highlights of the report are that Anglo American with Cominco of Canada is to prospect in Argentina and Chile and that Amcoal's coal reserves have risen to 10 000-million tons of coal

The main target in Southern Africa at present remains the copper/lead/zinc discovery in the Sperrgebiet in SWA/Namibia where progress has been affected by drilling problems

The discovery of this deposit was first reported in 1978 and later comment was that an oxidised zone continued for a depth of 300 m

Further drilling for Ventersdorp Contact Reef and Elsburg Reefs in the area to the south of the Western Areas gold mine has confirmed the previously encountered grades but additional fill-in drilling is required to assess the continuity of these deep reefs

To the north of Klerksdorp, exploration proved a low-grade gold deposit but the initial encouraging uranium results from an adjacent area were not confirmed by subsequent drilling. Exploration is now nearly completed and the area will be evaluated in the coming year

Coal exploration was also considerably increased during 1980 to improve the coal supply on a wide geographical basis A revision of coal reserves estimates of the corporation and its administered mines, based on present day and planned mining methods, resulted in a significant increase in proven reserves available for exploitation

These are now estimated at 10 000-million run-of-mine tons This compares with Amcoal's last published figure of 7 700-million tons in 1979 Rights to a further 200-million tons are expected to be purchased over the next year

In Brazil, Ambras (Anglo American Corporation do Brasil) in which Anglo American Corporation holds 36% of gold interests, is conducting substantial exploration for gold and base metals through Unigeo Geologia & Mineracao and Mineracao Morro Velho Promising results have been obtained in one area and drilling is in progress

At the Morro Velho group of mines a study has been commissioned to assess the possibility of exploiting additional ore reserves discovered last year

It was also decided to proceed with the opening of a small gold mine at Jacobina in the state of Bahia and mining and construction work have begun

During the year the corporation decided to seek new mining opportunities in both Argentina and Chile and established offices in Buenos Aires and Santiago

Assessments are being made of existing mines and of mineral properties and the corporation has entered into a joint venture partnership with Cominco of Canada to carry out major exploration programmes in both countries

Australian Anglo American is also active in Australia, New Zealand and Fiji in the search for gold and a variety of base metals

Work on the Namosi copper prospect in Fiji has stopped after discussion of a feasibility study with the Government

URBAN REGION PLANN

QUANTITY SURVEYING

(Continued)

Bell-John Prize

For the best all-round student in any year of study.

P C Key

The Committee of the Western Cape Chapter of Quantity Surveyors' Prize

For the student obtaining the highest marks in Professional Practice.

P R Swift

Hint of new gold mine venture in Free State

ST 1/7/81 (214)

By ADAM PAYNE

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The corporation is also involved in exploration activities in Australia, New Zealand and Fiji The findings of the pre-feasibility study of the Namosi porphyry copper prospect in Fiji — the joint venture comprising Australian Anglo American, Conzinc Riotinto of Australia, Preussag and Amax — have been discussed in depth with the Fijian government during the past year

Work in the prospecting licence area is at a standstill and the conclusion of the partners is that the prospect at present is not economic

Gold $427 at close

BULLION firmed slightly in the afternoon to be fixed at $426 an ounce after falling below the $420 mark at one stage during the morning

The morning fixing was $421,50 — the lowest since November 1979 — but gold later eased to $419 and then jumped to $427 at the close

Gold shares once again came off the bottom but sentiment was still influenced by the bullion price, dealers said

Some minor support was seen at the lower levels, but operators were influenced by Swiss predictions of the bullion price moving below $400

Gold shares ended mostly weaker, but off the day's lows Blyvoors fell 50c to 1 225, Durban Deep 250 to 1 550, Kloof 200 at 2 800 and Leslie seven at 223

Mining financials followed the trend and Anglo fell to 1 465 despite Oppenheimer's confidence expressed in the Ergo annual report, while Johnnies shed 100 to 7 650 and GFSA 50 to 8 400

Toward the close, 14 gold shares were higher, 23 lower and five unchanged

The Kruger rand fell R6 at R434, the half R5 at R225 and the quarter R4 at R114 but the tenth Kruger held steady at R47

Other metals were mixed and platinums, despite the lower market price, tended higher Lydenburg fell 10 to 305, but Implats rose 40 to 805 and Rusplats gained 10 to 490

Industrials were quiet and mostly slightly easier reflecting the bearish sentiment on the bullion board, dealers aid towards the close 10 industrials traded higher 93 lower and 72 were unchanged

OK Bazaars fell 60 cents to 1700, SA Brews two to 375 and Grand Baz fell five to 330, despite the confident annual report

GFSA mines show higher taxed profit

CT 8/7/81 (214) ~~2449~~

JOHANNESBURG — The feature of the June gold quarterly season's first report — from GFSA — is the rise in taxed profit by most of the mines in the group, brought about by a sharp increase in capital expenditure and consequently reduced tax

Taxed profit actually rose by 4,4% to R165-million from R158-million, and this in spite of a 4,6% fall in the average rand receipts for gold, to R12 954/kg from R13 572/kg, and a 7,4% rise in average unit costs, to R42,11/ton milled from R39,20

Taking an average of $1,193 to the rand for the period which is the rate being used by the Chamber of Mines, the average gold price for the June quarter dropped by 11,6% to $481 an ounce from $544 (at the ruling exchange rate for the March quarter)

This highlights the advantages of a lower rand exchange rate to South African gold producers, in that the actual rand receipts fell by less than half the dollar value of gold over the June quarter

Milling rates were maintained in most cases, although faced numerous breakdown problems, reducing its tonnage, while Deelkraal's throughput continued to rise

It was a particularly bad quarter for costs, and included the 15% pay rise for white miners from May 1, as well as the 15% increase awarded to officials on June 1

The full effects of these increases, as well as the average 20% increment awarded to black miners on July 1, will impact heavily on the September quarter, when the effects of the 12% steel price hike will also be felt

For the quarter ended June 30 1980 unit costs were R35,04/ton milled, indicating a rise of 20,2% in unit costs over the year

Mr Colin Fenton, deputy chairman of GFSA, told a Press briefing yesterday the effects of the steel price rise had not yet been calculated, but capital works were likely to be most seriously affected

Total tonnage fell slightly to 3 458 000 from 3 467 000, and a marginal drop in grades to an average of 10 g/t from 10,1 g/t led to a drop in gold production to 34 633 kg from 35 114 kg

Profit before tax and State' share of income was 8,7% lower at R336-million compared with the March quarter's R368-million, while capital expenditure almost doubled to R45-million from R23-million

Because of the lower profit and the increase in capital expenditure tax and State's share of profits fell by 18,6% to R171-million from R210-million

All of the gold mines in the group are changing to a June financial year-end, which means that Vlakfontein and Deelkraal will report for an 18-month period to June

Mr Fenton said GFSA would continue to publish separate operating figures for West Drie and East Drie, but the financial results would in future be combined under Driefontein Consolidated

East Drie Tonnage was unchanged, but the average grade dipped to 13,5 g/t from 14 g/t, and gold production fell as a result

Working profit on gold was down by almost 14% but the 187% rise in capital expenditure to R13 035 000 from R4 542 000, kept the tax charge low and taxed profit was slightly higher than the March quarter

Development results show a significant increase in average values on the Carbon Leader Reef, to 14 4 g/t from 9,9 g/t, although Mr Fenton says this resulted from two raises running at extremely high levels east of No 5 shaft, and were unlikely to be maintained

At a pay limit of 3,5 g/t — prevailing at June 30 — East Drie's total ore reserves were 13 029 000 tons at an average value of 16,3 g/t

West Drie Profit on uranium and acid sales rose to R3 942 000 from R297 000, mainly because of variances in delivery dates With the small quantity produced deliveries are usually made only once a quarter, but it does happen that shipments are held over

Tonnage, grade and gold production were unchanged, while taxed profit rose by 4% to R45 433 000 from R43 706 000

As with East Drie, development results on the Carbon Leader show a hefty rise in average values to 28,6 g/t from 11,4 g/t

Driefontein Cons Mr Fenton says gold output in the next 12 months will be higher than the past year, depending on pay limits for the complex, as tonnage will definitely be higher

At the present pay limit, with costs going up and the gold price declining, grades will be forced to rise, with a resultant increase in gold production

Libanon Milling was unchanged, but with the grade up, gold production rose slightly, although working profit from gold fell by 11,6% to R16 950 000 from R19 177 000

The No 4 sub-vertical shaft is close to completion, with the station on the last level — 42 — cut and supported

The ore reserves at a pay limit of 3 4 g/t totalled 10 779 000 tons at June 30 at an average value of 7 6 g/t

old areas and developing ore reserves which showed no immediate return but would provide benefits later

At a pay limit of 3 6 g t ore reserves amounted to 8 657 000 tons at June 30 at an average value of 5 6 g/t

Kloof The mine battled during the quarter with compressor breakdowns and other technical problems reducing tonnage milled to 505 000 from 525 000 in the March quarter

Mr Fenton says the problems have been solved and tonnage is back up to 180 000 a month or 540 000 tons a quarter

The fall in production helped give the mine the dubious distinction of being the first to increase costs to over R50 a ton In fact costs rose by 10 6% over the quarter

Doornfontein The first blast at the No 3 shaft was on Monday and development of the new shaft is proceeding

Capital expenditure doubled from March and taxed profit rose by 25% to R18 103 000 from R14 469 000 Tonnage grades and production were unchanged and development values were somewhat lower

Vlakfontein Agreement in principle has been reached with Vogelstruisbult for Vlaks to treat gold-bearing material from Vogels No 1 shaft waste rock dump

An experiment, using some of the Vogels material was conducted during the quarter but the value of the ore was found to be similar to that of Vlaks own dumps and there was the additional cost of transporting the material 13 6 km

At present production Vlaks has a life of five to six years in its own dumps says Mr Fenton and the rock from Vogels could double this period so the mine is keeping its options open

The agreement allows Vlaks to withdraw if the operation becomes uneconomical and this would be the case if the gold price dropped much further

Because of the Vogels experiment working costs rose by 28% to R8 47 ton milled from R6 60 and tonnage from surface dumps fell to 91 857 tons from 114 477 tons while purchases from outside sources (including Vogels) rose to 88 143 tons from 65 523 tons

Deelkraal The mine is expecting to increase its milling rate to around 105 000 tons a month in this quarter says Mr Fenton and this should reduce unit costs

Development values are still relatively low with 6 0 g/t on the VCR and only 2 3 g t on the Deelkraal Reef

Mr Fenton says grades will have to move up and there have already been better development results in the east of the lease area while in the lower levels there should be a break through to significantly higher values by the last quarter of this calendar year

Mr Fenton said the mine did not have sufficient cash available for distribution as a dividend because capital expenditure was being funded from own resources and projected expenditure for the rest of the year was fairly heavy

Venterspost The mine moved on to a State-assisted tax formula during the quarter which had the effect of reducing the tax bill to R447 000 from R2 141 000

Venters qualifies for State aid, but as a first measure to fend off the effects of a declining gold price, has taken advantage of the more equitable tax formula available to it

Mr Fenton said that if there was no improvement in the gold price the mine could move into a loss situation soon, and State assistance would be "just around the corner"

Costs rose by 7,8% over the quarter and Mr Fenton explained that Venters was spending a lot of money on opening up

London buying aids JSE

JOHANNESBURG — Gold shares firmed towards the close as London buying entered the market following the higher bullion price but a lack of sellers inhibited trading, dealers said

Heavyweight producers had Randfontein and Harties up 25c apiece at 5 150 and 5 700c respectively and Vaal Reefs 175c firmer at 6 800c while other heavyweight gains ranged between 25c and 50c on average

Mining financials generally firmed in sympathy with the gold board with Anglos and Amgold adding 5c and 100c at 1 475c and 9 200c respectively but Charter was a weak spot, falling 35c at 515c Industrials were mixed where changed but the undertone was easier

The financial rand held steady around 82,75/83,25 US cents

In banks Volkskas rose 20 at 580 while Bankovs was down one cent at 71 following the announcement of the merger details — Sapa

Lower tax bill shot in arm for Gold Fields

Star 8/7/81

214

By David Bamber

All but two of the mines in the Gold Fields of South Africa group have reported increased taxed profits in the quarter to June 30 — and, believe it or not, they have the taxman to thank for the satisfactory results.

A slightly lower milling rate and a modest reduction in average grade recovered from 10,1 g/t to 10 g/t led to gold production falling from 35 114 kg to 34 633 kg

After receiving 4,6 percent less for their gold — R12 954 a kg compared with R13 572 a kg the previous quarter — and having to contend with a 4,6 percent average rise in unit costs from R39,20 a ton milled to R42,11, profit from gold fell R38-million from R342-million to R304-million

However, net sundry revenue, profits on the sales of uranium, pyrite and sulphuric acid, and tribute royalties claimed back R2-million of the lost income to leave profit before tax and State's share of profit R32-million or 8,7 percent lower than the March quarter's R368-million at R336-million

This was where the taxman steped in Taking the mines' increased capital expenditure into consideration (R45-million compared with R23-million in the previous quarter) and the lower profits all round, he reduced his bill by 18,6 percent from R210-million to R171-million, leaving taxed profits a respectable 4,4 percent higher at R165-million (158-million)

East Driefontein

The mine had a steady quarter and had it not been for the 6,8 percent increase in working costs from R37,64 a ton milled to R40,20 and the lower gold price received, East Drie would have increased taxed profits fairly substantially. In the event, however, the trebled capex and lower profits were rewarded by the levied to R5,1-million. A further R22,1-million has been authorised but not yet spent.

Development results are most heartening with 490 metres sampled on the Carbon Leader showing values of 28,6 g t (11,4 g t) over a stope width of 126 cm (120 cm)

At the prevailing pay limit on June 30 of 4,4 g/t West Drie's ore reserves amounted to 7,8-million tons over a stope width of 130 cm at 17,7 g/t

Venterspost

This is the only mine in the group to increase earnings a share after capex

Costs rose a rather steep 7,7 percent but the more favourable State-aid tax formula assisted Venters in turning a 22,6 percent fall in pretax profit to a 10,6 percent rise in taxed profits.

Capex for the quarter was slightly lower at R1,032-million (R1,134-million) while the unexpended balance of authorised capex amounted to R11,3-million.

Doornfontein

A steady quarter saw milling rate, grades and gold production unchanged so that after a one-half drop in Doorns' tax bill, taxed profits grew by 25 1 percent

The doubled capital expenditure, however, left earnings a share well down on the previous quarter at 68c compared with 93c.

The balance of authorised capex not spent as at June 30 was R105,7-million

On the June 30 pay limit of 3,7 g/t, Doorns had 4,9-million tons of ore reserves at 10,9 g/t over a stope width of 111 cm.

Deelkraal is the other mine which was not able to increase taxed profit

The milling rate increased from 287 000 tons to 298 000 and there was a welcome, though small, rise in grade from 4,2 g/t to 4,3 g/t resulting in gold production rising from 1 207,3 kg to 1 271,6 kg

Deelkraal was also able to keep its rise in costs to 5,8 percent — the lowest increase in the group — as a result of the increased milling rate

However, the fall in the gold price really took its toll on this mine to leave profits marginally down at R3,69-million (R3,694-million) despite its sound effort

The balance of capex authorised but not spent as at June 30 was R24,1-million

Libanon

A marginal increase in grade from 5,9 g/t to 6 g/t and a constant milling rate resulted in gold production climbing from 2 482,2 kg to 2 519,9 kg

Taxed profit was almost unchanged Capex rose from R3,7-million to R5-million. The balance of Capex authorised but not spent at the end of the quarter was R108,8-million

The only difference in development results is from the VCR where values have fallen from 5,8 g/t to 3,7 g/t

Ore reserves at June 30 on a pay limit of 3,4 g/t amounted to 10,8-million tons at an average grade of 7,6 g/t over a 139 cm stope width

Kloof

It was not a happy quarter for Kloof Ore milled fell from 525 000

Mine	Tons Milled 000's		Yield G/T		Costs R/T		Costs $ oz		Revenue $ oz		Net Profit R000's		Net Profit after Capex R000's		EPS after Capex Cents	
	June	Mar	June	Mar	June	Mar	June	Mar	June	Mar	June	Mar	June	Mar	June	Mar
West Drie	675	675	14,5	14,5	45,24	42,36	116	117	482	550	45 433	43 706	40 363	41 311	287	293
Libanon	420	420	6,0	5,9	37,34	35,24	231	239	481	594	11 452	11 254	6 463	7 583	81	95
East Drie	675	675	13,5	14,0	40,20	37,64	111	108	476	552	46 668	46 510	33 623	41 968	61,7	77
Kloof	505	525	14,5	14,5	50,50	45,64	129	126	488	536	34 862	34 573	26 698	29 072	88	96
Deel Kraal	298	287	4,3	4,2	45,46	42,95	395	410	488	524	3 690	3 694	2 277	2 582	2 3	2,6
Vlaks	180	180	1,1	1,1	8,47	6,60	282	238	487	524	426	552	426	552	7	9
Venters	345	345	4,0	4,0	42,52	39,47	390	396	483	539	4 022	3 634	2 990	2 500	59	49
Doorns	360	360	8,4	8,4	46,05	43,41	203	207	480	555	18 103	14 469	6 825	9 293	68	93

(Continued)

QUANTITY SURVEYING

214

Star 8/7/81

nient'' tax bill so that taxed profits rose marginally from R46,51-million to R46,658-million

Development results show a decline in metres advanced but there are increases in the average values of gold discovered. On the VCR grades have risen from 17 g/t to 18,8 — but over a stope width of 150 cm against 170 cm previously.

On the Carbon Leader average values have risen from 9,9 g/t to 14,4 g/t but again the stope width is narrower at 117 cm compared with 127 cm and only 162 metres were sampled against 190 in the March quarter.

At the June 30 pay limit of 3,5 g/t, East Drie's ore reserves amounted to 13-m tons over an average stope width of 164 cm at an average grade of 16,3 g/t

The Driefontein Consolidated director, Mr Colin Fenton, said that the results of East Drie and West Drie will continue to be published separately until a common tax formula can be agreed upon between the company and the State.

West Driefontein

The milling rate, yield and gold production were the same as during the March quarter.

Pretax profits were a mere 3,8 percent lower than the previous quarter mainly because of a handsome R3,942-million (R297 000) contribution from profit on sales of uranium oxide and sulphuric acid.

Capex more than doub-

Vlakfontein

Abnormally high costs incurred by experimental drilling and buying of dump materials from outside sources hit the results of Vlaks

It is one of only two mines in the group to end the quarter with a fall in taxed profits

The company has an agreement in principle with Vogelstruisbult Metal Holdings to treat gold-bearing material from the Vogelstruisbult No 1 Shaft waste rock dump Mr Fenton said this agreement could be suspended at any time if it proved to be uneconomic

However, by treating material from this outside source, the life of Vlaks could be doubled

tons to 505 000 tons with grades rem... constant gold production fell from 7 613,9 kg to 7 321,6 kg.

Costs jumped 10,6 percent and had it not been for an increase in net sundry revenue, Kloof would have joined Vlaks and Deelkraal in returning lower taxed profits

Capex still to be spent at the end of June amounted to R196,4-million

A drop from 15,7 g/t to 10,5 g/t is reflected in sampling results from the VCR but only 90 metres were sampled

Based on a pay limit of 4,5 g/t on June 30, Kloof's ore reserves were 4,7-million tons at 18,9 g/t over a stope width of 156 cm

By JOHN MULCAHY
Mining Editor

GFSA taxed profits rise by over 4%

RDM 8/7/80 214

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ oz	Revenue $ oz	Net profit R000s	Net Profit after capex R000s	EPS after capex cents
WEST DRIE	675	14,5	45,24	116	482	45 433	40 363	287
March	675	14,5	42,36	117	550	43 706	41 311	293
LIBANON	420	6,0	37,34	231	480	11 452	6 463	81
March	420	5,9	35,24	239	594	11 245	7 583	95
EAST DRIE	675	13,5	40,20	111	475	46 658	33 623	62
March	675	14,0	37,64	108	552	46 510	41 968	77
KLOOF	505	14,5	50,50	129	488	34 862	26 698	88
March	525	14,5	45,64	126	536	34 573	29 072	96
DEELKRAAL	298	4,3	45,46	395	488	3 690	2 277	2,3
March	287	4,2	42,95	410	524	3 694	2 582	2,6
VLAKS	180	1,1	8,47	365	487	426	426	7
March	180	1,1	6,60	238	524	552	552	9
VENTERS	345	4,0	42,52	390	483	4 022	2 990	59
March	345	4,0	39,47	396	539	3 634	2 500	49
DOORNS	360	8,4	46,05	203	480	18 103	6 825	68
March	360	8,4	43,41	207	555	14 469	9 293	93

THE feature of the June gold quarterly season's first report — from GFSA — is the rise in taxed profit by most of the mines in the group, brought about by a sharp increase in capital expenditure and consequently reduced tax

Taxed profit actually rose by 4,4% to R165-million from R158-million, and this in spite of a 4,6% fall in the average rand receipts for gold, to R12 954/kg from R13 572/kg, and a 7,4% rise in average unit costs, to R42,11/ton milled from R39,20

Taking an average of $1,193 to the rand for the period, which is the rate being used by the Chamber of Mines, the average gold price for the June quarter dropped by 11,6% to $481 an ounce from $544 (at the ruling exchange rate for the March quarter)

This highlights the advantages of a lower rand exchange rate to South African gold producers, in that the actual rand receipts fell by less than half the dollar value of gold over the June quarter

Milling rates were maintained in most cases, although faced numerous breakdown problems, reducing its tonnage, while Deelkraal's throughput continued to rise

It was a particularly bad quarter for costs, and included the 15% pay rise for white miners from May 1, as well as the 15% increase awarded to officials on June 1

The full effects of these increases, as well as the average 20% increment awarded to black miners on July 1, will impact heavily on the September quarter, when the effects of the 12% steel price hike will also be felt

For the quarter ended June 30, 1980 unit costs were R35,04/ton milled, indicating a rise of 20,2% in unit costs over the year

Mr Colin Fenton, deputy chairman of GFSA, told a Press briefing yesterday the effects of the steel price rise had not yet been calculated, but capital works were likely to be most seriously affected

Total tonnage fell slightly to 3 458 000 from 3 467 000, and a marginal drop in grades to an average of 10 g/t from 10,1 g/t led to a drop in gold production to 34 633 kg from 35 114 kg

Profit before tax and State' share of income was 8,7% lower at R336-million compared with the March quarter's R368-million, while capital expenditure almost doubled to R45-million from R23-million

Because of the lower profit and the increase in capital expenditure, tax and State's share of profits fell by 18,6% to R171-million from R210-million

All of the gold mines in the group are changing to a June financial year-end, which means that Vlakfontein and Deelkraal will report for an 18 month period to June

Mr Fenton said GFSA would continue to publish separate operating figures for West Drie and East Drie, but the financial results would in future be combined under Driefontein Consolidated

East Drie Tonnage was unchanged, but the average grade dipped to 13,5 g/t from 14 g/t, and gold production fell as a result

Working profit on gold was down by almost 14%, but the 187% rise in capital expenditure, to R13 035 000 from R4 542 000, kept the tax charge low, and taxed profit was slightly higher than the March quarter

Development results show a significant increase in average values on the Carbon Leader Reef, to 14,4 g/t from 9,9 g/t, although Mr Fenton says this resulted from two raises running at extremely high levels east of No 5 shaft, and were unlikely to be maintained

At a pay limit of 3,5 g/t — prevailing at June 30 — East Drie's total ore reserves were 13 029 000 tons, at an average value of 16,3 g/t

West Drie. Profit on uranium and acid sales rose to R3 942 000 from R297 000, mainly because of variances in delivery dates With the small quantity produced, deliveries are usually made only once a quarter, but it does happen that shipments are held over

Tonnage, grade and gold production were unchanged, while taxed profit rose by 4% to R45 433 000 from R43 706 000

As with East Drie, development results on the Carbon Leader show a hefty rise in average values to 28,6 g/t from 11,4 g/t

Driefontein Cons. Mr Fenton says gold output in the next 12 months will be higher than the past year, depending on pay limits for the complex, as tonnage will definitely be higher

At the present pay limit, with costs going up and the gold price declining, grades will be forced to rise, with a resultant increase in gold production

Libanon. Milling was unchanged, but with the grade up, gold production rose slightly, although working profit from gold fell by 11,6% to R16 950 000 from R19 177 000

The No 4 sub-vertical shaft is close to completion, with the station on the last level — 42 — cut and supported

The ore reserves, at a pay limit of 3,4 g/t, totalled 10 779 000 tons at June 30, at an average value of 7,6 g/t

Venterspost The mine moved on to a State-assisted tax formula during the quarter, which had the effect of reducing the tax bill to R447 000 from R2 141 000

Venters qualifies for State aid, but as a first measure to fend off the effects of a declining gold price, has taken advantage of the more equitable tax formula available to it

Mr Fenton said that if there was no improvement in the gold price the mine could move into a loss situation soon, and State assistance would be "just around the corner"

Costs rose by 7,8% over the quarter, and Mr Fenton explained that Venters was spending a lot of money on opening up old areas and developing ore reserves, which showed no immediate return, but would provide benefits later

At a pay limit of 3,6 g/t ore reserves amounted to 8 657 000 tons at June 30, at an average value of 5,6 g/t

Kloof. The mine battled during the quarter with compressor breakdowns and other technical problems, reducing tonnage milled to 505 000 from 525 000 in the March quarter

Mr Fenton says the problems have been solved and tonnage is back up to 180 000 a month, or 540 000 tons a quarter

The fall in production helped give the mine the dubious distinction of being the first to increase costs to over R50 a ton In fact, costs rose by 10,6% over the quarter

Doornfontein The first blast at the No 3 shaft was on Monday, and development of the new shaft is proceeding

Capital expenditure doubled from March, and taxed profit rose by 25% to R18 103 000 from R14 469 000 Tonnage, grades and production were unchanged, and development values were somewhat lower

Vlakfontein. Agreement in principle has been reached with Vogelstruisbult for Vlaks to treat gold-bearing material from Vogels No 1 shaft waste rock dump

An experiment, using some of the Vogels material, was conducted during the quarter but the value of the ore was found to be similar to that of Vlaks' own dumps, and there was the additional cost of transporting the material 13,6 km

At present production, Vlaks has a life of five to six years in its own dumps, says Mr Fenton, and the rock from Vogels could double this period, so the mine is keeping its options open

The agreement allows Vlaks to withdraw if the operation becomes uneconomical, and this would be the case if the gold price dropped much further

Because of the Vogels experiment, working costs rose by 28% to R8,47/ton milled from R6,60, and tonnage from surface dumps fell to 91 857 tons from 114 477 tons, while purchases from outside sources (including Vogels) rose to 88 143 tons from 65 523 tons

Deelkraal The mine is expecting to increase its milling rate to around 105 000 tons a month in this quarter, says Mr Fenton, and this should reduce unit costs

Development values are still relatively low, with 6,0 g/t on the VCR and only 2,3 g/t on the Deelkraal Reef

Mr Fenton says grades will have to move up, and there have already been better development results in the east of the lease area, while in the lower levels, there should be a break through to significantly higher values by the last quarter of this calendar year

Mr Fenton said the mine did not have sufficient cash available for distribution as a dividend, because capital expenditure was being funded from own resources, and projected expenditure for the rest of the year was fairly heavy

GOLD QUARTERLIES (214)

Battling cost hikes

FM 10/7/81

Analysts who had counted on lower second-quarter gold prices to cut gold mine earnings have had to return to their calculators With the exception of dump reclaimer Vlakfontein and Deelkraal, which has yet to reach the tax-paying stage, earnings after tax and before capital expenditure at GFSA's mines were higher in the June quarter than in the three months to end-March

That was despite an average 7,4% rise in unit cost and a 4,6% drop in the average rand receipts per kilogram of gold Thanks are due, of course, to the target of most of the industry's complaints for the past few quarters, the Receiver of Revenue For as pre-tax profits crumbled, the effect of higher capital spending resulted in substantially lower tax bills

Whether there will be a repeat performance this quarter is another matter The full effect of the recent average 20% hike in black workers' wages and the 15%-odd granted to their white colleagues will only be felt during the current quarter As about 50% of the industry's costs are attributable to labour, average cost advances will ratchet upwards this quarter And gold's near-term moves are far from clear (see *Leaders*)

In addition, at the current rand dollar parity, the price of a kilo of gold is R11 500 — 11,2% lower than the average received by GFSA's mines in the June quarter There will, almost certainly, be partially compensatory improvements with higher gold recovery grades But the possibilities of that are more limited at some mines than at others

Deelkraal The mine has little upside grade potential for the next 12 months or so It needs to add a lot to ore reserves before it can achieve an acceptable level of grade flexibility But prospects for containing unit working cost advances seem reasonably good Management believes that monthly mill throughput will average almost 110 000 t this quarter, against 99 000 t in the last three months That means better capacity for spreading the total cost load

While gold continues to probe $400, dividend prospects are dim And even if bullion does stage a steady recovery from its current levels over the remaining 12 months of Deelkraal's present 18-month accounting period, capital spending will pre-empt profits almost entirely Last year a 5c maiden dividend was paid and the mine might scrape home with a repeat payment in the next 12 months Don't count on it, though

Venterspost: A return to the State Assistance Y = 68 – 601/X tax formula added some respectability to the mine's profit performance during the final three months of its financial year. And during the current quarter it is likely that cash will be received under the assistance scheme to keep the mine afloat

This quarter unit costs could rise by as much as 10% to almost R47/t and exceed the R46/t revenue likely if gold stagnates at current levels and grade increases do not provide compensatory earnings advances Until the gold price recovers, investors should be cautious on the mine's life A small amount of development sampling in the Middelvlei area has thus far failed to reveal grades expected on the basis of surface drilling And much of the mine's life potential lies in re-opening old areas — a generally expensive procedure with limited near-term returns

Libanon. The imbalance which emphasised the mine's higher grade ore reserves is now a thing of the past It is now possible to include lower grade ore and has resulted in a tonnage rise with a drop in average gold grades from 12,9 g/t to 7,6 g/t

The steady fall in recovery grade appears to have bottomed out and the mine should operate this year at an average recovery grade at least matching the June quarter's 6 g/t Even so, management appears to be taking a cautious view on likely earnings In the year to end-June, R6,2m was retained from earnings — equivalent to 78c a share and compared with a total distribution of 330c The mine is faced with a relatively heavy capital spending programme over the next year or so as establishment of the new No 4 shaft system gets into swing This consideration will colour this year's distributions

Kloof: Technical problems which cut production in the June quarter have been resolved and management believes a monthly milling rate of 180 000 t is now sustainable That should help contain this quarter's unit cost increase within manageable limits — something that is needed after the June quarter's 10,6% rise to R50,50/t

Once work is finished on the No 3 subvertical shaft, a start will be made on the new No 4 shaft system to serve the mine's lower levels That means relatively heavy capital expenditure for the next few years, but it need not mean excessively heavy retentions from current earnings The year to end-June resulted in retentions of R7,3m or 24c a share compared with a total dividend payout of 400c This year the total distribution could be half last year's unless gold recovers smartly Even so, on longer-term considerations the share remains one of the better investments in the sector

Driefontein Cons: Merger of West Drie and East Drie has been completed (*Fox*, April 24), though separate results were reported for the June quarter And, fortunately for investors who might have been confused by the separate tax and lease formulae applicable to the different parts of the super-mine, it is proposed to provide separate operating results in future This year total monthly mill throughput will rise almost immediately by 25 000 t to 1,38 Mt And as the merger provides greater operating flexibility, gold recovery grades should hold up well

There is, of course, the small matter of R100m-odd capital expenditure likely over the next five years, but that will be little strain The new mine is arguably the best investment on the gold boards and will remain a sound dividend payer for many years

Doornfontein. Capital expenditure will continue at the relatively high level recorded last quarter now that sinking of the new No 3 shaft is under way The 200c dividend declared on June 9 seems to have erred on the generous side The mine retained R4,4m (43,6c a share) from last year's profits

At $400 gold, this year's pre-tax profit is unlikely to be a lot greater than R80m Capital spending will probably absorb R30m of that and lease and tax a similar amount, leaving R20m or 200c a share available for distribution

Vlakfontein. Agreement has been reached on retreatment of Vogels' mine dumps But while gold remains depressed that may not be a particularly attractive prospect Drilling is continuing to explore Kimberley reef, though that is not necessarily a bull point for the share The mine remains highly vulnerable to gold price movements, though operations could continue for several years if the right combination of own and bought ore can be maintained

Jim Jones

QUANTITY SURVEYING

(Continued)

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Anglo hopes for Sand River gold project link-up

RDM 16/7/81

214

By JOHN MULCAHY

ANGLO American is actively considering combining the mining rights of various holders in the areas south of the Sand River in the Free State.

The chairman, Mr Harry Oppenheimer, says in his annual statement that further encouraging intersections have been reported and "the areas of interest could best be developed" by a combination with other mining right holders

While Mr Oppenheimer makes no reference to the other parties involved, General Mining and Union Corporation both have substantial interests in this area to the south of the OFS Goldfields

Mr Oppenheimer believes there will be a moderate but sustained recovery in the gold price when US interest rates recede — "as they inevitably must" — and the beginning of the next phase of economic growth in the Western world is perceived

He says a bear market set in late last year in spite of increases from time to time in political tension caused by developments in the Middle East, and the market has been far more impressed by non-political events, and particularly the sustained increases in US interest rates and the consequential strength of the dollar

"Nonetheless there were some encouraging features in the early months of this year when the price fluctuated mainly in the $470 to $500 range"

The lower price led to some recovery in demand for gold from jewellery manufacturers, which could go further

In addition there appears to have been a revival of interest from private and institutional investors, especially in the Middle and Far East, and net acquisition by central banks is expected to continue

"However, the recent decline in spot oil prices and the further sharp rise in US interest rates in real terms have affected sentiment to a marked degree"

In the year to March Anglo made further substantial investments in the development of its gold-mining interests, subscribing R58-million to Elandsrand's R120-million rights issue, as well as R6 800 000 for SA Land and Exploration shares and R17 600 000 of Western Deep Levels debentures

While profits from sectors other than gold were records in the year to March, Mr Oppenheimer says the impact of the high gold price was such that gold accounted for 46% of the total profits compared with 32% in the previous year

"Plainly gold can no longer be looked upon as a stabilising factor in our business as it used to be when we sold at a fixed price, and the great advantage we derived from the higher gold price is now associated with volatility depending on many unforeseen and uncontrollable factors, economic and political"

Gold profits for the current year will obviously feel the effect of the lower gold price and some other parts of Anglo's business will also be affected

He notes that a year ago he drew attention to the significant fall in the spot market price for uranium, and after that the decline continued, although at a slower rate

"Though the price now appears to have stabilised at about $26 a pound the cost escalation experienced by producers means of course that it continues to weaken in real terms"

Inevitably long-term contractual prices have been affected, says Mr Oppenheimer, and the premium that consumers are prepared to pay to ensure security of supply will be further eroded

Several smaller producers, especially in the US, have had to curtail operations and the commissioning of some uranium-mining projects may well be postponed

"When the effect of all this is set against the further delays in nuclear energy programmes, however, it is evident that it will be some years before the balance between supply and demand is restored"

Mr Oppenheimer says times are difficult for the diamond industry, with CSO sales in 1980 down in rand terms, although worldwide consumption of diamond jewellery last year was a record, and in spite of some slackening since then on account of general recessionary conditions, retail sales continue to be satisfactory

"The difficulties, therefore, are not due to any serious decline in public demand, but rather to the unjustified speculation and stock-building in the cutting centres, largely bank-financed, over the boom years"

The unprecedented rise in interest rates and reversals of credit policy by the banks, together with the virtual disappearence of the market in certificated diamonds and evidence that the retail trade has been reducing stocks, have combined to undermine confidence

"However, before too long retailers must replenish their stocks and in turn this will bring about a regeneration of activity in the cutting centres"

He says the industrial diamond market was also affected by the recession, sales in volume and value showing no overall growth in the year

"In recent years industrial demand has been swinging increasingly to synthetic diamond grit, particularly the better-quality products, and to the new composite materials for machining ferrous metals, and our sales last year continued to reflect that trend".

The prospecting results on the farm Venetia in the Northern Transvaal have been encouraging, says Mr Oppenheimer, and a sampling plant will be installed later this year

Anglo's collieries produced 36 700 000 tons of coal in 1980 — equivalent to 32% of South Africa's total production of 114-million tons — and operating profits before tax from this division rose by 11% to R119-million

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Chris Wilson

GOLD QUARTERLIES (214)

Gold price battle

FM 17/7/81

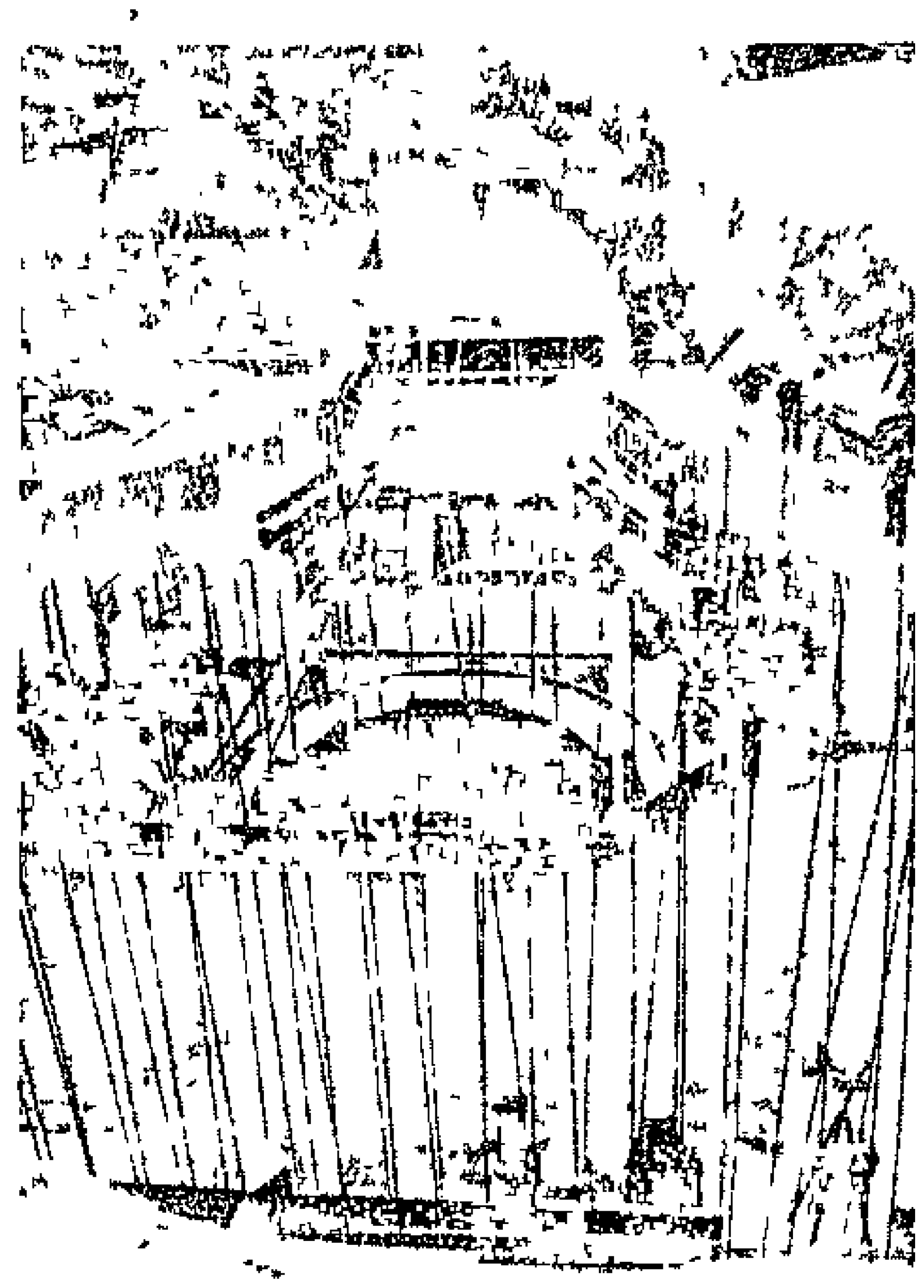
June quarter results from Randfontein and Western Areas have emphasised one of the developments revealed by the GFSA mines The effect on revenues and earnings of gold's dollar price fall has been offset by a deterioration in the rand dollar parity

But though the rand is now plugging along at something less than $1,10 it will almost certainly be insufficient to keep third-quarter earnings on the same plane as in the past three months Last quarter, the two mines received an average of $483 for gold 7,5% down on the March quarter's $522 The effect of that on gold revenues was offset by an 8 1% drop in the rand's dollar value from $1,2994 to $1,11940

Gold still has to make up its mind whether its Monday morning rally to $417,75 in London from last Wednesday afternoon s $397,75 low was a flash in the pan At mid-week it was trading in the $412 range with little sense of direction and all of the pro- and anti-recovery arguments still valid And while the rand is currently about 8 4% down on its June quarter average that is far from sufficient to support rand-denominated gold mine revenues unless the dollar gold price takes off sharply Even then a gold price rise would almost certainly be accompanied by an advance of the rand against the dollar

There still remains the problem of cost increases Both Randfontein and Western Areas reported far lower advances in the June quarter than did GFSA s mines But a repeat is most unlikely this quarter, particularly as the full impact of the latest wage increases will be felt

Randfontein can afford to live with a further cost hike and gold at current levels but preventing earnings slipping into the red could be a nail-biting exercise at Western Areas The mine desperately needs a gold price improvement, particu-



Randfontein . . . down to business at Cooke No 3

larly if its ambitious uranium production plans are to be viable

Randfontein The uranium market's weakness is taking its toll on the mine As the annual report warned in April production from Randfontein section s SD 32 shaft s Bird reef has been reduced And though uranium profit rose to R3 65m (R2,12m) in the June quarter, R1 94m of that was due to foreign exchange profits relating to March quarter sales

Whether the mine can further reduce uranium capacity is another matter Uranium operations are still doing better than break even and there are delivery contracts to fulfil But probably for the next four or five years uranium sales are unlikely to contribute more than marginally to profits Production should increase once Cooke No 3 shaft — which is being sunk in an area of relatively high uranium grades — comes on stream in 1985

Management can give no reason why unit costs rose by only 1 5% to R36 53 t during the quarter But the rate of increase is unlikely to be as low this quarter as the full effect of recent wage increases is felt And though some capital expenditure items were expedited last year to take advantage of higher gold prices a significant reduction from this year s planned total of R100m seems unlikely at this stage Management — in any case — is sticking to the capital spending plan for the time being

Profit fall coming

It means that during the second half capex should rise to R53m while on present indications, pre-tax profit is likely to be lower An interim dividend of 350c was declared though distributable earnings were only 333 7c So unless the gold price manages a sharp, sustained recovery the final could well be lower than the interim

Western Areas: Unit costs were held to a 0,7% quarter-on-quarter advance with a reduction in the mine s black workforce But as with Randfontein, this quarter should register a sharp advance from the June quarter's R41,26/t

Capital expenditure is slated at R45m this year And though there is some flexibility if gold price moves force the mine into cash conservation the second half should see capital spending of well over R20m During the first half expenditure was R19m

The new uranium production capacity should come on stream early next year and should lead to some reduction in the mine s overall gold grade The Middle Elsburg reefs, which will provide uranium, generally grade less than 2 g t gold But it seems the mine has been having difficulties maintaining mining rates from presently exploited reefs at the North shaft If so greater tonnages from the North shaft should compensate in part for some of the mine's overall gold grade reduction

Even so, prospects for the rest of this year are not particularly promising Third- and fourth-quarter unit cost increases could more than offset any improvement in rand revenues arising from the current weak rand dollar parity And even if capital expenditure is delayed in the second half, distributable earnings will be relatively low

The 20c interim dividend was paid from distributable earnings of 23 3c a share But the June quarter resulted in distributable earnings of only 2 9c a share So again, unless gold recovers strongly the final could be sharply lower than the interim

Star 17/7/81 (214)

Slime into gold

Report: Bob Davis, colour pictures, Lawrence Hughes

Slimes dams (often mistakenly called mine dumps) are disappearing at the rate of 750 tons an hour — and the score is gold, uranium and sulphuric acid by the ton and hectares of valuable land

This is all happening on the East Rand where more than 1 200 hectares of valuable residential and industrial land is slowly appearing from under the mounds of sand left by the mines of 40 and 50 years ago

All told 19 slimes dams (you can tell them by their layered shape) in the Springs and Brakpan areas are to be moved in the Anglo American's Ergo operation for recovery of gold from old sites in the next 20 years

The first three sites have been partially cleared and the first land should be ready for development by 1985 The three slimes dams are being moved simultaneously from old mines in the Springs area

In practice water is pumped in under high pressure to create a slurry which is in turn pumped to the Ergo treatment site

The work goes on around the clock, all the year round with an average of 750 tons an hour being moved from each of the three sites

But even at that rate in a typical situation at the Springs number three slimes dam the 23 8-million tons of sand will take up to four years to clear

The final cleanup operation to make the land ready for use begins only after final clearance of the sand

Ergo expects to recover 7 5 tons of gold, 363 tons of uranium and more than half-a-million tons of sulphuric acid from this typical site

Perhaps best of all, it will make 66 hectares of land available on the East Rand where the demand is among the highest in the country

At one time, the sales of uranium and sulphuric acid paid for operating casts and the gold was profit but changing cost structures and market conditions have altered the situation, making it slightly less profitable

The Springs number three site is average in size, the smallest being about 20-million and the largest up to 40-million tons

Surprisingly, not all the old slimes dams contain enough gold, uranium and sulphuric acid to warrant treatment at the Ergo plant, however

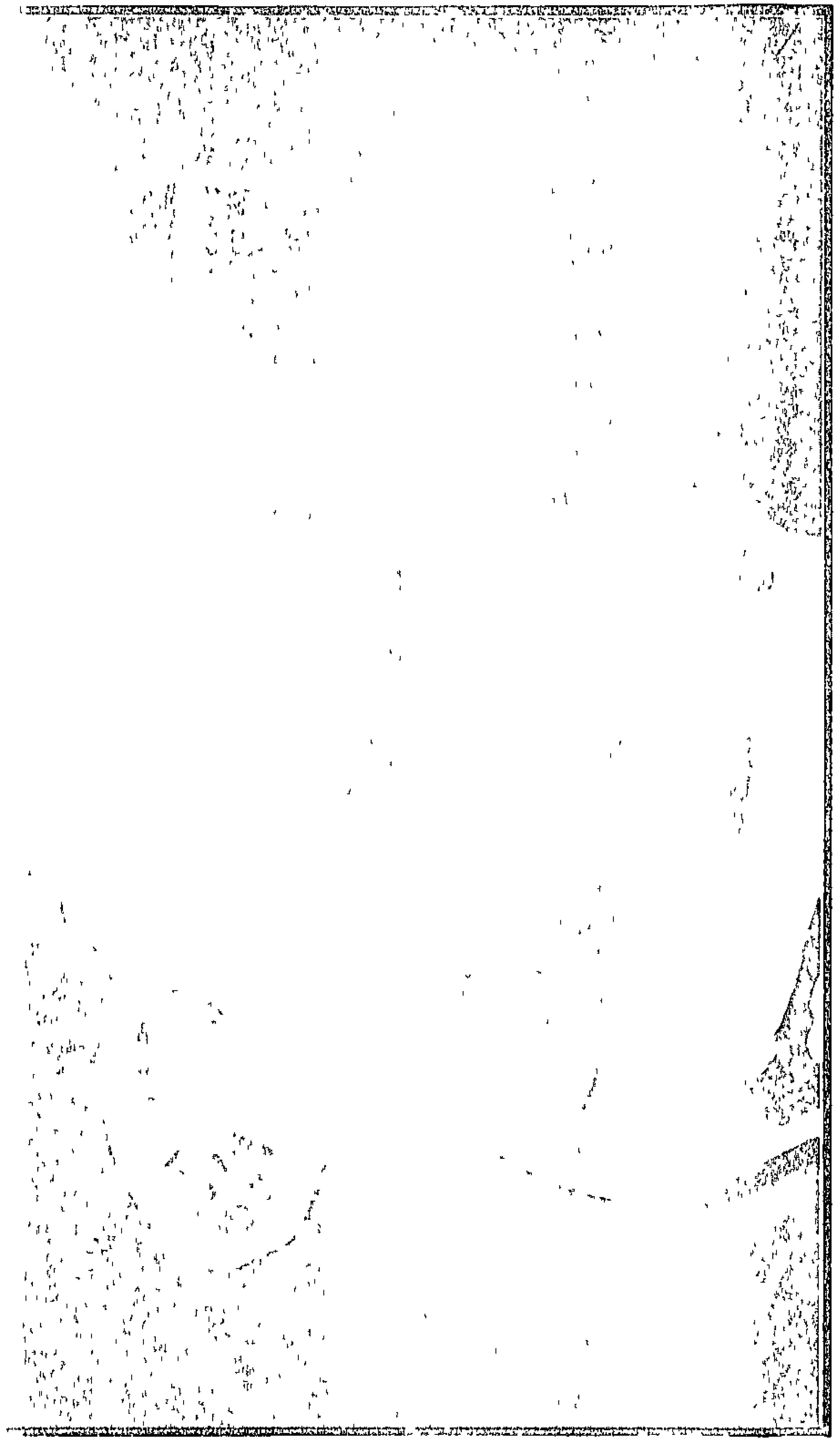
And even the most up-to-date method of recovery enable the company to recover only about half the gold content of slimes dames found to be viable

At less than half-a-gram of gold per ton of sand, however, the recovery rate is clearly an achievement of modern technology

One of the initial problems Ergo had to deal with was what to do with the millions of retreated slimes from the 19 dams

Finally an area of poor farming land in a marshy valley at the Withok smallholding off the Heidelberg road in the Brakpan area was chosen

INSIDE BACK PAGE



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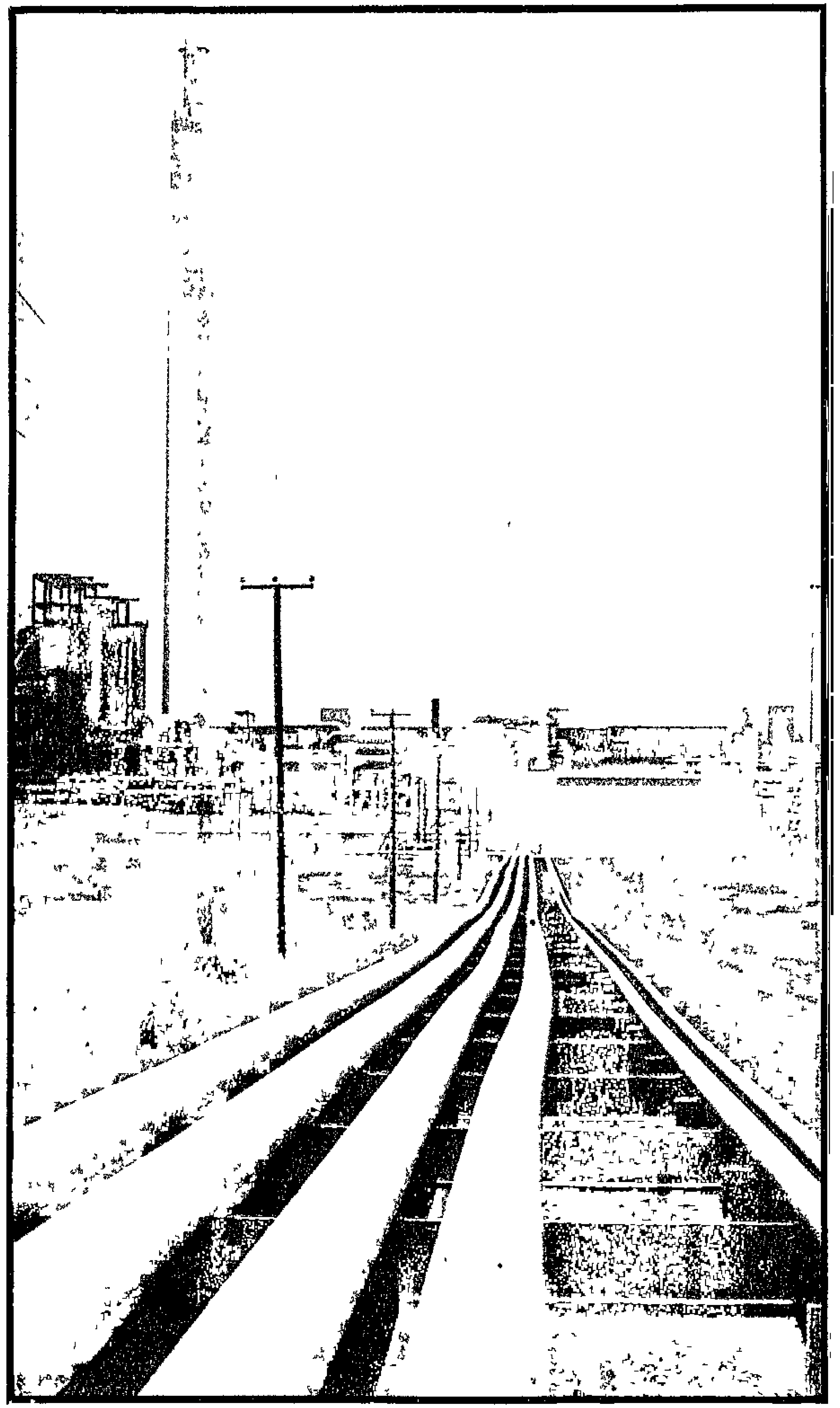
Water under pressure turns slimes dams into slurry to be pumped away at the rate of 750 tons an hour, 24 hours a day



Slurry is pumped to the reduction works and in millions of litres recycled to gold, uranium and sulphuric acid

SA link in China gold move

Star 20/7/81

214

From the London Sunday Times

LONDON — A gold company with strong South African connections is considering investing in China.

Mr Michael Beckett, a director of Consolidated Goldfields, is back from Peking, where he discussed the possibility of a joint venture with senior Chinese officials.

Mr Beckett is convinced there is a "great potential" for expanding China's current gold production of 16 tons a year but he stresses that any joint venture with the Chinese is likely to be a "long haul" because of the practical problems of opening mines in remote areas.

The Chinese do not appear to have been concerned by consolidated Goldfields' South African links The company is registered in Britain but much of its income flows from its 46 percent stake in Gold Fields of South Africa.

Mr Beckett denies that Consolidated Goldfields has discussed gold sales with the Chinese.

RAND MINES GOLD MINES REPORTS FOR THE QUARTER ENDED JUNE 30

Mine	Tons Milled 000's		Yield G/T		Costs R/T		Costs $ oz		Revenue $ oz		Net Profit R000's		Net Profit after Capex R000's		EPS after Capex Cents	
	June	Mar	June	Mar	June	Mar	June	Mar	June	Mar	June	Mar	June	Mar	June	Mar
Harmony	1 948	1 890	4,12	4,30	37,57	35,57	*338	*334	486	527	26 489	28 846	17 551	21 736	65	81
Blyvoor	536	518	8,72	8,60	48,99	46,24	208	217	480	522	17 606	17 457	12 069	12 992	50	54
Durban Deep	543	540	3,59	3,33	37,88	36,35	392	438	478	524	4 716	4 137	108	1 623	5	70
ERPM	658	674	4,52	4,52	49,71	46,68	407	420	485	525	10 004	8 509	(2 698)	(1 035)	-49	19

* Includes costs of producing uranium, pyrite and sulphuric acid

Rand Mines four hit by fall in gold price

Star 21/7/81 (2/4)

By David Bamber

The gold mines in the Rand Mines group have turned in unexciting results for the quarter ended June 30. With the downturn in the dollar price of gold cushioned by a weaker rand, the market had expected better performances from the four gold producers.

These expectations were probably based, however, on the results of Gold Fields of South Africa and Johannesburg Consolidated Investments mines released over the past fortnight

While not faring quite as well as JCI did in containing costs, Rand Mines was more successful than GFSA in this sphere

In addition, the two pillars of the group, Harmony Gold Mining and Blyvooruitzicht Gold Mining, also had to be content with substantial falls in income from uranium as a result of lower selling prices and deliveries

Furthermore, although taxed profits did not show the increases as reported by some of the other mines so far, they nevertheless increased by 2,3 percent from R59,9-million to R61,3-million which, while not causing any excitement, is not bad under current circumstances

The drop in the dollar rand parity resulted however in gold receipts being more or less unchanged at 12 998 a kilogram compared with R13 004 in the previous quarter

Harmony

This mine had a good operational quarter increasing tonnage milled, slime treated and uranium recovery, sulphuric acid production and pyrite concentrate recovery

Tonnage milled was 3 percent higher at 1,95-million tons but a slightly lower grade (4,12 g/t against 4,30 g/t) resulted in a fall in gold production from 8 125 kg to 8 028 kg

Total mining rate of the four mines rose by 1,7 percent to 3,7-million tons and yields were unchanged at one mine, higher at two and lower at one resulting in gold production rising from 17 422 kg to 17 624 kg

The average gold price received by the group during the quarter was 482 dollars an ounce — 45 dollars lower than in the March quarter The drop in the dollar-rand parity

Uranium pulp treated rose from 1,76-million tons to 1,82-million tons which, at an unchanged yield of 0,080 kg/t, resulted in uranium oxide production rising from 139 892 kg to 146 593 kg

The weaker rand assisted to such an extent that although Harmony received 41 dollars an ounce for gold, in rand terms gold receipts rose from R13 031 to R13 087. Because of the slight fall in production, however, revenue was marginally down at R105,4-million (R106,2 million)

The rand was also on uranium's side, lower selling prices and lower sales resulted in revenue from this source falling from R13,3-million to R9,2-million

Costs rose fairly sharply by 5,6 percent from R35,57 to R37,57 a ton despite the increase in the milling rate This, coupled with a higher capital expenditure, however, resulted in a drop in the tax burden from R26-million to R17,7-million As a result, although working profit was down 20 percent at R41,4-million, net profits were only 8 percent lower at R26,5-million against R28,8-million in the March quarter

Blyvooruitzicht

The milling rate and grade increased, resulting in gold production rising by 5 percent from 4 453 kg to 4 672 kg Blyvoor received 42 dollars less for its gold in dollar terms but the drop in the dollar-rand parity resulting in the mine receiving R29 a kilogram more, pushed revenue from R57,8-million to R60,7-million

This increase, however, was nullified by a R3-million fall in receipts from uranium as fewer deliveries of the mine's committed production were made

This led to profit before tax falling slightly to R34-million (R35,8-million) but a marginally lower tax bill left profits more or less unchanged at R17,6-million (R17,45-million).

ERPM

The fire at East Rand Proprietary Mines (ERPM) which closed off part of the K shaft area for a month resulted in a drop in gold production from 674 000 tons to 658 000 tons This, coupled with an unchanged grade of 4,52 g/t, led to a fall in gold production from 3 045kg to 2 976kg

An improvement of nearly R2-million in sundry revenue led to pretax profits rising from R9,2-million to R9,4-million and after a tax over-provision of R557 000 compared with tax of R703 000 in the March quarter, net profits rose 17,6 percent from R8,5-million to R10-million

Durban Deep

The milling rate increased and there was a welcome rise in grade which lifted gold production from 1 799 kg to 1 948 kg

Costs were well contained but unfortunately Durban Deep did not benefit from the weaker rand to the same extent as some of its companions

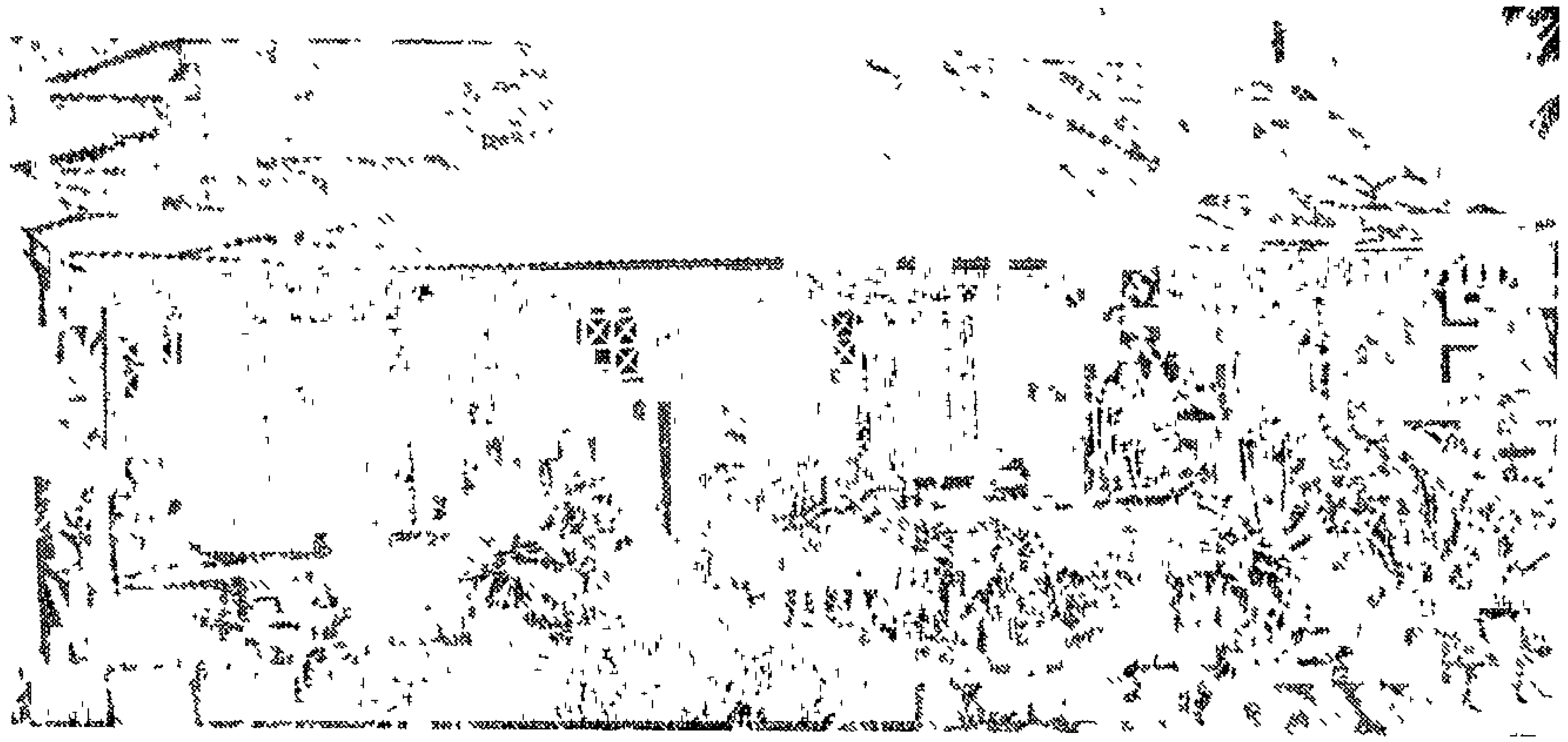
Nevertheless pretax profits rose from R4,3-million to R4,96-million and, after deducting tax of R244 000 (R165 000) net profits was 14 percent higher at R4,7-million (R4,1-million)

Grim find awaits operators of new-life mine

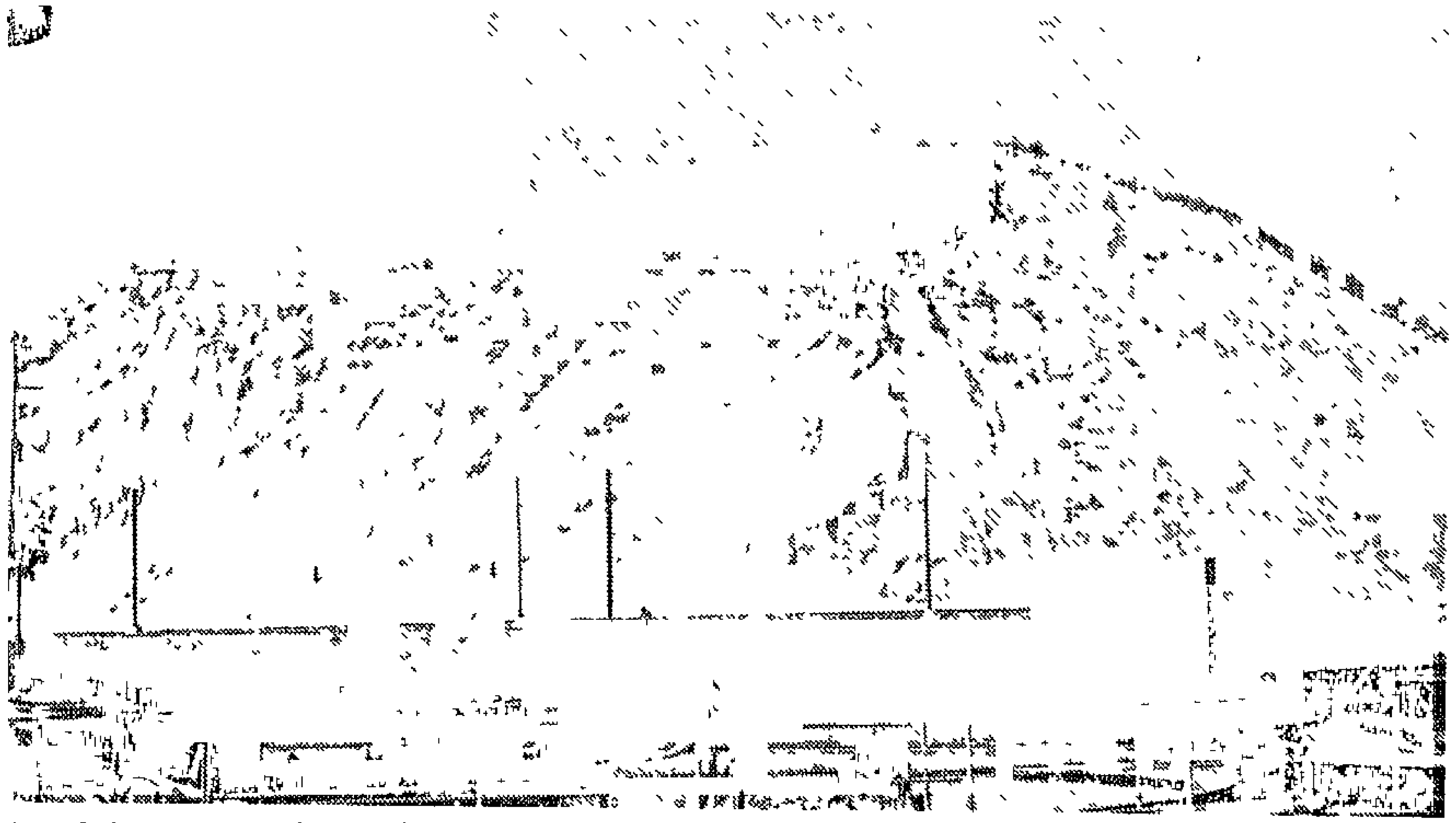
Star 21/7/81 214

A museum-piece goldmine on the East Rand, the legendary Simmer and Jack mine, is slowly returning to life in the '80s — and it may have surprises in store for its new owners

Story and pictures by Bob Davis



A Cousin Jack once lived here when the East Rand was in its infancy and Simmer and Jack was working. The house is one of many still occupied



One of the nine mine dumps which are to be recycled to extract the gold and perhaps the one in which six corpses will be found. The new owners aren't saying

The Anglo American Corporation expects to extract about 15 tons of gold from the mine's nine old dumps but a grim find awaits the bulldozer operators in the form of six buried corpses from the 1950s

The bodies date from an early attempt to recycle part of one of the old dumps which presented an economically attractive picture even 30 years ago.

The six black men were buried under millions of tons of sand when a tunnel made at ground level into the dump collapsed on them.

As attempts to exhume them would have proved dangerous, and it was certain that they would have suffered almost instantaneous suffocation, they were left in the sandy grave

"It's the dump we're treating first," Mr Harry Brown, Anglo's project leader said

But there may be more in store for the old mine than just recycled mine-dumps because the new owners also plan to take a fresh look at ore reserves, although mining operations, which began in the last century, effectively came to an end in 1964

The mine's South shaft is being restored to enable miners to undertake a prospecting programme to determine the econo[illegible] exploiting the ore reserves of the Kimberley Reef.

Should it prove viable, the company intends building up mining operations to about 50 000 tons a month.

It is envisaged that a treatment plant to be built for the purpose will have a 150 000-ton a month capacity, to both recycle the 23-million tons of material from the mine dumps and deal with ore from mining operations, should this prove viable.

But the legendary old mine, obtained by Mr Simmer and Mr Jack, who were Barberton merchants, as payment of a debt, is rich in history

It is remembered by the older generation of mining men with nostalgia in terms of parties at the old clubhouse and gaining underground experience which has put South Africa in the forefront in the industry

Many of the old corrugated iron houses, in well-preserved state, are still in use, the old clubhouse looks ready enough to open its doors and decaying equipment speaks of the days when Simmer and Jack was part of the mining pride of the East Rand.

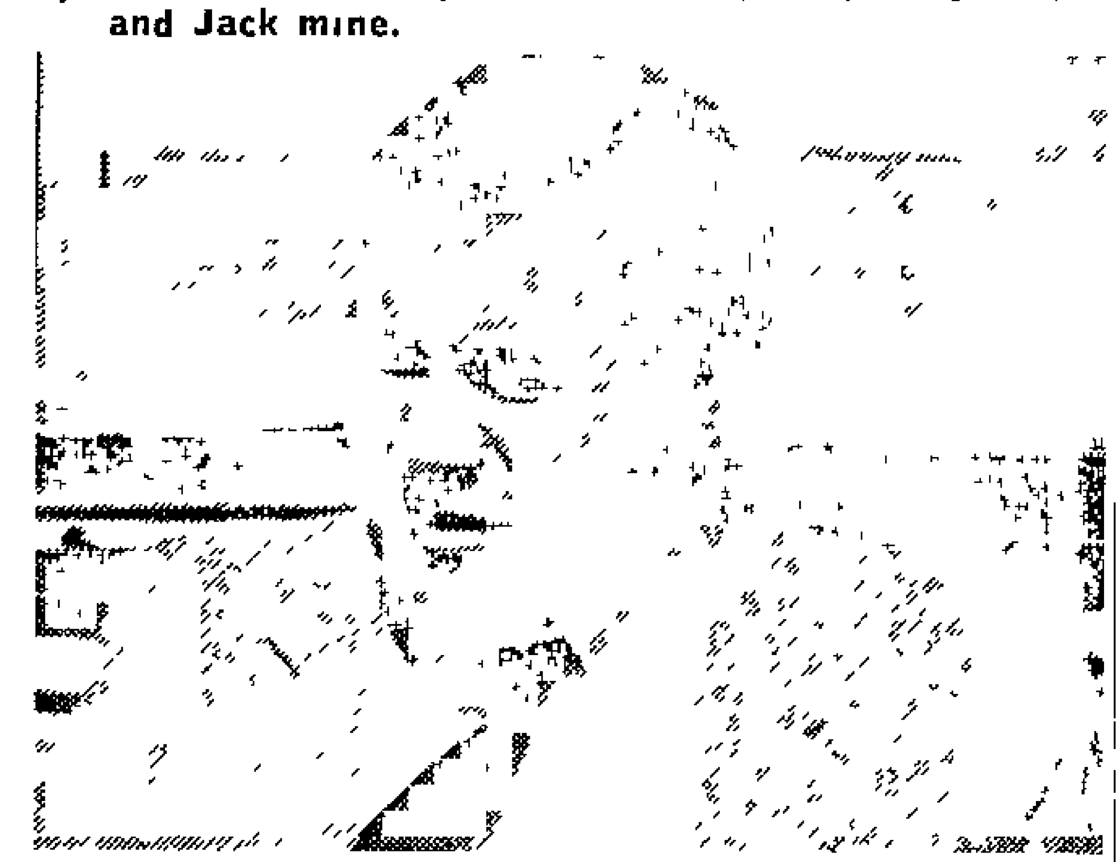
Of the old machinery, two old compressors were found to be still functional, the old smelt house can still do its bit and old tanks are still watertight.

But the old hammer-mill, although it could probably crush ore as effectively as ever, is out-of-date and the old hoist will probably never again be used to raise a skip or cage

A railway engine dating from the Scotland of late last century is still on the rails but it is doubtful that it will ever raise a head of steam again, and a beautifully preserved red fire engine awaits removal to some museum in a shed

But amid the trappings of the past, gold will be poured again and a new generation of miners will come to work in the old stopes and Simmer and Jack will contribute again to the economic welfare of South Africa

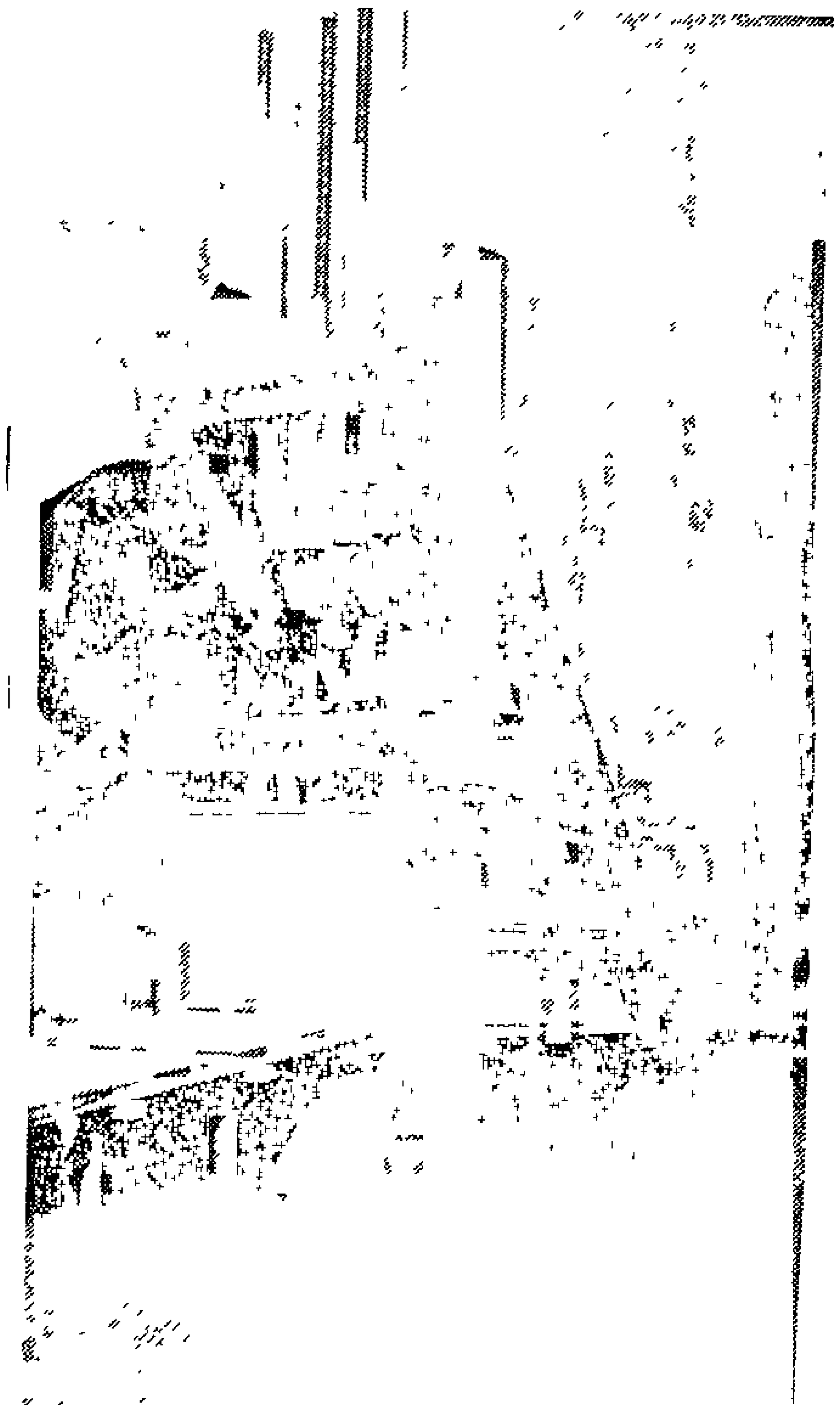
Made in Scotland in the 1880s, aan old locomotive is still on the rails at Simmer and Jack mine.



Anglo American Project leader Harry Brown, who heads the operation of restoring life to the historic

Legendary site rich in history

Star 18/7/81



The old stampmill will never stamp again but its belt is still in position and it is linked to a rusty old engine which has been replaced with modern equipment to bring forth new gold from the old mine.

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ oz	Revenue $ oz	Net profit R000s	Profit after capex R000s	EPS after capex cents
HARTIES	749	10,1	51,61	190	493	29 147	23 545	210
March	746	10,5	51,27	197	525	31 181	26 982	241
ET CONS	76	7,5	38,12	188	479	2 423	1 513	35
March	76	7,3	37,58	207	508	1 961	1 623	38
LORAINE	419	3,8	47,51	458	484	*3 483	†(270)	—
March	396	3,3	44,92	548	528	*777	†(4 101)	—

*Profit after state aid.
†Loss after state aid.

Loraine turns around on higher tonnage and gold yield

RDM 22/7/81

214

By ADAM PAYNE

LORAINE, the struggling State-aided Free State gold mine, performed well in the June quarter with a rise in tons milled, an improvement in yield and in revenue a ton. This resulted in a working profit of R1 119 000 compared with a loss of R630 000 in the March quarter.

After showing a small loss on uranium and pyrite sales and an increase in State aid to R2 154 000 (R1 146 000) profit was R3 483 000 (R777 000).

Capital spending fell to R3 753 000 (R4 878 000) and as a result the loss after capital spending — the vital figure for the shareholder — was reduced to R270 000 from R4 101 000

The yield improved because a larger percentage of tonnage was drawn from underground as opposed to rock dump material

The tonnage rose 23 000 to a normal level after the drop of 19 000 tons in the previous quarter when the mine reported technical problems

Loans received totalled R3 145 000

The improvement will hearten the speculators interested in this company, but with a declining gold price Loraine is still not attractive in the near term

Its costs, calculated at an exchange rate of R1 = $1,193 are among the highest in the industry at $458 an oz In rands a ton milled they are also in the top bracket.

The fall in the dollar gold price in the quarter was largely cancelled by the declining value of the rand against the dollar But revenue in rands at R13 035 a kg was lower than the R13 118 in the March quarter

The share has fallen from 485c on June 1 to 385c yesterday — a decline of 21% Partly because of this fall and because of expected higher grade in the next four years, Loraine is tipped by brokers Capel of London as a good speculation. But it is not for widows and orphans

FOUR Anglovaal group mines issued their unaudited financial results for the year to June 30.

Hartebeestfontein's after-tax profit at R135 320 000 was R128 000 higher than the previous year's record of R135 192 000.

Village Main increased its figure by more than R500 000 to R2-million, but ET Cons' was slightly lower at R9 584 000 (R10 032 000)

Lower metal prices caused Prieska's net profit to drop to R8 721 000 (R16 942 000).

HARTEBEESTFONTEIN: The mine performed well on the gold side, but in uranium it was heavily down financially

Uranium sales vary from quarter to quarter. In the June quarter they realised only R896 000 compared with R7 468 000 in March

Because the mine has suspended treatment of accumulated slimes — thereby limiting cash lock-up in uranium stocks — pulp treated for uranium oxide decreased to 796 000 from 880 000

On the gold side, tonnage and costs a ton were virtually unchanged, and yield was marginally down

Costs were well contained because of year-end adjustments.

Revenue at R13 296 a kg was up on the previous quarter's R13 026, but with lower total gold production working profit from it fell to R61 800 000 (R63 788 000)

Tax was lower because of higher capital spending, but with lower net profit after capex earnings a share fell to 210c from 241c

ET CONS: The mine reported higher yield and only slightly higher costs a ton Helped by higher revenue a kg there was a 23,5% rise in net profit after lower tax

The final result was little changed with profit after capex down because of higher spending Earnings a share were 35c compared with 38c in March

VILLAGE MAIN: Although there was a decrease in sands treated, the average grade rose to 0,78 (0,68) g/t This, together with the higher average gold price received, more than countered the increased costs brought about by the lower mill throughput and higher wages, and resulted in a 61% increase in net profit at R502 000 (R311 000)

DRAMATIC ART
(Continued)

Gretel Mills Book Prize
For the best student in
M C Collis

Ruth Peffers Prize
For the best student in
Dramatic Art.
N E McCarthy.

Ellie Wallendorf Prize
For a male student on c
of at least one year of

GOLD QUARTERLIES 214

Bad times coming

FM 24/7/81

The rand's fall against the dollar has led to higher June quarter gold mine earnings despite lower average dollar-denominated gold prices compared with the March quarter But the round of comparatively good quarterly results could simply be the lull before the storm

The wage increases granted in the June quarter seem to have left costs unaffected at many mines But the full blast will be felt this quarter Then there is the problem of gold itself Its hovering just above $400 is hardly encouraging, even though this is generally a period of seasonal price weakness All other things being equal, this week s Bank rate hike should at least stabilise the rand and lead to no further exchange rate-induced gold revenue benefits

As cost increases make their impact, several of the marginal producers will be pushed perilously near the level where profits are inadequate to fund capital spending It all adds up, unless gold stages a sharp spectacular recovery, to a season of poor dividends

Harmony: The Merriespruit uranium plant continues to add to milling capacity, but its full profit potential is probably still some years away No matter what the terms of uranium sales contracts, they can be adjusted in line with market conditions That may be what happened in the June quarter when uranium profit fell to R9,2m from the March quarter's R13,3m

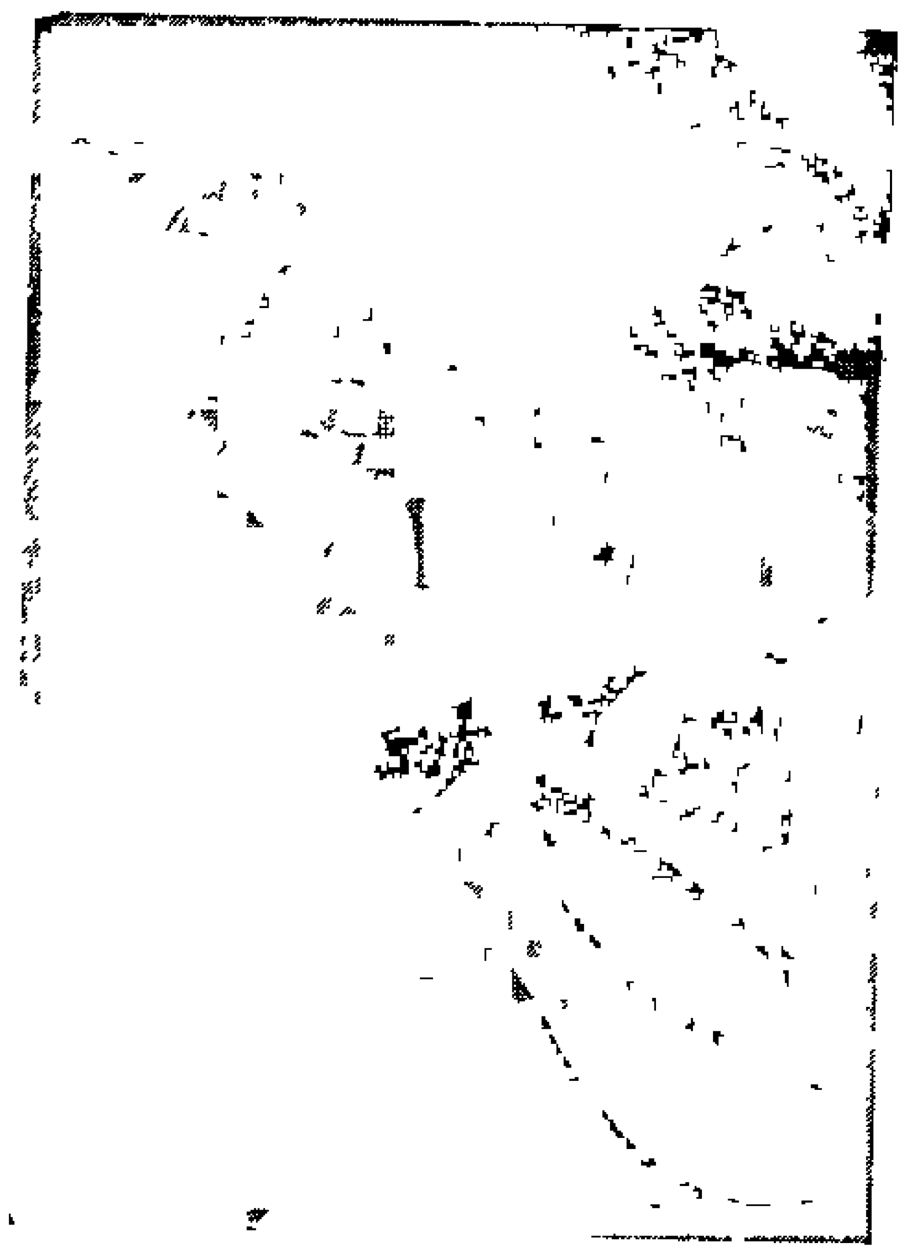
One problem facing the mine is that as greater tonnages are drawn from the Merriespruit section gold recovery grades will deteriorate That appears to have been the case last quarter And it could be a severe limitation on grade increases necessary to offset lower gold prices

Capex of R44m is planned for the current year to end-June 1982, against R28,2m spent in the year just ended Some of it may be funded by consumer loans, but that is unlikely And on that basis, distributable earnings will be under some pressure this year

Blyvoor Though the mine's uranium production is all committed, that is not necessarily a guarantee that while the uranium market remains oversupplied, customers cannot force delivery and price cuts on the mine There is little reason to expect higher uranium profits in the year to end-June 1982 than in the year just ended It should be possible temporarily to increase gold recovery to 9 g/t if necessary to compensate for weaker gold prices But at this stage of the mine s life on the Carbon Leader reef, scope for higher grades is probably limited

Last year's 260c total dividend payout was marginally higher than earnings of 254,7c after capex This year's interim, which will be declared in December, will almost certainly be lower than last year's 100c final

ERPM· A combination of higher sundry revenue, a tax claw-back and a higher rand price for gold resulted in an improvement in taxed profit last quarter But the only salvation in sight this quarter appears to be State Aid receipts



Gold mining . . . labour costs a growing concern

A sustained gold recovery grade improvement must await completion of the expansion capital programme in 1985 or so In the meantime, recovery is likely to hover around its current 4,5 g/t In addition, unit costs are likely to feel the full brunt of the recent wage hikes this quarter, though that may be offset to an extent by higher mill throughput

Management seems to have been as generous as possible with the declaration of a 50c interim For the present the expansion programme is not threatened, though some delay could be possible if the gold price drops substantially below $400 There is little reason to expect a final greater than the interim but even expecting a matching payout may be over-optimistic

Durban Deep Though the mine has further scope to increase recovery grade — at least in the near term — funding mining operations and planned capital spending will call for State aid unless the gold price improves sharply Capex for the remainder of the year is estimated at R9,3m — more or less double the June quarter's after-tax profit But, as with the rest of the industry, higher wage and stores costs should screw earnings down Nor is there much relief likely from further drops in the rand dollar exchange rate

The 85c interim dividend absorbed more than the first half's 74,5c distributable earnings The final will almost certainly be lower even if there are catch-up State Aid receipts in the second half

Harties. The decision to eliminate retreatment of surface slimes for uranium is being felt The mine sees little point in producing uranium for which there may not be a market

In the year to end-June, capital expenditure of R16,8m was well below the R30m initially estimated for the year Capex is likely to remain high for some years, particularly if it is decided to sink a new surface shaft to exploit ore in the north-western part of the lease area

ET Cons. Management seems to be taking no chances over possible earnings falls this year Almost R1m, equivalent to 22,7c a share, was retained from earnings in the year to end-June This seems to be a pointer to heavier capital spending in the current year, particularly as capex rose sharply to R910 000 in the quarter just ended

Further details should be available with the annual report In the meantime, the mine has more room to increase recovery grades if the gold price remains weak and to help compensate for higher unit costs likely this quarter

Loraine· In one of the quirks of the application of State aid the mine increased its operating profit in the June quarter, spent less on capital projects and yet received greater assistance

The swing is towards milling of underground ore and away from treatment of surface material A steadily increasing tonnage is being drawn from the higher grade Elsburg reef in the north of the property and recovery grade could average at least 4 g/t this quarter That, almost certainly, will be accompanied by higher unit costs, particularly as the full effect of the latest wage increases will be felt Unless the gold price goes into orbit, there is no chance of a dividend this year or next More likely is that further borrowings will be needed to complete the caital programme Presumably debt will have to be repaid before anything can be distributed to shareholders

Jim Jones

Wit Nigel back in the black

Mining Editor

ITWATERSRAND Ni-
·l turned a loss of
121 618 in the March
arter into a taxed prof-
of R283 501 for the
arter to June 30
Responsible for the turn-
und were higher receipts for
d in rand terms, a reduction
unit costs and a rise in yield
For the year to June 30 taxed
ofit fell to R2 060 484 from
264 927, mainly as a result
higher costs The average
d price received for the year
e to R13 976 a kg from
2 946 — an increase of 32%
Tonnage in the quarter was
wn to 73 800 from 75 300 in
previous quarter, but yield
e to 3,92 g/t from 3,525 g/t,
l gold production increased
289,5 kg from 265,4 kg
old revenue was higher at
3 063 a kg after R12 725 in
March quarter Working
ts dipped to R46,53 a ton
lled from R46,88 Sundry rev-
ue rose to R56 000 from
2 000
ax rose to R12 600 from
400 and State aid increased
R1 763 260 from R278 909
apital expenditure on the
10 shaft project was
200 000 compared with the
cast of R1 900 000 for the
rter, reflecting delays in de-
ry and construction of
nt

Costs rises

Estimated expenditure for
current quarter to complete
project to the stage where
ft sinking can be resumed is
und R1-million, say the
ctors
If financial circumstances
w sinking to be resumed in
ruary 1982 the total expen-
ure on the project for the
r ending June 30, 1982, will
R2 700 000 "
The largest cost increases in
year to June were for con-
able stores, reflecting a
eral rise in prices and
ater quantities because of
litional maintenance and re-
ement of equipment
he decrease in development
ance for the June quarter to
metres from 2 264 metres
caused by planned switch-
of effort to stoping oper-
ns to increase the stoping
ntial and clear up a back-
of accumulations in old
ing areas
or the year, advance on
declined by about a third,
payable stretches aggregat-
nly 7% less when compared
last year
Is intended to progressive-

[Take back as well.

RDM 24/7/81 (214)

Orange Free State

Gold mining companies administered by Anglo American Corporation

All companies are incorporated in the Republic of South Africa

Reports of the directors for the quarter ended June 30 1981

FREE STATE GEDULD

Free State Geduld Mines Limited

Issued Capital 10 440 000 shares of 50 cents each

	Quarter ended June 1981	Quarter ended Mar 1981	Nine months ended June 1981
OPERATING RESULTS			
Gold			
Area mined – square metres ooo s	128	128	400
Tons milled ooo's	731	706	2 183
Yield – g/t	9,38	9,71	9,53
Production – kg	6 857	6 857	20 799
Cost – R/m² mined	270,39	256,18	247,88
– R/ton milled	47,38	46,25	45,41
– R/kg produced	5 051	4 761	4 766
JMS (See summary)			
Slimes delivered			
Tons ooo s	644	634	1 870
Head grade			
gold – g/t	0,53	0,48	0,49
uranium – kg/t	0 09	0,09	0 09
sulphur – per cent	0,94	0,98	0,95
PRICE RECEIVED ON SALES			
Gold – R/kg	13 056	13 102	14 032
– $/oz	484	529	563
FINANCIAL RESULTS	Rooo	Rooo	Rooo
Gold – revenue	89 710	91 768	290 626
– costs	34 637	32 650	99 131
– profit	55 073	59 118	191 495
JMS profit	1 472	1 266	4 291
Net sundry income	2 802	2 632	7 858
Profit before taxation and State's share of profit	59 347	63 016	203 644
Provision for taxation and State s share of profit	21 788	25 354	83 461
Profit after taxation and State s share of profit	37 559	37 662	120 183
Deduct			
Appropriation for capital expenditure			41 642
Dividend – interim			38 106
Retained profit for the nine months			40 435
Capital expenditure	22 426	20 833	63 833
Tonnage milled and treated for Welkom Gold Mine on a cost plus service charge basis	700	38 100	104 500
SHAFT SINKING			
NO 5 MAIN SHAFT			
Advance – metres	—	60,7	94 0
Final depth – metres	1 831,8	1 831 1	1 831,8
Station cutting – metres	46,2	159,3	831 4

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm g/t	uranium kg/t	uranium cm kg/t
Shaft area							
Basal reef							
No 1	2 663	360	26,7	55,28	1 476	0,33	8,69
No 2	2 730	298	16,9	57,69	975	0,54	9,10
No 4	851	82	116,8	55,88	6 527	0,26	30 55
No 5	4 397	430	42,1	13,75	579	0,23	9,85
No 7	2 342	300	23,8	19,75	470	0,51	12,18
No 9	2 637	262	9,2	103,37	951	1,92	17 65
Philippi No 414-tribute area	150	—	—	—	—	—	—
Quarter ended June 1981	15 770	1 732	30,0	38,43	1 153	0 40	12 04
Quarter ended March 1981	14 466	1 006	26 7	51,09	1 364	0,49	13,14
Nine months ended June 1981	47 231	4 166	26,4	45,64	1 205	0,47	12,45
Leader reef							
No 1	198	116	120,5	4,00	482	0,17	20,55
No 2	141	128	276,6	2,41	667	0 12	33,09
No 4	833	378	151 4	2 62	397	0,06	9,22
Quarter ended June 1981	1 172	622	171,4	2 73	468	0,09	16,24
Quarter ended March 1981	1 511	1 006	120,6	2 74	331	0,09	11,05
Nine months ended June 1981	4 151	2 344	145,0	2 70	392	0,09	13,39
Kimberley reef							
No 7	363	190	199,3	0,89	178	0 05	9 19
No 9	305	—	—	—	—	—	—
Quarter ended June 1981	668	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PRESIDENT BRAND – continued

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm g/t	uranium g/t	uranium cm kg/t
Shaft area							
Basal reef							
No 1	377	16	36,3	34 57	1 255	,20	7,09
No 2	2 511	438	42 1	29 12	1 226	,13	5,62
No 3	596	88	26,8	77,28	2 071	,72	19,21
No. 4	3 997	682	132 6	18,88	2 503	,05	6 18
Quarter ended June 1981	7 481	1 224	91,4	21 86	1 998	,08	6,93
Quarter ended March 1981	7 348	540	114 0	16,12	1,838	,08	8 83
Nine months ended June 1981	22 602	2 390	89,4	20,91	1 869	,09	7 69
Leader reef							
No 1	716	536	110 5	5,96	659	0,09	10,31
No 2	107	—	—	—	—	—	—
No 3	1 446	450	122,4	4 12	504	[illegible]	17 48
No 4	84	48	176 1	1,35	238	[illegible]	9,26
Quarter ended June 1981	2 353	1 034	118 7	4,82	572	[illegible]	13,39
Quarter ended March 1981	2 194	500	108 1	4,37	472	0,14	15,24
Nine months ended June 1981	6 892	2 272	116,5	4 77	551	0,14	15 70
A reef							
No 3							
Quarter ended June 1981	243	68	122,8	3,32	408	0,13	16,24
Quarter ended March 1981	84	—	—	—	—	—	—
Nine months ended June 1981	427	170	82,6	7,30	603	0 42	34,53
In addition, area under tribute from President Steyn							
Basal reef							
No 2	255	46	13,3	98,20	1 306	0 87	11 59
No 3	145	—	—	—	—	—	—
Quarter ended June 1981	400	46	13,3	98,20	1 306	0 87	11,59
Quarter ended March 1981	306	—	—	—	—	—	—
Nine months ended June 1981	990	52	13 1	93,21	1 221	0,82	10,79
Leader reef							
No 3							
Quarter ended June 1981	140	82	91,5	3,00	274	0,06	5,42
Quarter ended March 1981	102	28	82 6	2,20	182	0 07	5,40
Nine months ended June 1981	310	110	89,3	2,81	251	0 06	5 41

DIVIDENDS

The interim dividend of 295 cents a unit of stock in respect of the year ending September 30 1981 was declared on April 23 1981 payable to members registered on May 8 1981 and was paid on June 12 1981

CAPITAL EXPENDITURE COMMITMENTS

Orders placed and outstanding on capital contracts as at June 30 1981 totalled R10 869 000 of which R910 000 was in respect of the metallurgical complex.

FREE STATE SAAIPLAAS GOLD MINING COMPANY LIMITED

Attention is directed to general note 1 below, insofar as it concerns Free State Saaiplaas, the subsidiary of President Brand, which holds a 50,04 per cent interest therein.

For and on behalf of the board
D A ETHEREDGE
G S YOUNG *Directors*

July 24 1981

WESTERN HOLDINGS

Western Holdings Limited

Issued Capital 7 496 376 shares of 50 cents each

	Quarter ended June 1981	Quarter ended Mar 1981	Nine months ended June 1981
OPERATING RESULTS			

PRESIDENT STEYN

President Steyn Gold Mining Company Limited and its wholly-owned subsidiary Video Mining Company Limited

Issued Capital 14 568 400 shares of 50 cents each

	Quarter ended June 1981	Quarter ended Mar 1981	Nine months ended June 1981
OPERATING RESULTS			
Gold			
Area mined – square metres ooo s	195	170	552
Tons milled ooo s	1 008	912	2 892
Yield – g/t	6 00	6,50	6,33
Production – kg	6 048	5 928	18 294
Cost – R/m² mined	193,12	214,46	198,24
– R/ton milled	37,36	39,99	37,84
– R/kg produced	6 226	6 150	5 982
JMS (See summary)			
Slimes delivered			
Tons ooo s	2 904	2 794	7 209
Head grade			
gold – g/t	0 56	0,57	0,56
uranium – kg/t	0 08	0 09	0 08
sulphur – per cent	0 81	0,79	0 80
PRICE RECEIVED ON SALES			
Gold – R/kg	13 105	13 106	13 857
– $/oz	487	530	553
FINANCIAL RESULTS	Rooo	Rooo	Rooo
Gold – revenue	79 500	77 893	252 062
– costs	37 658	36 459	109 428
– profit	41 842	41 434	142 634
JMS profit	3 442	3 191	9 262
Net sundry income	3 997	3 786	12 510
Profit before taxation and State s share of profit	49 281	48 411	164 406
Provision for taxation and State s share of profit	21 229	22 516	76 686
Profit after taxation and State s share of profit	28 052	25 895	87 720
Deduct			
Appropriation for capital expenditure			19 164
Dividend – interim			39 329
Retained profit for the nine months			29 227
Capital expenditure	9 060	8 206	26 743
SHAFT SINKING			
NO 4 SUB-VERTICAL SHAFT SYSTEM			
Advance – metres	—	—	—
Depth to date – metres	1 175,2	1 175,2	1 175,2
Station cutting – metres	451 0	872,9	1 979 8

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm g/t	uranium kg/t	uranium cm kg/t
Shaft area							
Basal reef							
No 1	850	144	12 6	108,17	1 363	0,73	9,23
No 2	902	—	—	—	—	—	—
No 4	2 685	340	81,2	26,43	2 146	0,29	23,20
Video lease area	826	276	177 4	14 98	2 654	0,06	10,14
Quarter ended June 1981	5 163	760	103,1	21 16	2 182	0 15	15 81
Quarter ended March 1981	6 579	840	87 8	22 16	1 946	0 16	14,30
Nine months ended June 1981	17 983	2 410	82,2	23,92	1 966	0,20	16,24
Leader reef							
No 1	491	376	128,7	3,64	469	0,18	23 43
No 2	533	230	145,0	3,83	556	0,17	24,37
No 4	82	50	84,8	4,44	376	0 14	11 96
Video lease area	214	134	139,0	3,74	520	0 07	9,85
Quarter ended June 1981	1 320	790	132 4	3 75	497	0 16	20 67
Quarter ended March 1981	1 499	800	134,4	3,62	486	0,17	23,34
Nine months ended June 1981	4 032	2 250	133,0	3 79	504	0 18	23 61
A reef							
No 1	1 426	356	19,9	20,45	407	0,57	11,25
No 2	1 654	600	68,1	11,89	810	0,22	14 85
Quarter ended June 1981	3 080	956	50 1	13 17	660	0,27	13,51
Quarter ended March 1981	2 722	632	52,8	16,44	868	0,40	21,24
Nine months ended June 1981	8 546	2 318	47,8	13,97	668	0,31	14,98

Area under tribute to and developed by President Brand (not included above)

FREE STATE SAAIPLAAS – continued

CAPITAL EXPENDITURE COMMITMENTS

Orders placed and outstanding on capital contracts as at June 30 1981 totalled R8 929 000

MINING OF ERFDEEL/DANKBAARHEID AREA
FORMATION OF ENLARGED WESTERN HOLDINGS COMPLEX AND PROPOSED MERGER OF WELKOM GOLD MINING COMPANY LIMITED AND FREE STATE SAAIPLAAS GOLD MINING COMPANY LIMITED

Attention is directed to general note 1 below

For and on behalf of the board
D A ETHEREDGE
G S YOUNG *Directors*

July 24 1981

WELKOM

Welkom Gold Mining Company Limited

Issued Capital 12 250 000 shares of 50 cents each

	Quarter ended June 1981	Quarter ended Mar 1981	Nine months ended June 1981
OPERATING RESULTS			
Gold			
Area mined – square metres ooo s	122	128	383
*Tons milled ooo s	586	617	1 837
Yield – g/t	4,81	4,87	4,81
Production – kg	2 819	3 004	8 832
Cost – R/m² mined	168 09	154,09	156,22
– R/ton milled	34,99	31,97	32,57
– R/kg produced	7 275	6 566	6 774
JMS (See summary)			
Slimes delivered			
Tons ooo s	370	359	1 067
Head grade			
gold – g/t	0,66	0 70	0,69
uranium – kg/t	0 19	0,20	0,20
sulphur – per cent	0,35	0,35	0 35
PRICE RECEIVED ON SALES			
Gold – R/kg	13 070	13 058	13 938
– $/oz	483	527	553
FINANCIAL RESULTS	Rooo	Rooo	Rooo
Gold – revenue	36 976	39 731	122 441
– costs	20 507	19 724	59 832
– profit	16 469	20 007	62 609
JMS profit	956	420	3 232
Net sundry income	1 484	1 053	3 480
Profit before taxation and State s share of profit	18 909	21 480	69 321
Provision for taxation and State s share of profit	8 515	11 170	35 815
Profit after taxation and State s share of profit	10 394	10 310	33 506
Deduct			
Appropriation for capital expenditure			3 155
Dividend – interim			18 988
Retained profit for the nine months			11 363
Capital expenditure	3 418	2 253	6 573
*Tons milled includes ore milled and treated by Free State Geduld Mines Limited at cost plus a service charge	700	38 100	104 500

This arrangement has been temporarily suspended as excess tonnage is depleted

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm g/t	uranium kg/t	uranium cm kg/t
Shaft area							
Basal reef							
No 1	1 446	162	9,2	84,89	781	1,40	12,92
No 2	1 229	240	14,5	58,07	842	0,96	13,87
No 3	196	12	8,0	66,63	533	0,30	2,41
Quarter ended June 1981	2 871	414	12,2	66,31	809	1 08	13 16
Quarter ended March 1981	3 203	490	13,8	55 14	761	0,95	13,17
Nine months ended June 1981	9 648	1 222	14,0	63,29	886	1,03	14,42
'A reef							
No 2	36	—	—	—	—	—	—
No 3	45	—	—	—	—	—	—
Quarter ended June 1981	81	—	—	—	—	—	—
Quarter ended March 1981	67	—	—	—	—	—	—
Nine months							

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm g/t	uranium kg/t	uranium cm kg/t
Carbon Leader							
Shaft area							
No 2	3 903	78	18 4	132 55	2 439	1.55	28 45
No 3	5 014	58	23 6	277 37	6 546	1.26	29 74
Quarter ended June 1981	8 917	136	20 6	203 40	4 190	1 41	29 00
Quarter ended March 1981	8 130	188	21 0	143 33	3 010	1 41	29 54
Six months ended June 1981	17 047	324	20 8	168 51	3 505	1 41	29 31
V C R							
Shaft area							
No 2	2 588	—	—	—	—	—	—
No 3	1 542	—	—	—	—	—	—
Quarter ended June 1981	4 130	—	—	—	—	—	—
Quarter ended March 1981	3 486	38	14 7	51 90	763	—	—
Six months ended June 1981	7 616	38	14 7	51 90	763	—	—

DIVIDEND

The interim dividend of 200 cents a share in respect of the year ending December 31 1981 was declared on July 23 1981 payable to members registered on August 7 1981 and will be paid on or about September 11 1981

CAPITAL EXPENDITURE COMMITMENTS

Orders placed and outstanding on capital contracts as at June 30 1981 totalled R67 683 000

PLANNED PRODUCTION

The planned production for the year has been reduced to 3 150 000 tons at a grade of 12 5 grams a ton to produce 39 375 kilograms of gold (previously 3 233 000 tons 13 5 grams a ton and 43 646 kilograms) The refrigeration plant breakdowns referred to in the previous quarterly report are the main cause of the reduced tonnage forecast

The lower grade caused mainly by lower values encountered in the high grade Carbon Leader longwalls east of No 3 shaft is being investigated geologically to assess the longer term implications

12 PER CENT UNSECURED DEBENTURES 1986/1993 – PARTLY-PAID

In terms of the agreement with Western Ultra Deep Levels Limited and Witwatersrand Deep Limited the first half yearly instalment of R15 000 000 in respect of R60 000 000 of 12 per cent unsecured partly-paid debentures was received on June 15 1981 and the debentures were allotted on that date

For and on behalf of the board
G LANGTON
W R LAWRIE *Directors*

July 24 1981

ERGO

East Rand Gold and Uranium Company Limited

Issued Capital 41 000 000 shares of 50 cents each as at July 15 1981 (previously 40 000 000 shares)

	Quarter ended June 1981	Quarter ended Mar 1981	Year ended Mar 1981
OPERATING RESULTS			
Slimes treated – tons	5 033 000	4 823 000	18 607 000
Production			
uranium oxide – kg	81 964	73 641	292 069
sulphuric acid – tons	120 014	110 081	429 607
oleum – tons	7 569	6 287	25 195
gold – kg	1 754	1 710	6 885
PRICE RECEIVED ON SALES			
Gold – R/kg	13 060	13 103	14 466
– $/oz	484	528	588
FINANCIAL RESULTS	Rooo	Rooo	Rooo
Revenue – gold and silver	22 450	22 337	99 653
– uranium oxide and sulphuric acid	6 468	5 174	27 206
Total revenue	28 918	27 511	126 859
Cost of sales	9 110	8 572	34 365
Operating profit	19 808	18 939	92 494
Net sundry income	582	467	1 429
Profit	20 390	19 406	93 923
Deduct			
Appropriation for capital expenditure			12 943
Dividend – interim			40 000
– final			40 000
Retained profit for the year			980
Capital expenditure	1 330	1 540	3 839

DIVIDEND

The final dividend of 100 cents a share in respect of the year ended March 31 1981 was declared on April 23 1981 payable to members registered on May 8 1981 and was paid on June 12 1981

CAPITAL EXPENDITURE COMMITMENTS

Orders placed and outstanding on capital contracts as at June 30 1981 totalled R2 098 000 which includes an amount of R159 000 for the Simmer and Jack project

ARRANGEMENTS RELATING TO SIMMER AND JACK MINES LIMITED

In an announcement released on June 12 1981 and in the company s annual report for the year ended March 31 1981 details were given of the arrangements for this company to exploit the property of Simmer and Jack Mines Limited As part of these arrangements 1 000 000 shares in the company originally due for allotment by not later than June 30 1981 were in terms of a revised agreement allotted on July 15 1981 at par and credited as fully paid to the nominees of Anglo American Corporation of South Africa Limited and companies associated with it including Anglo American Gold Investment Company Limited

For and on behalf of the board
H F OPPENHEIMER

RIGHTS OFFER OF 21 135 587 SHARES

An announcement was published on May 26 1981 giving the preliminary results of the rights offer to raise R120 473 000 Subscriptions were finally received for 96 3 per cent of the shares offered and the balance was taken up by the underwriters

CHANGE IN BASIS OF ACCOUNTING

As from April 1 1981 the method of determining capital development expenditure has been changed For the current quarter this has resulted in a reduction in capital expenditure and a corresponding increase in working costs of R1 690 000

For and on behalf of the board
H F OPPENHEIMER
W R LAWRIE *Directors*

July 24 1981

S.A. LAND

The South African Land & Exploration Company Limited

Issued Capital 9 182 700 shares of 35 cents each (previously 6 600 000 shares)

	Quarter ended June 1981	Quarter ended Mar 1981	Six months ended June 1981
OPERATING RESULTS			
Gold			
Tons milled 000 s	366	358	724
Yield – g/t	0 92	1 16	1 04
Production – kg	336	416	752
Production cost – R/ton milled	3 91	3 68	3 80
– R/kg produced	4 262	3 163	3 654
PRICE RECEIVED ON SALES			
Gold – R/kg	12 977	12 924	12 948
– $/oz	481	521	503
FINANCIAL RESULTS	Rooo	Rooo	Rooo
Gold – revenue	4 368	5 328	9 696
– production costs	1 432	1 316	2 748
	2 936	4 012	6 948
Less delivered cost of dump material	2 111	2 360	4 471
Gold profit	825	1 652	2 477
Sale of salvaged equipment and scrap	3	4	7
Net sundry revenue	368	167	535
Profit before taxation	1 196	1 823	3 019
Taxation – estimated	(2)	835	833
Profit after taxation	1 198	988	2 186
Deduct			
Appropriation for capital expenditure			655
Dividend – interim			1 377
Retained profit for the six months			154
Capital expenditure	856	134	990

ALLOTMENT OF SHARES TO HIPPO QUARRIES LIMITED

In terms of an agreement with Hippo Quarries Limited and Trans-Atlas Limited details of which were given in the company s 1980 annual report 202 000 shares in the company were allotted to Hippo Quarries Limited on April 24 1981

RIGHTS OFFER OF 2 380 700 SHARES

An announcement was published on May 26 1981 giving the preliminary results of the rights offer to raise R13 570 000 Subscriptions were finally received for 59,2 per cent of the shares offered and the balance was taken up by the underwriters.

DIVIDEND

The interim dividend of 15 cents a share in respect of the year ending December 31 1981 was declared on July 23 1981 payable to members registered on August 7 1981 and will be paid on or about September 11 1981

CAPITAL EXPENDITURE COMMITMENTS

Orders placed and outstanding on capital contracts as at June 30 1981 totalled R5 853 000

For and on behalf of the board
N F OPPENHEIMER
W R LAWRIE *Directors*

July 24 1981

EAST DAGGAFONTEIN

East Daggafontein Mines Limited

Issued Capital 3 730 000 shares of R1 each

	Quarter ended June 1981	Quarter ended Mar 1981	Six months ended June 1981
FINANCIAL RESULTS	Rooo	Rooo	Rooo
Royalties	425	104	529
Sundry revenue	9	35	44
	434	139	573
Deduct			
Costs	66	48	114
Surplus before taxation	368	91	459
Taxation – estimated	223	31	254
Surplus after taxation	145	60	205

BONANZA GOLD MINE (PROPRIETARY) LIMITED

In terms of arrangements outlined in an announcement published on May 8 1981 copies of which were posted to all members the company has acquired 23 per cent of the issued share capital of Bonanza Gold Mine (Proprietary) Limited at a cost of R416 000 In consequence the company may be called upon in conjunction with other members of Bonanza to contribute proportionately towards further funds required by that company

For and on behalf of the board
N F OPPENHEIMER
G LANGTON *Directors*

Tons treated – 000 s	—	20	20
Yield – kg/t	—	0 32	0 32
Production – kg	—	6 445	6 445
Totals for the three lease areas			
Tons treated 000 s	2 170	2 209	4 379
Yield – kg/t	0 19	0,20	0,20
Production – kg	418 800	450 655	869 455
PRICE RECEIVED ON GOLD SALES			
Total			
– R/kg	13 077	12 720	12 910
– $/oz	484	514	500
FINANCIAL RESULTS	Rooo	Rooo	Rooo
Total			
Gold – revenue	252 217	224 493	476 710
– costs	84 007	79 960	163 967
– profit	168 210	144 533	312 743
Uranium oxide profit	9 319	3 568	12 887
Acid profit	19	16	35
Tribute profits	5 870	5 347	11 217
Net sundry income	2 641	3 886	6 527
Dividend from Southvaal Holdings Limited – interim declared July 1981	10 400	—	10 400
	196 459	157 350	353 809
Deduct			
Royalties to			
Southvaal Holdings Limited	41 130	39 152	80 282
The Afrikander Lease Limited	12	13	25
Profit before taxation and State s share of profit	155 317	118 185	273 502
Provision for taxation and State s share of profit	65 331	54 530	119 861
Profit after taxation and State s share of profit	89 986	63 655	153 641
Deduct			
Appropriation for capital expenditure (after taking account of consumer loans)			57 420
Dividend – interim			85 500
Retained profit for the six months			10 721
Capital expenditure	31 869	26 530	58 399
CONSOLIDATED PROFIT			
Consolidated profit after providing for taxation and State s share of profit of the company and its wholly-owned subsidiary Western Reefs Exploration and Development Company Limited	90 245	63 735	153 980
North Lease area			
Gold – revenue	140 157	123 235	263 392
– costs	53 950	54 639	108 589
– profit	86 207	68 596	154 803
Uranium oxide profit	5 295	2 288	7 583
Acid profit	19	16	35
Tribute profit	2 743	3 330	6 073
	94 264	74 230	168 494
Capital expenditure	8 443	10 627	19 070
South Lease area			
Gold – revenue	112 060	101 177	213 237
– costs	30 057	25 238	55 295
– profit	82 003	75 939	157 942
Uranium oxide profit	5 043	2 117	7 160
Tribute profit	3 127	2 017	5 144
	90 173	80 073	170 246
Deduct			
Capital expenditure excluding new South uranium plant	12 797	8 644	21 441
Repayment of loan and interest to Southvaal Holdings Limited	243	243	486
Repayment of consumer loan	2 350	—	2 350
Surplus subject to royalty	74 783	71 186	145 969
Royalty to Southvaal Holdings Limited (65% of surplus)	41 130	39 152	80 282
Capital expenditure	15 805	9 931	25 736
Afrikander Lease area			
Gold – revenue	—	81	81
– costs	—	83	83
– loss	—	2	2
Uranium oxide loss	1 019	837	1 856
Loss	1 019	839	1 858
Royalty to The Afrikander Lease Limited	12	13	25
Capital expenditure	7 621	5 972	13 593

Note

Operations in the Afrikander Lease area resulted in a loss for the quarter and consequently provision has been made for one quarter of the minimum annual royalty of R50 000 The royalty is only payable when the results of operations for the full year have been determined

	Quarter ended June 1981	Quarter ended Mar 1981	Six months ended June 1981
SHAFT SINKING (South Lease area)			
No 9 main shaft			
Advance – metres	88	98	186
Depth to date – metres	2 341	2 253	2 341
Station cutting – metres	259	175	434
No 9 ventilation shaft			
Advance – metres	182	203	385
Depth to date – metres	1 985	1 803	1 985
Station cutting – metres	[illegible]	2	709

Shaft area							
No 1*	1 560	368	22,2	77 34	1 717	3 61	80,25
No 2*	80	—	—	—	—	—	—
No 3*	1 623	148	13 4	190 82	2 557	4 88	65,37
No 8	8 577	862	104,2	25 89	2 698	0 84	87 07
Quarter ended June 1981	11 840	1 378	72 5	33 39	2 421	1 14	82,92
Quarter ended March 1981	12 750	1 158	102 3	22,26	2 277	0 75	76 74
Six months ended June 1981	24 590	2 536	86 1	27 35	2 355	0 93	80 10
C reef							
Shaft area							
No 8							
Quarter ended June 1981	189	72	30 8	42 31	1 303	1 67	51 36
Quarter ended March 1981	46	—	—	—	—	—	—
Six months ended June 1981	235	72	30 8	42 31	1 303	1 67	51 36
Area under tribute to and developed by Buffelsfontein Gold Mining Company Limited (not included in totals)							
Vaal reef							
Quarter ended June 1981	2 402	249	132 4	14 06	1 861	0 53	70,32
Quarter ended March 1981	2 680	228	112 4	14 80	1 664	0 51	57 60
Six months ended June 1981	5 082	477	122 8	14 39	1 767	0 52	64,24

*Development carried out in South Lease area from North Lease area shafts

Afrikander Lease area							
Dominion reef							
Quarter ended June 1981	1 285	302	74 3	1 17	87	0 82	61 10
Quarter ended March 1981	1 940	346	68 6	1 56	107	0 91	62 35
Six months ended June 1981	3 225	648	71 2	1,38	98	0 87	61 77
Totals							
Vaal reef (excluding tribute areas)							
Quarter ended June 1981	31 081	3 114	58 0	36 72	2 130	1 13	65 48
Quarter ended March 1981	30 956	3 172	59 1	35 13	2 076	0 98	58 07
Six months ended June 1981	62 037	6 286	58 6	35 89	2 103	1 05	61,74

DIVIDEND

The interim dividend of 450 cents a share in respect of the year ending December 31 1981 was declared on July 23 1981 payable to members registered on August 7 1981 and will be paid on or about September 11 1981

CAPITAL EXPENDITURE COMMITMENTS

Orders placed and outstanding on capital contracts as at June 30 1981 totalled R45 512 000

PLANNED PRODUCTION AND CAPITAL EXPENDITURE

The planned production for the year has been increased to 8 500 000 tons (previously 8 000 000 tons) at a grade of 8 4 grams a ton to produce 71 400 kilograms of gold (previously 67 200 kilograms) Capital expenditure for the year is now estimated at R135 000 000 (previously R110 000 000) of which R55 000 000 (previously R33 000 000) will be spent in the North Lease area and R26 000 000 (previously R23 000 000) in the Afrikander Lease area The chairman s review which accompanied the 1980 annual report referred to the evaluation of the proposal to increase production by 60 000 tons a month by mining the Ventersdorp Contact reef (V C R) from Nos. 6 and 7 shafts Due to design delays in the uranium section of the Afrikander Lease area plant, this portion of the plant will only be commissioned in the second quarter of 1982 while the gold section will be commissioned during September and October 1981 In order to utilise this available capacity it has therefore been decided to begin mining the V C R at Nos 6 and 7 shafts as soon as possible and to transport the ore by road to the Afrikander Lease plant This has now been designated Phase 1 of the V C R project on which approximately R20 000 000 will be spent during 1981

PRODUCTION FROM THE AFRIKANDER LEASE AREA

Since the beginning of April 1981 the tonnage mined from the Afrikander Lease area has been stockpiled in anticipation of the proposed commissioning of the 50 000 tons per month uranium plant in the second quarter of 1982 Mining will be stopped during the current quarter when sufficient ore for commissioning will have been stockpiled The deepening of the No 1 incline shaft and prospect development will however be continued

For and on behalf of the board
D A. ETHEREDGE
W R LAWRIE *Directors*

July 24 1981

SOUTHVAAL HOLDINGS LIMITED
and
THE AFRIKANDER LEASE LIMITED

The attention of shareholders of these companies is directed to the report of Vaal Reefs Exploration and Mining Company Limited

NOTES

1 DIVIDENDS

Attention is directed to an announcement published in conjunction herewith relating to the declaration on Thursday July 23 1981 of interim dividends for the year ending December 31 1981

2 DEVELOPMENT

Development values represent actual results of sampling no allowances having been made for adjustments necessary in estimating ore reserves

Copies of these reports in English or the Afrikaans translation thereof are available on request from the offices of the transfer secretaries

Consolidated Share Registrars Limited
62 Marshall Street Johannesburg 2001
(P O Box 61051 Marshalltown 2107)

and

Charter Consolidated Limited
P O Box 102 Charter House Park Street
Ashford Kent TN24 8EQ England

Head Offices: 44 Main Street Johannesburg 2001

P O Box 61587 Mar[illegible]

Nigel 5 [illegible]
R3 378

Metal prices

YESTERDAY S London Metal Exchange prices a metric ton and quoted by Sapa Reuter (with previous prices in parentheses) were

Copper wirebars Cash buyers £901 50 (£903) Sellers £902 (£903 50) Three months buyers £927 50 (£930 50) Sellers £928 (£931) Turnover 8 400 tons

Republic copper price (f o r Phalaborwa) for July R1 481 38 (June R1 483 90) a metric ton

Tin (standard) Cash buyers £7 670 (£7 600) Sellers £7 675 (£7 610) Three months buyers £7 650 (£7 580) Sellers £7 655 (£7 585) Turnover 575 tons

High grade Cash buyers £7 670 (£7 600) Sellers £7 675 (£7 610) Three months buyers £7 650 (£7 580) Sellers £7 665 (£7 585) Turnover nil

Lead Cash buyers £431 (£443) Sellers £431 50 (£443 50) Three months buyers £431 (£443) Sellers £431 50 (£443 50) Turnover 9 150 tons

Zinc Cash buyers £460 50 (£469 50) Sellers £461 50 (£470) Turnover 13 700 tons

Nickel Cash buyers £3 300 (£3 300) Sellers £3 310 (£3 310) Three months buyers £3 300 (£3 320) Sellers £3 310 (£3 325) Turnover 492 tons

Brass and copper (McKechnie Brothers South Africa reports) Basis price brass rod R2 36 a kg copper rod R3 02 a kg rolled brass R2 86 a kg rolled copper R3 30 a kg concast 044 R3 49 a kg concast 021 R5 13 a kg

Aluminium Alusaf primary aluminium ingot price R1 450 (99 5% minimum purity) f o b Richards Bay

Antimony $2 750 to $2 850 ($2 750 to $2 850)

PRECIOUS METALS

Platinum Producer price $475 an oz Free market price $404 50 ($411) Morning price $410 50 ($408 50)

Gold Afternoon fixing $407 75 ($411 50) Morning $410 50 ($409 25)

Silver Cash 463 20p (468 25p) Three months 478 80p (484 05p)

Exchange rates

BARCLAYS BANK exchange rates in the order of selling, telegraphic transfer buying, airmail buying, and surface mail buying

US 1 0665 1,0725 1,0860 1,0975
Sterling 175,8090 173,4265 171,9520 170,6860
Canadian 1 2900 1,3100 1,3260 1,3400
Belgian com 42,1000 42,8000 43,3500 43,8000
Belgian fin 44,4500 45,2000 45,6000 46,2500
Swiss 2,2250 2,2530 2,2705 2,2850
French 6,1515 6,2205 6,2965 6,3620
Italian 1282,5000 1299,0000 1318,0000 1333,5000
Dutch 2,8760 2,9110 2,9335 2,9525
West German 2,5825 2,6145 2,6400 2,6615
Swedish 5,5230 5,5940 5,6480 5,6945
Norwegian 6,4775 6,5555 6,6150 6,6690
Danish 8,0975 8,1965 8,2805 8,3525
Austrian 18,1000 18,5500 18,7500 18,8500
Portuguese 68,6500 69,6500 70,5000 71,2000
Japanese 247,8500 251,1000 252,3000 253,3000
Spanish 103,9000 105,3000 106,6500 107,8000
Australian 0,9325 0,9450 0,9530 0,9595
New Zealand 1,2755 1,2950 1,3060 1,3150
Zambian 0,9510 0,9610 0,0000 0,0000
Malawian 0,9500 1,0040 0,0000 0,0000
Zimbabwean 0,7640 0,7765 0,0000 0,7805
Hong Kong 6,0920 6,1635 6,2305 6,2870
Indian 9,3080 9,6235 9,6940 9,7535
Kenyan 9,2155 9,4555 9,4965 0,0000
Pakistani 10,2655 10,5910 10,6665 10,7340
Botswana 0,9400 0,9475 0,0000 0,9495
Mauritian 9,1565 9,2965 9,3750 9,4425
Seychelles 5,5930 6,0750 6,7250 6,7725
Greek 63,4000 64,3000 65,1500 65,8000
Singapore 2,2900 2,3205 2,3400 2,3560
Irish 140,7410 138,7410 137,5615 136,5465

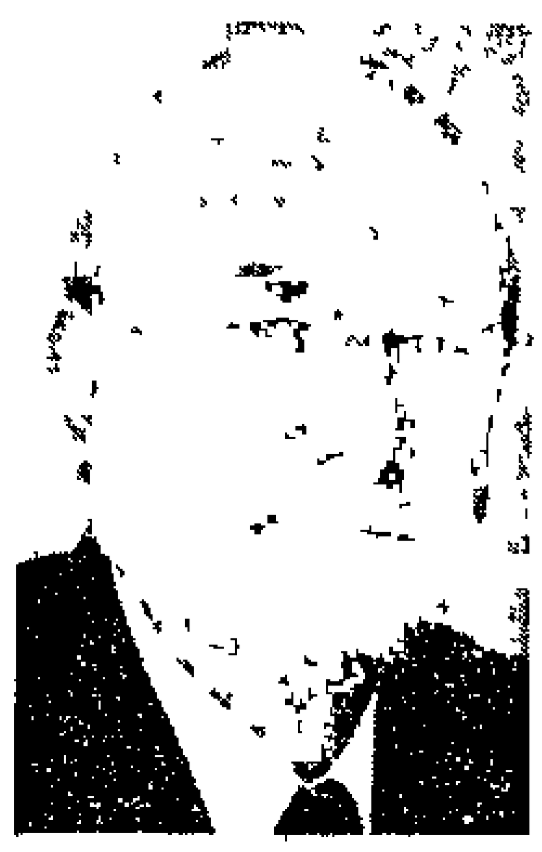
Section D [Labour]

OUTSTANDING YEAR FOR THE MINING INDUSTRY

214 FM 26/6/81

The following is an abridged version of the address by Mr R S Lawrence President of the Chamber of Mines of South Africa at the 91st annual general meeting of the Chamber in Johannesburg on 23rd June 1981

Measured by any standards 1980 was an outstanding year for the South African mining industry and for the country as a whole



Mr R S Lawrence

The revival of the economy assisted by exceptional earnings from gold and coal mining exceeded expectations and the growth rate of about 8 per cent was the second highest in the countrys post-war history Two major problem areas were however the continuing unacceptably high inflation rate fuelled by an escalating money supply and the serious shortage of skilled personnel

On the domestic political front the Prime Minister the Hon P W Botha has affirmed in the wake of his victory in the April 1981 general election that he will pursue his policy of progressive reform Great expectations have been generated in recent years and the whole nation waits with considerable interest for indications of the scope and pace of the promised reforms

Internationally there seems to be a positive reassessment of policy towards South Africa by some of the major Western powers particularly the United States which now appear to acknowledge that the best way to ensure the security of the strategically important Southern African region is through constructive involvement in the area and the application of policies designed to encourage rather than to force change

MINERAL SALES

The value of South African mineral sales in 1980 including gold increased by some 54 per cent as compared with 1979 to total R14 994 million Mineral exports increased by about 57 per cent to total R13 321 million

The most impressive performers were gold and coal As a result of the dramatic increase in the price during the year the value of gold sales rose by 78 per cent to R10 370 million while increased exports and some price adjustments caused revenue from coal sales to rise by 31 per cent to R1 495 million Sales of these two minerals accounted for some 79 per cent of the total value of mineral sales The combined sales value of a range of strategic minerals including uranium platinum and vanadium rose by 38 per cent and fluorspar sales increased in value by 21 per cent However the majority of other non-strategic minerals showed only minor increases while some recorded lower sales revenues This trend reflected the lacklustre performances of the major industrialised economies and in particular the depressed conditions in world steel markets

COAL

South Africa's coal production increased by 10 9 per cent in 1980 to 115 million tons compared with 104 million in 1979

The volume of coal sales increased by about 13 per cent and the volume of exports by more than 25 per cent Sales amounted to R1 495 million and exports accounted for R688 million Members of the Chamber (excluding Sigma and Bosjesspruit collieries) sold close to 94 million tons in 1980 valued at R1 107 million or about 84 per cent of total South African sales

GOLD

South Africa's reduced gold output last year together with a substantial reduction of net gold supplies from the communist bloc and a slight increase in mine production from other non-communist countries, resulted in new gold supplies to the market in 1980 of 1 033 tons Dishoarding from the Middle East the Far East and India totalled some 189 tons which when added to new gold supplies meant that total supplies to the market amounted to about 1 222 tons a fall of 28 per cent from the 1 704 tons of 1979

The two main elements on the demand side remain industrial offtake — encompassing the important gold jewellery market as well as gold used in electronics dentistry and other industrial and consumer products — and investment demand by private investors for bullion and for gold coins principally the Krugerrand and purchases by central banks

Whereas in 1979 investment demand including the purchase of gold coins gold bullion and net additions to reserves by central banks, amounted to about 40 per cent of total world gold demand, it is estimated that in 1980 closer to 60 per cent of total gold demand was generated by the investment sector

The high average gold price in 1980 and rising interest rates had a predictably negative effect on gold consumption in the form of jewellery fabrication which declined to 309 tons from 737 tons in 1979

The need to intensify marketing and promotional activities in the field of gold jewellery is critical if the jewellery industry is to remain a major end user of gold

Sales of Krugerrands were also affected by the increased gold price and a total of 3 1 million ounces was sold in 1980 compared with 4 9 million ounces in 1979 It is nevertheless encouraging that the revenue earned in 1980 of R1 526 million was R196 million greater than the R1 330 million earned in 1979 It is also encouraging that sales in the first five months of 1981 were 276 583 ounces higher than the 909 750 ounces sold in the first five months of 1980

The gold price increased towards the end of 1979 and into the first two months of 1980 at such a steep rate that some gold coin investors found that they could not afford the one ounce Krugerrand Since Intergold's coin marketing activities are designed to put gold into the hands of the man in the street the

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University new half quarter and tenth ounce Krugerrands were introduced to encourage the smaller investor to remain in the market The new coins were launched internationally on 23rd September, 1980

The launch of the Krugerrand coins in Japan in December 1980 and the appointment of an official Krugerrand distributor there paved the way for exploiting the vast potential for sales in a market which it is considered could become the largest in the world on a per capita basis A new market worthy of attention was revealed in Argentina during 1980 and a Krugerrand test marketing programme is planned there in 1981

Central bank purchases of gold bullion which amounted to a net 230 tons last year provided substantial support for the market particularly when it is borne in mind that in general these institutions have been net sellers of gold since 1972 The offtake of gold by central banks seeking diversification of their reserve assets and a means of protecting them against depreciation was strong evidence of the recognition of golds role as a store of value

URANIUM

There was a further marked increase in the production of uranium oxide in 1980 by members of the Nuclear Fuels Corporation the industrys uranium processing and marketing organisation, which raised its output by 1 570 tons to 7 109 tons This was an improvement of no less than 28 per cent and followed an increase of 22 per cent in 1979 These substantial rises were due mainly to the commissioning of three large new uranium plants in 1979 and a fourth new plant last year

Production is likely to continue to increase over the next few years as these new plants and others still to be commissioned fulfil their commitments under long-term uranium sales contracts The dormant state of nuclear power programmes in most parts of the world continues and studies generally show a mounting over-supply situation with a consequent adverse effect on uranium prices There are no indications of early improvements in demand or price levels

RESEARCH

The development of practical mechanized stoping technologies remains the most challenging task but steady progress is being made It has been demonstrated that the most promising approach in the development of non-explosive stoping machinery is the use of impact rippers which attack the face with chisel-like tools struck by hydraulically operated hammers Significant progress has been made with the development of these hammers during the last year

LABOUR

In the nine months to March this year the number of vacancies for skilled workers on gold mines alone increased by more than 40 per cent to 2 609 of which 1 008 vacancies or 39 per cent were for artisans, mainly electricians, fitters and boilermakers and 684 or 26 per cent for holders of blasting certificates

It is difficult to see how expansion plans for the industry, involving envisaged expenditure of R12 billion over the period 1980 - 1985 can be implemented in the face of such a worsening skilled manpower situation To the extent that new projects in this programme are delayed postponed or cancelled, so will the social and economic progress of the country as a whole be retarded

The problem as is well known lies in the inability of South Africas relatively small white population to supply all the skills necesary to maintain a rapidly expanding economy

It must be recognised, however, that the present skills shortage has its roots in South Africa's history and that while changes in the laws which impede the full and proper use of the countrys manpower resources are a prerequisite to progress they cannot provide an instant panacea because large numbers of people in this country are simply not well enough educated to be trained for more skilled occupations of a technical nature

I believe that sound basic schooling for everyone in this country must be the starting point The subsequent teaching of technical skills to anyone who seeks to acquire them regardless of race or colour, must also be an essential element of the whole education system The process of reform cannot however stop with a new approach to education and training new dispensations permitting the employment of all suitably equipped persons will be necessary

The mining industry in South Africa is aware that the better utilisation of manpower is a sensitive issue and accepts that the task which faces it is not only to provide itself with the necessary skilled manpower but also to persuade organised labour that this can be done in a non-discriminatory fashion without jeopardising the employment opportunities of any racial group

Employment opportunities in mining have increased steadily The average number of employees in service on gold and coal mines members of the Chamber has risen by about 4 per cent annually over the past four years to reach 545 000 last year

The known expansion plans of the industry are expected to create nearly 100 000 additional jobs in mining, the overwhelming majority for unskilled workers This will constitute a vital economic contribution to the territories of the Southern African region which permit their citizens to seek employment on South African mines

The direct economic benefits to these territories may be judged by the fact that the cash wage bill for migrant workers on the Chambers gold and coal mines alone amounted to R1 018 million last year - and that by far the greater portion of these earnings flowed back to the home territories

Increases of 14 per cent in the minimum rates of mine officials salaries have recently been agreed with the officials' associations and contributions to pension funds were increased to effect improvements in pensions and death benefits

Negotiations with the Council of Mining Unions resulted in the standard rates of pay of union men on gold and coal mines being increased by 13 9 per cent from the May pay month In addition there were improvements in contributions to the Mine Employees Pension Fund and in the death benefits provided by the fund

Considerable improvements in the bonuses and conditions of employment of the industrys artisans including an 11-shift fortnight, came into effect in the March pay month as a result of a productivity package negotiated between the Chamber and the Federation of Mining Unions While the unions concerned gave up the 12 days of paid occasional leave which previously accrued to their members annually the Chamber introduced an 11-shift fortnight for artisans, increased the generous holiday leave allowance and maximum bonuses payable and reduced the fortnightly working hours from 96 to 92

Improvements in benefits and conditions of service were also extended to members of the South African Engine Drivers , Firemens and Operators' Association which in return agreed to the cancellation of paid occasional leave arrangements and to changes in Sunday night shift times The Association has also agreed to consider jointly with management changes in labour practices in individual cases where shortages of suitable manpower become apparent

The wages of black employees are normally reviewed in July of each year and this matter is currently receiving attention

THE SOUTH AFRICAN ECONOMY

The growth rate of about 8 per cent in South Africas real gross domestic product last year was more than double the 3 7 per cent achieved in 1979 and apart from being the second highest in the countrys post-war history was one of the highest recorded in the world last year being eclipsed only by the rapidly expanding economies of Singapore and Hong Kong and by certain OPEC countries

The importance of mining to the economy is illustrated by the fact that if the earnings of the mining industry together with the indirect effects on the economy arising from capital and operating expenditure are calculated as a proportion of the countrys total gross domestic product then, in 1980, more than a third of the total GDP was generated by mining with about a quarter coming from gold mining alone

The main obstacles to the industrys continued expansion remain the weak conditions in the international commodities markets the exceptionally high rate of inflation in the economy as a whole and the shortage of skilled and professional workers The inflation rate has remained at double digit figures, on average over the past five years, a rate well above that of South Africas main competitors in the mineral markets

THE OUTLOOK

The high economic growth rate experienced in 1980 is clearly not sustainable but a growth rate of around 5 per cent for this year seems possible There has been much comment on the change in direction of the economy this year but it should be borne in mind that the normal economic and business cycles will continue to operate The present period of consolidation therefore provides the opportunity for a further upward surge in the economy in due course

The gold price this year has remained remarkably stable at levels which were unthinkable only three years ago This is particularly true if one considers the recent high U S interest rates, a strong U S dollar an apparent stabilization of the oil price and a generally slack international economy

It appears from the available information that there is a closer balance between supply and demand at the present time Consequently in the immediate future it appears unlikely that the gold price will vary greatly from the present relatively stable level However economic and political uncertainties remain A turnaround in U S interest rates, a weakening in the present strength of the U S dollar further increases in the oil price and continuing political disturbances around the world are inevitable I believe therefore that the gold price will resume its upward trend in order to balance projected supply and demand In any event the broadening of the gold market which we have seen in the last five years will continue and this will ensure an increase in real terms in the gold price well into the future

The full text of this address is available from the General Manager Chamber of Mines of South Africa 5 Hollard Street Johannesburg 2001

SUNDAY TIMES, Business Times, July 26, 1981 3

Gold-mine outlook gets gloomier

S Times 26/7/81

(214)

THE profitability of the gold-mining industry held up splendidly during the June quarter, but the outlook for the September results is far more gloomy

The gold price averaged $478,15 in the second quarter compared with $517,99 in the first, and the resultant drop in revenue — combined with the cost squeeze on the mines could have been expected to play havoc with profits and dividends

Instead, the considerable weakening of the rand against the dollar during the period has largely offset what the mines lost on the gold price

By Andrew McNulty

The industry's average revenue in dollars per ounce declined by 8,35% from $523,85 in March to $483,48 but total net profits for the gold mines are up by 11,8% from R572,448-million in March to R640,026-million

Revenue in rands remained around R13 000 a kg during both quarters

One of the most encouraging features of the quarterlies are the generally well-maintained working costs

The average costs in dollars an ounce declined by 6,06% from $275,32oz to $259,57oz, and the currently more important unit costs per ton milled were steady at R35,50/ton compared with the previous R38,49/ton

Average grades were also static at 6,4 g/t milled, and the tonnage milled by the industry rose marginally from 18,909-million tons in March to 19,310-million tons — reflecting the continuing efforts in the mining houses to improve productivity

However, the industry's performance — and the attractiveness of gold shares — are likely to be clouded by several adverse factors during the September quarter

The running average for the gold price this quarter is now only $410,51, a big drop from the second quarter, and most analysts are expecting the price to average no better than $415 over the next few months

This would be far too big a difference to be offset by the rand/dollar exchange rate and, in fact, some analysts are now anticipating a strengthening of the rand again, and this would further weaken gold earnings

Working costs are also certain to show more serious increases

Wage increases — the most important cost component will be reflected for the first time this quarter and can be expected to add 7% to working costs

Capital programmes will become more onerous as the year progresses Earnings per share after capital expenditure (and money available for dividend payments) will decline at a more rapid rate

Anglo American, in particular, is retaining earnings at a higher rate, indicating its view of the earnings outlook

Unless the gold price most unexpectedly returns to above $500 again, gold shares are still looking expensive — a correction of 10% to 15% is to be expected on current expectations

More marginal, highly geared operations such as Wit Nigel, Western Holdings, Loraine, ERPM, Durban Deep, Western Areas and Elandsrand have a considerable way to go — downwards — before the market takes full account of their prospects

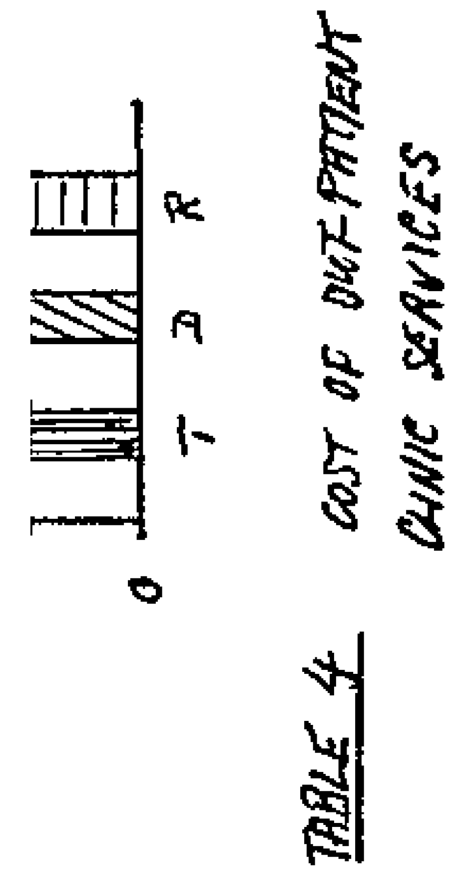


TABLE 4 COST OF OUT-PATIENT CLINIC SERVICES

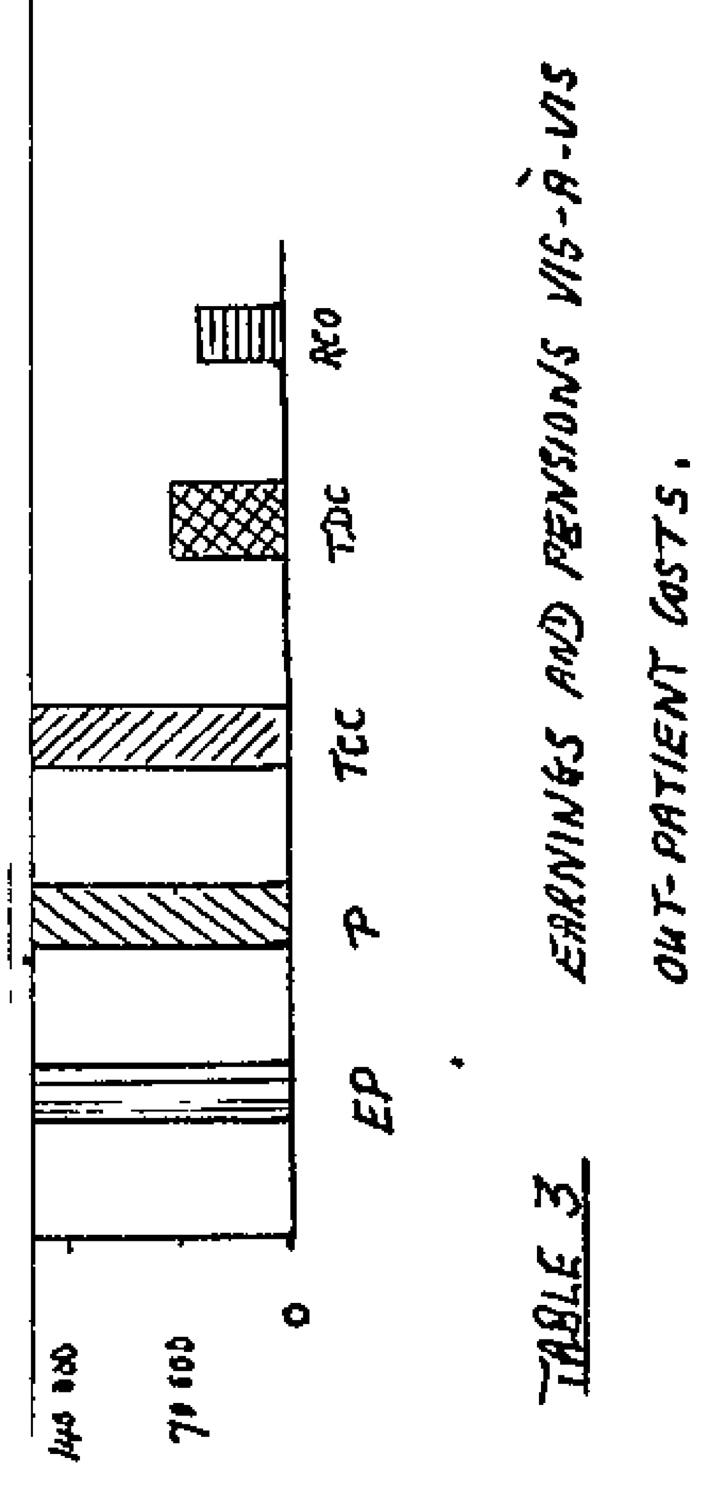


TABLE 3 EARNINGS AND PENSIONS VIS-À-VIS OUT-PATIENT COSTS.

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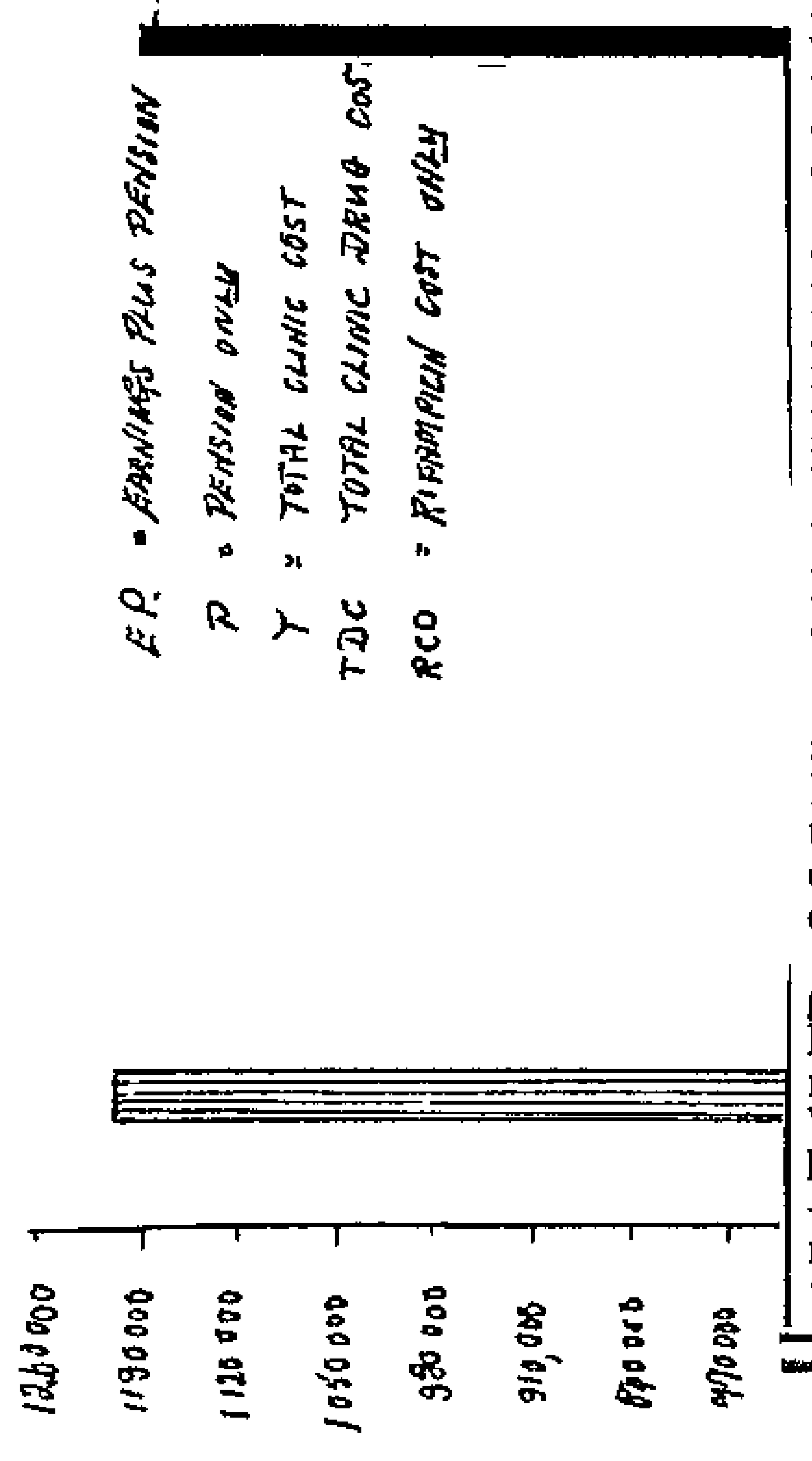

THOUSANDS OF RANDS.

BUSINESS

Three main factors in gold mines' profit rise

STAR 27/7/81. (214)

By David Bamber

The narrowing rand-dollar parity, increased milling rates and well-contained costs assisted the gold-mining industry to lift taxed profits 13 percent from R629,2-million to R711,4-million in the June quarter.

The exchange rate fell from its March quarter level of about 1,31 dollars to the rand, to 1,19 dollars

The effect was that producers received the same and, in many cases, more for their gold in rands a kilogram than they did in the previous quarter, despite the drop in the gold price from 518 dollars to 478 dollars an ounce.

Total milling rates were increased by 2,2 percent from 22,7-million tons to 23,2-million. The major contributor to this increase was Anglo American Corporation which raised milling rate a commendable 4,7 percent to 8,2-million tons At the other end of the scale, Anglovaal had to be content with a 1,4 percent fall to 1,4-million tons.

FIRMED

The industry's average gold-recovery grade was marginally down at 6,6 g/t (6,7 g/t) but because of the higher mill throughput, gold production firmed by 1 percent to 152 825 kg.

JUNE GOLD QUARTERLY RESULTS SUMMARY

Mining House	Tons Milled 000's	Change	Yield G/T	Change	Costs R/T	Change	Net Profit RM	Change
Gencor	4 267	+0,3%	6,07	+1,2%	34 40	+3 1%	101 5	+12,1%
GFSA	3 458	—0 3%	10 00	—0 1%	42,11	+4,6%	165 0	+ 4 4%
JCI	2 105	+0,3%	4,80	Nil	38,95	+0,6%	50,3	+16,4%
Rand Mines	3 685	+1,7%	4,80	Nil	40,38	+2 8%	61,3	+ 2,3%
Anglovaal	1 398	—1,4%	7,10	Nil	44,68	+3,1%	35,6	+ 4,1%
AAC	8 236	+4,7%	7,50	—1,3%	38,21	+0,9%	292,7	+18,9%

The only group to lift average grade during the quarter was General Mining Union Corporation — by 1,2 percent to 6,07 g/t

Average working costs rose a slight 2,3 percent from R38 a ton milled to R38,89 Again it was the efficiency of Anglo in containing increases to 0,9 percent which was largely responsible for this achievement

The star performer, however, as far as working costs are concerned, is Johannesburg Consolidated Investments The mines in this group excelled in keeping increases to a meagre 0,6 percent

Gold Fields of South Africa and Gencor did not fare as well, allowing costs to rise 4,6 percent and 3,1 percent respectively

With higher capital expenditure, taxation and the State's share, profits were sharply lower. JCI's tax burden was more than halved from R11,8-million to R5,8-million Rand Mines bill fell from R45,2-million to R33,8-million.

The State will collect in all R539-million from the industry — R82-million less than in the previous quarter This means that in the first six months of this year, the Government will have collected about R1 160-million compared with nearly R2 000-million in the same period a year ago

All in all it was a most satisfactory quarter for the mining houses, but what about the future?

The current quarter sees increases for black mineworkers in addition to the wage increases granted to union members and officials during the past three months These are bound to have a great effect on working costs so it is most unlikely that they will be contained to a 2,3 percent rise this quarter.

Futhermore, the second quarter traditionally brings an increase in milling rate over the first quarter It is therefore doubtful whether a similar rise in mill throughput can be achieved during the current quarter.

Also, many economists believe that the falling of the rand against the dollar is near an end and that there may even be a strengthening of the currency

IMPORTANT

Lastly, but most important, is the question of the gold price At its current level of about 410 dollars there is just no way that the weaker rand can cushion a massive 68-dollar further fall in the price

Considering these factors, the outlook for the current quarter can only be described as gloomy—unless, of course, the gold price reverses its latest trend and moves to the 500-dollar level soon.

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Rehabilitation Programme in the
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Life of the Bantu in the Eastern
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Co-operative Dairy schemes.

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Barberton resuming its buzz

Star 22/7/81

274

Leader Reef Gold Mining, which has about 4 500 claims around Barberton, has begun producing at one of its mines and a listing on the JSE is being planned.

The company has the Bonny Dundee mine in operation and in its first full year of production it is expected to mill 36 000 tons of ore The mine will shortly convert to a 24 hour-a-day milling operation. Recoveries average slightly more than 4 g a ton

The Bonny Dundee was closed in the 1950s and at that stage was operated at three levels, all accessible by adits about 30 m apart Mining was conducted on the western sector of the mine and planning now calls for the sinking of two winzes to about 250 m below surface to follow the reef dip which follows an angle of about 70 degrees

At a later stage a sub-vertical shaft will be sunk to a depth of about 1 000 m to exploit the same reef, which is expected to yield higher values as the shaft deepens.

FROM SCRATCH

While this has yet to be proven, this sort of occurrence is well known, particularly among the well-established mines that make up ET Cons. Diamond-core drilling is expected to add to results already obtained by Rand Mines' core drilling, done in the early 1970s and assaying at about 8,5 g.

To date only the western portion of the mine has been worked and stoping is following development done by its immediate past owners The eastern sector which is expected to yield an average grade of 6,2 g a ton over a stoping width of 90 cm, will be developed from scratch

Sampling has covered a length of 600 m on strike and an adit is being developed towards the three discernible reefs. Drives will be developed east and westwards The western sector is extremely contorted but the eastern sector is not.

A technical report prepared by the mine's consulting engineer, Mr Ken Coetsee, retired general manager of ET Cons, said that working costs a ton in the mine's first year of production have been conservatively estimated at R31 a ton milled. The yield is expected at 4,27 g a ton thereby yielding profits before tax and capex deductions of R578 570.

This calculation is based on a price of gold of R11 a gram — roughly equivalent to 390 dollars an ounce based on existing rates.

Based on this 34 000 ton-a-year milling rate and on known or estimated reserves, this mine has an estimated life of 70 years. However, doubling of the milling rate is being considered. This would bring the rate to more than 85 000 tons a year and also cut back on unit costs

The plant consists of a crusher, a granulator, two 40-ton storage bins, a 5 ton-an-hour ball mill, four spiral separators and a "James" type shaking table which yields a gold-pyrite concentrate

The plant will not have to be expanded to double throughout except in milling where an additional 5 ton an-hour ballmill will be required

To date (interim statements at the end of April) R623 000 has been spent on all aspects of the company's mining activities.

The next stage in Leader Reef's development is in the milling of the old Worcester mine-tailings dump where assays reveal an in-situ grade of 1,8 g a ton The company has a half stake in the dump-treatment scheme which is expected to soon be fully operational

The dump contains 180 000 tons of material, enough to last two years, and estimated recovery has purposely been conservatively estimated at 56 percent (although tests have shown a 74 percent recovery)

The Worcester Mine is flooded throughout its eight levels and although it was offered to the company it was turned down because dewatering costs might prove prohibitive.

The next mine being looked at is the New Independent Propect which has been developed at two levels, both in good condition At the upper level there is a rock dump which has an average value of 4g a ton, but the size of the dump has not been accurately determined

60

for non-participation that such things benefit a small clique only. This is apparently a general phenomenen. "Once a confidential relationship with the villagers had been established, they revealed their strong conviction that the sanitation project would not benefit them but would rather serve the local large landowner, . ."48

People obviously have good reason for such scepticism. At ... where a clinic project is underway, I found that ... they find that the benefits are steered towards the bigger and more powerful farmers This arises from both the political power and the size of holdings belonging to these larger farmers, thus a road to market is of greatest benefit to those who sell most to market."49

People concerned with various projects involving a new way of life and re-organisation of the productive forces, have often stressed that a psychological and emotional committment is a necessary ingredient for the success of the project.50

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...ke these, that ...fficiency and ...suring their ...ed society should ...testations.

People on "good terms" with Africans were often called in to facilitate the signing of concessions ...

... common since the Trust ... Various people said that since they were only given ten pounds45 to move their houses, they had to sell their oxen to be able to re-establish themselves in the new villages, and so have nothing to plough with.

9.2.2. Exploitation by local people.

In just about all the "community projects" I had experience of, the mass of people were very sceptical about whom the project would actually benefit. They often gave as a reason

, Thursday, July 30. 1981

The ABC of State aid to gold mines

EDM 30/7/81 (214)

AS THE gold price again tests $400, the question of State aid becomes vital to those gold producers qualifying for it, and applications flow regularly to the Government Mining Engineer (GME)

By JOHN MULCAHY
Mining Editor

Nine gold or gold/uranium producers qualify for State aid now — Durban Roodepoort Deep, ET Cons, ERPM, Leslie, Loraine, Stilfontein, Venterspost, West Rand Cons and Wit Nigel

West Rand Cons, Loraine and Wit Nigel are receiving assistance, ERPM and Durban Deep applied for aid in the first and second quarters of this year

The GME approved R25-million of ERPM's total capital expenditure for the full year to rate for assistance, and as expenditure for the first six months was R22-million, no assistance was paid for the period to June

Mines classified as State assisted are required to submit their estimates of capital expenditure for each financial year before the beginning of the year, and the GME then studies the programme, and decides what items are acceptable

These are usually related to expenditure essential to a mine's continued operation, and the capital expenditure allowed is treated as a running cost to the mine for the period concerned

The portion of capital expenditure allowed to ERPM did not result in the mine's operating at a loss for the six months to June, and for this reason State assistance was not granted

In stablemate Durban Deep's case the capital expenditure programme for the year was submitted to the GME, but he has not yet announced his decision

The idea of State assistance was mooted 20 years ago, and in 1963 the Government instituted the initial form of assistance, which was an allotment to the Central Rand and East Rand group of mines of not more than R1-million a year to meet the cost of pumping out water threatening them from the neighbouring closed mines

This aid continues, and up to the end of last year R38-million had been paid out in pumping assistance

The aid was welcomed by the industry, but it fell far short of requirements, and in 1964, the Minister of Finance announced that a system of loans to mines was to be introduced to cover a proportion of working losses

Once again the aid was greeted with enthusiasm, but there was widespread opinion that it was too little, too late, and with costs rising and gold at a fixed price, low-grade mines continued to close

In 1966 the gold-mining industry submitted a memorandum entitled, "The role of the gold mining industry in the future of South Africa", and which included suggestions for increased State assistance

The scheme formed the basis of the Gold Mines Assistance Act which was passed in 1968

The Act's purpose was to provide financial assistance for certain gold mines; to provide that in certain gold leases, any losses would not be set off against the profits of any succeeding year or period

Important features of the Act are

- Any company mining gold or uranium may apply to the Minister of Mineral and Energy Affairs for classification as an assisted gold mine
- The Minister, in consultation with the Minister of Finance and having regard to any recommendations made by the Mining Leases Board, may classify such mine as an assisted mine if he is satisfied, firstly, that it is likely such a mine would, unless assisted, cease underground mining operations within eight years after the date of application, and, secondly, that if the mine is classified as an assisted gold mine and certain conditions are observed, its life will be appreciably prolonged and there will be a significant increase in the production of gold or uranium
- The Minister may appoint the Government Mining Engineer and other Government officials to inspect the underground and surface works and the plans, books, records, accounts and documents of any assisted gold mine, and to report to him whether the mine's working is satisfactory
- In the event that quantities and grades of ore are found to be inadequate to warrant State aid, the GME may end the mine's classification
- The nature of the assistance takes the form of either tax relief in the case of a mine which pays tax, or direct financial assistance in the case of a mine which does not pay tax either because it has been worked at a loss or because the margin of profit is not sufficiently high to attract liability under the prescribed formula
- Assisted gold mines liable for tax are taxed at a rate determined by either the standard formula, or the small mines formula, if the taxable income is less than R140 000, or the newly prescribed "68" formula, whichever is the more advantageous to the mine (In the June quarter Venterspost used the new formula, which substantially reduced its tax bill)

There is no tax payable under the 68 formula when the ratio of taxable income from mining to gross revenue from mining, expressed as a percentage, is 8,838%

Usually, an assisted gold mine, which is not liable for normal income tax under the 68 formula, becomes entitled to direct financial assistance under the Act

The amount of the assistance is calculated as 6,01% of gross mining income less 68% of mining profit, or 6,01% of gross mining income plus 68% of mining loss

Had it not been for the Assistance Act, several mines still operating might have ceased underground operations, with serious consequences for foreign exchange earnings, and for social stability

It has been found that where assistance has been given in lean times, the Government has received a staggering return on its investment in the form of later taxation

There is still strong opinion, however, that if the State assistance scheme had been instituted earlier, many mines might still have been alive today because of the increased gold price

There is always wisdom in hindsight, and in the early 1960s there was little if any indication that the gold price would be allowed to find its own level on a free market At a price of $35 an ounce the argument in favour of State assistance did not have strong foundations.

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GOLD QUARTERLIES (214)

Looking forward

FM 31/7/81

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While SA's gold mine managers rarely ick their necks out on gold's prospects — ntenting themselves usually with gener-ly optimistic longer-term views — it has come clear that there is little optimism er near-term price trends Marievale s already spelled out its view by contracting to sell forward part of its output for the next two years And it is likely that other marginal mines — Loraine is a particularly strong contender — will follow suit

Negotiations between the Chamber of Mines and the Reserve Bank, which has the sole right to market the country's gold, have been going on for well over a year on means of protecting, particularly, low-grade mines from gold price fluctuations The method being taken is for mines to hedge part of their production on futures markets They will not be allowed to deliver physical gold themselves, if necessary as forward sales contracts mature But foreign exchange permission has been granted if it is necessary to cover margin positions on forward sales contracts And if at each contract's maturity, delivery of physical gold takes place, forex arrangements have been made for its purchase on gold markets

Better planning

Risk reduction through forward sales makes a lot of sense for marginal mines with relatively limited flexibility for shifting stope faces in response to gold price moves And that can be particularly important for mines which are nearing the ends of their lives, which do not for one reason or another qualify for State assistance and which might be forced into premature closure as a result of temporary gold price drops For mines such as these, the importance of being able to plan production schedules on certain future gold prices far outweighs the demerits of possibly lower potential income if gold should again decide to head into the stratosphere

For the larger producers with substantial ore reserves and higher degrees of grade flexibility, hedging is almost certainly unnecessary

Marievale: Management has sensibly enough decided that discretion is the better part of valour About 10% — 10 kg — of the mine's monthly production has been sold forward at prices ranging between $490 this month and $625 in June 1983 The mine is thinking in terms of selling forward anything up to 40%-odd of its output, but a decision on that will presumably await some recovery in the gold price

The advantage is that the mine does not have to worry about maintaining operations in areas which could shift quickly from the profitable to the sub-marginal At this stage of the mine's life, with remaining underground reserves widely scattered and in relatively small blocks, that is an important consideration A continuation of profitable operations is necessary to give time to evaluate prospective new mining areas on the old Vogelstruisbult mine and in the No 3 shaft area And their exploitation will be crucial as surface dumps now being treated are exhausted and production again has to rely on ore from underground

West Rand Cons Management's earlier hopes for the uranium market have disappeared and the mine is to end uranium production as soon as possible There is nothing new in that Production emphasis has been moved back and forth between the uranium and gold sections several times with shifting market developments in the two metals

However, if the mine is to become profitable without State assistance a significant increase in gold recovery grades will be called for This year's average 2 g/t recovery would result in a revenue of about R23/t milled at current gold prices while unit costs on the total throughput of the gold and uranium plants are over R30/t The uranium section's plant can be used for treating ore from the gold section's workings, but mill throughput will need to be maintained if unit costs are not to shoot ahead Judging by recent gold section sampling results it should be possible to increase recovery grades to something more than 3 g/t, though that could involve selective mining The mine qualifies for State assistance so operations could remain in the black But it is unlikely that uranium production will resume before 1985 at the earliest

Grootvlei: There appear to be no fears that the mine will be unable to fund its R24m capital programme to increase mill throughput to 165 000 t/month The 69c interim dividend and first-half capital expenditure absorbed more than first-half earnings But capital expenditure could soon be a major constraint on distributions unless the expansion programme is deferred

Stilfontein: Dividends have started to flow from the 85%-owned Chemwes uranium plant, but for the moment enthusiasm over that should be tempered with caution Uranium contracts are relatively new, but that does not necessarily mean that revenues will be unaffected by the uranium market's present weakness

Tribute payments for ore mined in ground adjoining the mine are becoming an increasingly important factor in the profit mix And they should increase proportionately as exploitation of the Lucas Block builds up In the meantime, the area beyond the Kromdraai fault still does not appear to be all that attractive VCR sampling results have yet to disclose decent gold or uranium grades, though the evaluation of the area has still to be completed The interim dividend of 130c does not seem to have erred on the side of caution even though capital expenditure is at a relatively low rate First-half distributable earnings were 144,3c

It may be difficult to increase gold recovery significantly above the June quarter's 7,7 g/t And at current gold prices it is hard to foresee a final dividend which even matches the interim

P.T.O.

Buffelsfontein Based on a virtually unchanged gold price, end-June ore reserve grades are slightly higher than they were a year ago. While the gold price remains at present levels it should be possible to maintain the overall recovery grade at the June quarter's 8,4 g/t. But that will, on its own, be insufficient to prevent an earnings squeeze this quarter as the full impact of the latest wage increases is felt.

After some apparent caution on earnings prospects at the half-way stage, available earnings were distributed almost fully in the year to end-June. Nonetheless capital expenditure will remain at a relatively heavy rate while the Strathmore shaft system is being developed. And some catch-up capital spending may be necessary as last year's total was R6,3m less than the earlier estimate of R46m.

For the time being uranium profits should remain reasonable as the mine has sales contracts until 1985. Even so, while the uranium market remains depressed, consumers could insist on lower uranium prices.

Winkelhaak Unless gold stages a spectacular advance there is little chance that the final dividend will match the 220c interim. The first nine months have resulted in retained earnings of 106,1c a share while third-quarter distributable earnings were less than 100c. In the June quarter unit costs rose by a brisk 5,9%, and the rate will almost certainly be faster during the fourth quarter to end-September. That is unlikely to be offset by a higher gold recovery grade.

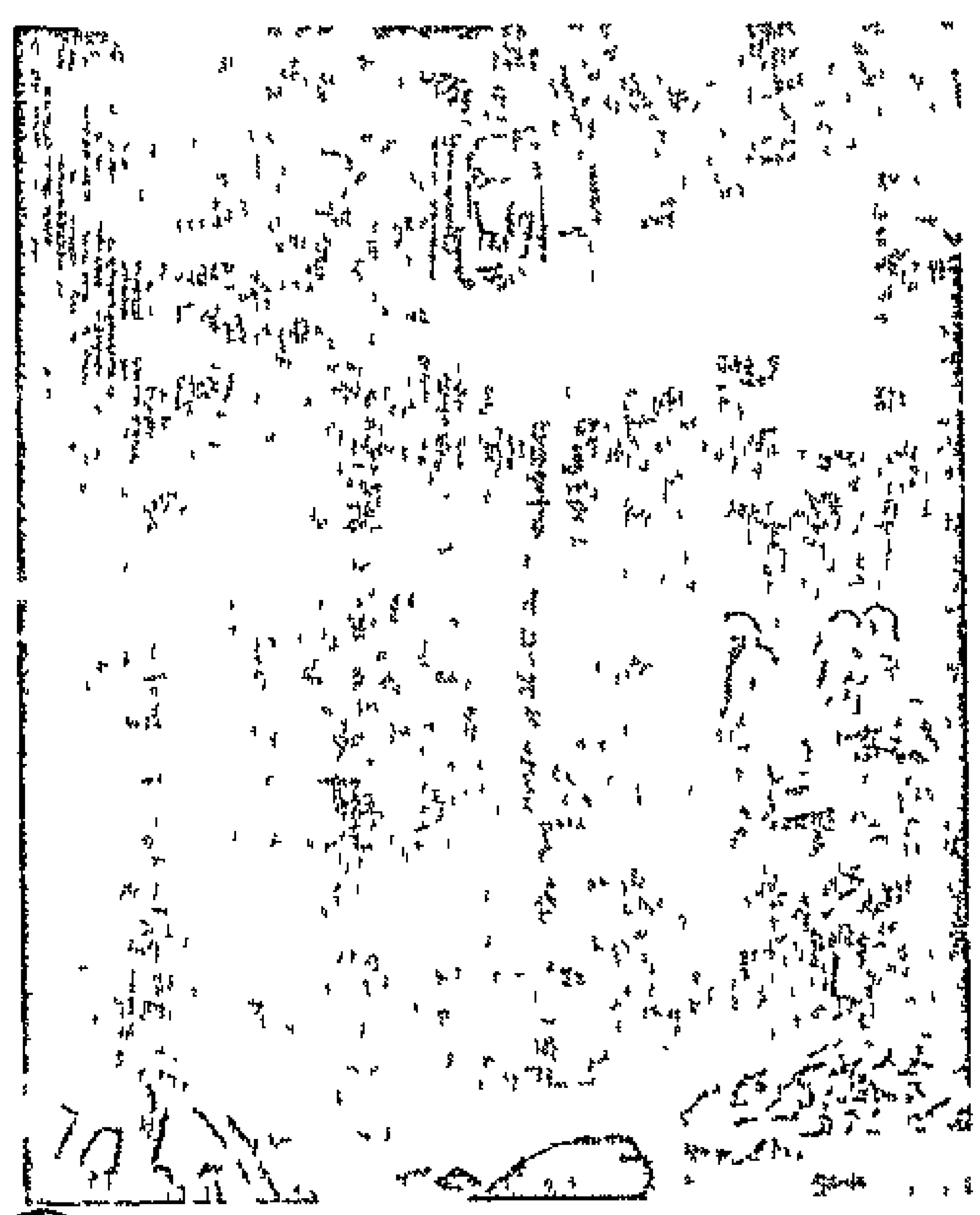
Kinross As with neighbour Winkelhaak the final dividend is likely to be a lot less than the interim. Retentions during the nine months to end-June were 42,2c and an interim dividend of 80c was paid. The R45m expansion capital expenditure programme has yet to get into full swing and once that happens, distributable earnings could be under some short-term pressure. The mine has its longer-term attractions as mill capacity is to be increased to 165 000 t/month. But in the nearer term it is not the most attractive share for investors seeking to avoid dividend falls.

Bracken Profits and life expectancy have become more problematical with gold's price decline. Though unit costs were well contained in the June quarter they should spurt in the current six months with little prospect of even partially compensatory recovery grade increases. The mine has retained 15c from earnings in nine months to end-June and there is almost no prospect that the final will match the 30c interim.

Leslie The mine is in the same boat as sister operation Bracken, though life prospects — given favourable gold price developments — are somewhat better. Retentions were 12,3c in the first three quarters so there is no chance that the final will be as high as the 29c interim. It may just be possible to increase gold recovery grades but any improvement will be marginal and more than offset by prospective cost increases this quarter.

St Helena Solution of the problems of underground ore dilution seems to be taking longer than expected. Development of new ore passes is, however, nearing completion and this should help the mine to improve recovery grade. With gold at current levels the mine probably has a near-term gold recovery target of something more than 7,5 g/t.

Mining problems continue to keep mill throughput at less than full capacity and



Elands: full potential from sub-shaft

214

FM 31/7/81

this has led to some hefty unit cost advances in the past two quarters. In the June quarter costs rose by 5,1% to R3,92/t. Expansion capex of R30m earmarked to provide additional milling capacity and a flotation system should not be too great a drag on the mine's distributable earnings, though they will be affected by higher costs and lower gold prices this quarter. The way things are going it may be over-optimistic to expect a final of much more than 200c compared with the interim of 330c.

Unisel Steadily increasing mill throughput has again resulted in lower unit costs. In the June quarter they fell by 1,5% to R33,80/t. And once the St Helena mill has been expanded to handle a monthly 110 000 t of ore from Unisel, cost control will be even better. Leader reef sampling has yet to reveal sufficiently attractive grades for management to take a decision on the reef's early exploitation. It could be possible to repeat the 40c interim at the end of the financial year.

Vaal Reefs Construction delays at the Afrikander Lease uranium plant have led to the decision to cease mining this quarter as sufficient ore will be stockpiled for the plant's initial needs. That, however, has been interpreted by some brokers to be the thin end of the wedge. They do not believe that mining will resume for several years until the uranium market improves. Afrikander Lease's plant will not necessarily stand idle — rock can be transported economically from Vaal Reefs itself for treatment. This will come from the VCR at Nos 6 and 7 shafts at a rate of 60 000 t/month.

Vaal Reefs' own production target has been increased to 8,4 Mt this year at an average grade of 8,4 g/t compared with an earlier estimate of 8 Mt at the same grade. Capex estimates have been increased at all of the mine's sections and should now total R135m against an earlier estimate of R110m. A total dividend of 800c seems to be just within reach if gold can maintain its current level.

Western Deep In general terms, mines such as Western Deep which rely for a large part of their output on longwall stopes have relatively inflexible recovery grades. The mining method means that ore has to be extracted as it is exposed at the stope face and there is little or no scope for quickly exploiting lower-grade ore when the gold price advances. Thus when gold was on a rising trend Western Deep's profits were bolstered by an invariable recovery grade.

The mine has now hit the problem of Carbon Leader workings at No 3 shaft entering a zone of low-grade ore. This year's average recovery grade target has been cut to 12,5 g/t from 13,5 g/t. The lower grade is likely to prevail for some time. The area is being examined by geologists to determine longer-term implications for the mine, but if the low-grade area is extensive, no early grade improvement is likely.

A 200c interim-dividend has been declared from first-half distributable earnings of 205,6c. It is unlikely that the final will equal this, particularly as the expansion capital programme is in full swing.

Elandsrand The mine seems to be pulling its finger out to some extent by increasing June-quarter recovery grade to 4,6 g/t. This level should be sustained or improved upon during the next couple of quarters, but the mine's full potential will only be reached when the sub-vertical shaft provides access to deep higher-grade ore. Though the mine is operating at a profit, there should be a reduction this quarter. With the R120m rights issue under its belt, the mine should have no difficulty funding its capital expenditure programme. But until the gold price recovers and/or higher recovery grades are recorded management could take a cautious line on when the maiden dividend will be declared.

Ergo The incidence of tax should be deferred until next year if an early start is made on the R55m Simmer & Jack project (*Fox*, June 19). But as that spending lowers distributable profits and gold recovery steadies at its new lower level, it is unlikely that the interim to be declared,

(2/4)

FM 31/7/81

GOLD QUARTERLIES

	Gold: Cost R/kg	Cost $/oz*§		Revenue R/kg	Revenue $/oz§	Milled *000 t		Recovery g/t*		Uranium: Milled* 000 t		Recovery* kg/t		Profit: Gold R'000	Uranium & other R'000	EPS after capex & loan levy c
ANGLO AMERICAN																
Elandsrand	10 018	370	(454)	13 108	484	311	(266)	4,6	(4,1)					4 266	63	(2,5)
Ergo				13 060	484	5 033	(4 823)	0,3	(0,4)	5 033	(4 823)	0,16	(0,15)	20 390		46,5
Free State Geduld	5 051	187	(192)	13 056	484	731	(706)	9,4	(9,7)	‡644	(634)	0,09	(0 09)	55 073	4 274	145,0
Free State Saai	11 894	442	(489)	13 087	486	543	(515)	2 6	(2,4)	‡694	(700)	0,14	(0,15)	1 607	(115)	(22,8)
President Brand	4 787	177	(182)	13 078	484	841	(822)	8,3	(8,5)	‡514	(505)	0,16	(0,17)	58 153	5 887	147,9
President Steyn	6 226	231	(249)	13 105	487	1 008	(912)	6,0	(6,5)	‡2 904	(2 794)	0,08	(0,09)	41 842	7 439	130,4
Vaal Reefs	4 332	160	(180)	13 077	484	2 198	(2 100)	8,8	(8,5)	2 170	(2 209)	0,19	(0,20)	168 210	(12 893)	305,9
Welkom	7 275	269	(265)	13 070	483	586	(617)	4,8	(4,9)	‡370	(359)	0,19	(0,20)	16 469	2 440	56,9
Western Deep	4 473	167	(176)	13 081	488	798	(728)	12,1	(13,1)	605	(530)	0,10	(0,09)	83 496	2 593	98 5
Western Holdings	4 284	159	(161)	13 062	484	854	(846)	7,8	(8,0)	‡1 121	(1 128)	0 08	(0,08)	58 337	5 155	285,1
ANGLOVAAL																
ET Cons	5 062	175	(207)	12 915	446	76	(76)	7,5	(7,3)					4 494	(165)	35,1
Hartebeestfontein	5 117	177	(197)	13 297	459	749	(746)	10,1	(10,5)	796	(880)	0,15	(0,16)	61 800	4 236**	197,5
Loraine	12 341	426	(550)	13 035	450	419	(396)	3,8	(3,3)					1 119	5 497**	17,5†
GENCOR																
Bracken	7 688	286	(291)	12 974	483	240	(240)	3,6	(3,6)					4 620	353	14,6
Buffelsfontein	5 805	215	(245)	13 042	482	850	(839)	8,4	(7,9)	795	(779)	0,21	(0,20)	51 669	710	135,3
Grootvlei	6 699	249	(267)	13 041	484	435	(440)	3,8	(3,6)					10 511	(60)	36,0
Kinross	5 250	195	(198)	12 982	482	410	(400)	5,8	(5,8)					18 450	285	38,6
Leslie	8 493	318	(313)	12 974	485	315	(315)	3,2	(3,2)					4 533	173	13,5
Marievale	8 823	326	(354)	12 447	460	240	(240)	1,3	(1,3)					1 202	18	11,9
St Helena	4 423	162	(161)	12 908	474	530	(530)	7,2	(7,3)					32 454	863	121,7
Stilfontein	6 962	259	(256)	13 141	488	462	(470)	7,7	(8,1)	885	(857)	0,19	(0,20)	22 030	414	77,2
Unisel	5 033	192	(205)	13 111	500	255	(246)	6,7	(6,5)					13 834	(359)	(0,4)
WR Cons	24 192	897	(884)	13 141	487	549	(545)	1,3	(1,3)	267	(273)	0,30	(0,31)	(7 748)	8 900	12,8†
Winkelhaak	3 891	145	(140)	12 988	485	530	(535)	6,5	(6,6)					31 470	1 330	99,4
GFSA																
Deelkraal	10 654	368	(413)	13 126	453	298	(287)	4,3	(4,2)					3 188	502	2,3
Doornfontein	5 482	189	(209)	12 921	446	360	(360)	8,4	(8,4)					22 558	2 440	68,3
East Drie	2 978	103	(109)	12 801	442	675	(675)	13,5	(14,0)					89 646	5 405	61,7
Kloof	3 483	120	(127)	13 117	453	505	(525)	14,5	(14,6)					70 731	5 180	88,3
Libanon	6 224	215	(241)	12 933	447	420	(420)	6,0	(5,9)					16 950	2 032	81,4
Venterspost	10 609	363	(399)	12 984	448	345	(345)	4,0	(4,0)					3 497	972	59,2
Vlakfontein	9 831	339	(240)	13 104	452	180	(180)	1,1	(1,1)					662	189	7,2
West Drie	3 120	108	(118)	12 959	447	675	(675)	14,5	(14,5)	313	(320)	0,19	(0,19)	96 585	14 955	286,6
JCI																
Randfontein	6 764	252	(272)	13 030	486	1 030	(1 014)	5,4	(5,4)	838	(873)	0,18	(0,19)	34 851	5 840	133 8
Western Areas	9 824	367	(389)	12 852	480	1 075	(1 085)	4,2	(4 3)					13 671	1 760	2,9
RAND MINES																
Blyvoor	5 607	208	(217)	12 960	480	536	(518)	8,7	(8,6)	521	(480)	0,16	(0,17)	34 442	(443)	50,3
Durban Deep	10 541	391	(438)	12 878	478	543	(540)	3,6	(3,3)					4 561	399	4,6
ERPM	10 969	407	(420)	13 084	485	658	(674)	4,5	(4,5)					6 308	3 139	(48,7)
Harmony				13 087	486	1 948	(1 890)	4,1	(4,3)		(1 766)		0,08	44 153		65,3
INDEPENDENT																
South Rood																
Wit Nigel	11 860	409	(538)	13 063	451	74	(75)	3,9	(3,6)					240	56	7,7†

*Figures in parentheses refer to previous quarter
† Includes Stake Assistance
§Calculated at R1 = $1 11 when dollar figure not given by mine
‡ Deliveries to Joint Metallurgical Scheme
**Includes loan receipts and repayments

this quarter will be much more than 70c The first quarter to end-June resulted in distributable earnings of 46 5c a share

Free State Geduld Capital expenditure is most unlikely to reach the R110m planned for the year to end-September The March quarter's recovery grade improvement was short-lived and yields have resumed their downward trend, probably as greater tonnages were drawn from the northern section of the mine The first nine months have resulted in retentions of 174,8c a share and the final dividend looks like being lower than the 365c interim

President Brand: Grade has slipped again leaving the average for the first nine months below management's original 8,4 g/t target Higher mill throughput helped the mine keep the June quarter's unit cost advance within reasonable limits, but in the current quarter costs will be affected by higher wages The mine might just squeak home with a final as high as the 295c interim, but the chances are slim

President Steyn: Recovery grade has fallen drastically below the year's planned 6 5 g/t which was achieved in the December and March quarters Whether this presages a permanent decline remains to be seen as the mine should have had no trouble sustaining 6,5 g/t for a few more years Taking a line, however, through the 6,6% unit cost drop to R37,36/t it seems that management may have decided to maintain mill throughput during the labour disturbances by treating readily-available but low-grade ore from surface stocks

The first nine months have resulted in retentions of 148,6c a share meaning that it is unlikely that the final dividend will be as high as the 270c interim

Western Holdings· Since the start of the current quarter the mine has been merged with Welkom and Free State Saai Only the latter mine managed to increase recovery grade last quarter while unit costs at all three barrelled ahead at on above-average rate The merger, if it results in an early rationalisation of production, could result in reasonable cost control over the next couple of quarters But this quarter's costs will be under the whip of higher wages

Wit Nigel The mine will need every penny of State assistance it can get this quarter to fund the R1m capex needed to bring the new No 10 shaft to the stage at which sinking can be resumed A decision on whether sinking will be resumed is to be taken early in 1982

Apart from normal inflationary cost increases, working costs will be boosted by a planned increase in development to 7 000m It should be possible to increase recovery grades slightly from the June quarter's 3,9 g/t But until the gold price recovers and the capital expenditure programme is completed, that will be insufficient to generate sufficient funds for dividends

South Rood If technical management at the mine is as poor as the accounting department seems to be, the best advice to shareholders might be to ditch their shares at any price Reporting oscillates between provision of monthly figures followed by unnecessary delays in publication of the quarterly report At present the pendulum is swinging well into the negative reporting side

Jim Jones

GOLD QUARTERLIES (214)

Looking forward

FM 31/7/81

The longer gold hovers just above $400, the greater the chance that its next major move will be downwards That is a reasonable assumption if past market experiences are repeated And it is becoming increasingly likely that bullion is in for a further bout of weakness as US interest rates show no signs of an early decline and the dollar maintains its strength against other currencies

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The advantage is that the mine does not have to worry about maintaining operations in areas which could shift quickly from the profitable to the sub-marginal At this stage of the mine's life, with remaining underground reserves widely scattered and in relatively small blocks, that is an important consideration A continuation of profitable operations is necessary to give time to evaluate prospective new mining areas on the old Vogelstruisbult mine and in the No 3 shaft area And their exploitation will be crucial as surface dumps now being treated are exhausted and production again has to rely on ore from underground

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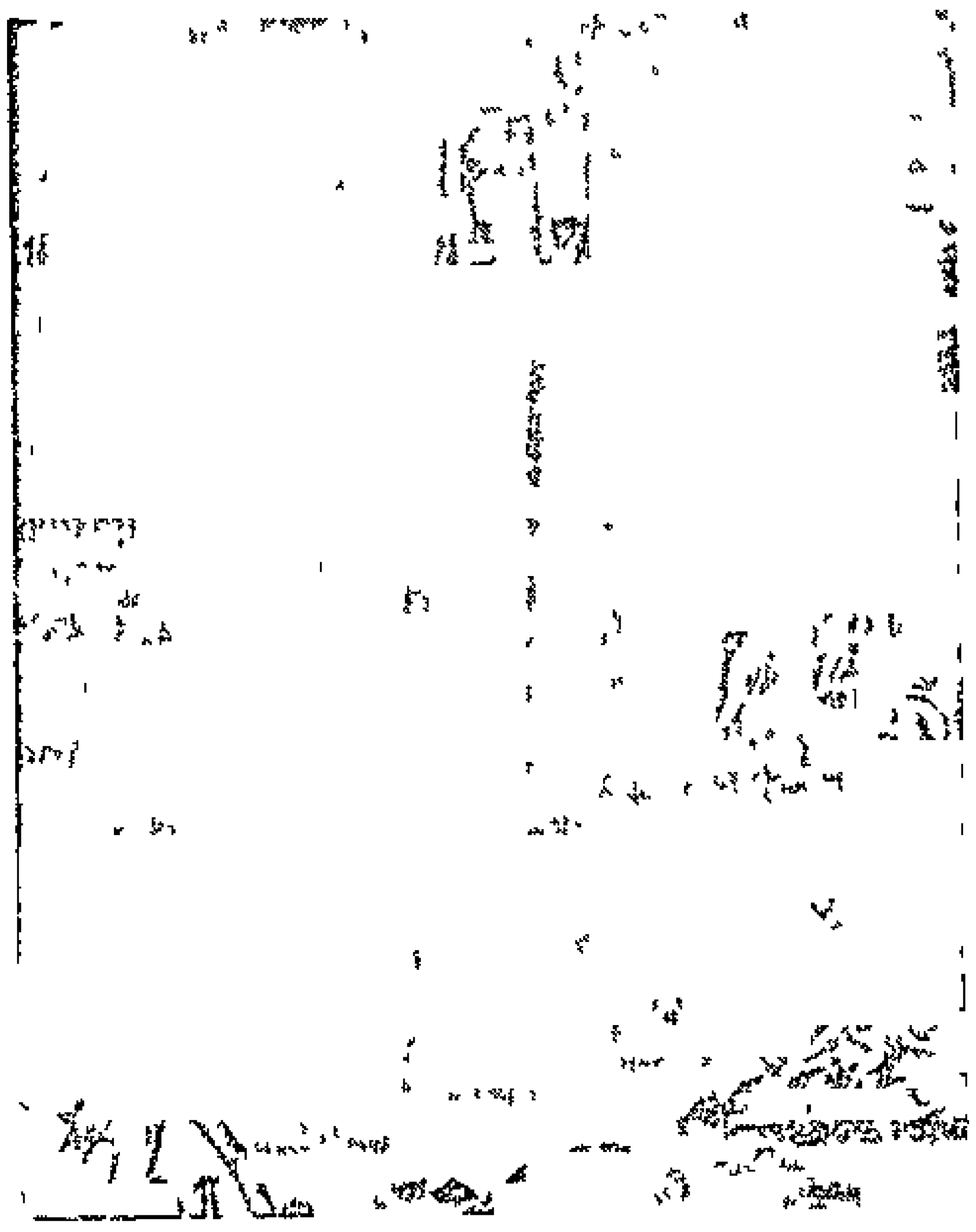
Mining problems continue to keep mill throughput at less than full capacity and



Elands . . . full potential from sub-shaft

this has led to some hefty unit cost advances in the past two quarters In the June quarter costs rose by 5,1% to R3 92/t Expansion capex of R30m earmarked to provide additional milling capacity and a flotation system should not be too great a drag on the mine's distributable earnings though they will be affected by higher costs and lower gold prices this quarter The way things are going it may be over-optimistic to expect a final of much more than 200c compared with the interim of 330c

Unisel Steadily increasing mill throughput has again resulted in lower unit costs In the June quarter they fell by 1 5% to R33,80/t And once the St Helena mill has been expanded to handle a monthly 110 000 t of ore from Unisel, cost control will be even better Leader reef sampling has yet to reveal sufficiently attractive grades for management to take a decision on the reef's early exploitation It could be possible to repeat the 40c interim at the end of the financial year

Vaal Reefs: Construction delays at the Afrikander Lease uranium plant have led to the decision to cease mining this quarter as sufficient ore will be stockpiled for the plant's initial needs That, however, has been interpreted by some brokers to be the thin end of the wedge They do not believe that mining will resume for several years until the uranium market improves Afrikander Lease's plant will not necessarily stand idle — rock can be transported economically from Vaal Reefs itself for treatment This will come from the VCR at Nos 6 and 7 shafts at a rate of 60 000 t/month

Vaal Reefs' own production target has been increased to 8,4 Mt this year at an average grade of 8 4 g/t compared with an earlier estimate of 8 Mt at the same grade Capex estimates have been increased at all of the mine's sections and should now total R135m against an earlier estimate of R110m A total dividend of 800c seems to be just within reach if gold can maintain its current level

Western Deep: In general terms, mines such as Western Deep which rely for a large part of their output on longwall stopes have relatively inflexible recovery grades The mining method means that ore has to be extracted as it is exposed at the stope face and there is little or no scope for quickly exploiting lower-grade ore when the gold price advances Thus, when gold was on a rising trend Western Deep's profits were bolstered by an invariable recovery grade

The mine has now hit the problem of Carbon Leader workings at No 3 shaft entering a zone of low-grade ore This year's average recovery grade target has been cut to 12,5 g/t from 13 5 g/t The lower grade is likely to prevail for some time The area is being examined by geologists to determine longer-term implications for the mine, but if the low-grade area is extensive, no early grade improvement is likely

A 200c interim-dividend has been declared from first-half distributable earnings of 205 6c It is unlikely that the final will equal this particularly as the expansion capital programme is in full swing

Elandsrand The mine seems to be pulling its finger out to some extent by increasing June-quarter recovery grade to 4,6 g/t This level should be sustained or improved upon during the next couple of quarters, but the mine's full potential will only be reached when the sub-vertical shaft provides access to deep higher-grade ore Though the mine is operating at a profit, there should be a reduction this quarter With the R120m rights issue under its belt the mine should have no difficulty funding its capital expenditure programme But until the gold price recovers and/or higher recovery grades are recorded management could take a cautious line on when the maiden dividend will be declared

Ergo The incidence of tax should be deferred until next year if an early start is made on the R55m Simmer & Jack project (*Fox*, June 19) But as that spending lowers distributable profits and gold recovery steadies at its new lower level, it is unlikely that the interim to be declared

Financial results	R'000	R'000	R'000	R'000
Operating profit	1 208	541	1 749	2 915
Profit after tax from non-mining subsidiaries	87	15	102	70
	1 295	556	1 851	2 985
Less Interest and sundries	380	299	679	401
Profit before taxation	915	257	1 172	2 584
Provision for taxation	36	36	72	479
Net profit after taxation	879	221	1 100	2 105
Capital expenditure	118	77	195	329
Prospecting expenditure	101	80	181	195

Financial results	R'000	R'000	R'000	R'000
Sales of fibre	4 133	2 651	6 784	9 692
Less Cost of sales	3 566	2 371	5 937	7 074
Operating profit	567	280	847	2 618
Less Royalties	46	75	121	163
	521	205	726	2 455
Less Interest and sundries	105	47	152	161
Profit before taxation	416	158	574	2 294
Provision for taxation	—	—	—	595
Net profit after taxation	416	158	574	1 699
Capital expenditure	[illegible]	[illegible]	[illegible]	393

untein, Based on a virtually unchanged gold price, end-June ore reserve grades are slightly higher than they were a year ago While the gold price remains at present levels it should be possible to maintain the overall recovery grade at the June quarter's 8 4 g/t But that will on its own, be insufficient to prevent an earnings squeeze this quarter as the full impact of the latest wage increases is felt

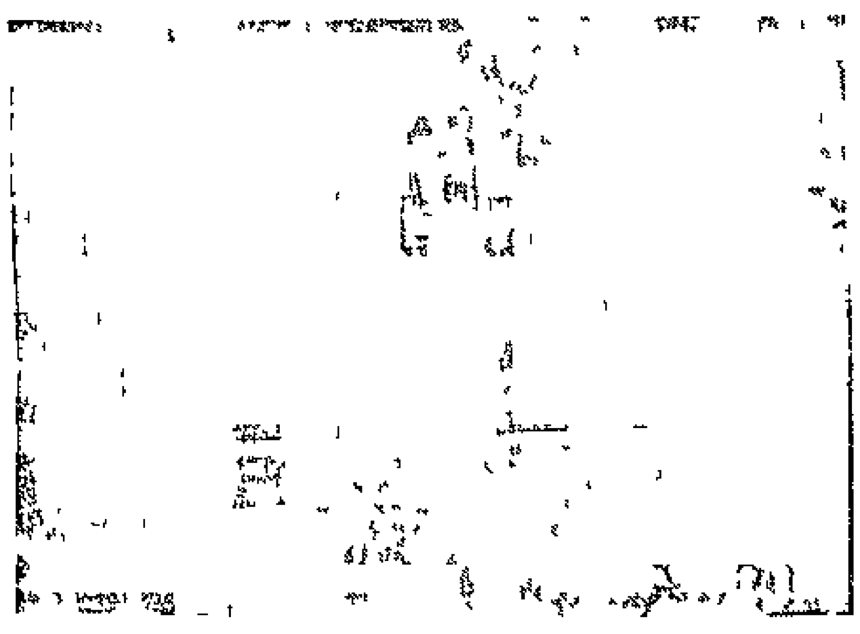
After some apparent caution on earnings prospects at the half-way stage available earnings were distributed almost fully in the year to end-June Nonetheless capital expenditure will remain at a relatively heavy rate while the Strathmore shaft system is being developed And some catch-up capital spending may be necessary as last year's total was R6,3m less than the earlier estimate of R46m

For the time being uranium profits should remain reasonable as the mine has sales contracts until 1985 Even so while the uranium market remains depressed consumers could insist on lower uranium prices

possible to increase gold recovery grades but any improvement will be marginal and more than offset by prospective cost increases this quarter

St Helena Solution of the problems of underground ore dilution seems to be taking longer than expected Development of new ore passes is, however nearing completion and this should help the mine to improve recovery grade With gold at current levels the mine probably has a near-term gold recovery target of something more than 7,5 g/t

Mining problems continue to keep mill throughput at less than full capacity and



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Western Deep. In general terms, mines such as Western Deep which rely for a large part of their output on longwall stopes have relatively inflexible recovery grades The mining method means that ore has to be extracted as it is exposed at the stope face and there is little or no scope for quickly exploiting lower-grade

GOLD QUARTERLIES

	Gold									Uranium				Profit		EPS after capex & loan levy
	Cost R/kg	Cost $/oz*§		Revenue R/kg	Revenue $/oz§	Milled *000 t		Recovery g/t*		Milled* 000 t		Recovery* kg/t		Gold R'000	Uranium & other R'000	c
ANGLO AMERICAN																
Elandsrand	10 018	370	(454)	13 108	484	311	(266)	4,6	(4,1)					4 266	63	(2,5)
Ergo				13 060	484	5 033	(4 823)	0,3	(0,4)	5 033	(4 823)	0,16	(0,15)	20 390		46,5
Free State Geduld	5 051	187	(192)	13 056	484	731	(706)	9,4	(9,7)	‡644	(634)	0,09	(0,09)	55 073	4 274	145,0
Free State Saai	11 894	442	(489)	13 087	486	543	(515)	2,6	(2,4)	‡694	(700)	0,14	(0,15)	1 607	(115)	(22,8)
President Brand	4 787	177	(182)	13 078	484	841	(822)	8,3	(8,5)	‡514	(505)	0,16	(0,17)	58 153	5 887	147,9
President Steyn	6 226	231	(249)	13 105	487	1 008	(912)	6,0	(6,5)	‡2 904	(2 794)	0 08	(0,09)	41 842	7 439	130,4
Vaal Reefs	4 332	160	(180)	13 077	484	2 198	(2 100)	8,8	(8,5)	2 170	(2 209)	0,19	(0,20)	168 210	(12 893)	305,9
Welkom	7 275	269	(265)	13 070	483	586	(617)	4,8	(4,9)	‡370	(359)	0,19	(0,20)	16 469	2 440	56,9
Western Deep	4 473	167	(176)	13 081	488	798	(728)	12,1	(13,1)	605	(530)	0,10	(0,09)	83 496	2 593	98,5
Western Holdings	4 284	159	(161)	13 062	484	854	(846)	7,8	(8,0)	‡1 121	(1 128)	0,08	(0,08)	58 337	5 155	285,1
ANGLOVAAL																
ET Cons	5 062	175	(207)	12 915	446	76	(76)	7,5	(7,3)					4 494	(165)	35,1
Hartebeestfontein	5 117	177	(197)	13 297	459	749	(746)	10,1	(10,5)	796	(880)	0,15	(0,16)	61 800	4 236**	197,5
Loraine	12 341	426	(550)	13 035	450	419	(396)	3,8	(3,3)					1 119	5 497**	17,5†
GENCOR																
Bracken	7 688	286	(291)	12 974	483	240	(240)	3,6	(3,6)					4 620	353	14,6
Buffelsfontein	5 805	215	(245)	13 042	482	850	(839)	8,4	(7,9)	795	(779)	0,21	(0,20)	51 669	710	135,3
Grootvlei	6 699	249	(267)	13 041	484	435	(440)	3,8	(3,6)					10 511	(60)	36,0
Kinross	5 250	195	(198)	12 982	482	410	(400)	5,8	(5,8)					18 450	285	38,6
Leslie	8 493	318	(313)	12 974	485	315	(315)	3,2	(3,2)					4 533	173	13,5
Marievale	8 823	326	(354)	12 447	460	240	(240)	1,3	(1,3)					1 202	18	11,9
St Helena	4 423	162	(161)	12 908	474	530	(530)	7,2	(7,3)					32 454	863	121,7
Stilfontein	6 962	259	(256)	13 141	488	462	(470)	7,7	(8,1)	885	(857)	0,19	(0,20)	22 030	414	77,2
Unisel	5 033	192	(205)	13 111	500	255	(246)	6,7	(6,5)					13 834	(359)	(0,4)
WR Cons	24 192	897	(884)	13 141	487	549	(545)	1,3	(1,3)	267	(273)	0,30	(0,31)	(7 748)	8 900	12,8†
Winkelhaak	3 891	145	(140)	12 988	485	530	(535)	6,5	(6,6)					31 470	1 330	99,4
GFSA																
Deelkraal	10 654	368	(413)	13 126	453	298	(287)	4,3	(4,2)					3 188	502	2,3
Doornfontein	5 482	189	(209)	12 921	446	360	(360)	8,4	(8,4)					22 558	2 440	88,3
East Drie	2 978	103	(109)	12 801	442	675	(675)	13,5	(14,0)					89 646	5 405	61,7
Kloof	3 483	120	(127)	13 117	453	505	(525)	14,5	(14,5)					70 731	5 180	88,3
Libanon	6 224	215	(241)	12 933	447	420	(420)	6,0	(5,9)					16 950	2 032	81,4
Venterspost	10 509	363	(399)	12 984	448	345	(345)	4,0	(4,0)					3 497	972	59,2
Vlakfontein	9 831	339	(240)	13 104	452	180	(180)	1,1	(1,1)					662	189	7,2
West Drie	3 120	108	(118)	12 959	447	675	(675)	14,5	(14,5)	313	(320)	0,19	(0,19)	96 585	14 955	286,6
JCI																
Randfontein	6 764	252	(272)	13 030	486	1 030	(1 014)	5,4	(5,4)	838	(873)	0,18	(0,19)	34 851	5 840	133,8
Western Areas	9 824	367	(389)	12 852	480	1 075	(1 085)	4,2	(4,3)					13 671	1 760	2,9
RAND MINES																
Blyvoor	5 607	208	(217)	12 960	480	536	(518)	8,7	(8,6)	521	(480)	0,16	(0,17)	34 442	(443)	50,3
Durban Deep	10 541	391	(438)	12 878	478	543	(540)	3,6	(3,3)					4 561	399	4,6
ERPM	10 969	407	(420)	13 084	485	658	(674)	4,5	(4,5)					6 308	3 139	(48,7)
Harmony				13 087	486	1 948	(1 890)	4,1	(4,3)		(1 756)		0,08	44 153		65,2
INDEPENDENT																
South Rood																
Wit Nigel	11 860	409	(538)	13 063	451	74	(75)	3,9	(3,6)					240	56	7,7†

*Figures in parentheses refer to previous quarter
† Includes State Assistance
§ Calculated at R1=$1 11 when dollar figure not given by mine
‡ Deliveries to Joint Metallurgical Scheme
** Includes loan receipts and repayments

this quarter will be much more than 70c The first quarter to end-June resulted in distributable earnings of 46.5c a share

Free State Geduld Capital expenditure is most unlikely to reach the R110m planned for the year to end-September The March quarter's recovery grade improvement was short-lived and yields have resumed their downward trend, probably as greater tonnages were drawn from the northern section of the mine The first nine months have resulted in retentions of 174.8c a share and the final dividend looks like being lower than the 3b5c interim

President Brand. Grade has slipped again leaving the average for the first nine months below management's original 8,4 g/t target Higher mill throughput helped the mine keep the June quarter's unit cost advance within reasonable limits, but in the current quarter costs will be affected by higher wages The mine might just squeak home with a final as high as the 295c interim, but the chances are slim

President Steyn: Recovery grade has fallen drastically below the year's planned 6 5 g/t which was achieved in the December and March quarters Whether this presages a permanent decline remains to be seen as the mine should have had no trouble sustaining 6,5 g/t for a few more years Taking a line, however, through the 6,6% unit cost drop to R37,36/t it seems that management may have decided to maintain mill throughput during the labour disturbances by treating readily-available but low-grade ore from surface stocks

The first nine months have resulted in retentions of 148,6c a share meaning that it is unlikely that the final dividend will be as high as the 270c interim

Western Holdings. Since the start of the current quarter the mine has been merged with Welkom and Free State Saai Only the latter mine managed to increase recovery grade last quarter while unit costs at all three barrelled ahead at on above-average rate The merger, if it results in an early rationalisation of production, could result in reasonable cost control over the next couple of quarters But this quarter's costs will be under the whip of higher wages

Wit Nigel: The mine will need every penny of State assistance it can get this quarter to fund the R1m capex needed to bring the new No 10 shaft to the stage at which sinking can be resumed A decision on whether sinking will be resumed is to be taken early in 1982

Apart from normal inflationary cost increases, working costs will be boosted by a planned increase in development to 7 000m It should be possible to increase recovery grades slightly from the June quarter's 3,9 g/t But until the gold price recovers and the capital expenditure programme is completed, that will be insufficient to generate sufficient funds for dividends

South Rood: If technical management at the mine is as poor as the accounting department seems to be, the best advice to shareholders might be to ditch their shares at any price Reporting oscillates between provision of monthly figures followed by unnecessary delays in publication of the quarterly report At present the pendulum is swinging well into the negative reporting side

Jim Jones

Safety milestone

3/8/81

RANDFONTEIN Estates gold mine this week reached a million fatality-free shifts for the eighth time

2174 ECON

The mine's first million was achieved in August 1954, and on August 28 last year the 7th million was reached

On May 9 last year Randfontein became a double safety millionaire, and treble millionaire on August 13, 1980, recording 3 016 945 fatality-free shifts, or 13 084 short of the mining industry's record which is held by West Rand Cons

The mine started its loss-control programme in 1977, and was awarded one star by the Chamber of Mines in November 1978

An improvement in the loss-control programme brought a promotion to four stars in January last year, and on October 15, 1980, Randfontein was awarded five stars, becoming the fourth mine in the world to achieve this distinction

Rich rake-off for Sate from aid to gold mines

12/8/81 (Rand) (B/k)

By JOHN MULCAHY

THE State has reaped significant tax income from its assistance scheme to gold mines. A prime example of the valuable investment the Government has made in gold mines is Stilfontein, which was granted assistance for the first time in 1971.

In that year the State provided R1 187 000, and assistance was also given to the mine in 1975, 1976 and 1977, totalling R11 383 000 by the end of last year

From 1971 to 1980, Stilfontein's tax and State's share of profits amounted to R163 427 000 On a straight arithmetical basis the State's return on its investment (aid) over the 10 years was 1 436%

While not as spectacular as Stilfontein, Rand Mines veteran producer East Rand Proprietary Mines has also justified the State's investment in its future

Total assistance received up to the end of 1980 was R48 965 000, and tax and State's share of profits totalled R53 640 000 by the end of last year

Possibly a greater benefit, but impossible to quantify, of the scheme to keep gold mines alive in difficult times is the socio-economic spin-off

Not only do gold mines employ thousands of workers, but there are numerous small satellite industries which survive only because of their proximity to the mines

Mr Dammy Watt, head of Rand Mines gold-uranium division, says five of the group's gold mines have received State aid These include City Deep, Crown Mines and CMR, all of which have ceased operations, as well as ERPM and Durban Deep

The Government Mining Engineer provisionally approved only R25-million of ERPM's capital expenditure to rate for assistance this year, and as a result no assistance for the two quarters was claimable

Mr Watt says the GME apparently looks at each item of capital expenditure and makes a decision on individual items on merit

In his critical appraisal of capital expenditure programmes the GME has generally allowed only items relating to the mine's continued operation

Improvements to accommodation and other surface embellishments are usually disallowed, as are costs of development into new areas and expansion of property

The GME also appears to take a view on the gold price, although the figure used every year is not published.

It would seem that based on his estimates of the gold price the GME reviews the mine's intended development, surface and underground, and decides whether the expenditure is justified in terms of the mine's operation

Although ERPM's total allowance for the year is R25-million, only R6 250 000 was spent in the first half, and the remaining R18 750 000 involves expenditure which will be phased in by the end of the year, says Mr Watt

The calculation of aid is based on a full year's operation, and although claims are submitted and dealt with at quarterly intervals, "the books are balanced" at the end of the year, says Mr Watt.

At that stage the GME makes a final decision on the allowable capital expenditure, and if claims made during the year are found to have been higher or lower than the assistance due for the year, an adjustment is made

Mines qualifying for assistance must submit monthly returns to the GME on a questionnaire prepared by the Department of Mineral and Energy Affairs

Anything "untoward" arising from the returns is followed up by the GME's department

It has happened that the GME has proposed the removal of a mine from the list of qualifying producers

City Deep, CMR and Crown Mines were all advised by the Department to stop claiming assistance

By mutual agreement the three mines reduced their claims, limiting them to agreed amounts, and the mines limped along before being forced to close

Support system advance in mines

Financial Reporter

IN an effort to develop more cost-effective and safer support systems for gold mines, H L&H Mining Timber (Pty) has introduced two underground support systems

Tests conducted at the Council for Scientific and Industrial Research in Johannesburg showed that the Elongated Pack System (EPS) was superior to the conventional sandwich pack

In the EPS the large area support and compressibility of the sandwich pack are combined with the high initial load-bearing capacity and cost-effective features of the elongated support, says HLH's technical manager, Mr Sam Spearing

"Many stoping areas do not lend themselves to standard elongated products as permanent support because of the friable nature of the rock"

The second new product tested — the fibreglass prop — has several advantages over existing elongated products, the most significant being weight

The fibreglass prop has an average weight of 15 kg a metre compared with 30 kg a metre for the profile prop and 29 kg for the pipe stick

According to Mr Spearing the fibreglass prop's load-bearing characteristics are close to ideal, and the results are reasonably consistent

In addition, dust sampling tests by the Chamber of Mines Industrial Hygiene Branch have shown that fibres are virtually absent, indicating that the fibreglass prop poses no health hazard

One disadvantage of the fibreglass prop is that its use is restricted to certain areas as it cannot withstand the effects of direct blasts

3.4. INITIATING A RUN

1. The first control statement of a run is:

   @RUN,/N RUNID,ACCNT-NUMB,PROJID <CR>

   The N option indicates that diagnostic information relevant to batch runs will not be retained thus increasing the efficiency of this demand run. The first three fields of the statement are self-evident. NB: no time or page limits are needed as demand runs are automatically allotted 5 minutes and 100 pages. Any demand run exceeding its allotted time and/or pages is not aborted (see 3.8). A userid is not required as it will have been processed previously.

   On acceptance of the run statement the computer responds with:

   DATE: MMDDYY TIME: HHMMSS

   No statements may be submitted before this response is received. Once it has been received the run may be continued.

2. If there is no response after thirty seconds something may be wrong. The main causes of error are typing mistakes or wrong and invalid account numbers. In such cases the system will respond with:

   BAD RUN STATEMENT or *ILL ACCNT NO.*

   Or alternately:

   If a run ... onse to an @RUN statement i...

3. If after a ... onses has been received, ... character. If a <LF> occurs ... computer. Then type the co...

   and attempt

4. If no res... try logging-in to the comp...

5. If the logg... the action to be taken.

GF Props boost after-tax profit

5Pr-18/8/81 2/14

By Ann Crotty

A sharp increase in profit on property sales, income from investment and profit on sales of investments helped Gold Fields Property to raise after tax profit by 50 percent to R2,9-million for the year ended June

A dividend of 14c a share has been declared, this is a 40 percent increase on last year's dividend of 10c

This year's dividend was paid from earnings of 28,6c a share, a 50,5 percent improvement on the 1980 earnings figure. Thus dividend cover has been increased marginally to 2 times

At R1,9-million rentals was slightly down on last year's R1 96 million but profit on property and township sales was up 94 precent to R1,1-million and income from investment was up 66 percent to R1-million

In 1980 only R3 000 was realised on the sale of investments but R696 000 was made in 1981.

Royalties from gold were up to R825 000 from last year's figure of R175 000 Revenue from waste rock sales was down to R207 000 from R276 000

In 1978 GF Props sold mining rights on Luipaardsvlei to West Rand Consolidated for R3-million plus 25 percent of the pre-tax profit from mining the uranium-bearing Bird Reef However until the uranium market recovers GF Props is not likely to receive anything from this share

Gold Fields lift taxed profits to R166,6-m

Sta 19/8/81 (214) ~~249~~

Gold Fields of South Africa has turned in an excellent set of results for the year to June 30, lifting taxed profits 32,9 percent to R166,6-million.

The increase follows a rise in income from investments from R124-million to R169,6-million despite that about 88 percent is derived from gold mines

The major reason for the fine contribution from the mines is because of the weakening of the rand against the dollar which cushioned the fall in the bullion price.

Pretax profits rose 33,4 percent to R172,1-million (R129-million) and would have been higher had the directors not decided to write off the remaining R6,4-million goodwill figure which has appeared on the balance sheet for the past decade.

"ONE HIT"

The goodwill dates back to the West Wits-Gold Fields merger in July 1971 and refers to management contracts held by Gold Fields at the time.

The GFSA chairman, Mr Robin Plumbridge, said it was decided to write off the amount "in one hit" following the group's high level of earnings over the past year.

The encouraging results prompted the directors to declare a final dividend of 320c (270c) which, added to the interim dividends of 180c (130c), makes a total of 500c (400c) for the year.

Dividend cover has been raised slightly from 1,9 to 2,0, indicating some conservatism on the short-term expectations on the bullion price.

Looking ahead, Mr Plumbridge said, "The behaviour of the gold price over the next few months will be critical to its medium-term future."

A lower price would point to a period of weakness — a strengthening should ensure brighter prospects in the medium term.

However, "either way, there will be no dramatic move," he predicted.

The price was around the R12 000 a kilogram level at present. This was still a good price although below last year's average of R12 170.

Mr Plumbridge believed the demand for gold was "more or less static" although one encouraging factor was that the demand for coinage had started to increase.

Furthermore, jewellery demand, very low currently, is also beginning to pick up.

The northern-hemisphere summer was traditionally a quiet period for gold so, while the market was at a very "delicate stage" at present, the next few months should indicate whether the bullion price had bottomed out.

Mr Plumbridge welcomed the decision announced in the Budget to increase the "plough-back allowance" from 35 percent to 50 percent but noted that the Minister of Finance, Mr Horwood, had not named the date from which it would be implemented.

This mant that GFSA would probably have to "split the interim dividend again." This could not, however, continue for more than two "or possibly three years," said Mr Plumbridge

At last night's closing price of 9 100c the shares yield 5,5 percent — the same as the average for the sector. — David Bamber.

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1901 ... 'Stone
Meeti ... x.
A gra ... ble yet
drama ... who
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The A
suppo ... of their own people,
Dr Abc ... dent in 1906. The
object ... mulated by W. Collins
in 190 ... of unity between the
Colour ... ction of the social,
politi ... ed people; the regis-
tratio ... and the advancement
of the ... It was in terms of
these ... man conceptualised the
policy ... in 1906, until his death in 1940.

Dr Abd ... as a moderate politician who accepted
white ... st means of achieving the equality
desire ... people.[100] It was to this end that he
joined ... y, on whose ticket he gained a seat in
the Ca ... cil. With the dissolution of the
Unionis ... South African Party under the leader-
ship of ... 1 His greatest battles involved the
franchi ... d people.

It was for this reason that he led a deputation to London in 1906 when the new constitutions for the new northern colonies, the Orange River Colony and the Transvaal, were formulated. He wanted to secure for the coloured people of these colonies, the same legal and political rights enjoyed by the coloured people of the Cape Province. This A.P.O. deputation did not succeed. Both these colonies in their new constitutions denied with the corrected data.

Interactive processors, by contrast, process lines as they are entered. If errors are found in a line, a di and the line may be correctly resubmitted at or such processors are @CTS and @ED.

2.2. DEMAND JOBS, COREQUE AND SOLICIT MODES

Demand jobs are run from a terminal, receiving i from EXEC as the control statements are entered.

There are several types of input mode on a time and on entering the @RUN statement on a t automatically processed in solicit mode. In input is not buffered, that is each line processed before the next line is entered. indicate that it is ready to receive the next '>' in column 1. If a line is entered before processed the current line the following message

* WAIT - LAST INPUT IGNORED

the user must then wait for the '>' to be pri before proceeding.

Another possible input mode is coreque (CQUE) m input is buffered. This means that if one or entered before the current line has been process are queued and will be read on the subsequent read

To enter cque mode the following statement must be

@@CQUE

to return from cque mode to solicit mode, the co is:

@@END

2.3. THE TERMINAL

2.3.1. How The Keyboard Works

There are three main types of terminal at UCT, and Graphics Display. The teletypes are slow ma output is printed on paper. The VDU's (Visual Di Graphics Display terminals display output on a scre some sort and no permanent record of the output is kept, unless a hard copy unit is attached, in which case a hard copy of the information on the screen can be made.

St Helena buying Beisa's mining assets

8/0 21/8/81 214 ~~222~~ ~~217~~

By Ann Crotty

St Helena Gold Mines is acquiring the mining assets of uranium producer Beisa for a price to be decided by the Government Mining Engineer.

Whatever price is decided on will be settled largely by the issue by St Helena of cumulative preference shares The balance will be in cash.

As well as the mining assets, St Helena will acquire all the housing provided by Beisa for its workers in the Welkom area, and the right to mine, extract and sell all base minerals and precious metals in the Beisa mining area.

St Helena will be granted a mineral lease by Beisa entitling it to exploit the mining area which was to have been exploited by Beisa itself.

For this right a royalty of 15 percent of the gross revenue derived from the sales subject to minimum and maximum royalties in terms of a formula contained in the agreement will be paid to Beisa.

Beisa will provide St Helena with the necessary bridging funds to finance the capital expenditure incurred since January 1 until St Helena's own cash resources are available.

The capital expenditure incurred on the Beisa mining area after January 1 will be deducted from St Helena's taxable income in the current year. It is estimated that no gold-mining tax will be payable and that the cash saving will be enough to refund the buying price and repay the bridging loan.

to share in the wonder of discovering a new world in the
le of last century. But for the political importance of
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erity. It was precisely because
their correspondence was preserv
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e, the letters are of social as we
at they show how the African chil
responsible for their new identit

Gold mining profits still likely to be good

214

Argus 22/8/81

THE jump in the gold price this week has raised the question whether it is time to start buying gold shares again.

Investment

By DEREK TOMMEY

The answer would seem to be a qualified yes, with much depending on whether income or capital gains are wanted

Gold shares and especially the top quality ones, would seem to have a lot going for them as an investment But new ideas in Government circles about economic management and floating exchange rates could possibly limit the prospects of making big capital gains

This is not to say that gold share prices will not increase if there is a higher gold price But in such a situation there would also be a strong possibility that the exchange rate would also rise, curbing the effects of the higher gold price on gold mining profits.

Advance

The past two weeks have seen quite a significant advance in the gold price

Though people have tended to link this to events in Poland or to the shooting down of the Libyan jets by the Americans or to the problems of the Opec states a more potent reason for t... would seem to be ... in the United States ... backing

It is difficult to say whether anything will come of this But the mere fact that President Reagan and his advisers are talking about a return to some sort of gold standard is undoubtedly helping to enhance gold's role as an investment

Although such talk is not sufficient grounds on which to forecast a further rise in the metal price, it does seem that a price of 400 dollars can now be regarded fairly confidently as the floor price

Unfounded

Thus fears of a further decline in gold share prices would appear to be completely unfounded Or as stockbrokers might say 'The downside risk is small'

At the same time gold mining profits can be expected to remain at least around present levels

Most investors are aware that the gold mines have been cushioned against the decline in the gold price overseas by a drop in the exchange rate of the rand

This has resulted in the South African price of gold falling by a far lesser amount ... projected by the mining industry in the past two-and-a-half years

	Rands a kg
1979	
March	6 258
June	6 697
September	8 080
December	10 425
1980	
March	15 857
June	13 329
September	15 244
December	14 704
1081	
March	12 375
June	12 333

In the first half of this year the average gold price paid to the gold mines was R12 354 a kilogram This was only 17 percent less than the 1981 average price of R14 760 a kilogram

And on this week's overseas gold price the rand price is now back above R13 000 a kilogram which is not much below what the mines were getting in the June quarter last year

Gold mining profits should thus remain fairly high and possibly be much better than the market is expecting

In this situation an investment in a mining holding company which has a substantial stake in gold could be worthwhile

The two favourites here are Amgold and Gold Fields of South Africa However both are rather pricey requiring an outlay of around R10 000 to buy 100

Freddies

But a much lower priced share well worth considering is Free State Development more commonly referred to as Freddies Devels

This company is in the JCI stable and has investments in a large number of good gold mines It also has mineral rights in the Free State which might be turned to account one day

However the most important point about the company as far as the small investor is concerned, is probably that its shares cost about 540c which should be within most people's pockets and give a yield of 8.8 percent

This yield should be maintained, given a continuation of present conditions, and further increased with any improvement in the gold price

demanded Emma's return, as a neighbouring chief had offered lobola for her of sixty head of cattle. The Bishop retaliated by claiming for her the rights of a British subject and she was only allowed to leave when a match was arranged which met with her mentor's approval.

BUSINESS SPECIAL

Compiled by DAVID BAMBER

Black Reef has golden prospects

Mar 31/8/81

214

goli Consolidated ...kes a few toddling ...eps this week as it ...ntures underground ... Randfontein ...states 17 and 18 ...inze areas.

Using exisiting incline ...afts Egoli plans to ...ply the Black Reef ...hich lies invitingly ...ound the company's new ... in almost-horseshoe ...rmation.

It is a strange reef, ...aracterised by changing ...dths like a chain of ...glasses lying end to ... — the "bulbs" being ... to a metre wide and ...e "waists" a mere centimetre

"Egoli geologist, Mr Jack Higgs says: "Mother Nature has compensated well by increasing gold values as the reef gets thinner"

On average he expects yields of about 5 g/t and is confident that the Black Reef will secure a long future for Egoli on the West Rand.

If Mr Higgs is proved correct, Egoli will set about dewatering the old Kings, Queens and Mollengraaff shafts in the claim area.

This, together with equipping of the shafts, should initially cost only about R200 000 says deputy chairman Mr Don Hodge-Grant.

He unashamedly refers to Egoli as a "scavenger operation" as the company makes its living from treating old sand dumps for the dregs left behind by mining giants.

Success on the Black Reef would change that and the idea is obviously appealing to Mr Grant-Hodge

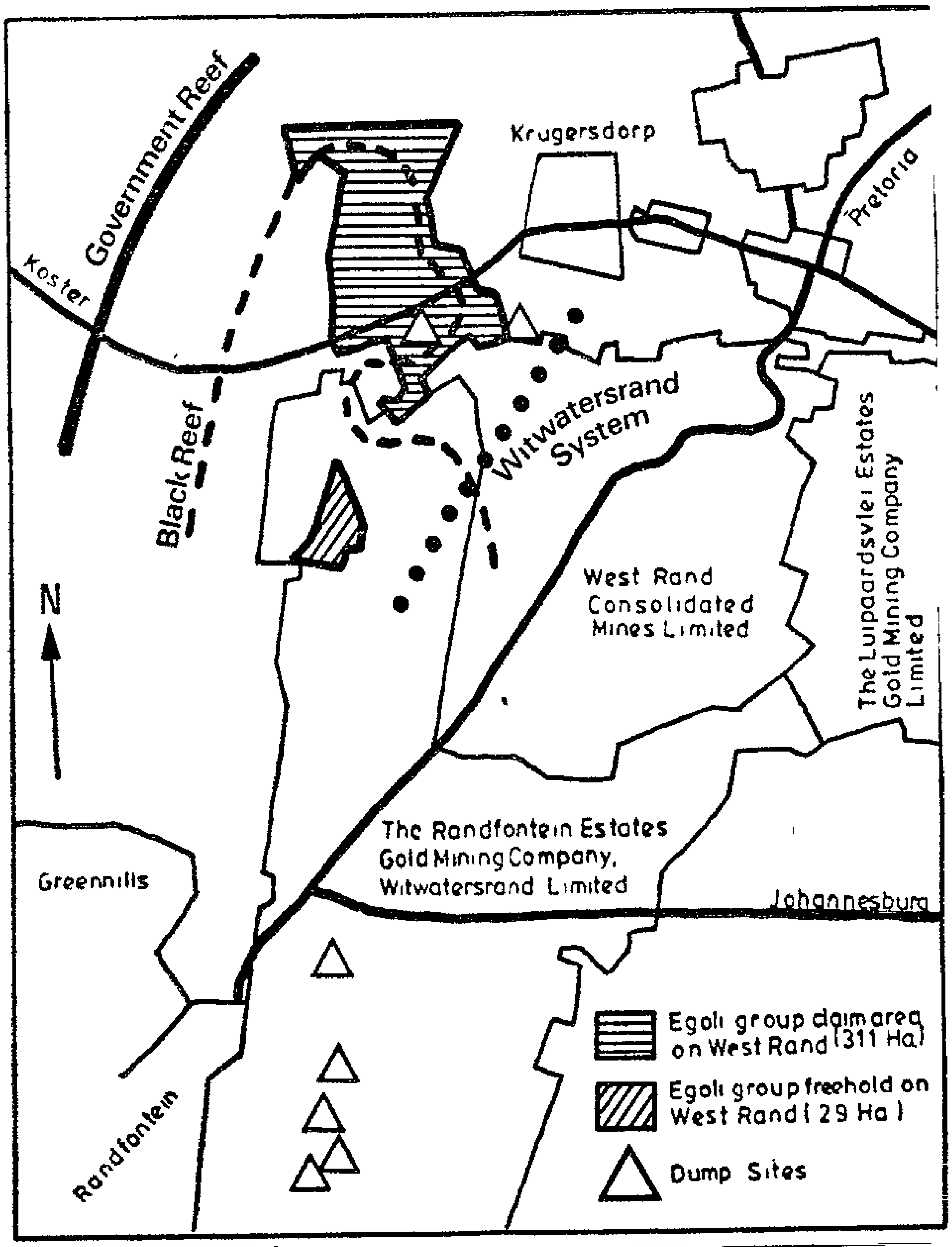
In the meantime, however, it's full steam ahead to complete the West Rand plant which will be treating dumps belonging to Randfontein Estates within a fortnight.

Targets

When in full production, the plant will be able to treat more than 40 000 tons of material a month. With a 75 percent recovery grade of gold — around 0,8 g/t — production should reach about 34 kg worth, about R500 000 at the current price

There is enough material in the Randfontein Estates dumps to ensure production for 20 years — provided that the current gold price/cost ratio remains intact.

Egoli's East Rand operation has been performing well In the 14 months to February 28 it turned a R662 000 inherited loss into a R1,8-million profit, equal to 18,4c a share.



The Black Reef winds around the Egoli group's claim area and freehold on the West Rand.

The new plant is situated on the freehold property commanding a central point from where it can draw dump-material and provide easy access to ore mined from the Black Reef.

Unfortunately for Egoli, it's hands off the wealthy Witwatersrand system which lies to the east of the area and, in fact, crosses the Black Reef although at a far-greater depth.

Capital expenditure on the West Rand will absorb about R5-million, leaving little if anything for immediate distribution, but shareholders should be more than compensated next year when the two plants are fully operating.

Success on the Black Reef will lift grades substantially and could prompt other mining companies to take another look at the orebody many had believed was a waste of time and money to mine.

Although not specifically designed for numerical analysis ADA handles the problem of differing numerical accuracy on different computers much better than FORTRAN. This should permit programs to be more portable. The standard numerical types permitted are INTEGER, FIXED and FLOAT. The latter two are for fixed and floating point reals. In addition implementation may have long and short numeric types. If a program is written using variables of type FLOAT the accuracy will vary from computer to computer as at present. However the user can choose the accuracy he requires and leave the choice of FLOAT, LONG_FLOAT or SHORT_FLOAT to be made automatically. This can be done by the type statement

```
TYPE REAL IS DIGITS 10;
```

Here a new type REAL is derived from the built-in type FLOAT with at least 10 digits of accuracy. Similarly the error bound for fixed point numbers can be declared explicitly using DELTA e.g.

```
TYPE VOLT IS DELTA 0.125 RANGE 0.0..255.0;
```

Using these facilities portable programs can be produced. For example the program to solve a tridiagonal system by elimination (GERALD page 184) in Ada could be

```
PROCEDURE SOLVE;
  -- TRIDIAGONAL MATRIX
    TYPE REAL IS DIGITS 10;
    TYPE VECTOR IS ARRAY(1..500) OF REAL;
    A,B,C,D  :  VECTOR;
    J,N      :  INTEGER;
    R        :  REAL;
   BEGIN
   GET(IN,N);
    FOR I IN 1..N
      LOOP
        GET(IN,B(I)); GET(IN
        GET(IN,A(I)); GET(IN
      END LOOP;
  -- PRINT HEADING
    PUT(OUT,"SOLUTION OF TRI                ");
    PUT(OUT,N,4);
    PUT(OUT,"EQUATIONS BY E
   FOR I IN 2..N
    LOOP
      R := B(I)/D(I-1);
      D(I) := D(I)-R*A(I-1);
      C(I) := C(I)-R*C(I-1);
    END LOOP;
  -- BACK SUBSTITUTION
    C(N) := C(N)/D(N);
    FOR I IN 2..N
      LOOP
        J := N-I+1;
        C(J):= (C(J)-A(J)*C(
      END LOOP;
  -- PRINT OUT VALUES
    FOR I IN 1..N LOOP
      PUT(OUT,"X(");
      PUT(OUT,I,WIDTH=>4);
      PUT(OUT,") =");
      PUT(OUT,C(I),WIDTH=>14                ENT=>2);
      NEWLINE(OUT);
    END LOOP;
   END;
```

Simmer drilling starts

31/8/81

214

Exploration drilling is well under way at Simmer and Jack, one of the Reef's oldest mines, where Anglo American Prospecting Services is conducting a programme to explore the deeper reefs underlying the Simmer and Jack property with a view to establishing a separate mining venture to exploit the reefs on a substantial scale

The cost of the initial exploration and the feasibility study, about R3-million, is being met by AAPs.

Boart Drilling has been commissioned to do the exploration drilling and the first of an expected series of holes is already well advanced.

This is being drilled at a site immediately adjoining Germiston's Rand Airport.

Core drilling is being done from the surface so that the shallow reefs may be intercepted and the hole will go down 3 000 m.

Rules:

(1) An int
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(2) The int
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(3) It is n
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(4) For a

(a) mu
in

(b) mu
na

(c) mu
tio

(5) If a pa
name n

Examples:

(1) This se
then pr
REAL,

```
   10
        DO 20 K=1,6
   20   VCTR(K)=CMPLX(REAL(VCTR(K))-A
        WRITE(3,30) VCTR
   30   FORMAT(....)
```

SA delegates to meet US Gold Commission

7/9/81

~~29~~ 214

By David Canning

DURBAN—The growing debate about the merits of remonetising gold could have important implications for South Africa — and especially for the mining industry and shareholders.

I understand that many of the South African delegates to the coming meeting of the International Monetary Fund will be having discussions with members of the US Gold Commission now investigating the pros and cons of a dollar-gold link

TRADITIONAL

The idea of a return to gold is regarded as "off-beat" and "unlikely" by traditional US economists opposed to the idea but a top mining man says there can be absolutely no justification for dismissing the likely results of the commission

"The commission very much has the ear of President Reagan and his council of economic advisers It is headed by a man equivalent to our Minister of Finance and we should not fall into the trap of thinking this is one of those interminable South African-type commissions which generally come to nothing in the end

"We firmly believe that something positive will come out of the recommendations and they will be swiftly acted on," he said

However, the chances of a full return to the gold standard of yesteryear are regarded as slim, even in South Africa.

An economist said that the problems of the gold standard era were still too well remembered and many countries would not be prepared to link the value of their currencies to a metal mined largely in South Africa and Russia

APPROACHES

Even if they did agree, it was difficult to see a way of their agreeing to a "fair" fixed value for gold

Far more likely to emerge are new approaches — possibly using gold in some way — to the world's enormous economic problems of inflation, widely-fluctuating currency values and the consequent trade difficulties

There is undoubtedly a reaction against the flimsiness of paper money, which the IMF is still promoting, and a feeling that a link to gold will restrain governments from getting out of economic difficulties merely by printing more money and thus adding to inflation

Any decision to peg the price of gold could have one big advantage for South Africa — it would give the mining industry a lot more certainty about where it was going

At a price of 600 dollars an ounce most mines would be able to keep going for long periods — perhaps 20 years — by carefully planning the mining of low-grade ores first.

Of course the major problem — and one which could put mines out of business fast — would be a gold price which was too low When gold was pegged at 35 dollars an ounce there were dire predictions that there would be no mines left operating by 1980.

NERVOUS

A number of mines are sitting nervously on expansion plans formulated at least year's higher gold prices and a fixed price would avoid that difficulty.

However, unless inflation and rising production costs are brought to a standstill (which seems impossible) a fixed price conceivably could have a severe impact on South Africa.

The following to be co iscretion:-

NAME OF RESPONDENT: .. ..

NAME OF COMPANY: ....

J.S.E. SECTOR: ......

Does your company foll erest capitalisation at all?

Would you object to be in my Thesis?

RDM 9/9/81

Black wages' effect on mines

216

By JOHN MULCAHY

THE gold-price forecast places a high probability — 0,75 — on labour developments in SA which would cause black miners' wages to rise at a high annual average rate

A complementary 0,25 probability is given to a conservative assumption of a low annual increase in black wages

Dr Brock forecasts that in the event of a high rate of wage increases certain higher-cost, marginal gold mines might be forced to stop production

The odds are 50-50 that SA gold production in 1987 will be at the "comparatively low levels" of 700 tons or 680 tons, while at "low" rates of wage growth the same probabilities are estimated to apply to the higher levels of production of 750 tons and 730 tons

The study assumes that at a price of $375 (in current terms) the Reserve Bank would necessarily sell SA's entire output, with sales and production levels coinciding in the low price case

At a price of $750, levels of production would change, according to Dr Brock, enabling the processing of lower-grade ore in those mines where downgrading is possible

There is also the possibility that the Reserve Bank would buy a small fraction of production, so allowance is made for 10% of production to be withheld in this way

The probability of this is estimated at 0,20 if production is not curtailed by rapid growth of wages. The probability drops to 0,10 at the lower production levels when there would be less gold for SA to sell to meet foreign exchange requirements.

Dr Brock says the reason for including an "official sales policy" factor at a $750 gold price is that the Reserve Bank could reasonably only afford the luxury of withholding gold when the price was high

It could, however, be argued that the Reserve Bank would withhold sales when the price was low and sell when the price was high "In a very short term sense that is correct, and there is some evidence that this practice does take place"

Dr Brock reasons that if the gold price looked weak in the long term there would be no "tomorrow" to await before selling, but even if the price was high it was unlikely the Reserve Bank would hold back much output as SA would presumably still need as much foreign exchange as possible to help finance its fast-growing economy

Rand Leases undecided on mine

Star 16/9/81

(214)

There has been no change in the position regarding the re-opening of Rand Leases — the Anglovaal group's dormant gold mine near Roodepoort — the board states in its annual report for the year ended June 30.

Towards the end of January the company stated that an investigation had been carried out into the possibility of re-opening the mine, but that because of uncertainties regarding the gold price and escalating costs, the directors could not make an appropriate recommendation regarding the mine's future.

Income during the year rose by R54 000 to R290 000 and this more than offset the R12 000 increase in expenditure at R247 000, thereby raising the excess income over expenditure to R43 000 (1979/80, R1 000). This reduced the deficit at the year end to R215 000 (R258 000).

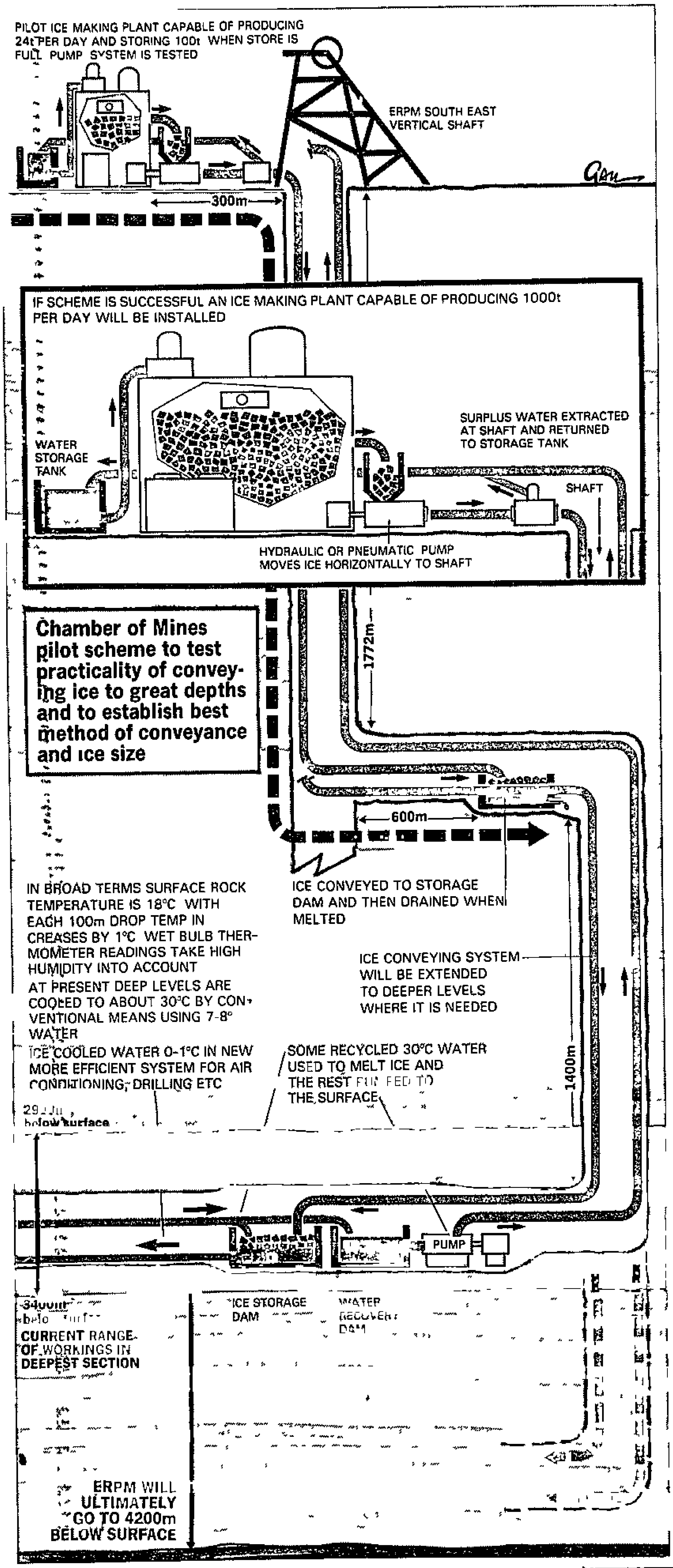
The company's application to establish a 14 ha residential township — on which the mine houses are situated — has now been approved by the Administrator subject to certain pre-proclamation conditions largely concerning the provision of services. The cost of providing these is estimated at some R550 000

The application to establish another residential township on about 40 ha of land is still being considered by the authorities.

Should this application be approved, the cost of services to be provided by the company is likely to be more than R1,5m. — Sapa.

How they plan to pu[t] the mines on ice

214 kpm 16/9/81



New bid to beat heat as shafts go deeper

Mail Reporter

CHAMBER of Mines scientists, who devised and developed a unique chilled-water cooling system for gold mines in the early 1970s, are now planning to pipe ice into mines to counter the tremendous heat at the great depths reached today.

The need to improve the quality of the underground environment has arisen as gold mines reach ever-increasing depths and rock temperatures climb accordingly

Western Deep Levels is already mining at depths approaching 4km and ERPM is now expanding and deepening its working area to well over 3km

Network

Chamber of Mines engineers believe the economic and practical benefits of large quantities of ice being pumped underground could be key factors in deep level mining in future

Chilled water — at about 10°C — is now produced by refrigeration plants underground and on surface at gold mines, and distributed via a pipe network to various parts of the mines for cooling purposes

An ice pilot plant will soon be installed at the south-east vertical shaft of ERPM near Boksburg, to investigate various unknown factors related to the use of ice as a method for cooling mines

The most important question to be answered is whether ice accompanied by very little water can successfully be conveyed at a suitable flow rate in a conventional pipeline, as is done now with chilled water systems

Advantage

The Chamber of Mines will also look at improved large-scale ice-making systems to produce as much as 500 tons of ice a day in a single unit, to reduce the capital and running costs of the plant and reduce the future costs of using ice

The major advantage for deep level cooling is that the quantity of ice required will be only a quarter of the quantity of chilled water needed to provide the same cooling capacity for the underground environment

In a paper published earlier this year on the effects of underground temperatures on gold mine productivity, Dr D G Krige, professor of mineral economics at the University of the Witwatersrand, said the environment "has at least to be of a quality that is conducive to health"

To justify additional costs for refrigeration in achieving a further improvement in working conditions there had to be evidence that productivity impr[oves] at lower temperatures

Results of tests carried out on 27 m[ines] between 1975 and 1978 implied that pro-ductivity underground improves by 3% [to] 4% for every 1% reduction in wet [bulb] temperature (Wet-bulb temperature [is] measured by enclosing a conventional thermometer in a wet cloth, and the measurement takes account of humidity)

In the higher temperature ranges, over 30°C, the percentage of productivity improvement could be much higher, according to Dr Krige

If the pilot plant tests at ERPM, which start next year, are successful, the way could be opened for deep mines ultimate-ly to instal ice-making installations hav-ing total capacities as high as 24 000 [t] a day, for various shafts on a single [mine]

Drie Consolidated will be biggest single producer

Star 17/9/81 214 232

By Patrick McLoughlin

The merger of West Driefontein and East Driefontein Gold Mining companies on July 1 — they will become Driefontein Consolidated, the biggest single producer in the world — has made it feasible for the combined milling rate to be increased by 25 000 tons to 475 000 tons a month.

This was a main message in the review of the chairman, Mr R A Plumbridge, in the first annual report on the conglomerate.

Within a range of gold prices and cost inflation rates which could reasonably be expected, the merged operation should produce a stream of distributable earnings with a present value "significantly higher" than that of the projected earnings for East Drie, West Drie and North Drie areas as separate entities, he said.

The merged operation permitted the contiguous East and West Drie mining-title areas, and in due course the North area, to be exploited in the optimum manner as an integrated unit.

However, because of the large scale of operations they were being operated as two divisions — the East Driefontein mine and West Driefontein mine — under the same operational management structures that existed before the merger.

"The average gold yield will be slightly reduced because a larger tonnage of lower-grade ore will be mined, but total gold produced should increase because of the greater tonnage milled," Mr Plumbridge reported.

Application had been made for permission to mine the existing inter-mine boundary pillars at an early stage. These pillars were estimated to contain 28 tons of gold which would otherwise not have been recoverable.

Planned capital expenditure to sustain operations at the two mines was estimated at R63-million in the current financial year.

Detailed planning to determine the areas which would fall under the responsibility of the mines, and their mining sequence in the medium-to-long term, was "well advanced."

Mr Plumbridge said that at this stage planning indicated West Drie would be responsible for mining most of the North Drie area and the western one-third of the old East Drie lease area.

This lies to the south of the West Drie's No 6 shaft and adjacent to the Western Deep Levels mine.

The continuing high rate of national inflation made it "inevitable" that working expenditure would rise sharply this year, Mr Plumbridge predicted.

"On the other hand, the short-to-medium term trend in the gold price, presently at a comparatively low level, cannot be predicted with any degree of confidence.

"However, I remain confident that in the longer term the gold price will trend upwards and will, at least, keep pace with world inflation, and that your company therefore has a most bright and exciting future," Mr Plumbridge said.

In a further reference to North Drie, he stated that the merger made provision for the acquisition of the area adjoining the northern boundary of the existing East Drie lease area.

Application has been made by Gold Fields Mining and Development, a subsidiary of Gold Fields of South Africa, for a mining lease for precious metals in the 985 ha area.

This area was underlain by an estimated 27-million tons of ore on the Ventersdorp Contact Reef horizon and averaged 14,3g a ton over a width of 172 cm.

"By agreement, the lease when granted — and I have no doubt that it will be granted — will be ceded to this company in consideration for 7,4-million shares which will be deemed fully paid," Mr Plumbridge said.

Drie Consolidated has also made application for another mining lease — about 30 ha — contiguous to the existing northern boundary.

When this lease and the North Drie lease are granted, the company's mining title will cover an area of about 8 155 ha in the Carletonville district, Mr Plumbridge said.

Higher working costs will cut mine profits

Star 17/9/81 (214)

By David Bamber

Warnings of higher working costs at Kloof Gold Mining Company and Doornfontein Gold Mining Company have come from the chairman, Mr Colin Fenton, in the companies' annual reports published today.

Mr Fenton says Kloof's capacity of 180 000 tons a month should be fully utilised during the currrent year so that with little change expected in the [illegible] grade gold production should increase slightly

He says the 20 percent increase in the gold price received last year "masks" the fact that there has been a steady decline in the price from the high level which prevailed during the first half of the year

"Because it is not possible to predict the price trend in the short to medium term, together with the uncertainty surrounding the relative strength of the rand, in which currency the company is paid for its gold, in relation to the United States dollar, in which the metal is dealt with on world markets, a meaningful forecast of the revenue for the year is not possible"

Mr Fenton says, however, that what is certain, is that there has already been, and will continue to be, a sharp rise in working expenditure because of higher labour charges and the spiralling cost of stores and services purchased by the company, which will make further inroads into profits

"If the gold price does not recover from its present relatively low level for some time, the taxed profit will undoubtedly fall short of the record profit enjoyed in the past year

'Bearing in mind too that the rate of capital spending will be a lot higher, a reduction in the dividend would, 'in such circumstances, be inevitable"

Turning to Doornfontein Mr Fenton says the milling rate of 120 000 tons is expected to be maintained during the current year but as an even greater proportion of low-to-medium-grade ore will be mined on the Main Reef, a small reduction in the recovery grade and gold output is likely

He points out that this, together with rising working costs as a result of the continuing high rate of inflation in the country means, "that profits will fall from last year's record levels"

Capital expenditure on the programme associated with the future exploitation of the southern portion of the enlarged mine will be R39-million

Echoing Mr Fenton's beliefs of lower earnings, Mr P W J van Rensburg, chairman of Witwatersrand Deep, warns that dividends from the mines which are the main source of Wit Deep's income will not be at the same levels of last year

He says that in order to avoid liability for Undistributed Profits tax, consideration will again be given to the declaration of the dividend before the end of the calendar year

Kloof Gold Mining Company Limited

(Incorporated in the Republic of South Africa)

214

FM 18/9/81

Chairman's Review

It is pleasing to report that, for the fourth year in succession, operations at your company's mine for the year ended 30 June 1981 resulted in new records being established More tons of ore were milled than in any previous year of the mine's life, profits were significantly higher and the dividend was raised from 320 cents per share in the 1980 financial year to 400 cents in the year under review These results were achieved in spite of a small decline in the recovery grade and in total gold production A higher working revenue arising from an increase, from R12 073 per kilogram to R14 491 per kilogram, in the average price received by the company for its gold, more than offset the slightly lower gold production and a 23 per cent rise in working expenditure

The mine was again not able to maintain a milling rate consistently at the plant's capacity of 180 000 tons per month throughout the year because of a series of breakdowns of compressor plant that affected underground production The problems have since been rectified, but because of the difficulties encountered it was necessary to draw ore from the surface stockpile and this enabled the mill throughput for the year to be modestly increased by 5 000 tons to 2 095 000 tons

As predicted by my predecessor in his review last year, there was a slight decline in the average gold yield as a result of a lowering of the pay limit This was brought about by the higher gold price received, but which in turn was partially offset by the rise in unit costs Since the major proportion of stoping is concentrated in the longwalls which are not sensitive to changes in the pay limit, the modest decline in yield, from 14,8 to 14,5 grams per ton, was almost entirely attributable to the mining of the relatively small tonnages of lower-grade ore in the older, shallower areas of the mine Gold production at 30 378 kilograms was thus 577 kilograms lower than in the previous year

Working revenue increased by R66 million to R442 million In spite of strenuous efforts to contain costs and improve productivity in the face of the continuing high rate of inflation in the country, working expenditure rose by R18 million to R97 million The net result was an increase in working profit of R48 million to R345 million An amount of R2 million was recovered from the company's insurers in respect of a loss of profits arising from the previously reported serious fire in the 55 Longwall which caused the suspension of operations in that longwall and in the southern portion of the mine above 24 Level between mid-May and mid-June 1980 Interest and other net sundry revenue increased by R6 million to R14 million arising from the larger amounts of cash placed on short-term deposits, coupled with higher interest rates obtained on such deposits The profit before deducting the very substantial amount of R209 million *(R179 million)* for taxation and the State's share of profit was R361 million *(R305 million)*, and the taxed profit was R152 million *(R125 million)*

Capital expenditure for the year amounted to R24 million, of which R12 million was incurred on the shafts, R4 million on ventilation and refrigeration arrangements, R3 million on underground equipment and R1 million each on the reduction works and pumping facilities This, together with R4 million representing the increase in other assets, and R3 million appropriated for future capital expenditure, totalled R31 million which was transferred to non-distributable reserve To date the amount appropriated towards the mine's on-going large capital expenditure programme is R18 million After providing for the record dividend of R121 million *(R97 million)*, a small balance was added to the unappropriated profit

No 3 Service Shaft was commissioned during the year and development northwards from this shaft towards the 27-11 Longwall has commenced Full-scale sinking of No 3 Sub-Vertical Shaft got under way early in the year and by the year-end had reached a depth of 479 metres below collar, with stations having been cut on 24, 27, 28 and 29 Levels The cutting of 30 Level station, and work on the rock hoist chamber, are currently in progress I have already referred to the large capital expenditure programme that lies ahead The unexpended balance of authorised expenditure at 30 June 1981 was R197 million, of which R43 million is expected to be spent during the current year The unexpended balance includes an initial amount of R77 million voted by the directors towards the proposed No 4 Shaft system which, as mentioned in last year's review, will serve the deep eastern sector of the mine Sinking of No 4 Surface Shaft is scheduled to start as soon as sinking of No 3 Sub-Vertical Shaft has been completed Planning of the new shaft system is continuing

Barring any further untoward incidents, the plant's capacity of 180 000 tons per month should be fully utilised during the current year so that, with little change expected in the recovery grade, gold production should increase

The 20 per cent increase in the gold price received last year masks the fact that there has been a steady decline in the price from the high level that prevailed during the first half of the year Because it is not possible to predict the price trend in the short to medium term, together with the uncertainty surrounding the relative strength of the rand, in which currency the company is paid for its gold, in relation to the United States dollar, in which currency the metal is dealt with on world markets, a meaningful forecast of revenue for the current year is not possible What is certain is that there has already been, and will continue to be, a sharp rise in working expenditure because of higher labour charges and the spiralling cost of stores and services purchased by the company, which will make further inroads into profits If the gold price does not recover from its present relatively low level for some time, the taxed profit will undoubtedly fall short of the record profit enjoyed in the past year Bearing in mind too that the rate of capital spending will be a lot higher, a reduction in the dividend would, in such circumstances, be inevitable

On behalf of the board, it gives me pleasure to express our sincere appreciation of the valuable services rendered to the company by Mr O Davel, the consulting engineer, by Mr H J T Wille, the mine manager, and by the staff at the mine and at head office

C T Fenton
Chairman

Johannesburg
24 August 1981

A MEMBER OF THE GOLD FIELDS GROUP

U.K. T.1423 T.1430 8.9

8.10 8.11 8.12

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VE TUTORIALS

Venterspost Gold Mining Company Limited

(214)

(Incorporated in the Republic of South Africa)

Chairman's Review

FM 18/9/81

The continued good fortune resulting from higher gold prices enabled the company to bring about some much needed and long delayed improvements to the underground working conditions In consequence the mine has achieved significant increases in both labour productivity and overall production A total of 310 747 *(277 589)* square metres were broken in stopes and 1 366 000 *(1 314 000)* tons were milled, both figures being the highest recorded since 1974 These production levels were obtained despite a major setback caused by an underground fire early in the year which made a large area of the Ventersdorp Contact Reef inaccessible until the third quarter This temporary loss of a fairly high-grade area, combined with a deliberate move towards the mining of lower grade areas in response to lower pay limits, brought about a decrease in the average gold yield from 4,8 grams per ton in 1980 to 4,1 grams per ton The higher tonnage could not compensate for this fall and gold production declined by 646 kilograms

The average price of R14 539 per kilogram received by your company for its gold was 18 per cent higher than in 1980, but with the 10 per cent decline in gold production the increase in working revenue from R78,1 million in 1980 to R82,3 million was relatively small There was a considerable rise in working expenditure from R43,8 million to R55,2 million and a moderate increase of R0,2 million in the profit from sales of pyrite, and total working profit decreased by 20 per cent to R28,1 million A recovery of R1 million under loss of profits insurance and increased interest rates earned on short-term deposits brought the profit before tax to R31,5 million Taxation amounted to R12,2 million compared with R17,7 million in the previous year, so that profit after tax, at R19,3 million, was marginally higher by R0,1 million

Capital expenditure totalling R5,3 million was devoted mainly to essential work in ventilation and refrigeration and the purchase of underground equipment It was also necessary to make good a continuing shortage of accommodation for mine employees and this total includes R1,2 million spent on the acquisition of further houses in Westonaria Members will recall that last year an amount of R6,6 million was appropriated for future capital expenditure Your directors consider it wise to increase this provision by a further R0,7 million this year, bringing the total amount provided to R7,7 million A sum of R7,3 million was transferred to non-distributable reserve, and the dividend of 235 cents per share absorbed R11,9 million This dividend was once more the highest on record and may be compared with last year's record figure of 200 cents per share

Development in the past year has been concentrated on the Main Reef horizon and only a limited amount of ore was opened up on the Ventersdorp Contact Reef Following the equipping of No 4 Level drive to the Middelvlei prospect area it became possible to carry out a small amount of on-reef development on Main Reef but values have so far been disappointingly low Exploratory work in this area will continue in the forthcoming year, and will include a limited amount of additional drilling from surface

The Technical Advisers' Report for the year ended 30 June 1981 again includes two graphs showing ore reserve tonnages and equivalent stope values at various pay limits and members' attention is directed to the clear picture they provide of your company's fundamental asset, its ore reserve The only significant change since last year is an increase in the tonnage available at low pay limits, which is consistent with the relatively low values disclosed in development Perhaps the main feature of the ore reserve graphs is the indication which they give of the considerable additional tonnages available at pay limits lower than the June 1981 prevailing level of 3,6 grams per ton On the other hand the mine is vulnerable to both reduced profits and shortened life at only slightly increased pay limits As the pay limit depends very largely on the ratio of working costs to gold price, and as this ratio is difficult to predict in the short to medium term, your company's mining policy must of necessity be reviewed continuously A procedure for control of the gold yield is applied so that the mine is able to react fairly rapidly to economic changes It is, however, more difficult to decide upon the appropriate level of capital expenditure under these circumstances The Technical Advisers have estimated expenditure in the forthcoming year at R8,5 million, the bulk of which is essential to the programme aimed at improving the underground working environment It may be necessary to trim this amount if changes in the cost/price ratio during the course of the year dictate that this should be done

A further improvement in the milling rate is expected this year Costs will certainly be higher following wage increases already granted to all employees If the current gold price level prevails, the average pay limit will increase and so will the yield, but not sufficiently to prevent a lowering of profits, and the possibility of having to draw State Aid should not be excluded The dividend is accordingly likely to be lower than in the previous two years

I am pleased to express the board's appreciation of the services rendered to the company by Mr O Davel, the Consulting Engineer, by Mr P H Hartslief, the Mine Manager, and by the staff at the mine and at head office

P R Janisch
Chairman

Johannesburg
24 August 1981

A MEMBER OF THE GOLD FIELDS GROUP

LECTURE DATE	10 August	17 August	24 August

Doornfontein Gold Mining Company Limited

(214)

(Incorporated in the Republic of South Africa)

FM 18/9/81

Chairman's Review

Despite a steady weakening in the gold price over the past financial year, the average price received by your company of R14 452 *(R12 000)* per kilogram was still higher than in the preceding year The smooth operation of the mine was disrupted during December 1980 when there was a failure in the electricity supply to the mine but the total tonnage of ore milled was maintained at 1 440 000 tons An increased proportion of this ore was mined from the lower-grade Main Reef horizon, but the bulk of the tonnage sent to the mill was still from longwall mining of the Carbon Leader reef This mining method is insensitive to changes in the pay limit and the recovery grade improved slightly from 8,4 grams per ton to 8,5 grams per ton, resulting in total gold production rising slightly to 12 192 kilograms *(12 096 kilograms)* This, combined with the increase in gold price, gave rise to an improvement in working revenue of R31 million to R177 million

Once again the disturbing feature of operations was the high level of working expenditure, which rose by 16 per cent to R62 million This rate of cost escalation, although smaller than that experienced by other mines, was nonetheless significantly higher than the 11 per cent increase of the previous year The improvement in working revenue more than offset these higher costs, and the net result was that the working profit rose by R22 million to R115 million Interest received and net sundry revenue more than doubled to R7 million, and the pre-tax profit increased to a record R122 million as against the previous year's R96 million, itself a record Because of the higher rate of capital spending, to which I refer below, and the "deep level" allowance of 10 per cent on such spending effective from July 1979, taxation and the State's share of profit fell by R1 million to R51 million This left a taxed profit of R71 million, compared with R44 million in the 1980 year

At the beginning of the year under review it was estimated that capital expenditure for the year would be R26 million In the event expenditure totalled R33 million, reflecting both an increase in the tempo of activity on the programme to exploit the southern extension of the mine and the effect that cost inflation is having on this programme An amount of R37 million was transferred to non-distributable reserve being in respect of the capital expenditure, an increase of R3 million in the book value of other assets, and an increase of R1 million, to R29 million, in the sum set aside towards the financing of the large capital works programme The record dividend of 335 cents per share absorbed R34 million (120 cents per share which absorbed R12 million), which was R4 million more than the aggregate of all the dividends distributed during the preceding five years

Good progress was made on the establishment of the No 3 Shaft complex which will serve the area down to the southern boundary of the mine's extended lease area Sinking of the surface shaft was started and to date a depth of 179 metres has been reached Underground development from No 1A Sub-Vertical Shaft to the position of the new complex is also progressing well A good deal of the development carried out during the year was on the Main Reef horizon, and it is heartening that significant tonnages of payable, albeit lower-grade, ore were opened up With this increased tonnage in the ore reserve, the urgency that existed for access to be gained to ore in the new southern sector of the mine by means of a sub-incline shaft has fallen away and the sinking of No 2A Sub-Incline Shaft has therefore been deferred

The milling rate of 120 000 tons per month is expected to be maintained during the current year, but as an even greater proportion of low to medium grade ore will be mined on the Main Reef, a small reduction in the recovery grade and gold output is likely It is not possible to make any reliable forecast of the financial results for the year because of the uncertainty of the principal element, namely the trend of the gold price in the short to medium term If the average price is no higher than the average price received in the past year, and because gold production will be a little lower while working expenditure will be substantially higher as a result of the continuing high rate of inflation in the country, it follows that profits will fall from last year's record level

The technical advisers estimate that capital expenditure, which will again be concentrated on the programme associated with the future exploitation of the southern portion of the enlarged mine, will be R39 million While this will have the effect of reducing the tax and lease consideration charges, it will also act as a constraint on dividend distributions

In conclusion, it gives me much pleasure to express, on behalf of the board, our sincere appreciation of the services rendered by Mr O A Jones and by Mr B Moore who succeeded him as consulting engineer, by Mr R P MacNaughton, the mine manager, and by the staff at the mine and at head office

C T Fenton
Chairman

Johannesburg
24 August 1981

A MEMBER OF THE GOLD FIELDS GROUP

New Witwatersrand Gold Exploration Company, Limited

(Incorporated in the Republic of South Africa)

Chairman's Review

214

FM 18/9/81

Financial Results

Your company again had a good year Dividend income rose by 37 per cent and the net profit attributable to members by 52 per cent to a new high of R9,3 million or 81 cents per share In the recent budget, public companies received further relief from the full impact of Undistributed Profits Tax Accordingly, your board took the opportunity to increase the cover ratio to a realistic level Nevertheless, record profits permitted a 28 per cent increase in dividends declared to 46 cents per share With higher profits and increased retentions, cash available for re-investment increased from an opening balance of R1,8 million to R6,0 million at the year end

Portfolio

The principal changes during the year involved the subscription, at R2 per share, for 375 000 new shares in Sasol, and the realisation of the total holdings in Barlow-Rand and in Elandsrand, prior to the latter company's rights issue At the year-end, the consolidated portfolio, valued at market prices in respect of listed securities and directors' valuations in respect of unlisted securities, was worth R81,4 million This figure may be compared with the book cost of only R18,1 million and represents a market value to cost ratio of 4,5 1 This high ratio, based on depressed market prices at 30 June 1981, demonstrates the long-term soundness of your company's investment policy It serves also to emphasize the constraints which the taxation of dealing profits imposes on the realisation of sound income-producing investments, whose market price may appear unduly high For example, at current tax rates the sale of an investment having the same market value to cost ratio as the consolidated portfolio, could be justified only if the net proceeds after tax could be invested at a sustainable yield at least 1,6 times higher than is derivable from the investment to be sold Shareholders will understand therefore that the company's future growth is far more dependent on the judicious investment of funds, particularly at times when market prices are depressed, than on maximising short-term dealing profits The increase in the dividend cover ratio this year leaves the company well placed to exploit such favourable investment opportunities

Outlook

Some 70 per cent of the company's dividend income is dependent on gold In turn, the overall performance of the South African economy is highly sensitive to earnings from mineral exports, of which gold forms the preponderant part Thus, while the company's direct exposure to gold might be tempered marginally from time to time, its average performance will inevitably reflect the fortunes of gold

During the year under review the U S dollar price of gold moved between a high of $720 per ounce and a low of $421 per fine ounce, a decline of some 42 per cent This volatility, coupled with a sharp reduction in personal disposable incomes in the depressed economies of the West, saw a sharp reduction in the off-take of carat jewellery and gold coins Indeed, in the less-developed countries a net dis-hoarding of carat jewellery was reported These adverse trading factors were exacerbated by the success, thus far, of the new Administration in reducing the rate of inflation in the United States by, inter alia, leaving interest rates to be determined by market forces

In consequence, demand for gold and its dollar price are likely to remain weak through much of the current financial year Your company's earnings, however, are dependent on the rand price of gold This has proved far less volatile than the dollar equivalent in consequence of the new flexible exchange rate policy adopted by the Reserve Bank For example, in the first quarter of the financial year under review, the South African gold mining industry reported revenue equivalent to R16 067 per kilogram declared In the last quarter the equivalent figure was R13 036 per kilogram, a decline of only 19 per cent Cost escalation remains a serious problem, but increases in mining costs will tend to be offset in part by upward adjustments in the grades of ore mined In the absence therefore of some unforeseen development having a major impact on the demand for and/or the supply of gold, your company should be able to maintain dividend payments in respect of the current year at the prevailing level

B R van Rooyen
Chairman

Johannesburg
18 August 1981

A MEMBER OF THE GOLD FIELDS GROUP

Libanon Gold Mining Company Limited

(214)

(Incorporated in the Republic of South Africa)

Chairman's Review

FM 18/9/81

The results of your company's operations for the year ended 30 June 1981 were again determined largely by the combined effects of the gold price and rising costs There was a consistent decline in the price received for gold sales but the average level of R14 502 per kilogram was still 22 per cent higher than in the previous year The planning policy described by my predecessor in his review last year has been applied successfully at the mine, and a significant lowering of the gold yield from 7,1 grams per ton to 6,0 grams per ton was achieved in response to the generally lower pay limits Gold production accordingly fell by 16 per cent from 11 917 kilograms in the previous year to 10 033 kilograms, but working revenue showed a marginal increase from R142,4 million to R145,9 million A 17 per cent rise in working expenditure to R59,7 million was in line with average industry experience, and working profit declined by 6 per cent to R86,2 million

Production from underground suffered from increased seismic activity in the remnant areas of the Ventersdorp Contact Reef in the southern portion of the mine The resulting losses were made up by drawing on the stockpile and it was possible to maintain the milling rate at the plant capacity level of 140 000 tons per month

Net sundry revenue increased from R3,2 million to R5,5 million largely as a result of higher interest rates obtained on short-term deposits, bringing gross profit to R91,8 million *(R94,5 million)* Taxation and State's share of profit totalled R44,2 million *(R46,3 million)* leaving a net profit of R47,6 million which is marginally lower than last year's record R48,2 million Capital expenditure absorbed R14,7 million, incurred mainly in shaft sinking and improved ventilation and refrigeration arrangements A further R4,9 million was provided against future capital expenditure commitments, taking the total now set aside for this purpose to R23,7 million The amount transferred to non-distributable reserve was R21 million and a record R26,2 million (330 cents per share), compared with last year's R15,9 million (200 cents per share), was paid in dividends

The company's application for a mining lease over areas totalling 653 hectares adjoining the eastern and southern boundaries was approved during the year and these areas have been incorporated into the existing lease area An application for the company's mine to be classified as an "other deep level gold mine" in terms of the Income Tax Act was also approved This entitles the company to an allowance for taxation of 10 per cent on annual capital expenditure for a period of 10 years from 1 July 1980, and represents a significant concession in the light of the projected capital expenditure over this period

A costly programme of shaft sinking is already under way and expenditure over the next five years is expected to amount to R74 million in today's money terms The full programme will not be completed until well into the next decade On current planning the new No 4 surface and sub-vertical shaft system will be supported at depth by a complex of 10 service shafts connecting the main transportation levels The system has been designed to obtain optimal use of available ventilation air, at the same time reducing personnel travelling time and in this way giving rise to significantly better productivity than would otherwise be the case Good progress has been made with the surface shaft where erection of the headgear is in progress and full-scale sinking should commence in January 1982 In the sub-vertical shaft the last working station on 42 Level has been cut and only the shaft bottom arrangements and pump chambers remain to be excavated No 1A Service Shaft has been commissioned and cross-cutting to the reef horizon has commenced No 4A Service Shaft from 27 Level is approaching 30 Level, the lowest working level it will serve Priority will be given in the next few years to the sinking of the surface shaft and establishment of the main working levels from the sub-vertical shaft The third service shaft, No 1B, is expected to commence sinking early in 1985

Mention must also be made of a continuing high level of expenditure on ventilation, refrigeration and associated power supply and pumping installations This expenditure is essential to support mining at the levels which your company proposes to exploit over its remaining life, and will absorb about R30 million in the next five years Housing and amenities for employees will cost a further R13,6 million Planned expenditure for the current financial year is R34 million, and the total projected expenditure over the forthcoming five years is R132 million in today's money terms

The policy of restoring a balance to the ore reserve, referred to in last year's review, was continued during the year and is reflected in the generally lower tenor of values disclosed in development There was, however, a slight increase in the average value of Main Reef development which took place largely in the south-western portion of the mine The effect on the mine's ore reserves of development and stoping operations in the 1981 year is given by the set of graphs which accompany the Technical Advisers' report

With the downturn in the gold price and the inexorable rise in working costs, the mine's operating pay limit has increased from 2,8 grams per ton in August 1980 to 3,7 grams per ton at the time of writing The effect of this will be to offset the general decline in ore reserve value, and the gold yield is expected to show a small increase in the forthcoming year On present indications this will not compensate for the less favourable gold price and working cost conditions Both profits and dividends are therefore likely to be lower than in 1981

I am pleased to record the board's appreciation of the services rendered by Mr O Davel, the consulting engineer, by Mr R K Briggs, the mine manager, and by the staff at the mine and at head office

P R Janisch
Chairman

Johannesburg
24 August 1981

A MEMBER OF THE GOLD FIELDS GROUP

Driefontein Consolidated Limited

(214)

(Incorporated in the Republic of South Africa) FM 18/9/81

Chairman's Review

Following the merger of your company with West Driefontein Gold Mining Company Limited on 1 July 1981, the name of the company was changed from East Driefontein Gold Mining Company Limited to Driefontein Consolidated Limited To facilitate the merger, the company also changed its financial year end from 31 December to 30 June Accordingly my comments on operations at the East Driefontein mine relate to the period of six months from 1 January to 30 June 1981

A milling rate of 225 000 tons per month was maintained throughout the period, giving a total mill throughput of 1 350 000 tons The average gold yield declined from 15,1 grams per ton in the 1980 calendar year to 13,7 grams per ton because a larger proportion of lower-grade ore was mined, and gold production totalled 18 531 kilograms Whereas an average price of R15 578 per kilogram was received for the company's gold in the quarter ended 31 December 1980, there was a subsequent weakening in the price which fell to an average of R13 686 per kilogram in the March 1981 quarter and to R12 801 per kilogram in the June 1981 quarter Working revenue for the six months amounted to R246 million, working expenditure totalled R52 million, reflecting an increase of nearly 14 per cent per ton milled, and the working profit was R194 million After adding R13 million in respect of a recovery from the company's insurers of loss of profits arising from the underground fire that occurred in December 1980, interest on short-term deposits and net sundry revenue, the gross profit was R207 million The State took R112 million as its share of profit and by way of taxation Out of the taxed profit of R95 million, the sum of R21 million, representing expenditure on fixed and other assets, was transferred to non-distributable reserve, and a dividend of 135 cents per share, which absorbed the remaining R74 million, was paid to members registered on 26 June 1981

I now turn to the important event that occurred at the end of the period when the scheme to merge the business undertakings of East Driefontein and West Driefontein was overwhelmingly approved by the then members of both companies The scheme was subsequently approved by the Supreme Court when it confirmed a reduction in the capital of the West Driefontein company by the cancellation of all its issued shares, other than the 2 160 shares owned by this company This paved the way for the merger to be implemented on 1 July 1981 when 40 128 000 new shares in this company, deemed to be fully paid, were issued to the members of West Driefontein in the ratio of 285 shares for every 100 West Driefontein shares registered in those members' names on 30 June 1981

Although not dependent on the merger, the scheme also made provision for the acquisition by this company of a mining lease, when granted, over the area known as North Driefontein which adjoins the northern boundary of the existing East Driefontein lease area Application has been made by Gold Fields Mining and Development Limited ("GFMD"), a wholly-owned subsidiary of Gold Fields of South Africa Limited, for a mining lease for precious metals in respect of the area which measures approximately 985 hectares This area is underlain by an estimated 27 million tons of ore on the Ventersdorp Contact Reef horizon, averaging 14,3 grams per ton over a width of 172 centimetres By agreement with GFMD, the mining lease when granted and I have no doubt that it will be granted - will be ceded to this company in consideration for 7 362 000 shares in this company, which will be deemed to be fully paid The shares will be issued on receipt of notification that the Minister of Mineral and Energy Affairs has approved in principle the grant of the mining lease These shares, which will initially be designated as 'A' shares, will rank for a deferred dividend equivalent to the aggregate of any dividends per ordinary share which may be declared by this company from 1 July 1981 to the date such notification is received Thereafter they will become ordinary shares

The company has made application for an additional mining lease in respect of the area of approximately 30 hectares contiguous to the existing northern boundary, which is held under prospecting permits with permission to mine When this lease and the North Driefontein lease are granted, the company's mining title will cover an area of approximately 8 155 hectares in the Carletonville district As a result of the merger with West Driefontein, the company has become the largest single gold producer in the world For the twelve months ended 30 June 1981 the two mines together produced more than 78 tons of gold, earned a gross profit of R995 million, paid R585 million in taxation and State's share of profit, and distributed R366 million in dividends

The merged operation permits the contiguous East Driefontein and West Driefontein mining title areas, and in due course the North Driefontein area, to be exploited in the optimum manner as an integrated unit However, because of the large scale of operations they are being operated as two divisions of the company, namely the East Driefontein mine and the West Driefontein mine, under the same operational management structures that existed prior to the merger As such neither the status nor the conditions of employment or prospects for advancement of personnel of either division have been affected The advantages of the merger were fully dealt with in the circular to shareholders dated 15 May 1981 In summing these up I would like to emphasize that, within a range of gold prices and cost inflation rates which may reasonably be expected, the merged operation should produce a stream of distributable earnings with a present value significantly higher than that of the sum of the distributable earnings projected for East Driefontein, West Driefontein and North Driefontein as separate entities

An immediate effect of the merged operation has been to make it feasible for the combined milling rate of the two operating mines to be increased by 25 000 tons to 475 000 tons per month The average gold yield will be slightly reduced because a larger tonnage of lower-grade ore will be mined, but total gold produced should increase because of the greater tonnage milled Application has been made for permission to mine the existing inter-mine boundary pillars at an early stage These pillars are estimated to contain 28 tons of gold which would otherwise not have been recoverable

Planned capital expenditure to sustain operations at the two mines is estimated to total R63 million this year Detailed planning to determine the areas which will fall under the responsibility of the two mines and their mining sequence in the medium to long term is well advanced At this stage the planning indicates that the West Driefontein mine will be responsible for mining most of the North Driefontein area and the western one-third of the old East Driefontein lease area which lies to the south of West Driefontein's No 6 Shaft and adjacent to the Western Deep Levels mine In addition to the planned expenditure mentioned above, preliminary expenditure on opening up new areas is expected to be incurred during the course of the current year

The continuing high rate of inflation in the country makes it inevitable that working expenditure will rise sharply this year On the other hand, the short to medium term trend in the gold price, which is presently at a comparatively low level, cannot be predicted with any degree of confidence and it is therefore not possible to give any meaningful forecast of profits and dividends The uranium market remains depressed and is likely to stay that way for a number of years, so the contribution to profits from this source is expected to be small in relation to profits from gold However, I remain confident that in the longer term the gold price will trend upwards and will, at least, keep pace with world inflation, and that your company therefore has a very bright and exciting future Even if the gold price should show a further temporary decline in its present cyclic phase, members can rest assured that not only is their company the largest gold producer, but it also produces its gold at a lower cost per kilogram than any other company in the industry

It remains for me to express, on behalf of the board, our sincere appreciation of the services rendered by Mr J D Pollard, the consulting engineer, by Messrs G C Clatworthy and I C Watson, the managers of the two mines, and by the personnel at the mines and at head office

R A Plumbridge
Chairman

Johannesburg
31 August 1981

A MEMBER OF THE GOLD FIELDS GROUP

ET Cons to boost milling

SM 21/9/81

(214)

Development results from an ore zone — the Main Reef complex — in the western part of the Sheba gold mine indicate potential reserves large enough to justify increasing the mine's milling rate

Disclosing this is his annual report, Mr J M Meyer, chairman of Eastern Trannsvaal Consolidated Mines, says plans to treat extra tonnage in the metallurgical plant are being examined.

The company is also examing detailed plans with a view to possibly reopening the Lily mine.

Output from all three producing mines in the current financial year is expected to increase slightly but because of uncertainties relating to the gold price and exchange rates, dividends cannot be reliabley forecast for the year.

Gold sales rose from R28,2-million to R30,3-million to June but higher working costs resulted in fractionally lower working profits of R19,2-million.

Attributable profit rose from R7,4-million to R7,6-million. — Mervyn Harris.

ERPM stalls R50m spending

RDM 22/9/81 (214)

EAST Rand Proprietary Mines is deferring R50-million of its R300-million expansion programme, including the sinking of the Leeupoort shaft and a big mill planned for the reduction works.

By JOHN MULCAHY

In announcing the deferment yesterday ERPM's chairman, Mr Dammy Watt, said it was a move "to conserve cash in a climate of lower gold prices", and ERPM would have to look for a sustained gold price of $550 in real terms at the current rand-dollar exchange rate before the deferred projects could be tackled

The announcement follows the decision earlier this year, reported in Business Mail on July 9, to cancel some contracts related to the expansion

At the time Mr Watt confirmed that a townhouse development at the mine had been shelved, and "one or two other contracts" were being reassessed because of the depressed gold price.

He said then that the contract cancellations represented "pruning at the fringes", and that the whole expansion programme was being continually reviewed as a result of the declining gold price

Mr Watt said yesterday that the main thrust of ERPM's rejuvenation programme — the underground development and modernisation of the mine — was going ahead on schedule

"When we planned this rejuvenation programme, we structured it in such a way that certain items of expenditure could be deferred should the gold price fall to levels which would put a strain on ERPM's cash resources So we are now simply following a course of action which we planned for at the outset."

Sinking of the Leeupoort surface shaft, building the connecting railway line to Leeupoort and the mill for the reduction works accounted for about R50-million, which Mr Watt said illustrated that the core of the programme was not being touched

The rejuvenation programme would ensure that ERPM could continue to operate in the years ahead, and "unless we complete this modernisation now, we will prejudice our ability to continue to produce at capacity levels in the future"

Mr Watt stressed that the items of expenditure were being deferred because of prevailing circumstances, and were certainly not being abandoned. "We will tackle them as and when gold price levels permit."

The deferment of part of the programme did not alter ERPM's intention to provide upgraded accommodation for its black workers.

Productivity would be improved significantly with the modernisation of the mine.

"At the moment its takes time to deploy the workers throughout the mine, but with the proposed new shaft systems we will be able to get them to the face far more quickly"

... contradictions when referring to the same array more ...NCE statement. For example, the following statement

(6) When one entity of a list, k, has its value defined, all its associated entities of the same list are defined. For example, when D(2,1) in Figure 7-1 is assigned a ...lue the contents of K(1,2), K(2,2), L(4), L(5), and C are defined.

(5) A dummy argument of a subprogram must not appear in an EQUIVALENCE statement.

(4) If one array element is equivalenced to an element of another array, both arrays are equivalenced. (See 2.7.4 for the order of the array elements.)

(3) If a two-storage entity is equivalenced to a one-storage entity, the one-storage entity will share storage with the first storage unit of the two-storage entity.

(2) The number of subscript expressions for an array element must be either the same number as in the array declarator or it must be 1. However, the number of storage units reserved by the array declarator must not be exceeded by the array element reference.

(1) Each entry in a given list, k, is assigned the same storage or part of the same storage. The sequence of items in a list is unimportant.

Rules

TABLE 10: AFRICAN AVERAGE ACTIVITY RATES AND UNEMPLOYMENT BY REGION AND SEX, MAY 1978

Region	% of age group economically active		Unemployment rates (%)	
	M 16-64	F 16-59	M	F
Metropolitan	92	58	8,0	22,6
Urban	97	53	2,3	15,5
Rural	93	50	2,6	9,0
Homelands	55	26	18,1	25,9
TOTAL	85	43	6,9	18,3

Source: Simkins (1979a) Tables 1 and 2.

What are we to make of these rates? The first thing to note is that CPS activity rates are considerably lower than those reported by the 1970 Population Census; if one takes the entire male and female populations as denominators, the 1970 figures are 14% and 26% higher for males and females respectively ... te' areas and 54% and 62% higher for males and fem lands (Simkins, 1979a:81). Table 3 shows tha ment estimates (based on Simkins, 1978a) and se (CPS) yield very similar employment totals (the important sectoral differences), so that it see part of African unemployment dissolves into ec

ERPM put some projects on shelf

Star 22/9/81 (214)

The lower gold price has forced East Rand Proprietary Mines to defer some aspects of its R300-million rejuvenation programme

Mr "Dammy" Watt, chairman of ERPM and head of Rand Mines gold division, said last night that the sinking of the new Leeupoort surface shaft, the interconnecting railway line to Leeupoort and the new mill planned for the reduction works would be shelved for the time being

Together these items account for about R50-million "which clearly illustrates that we are not touching the core of the programme which will ensure that ERPM can continue to operate in the years ahead," he said.

Mr Watt stressed that these items of expenditure "are merely being deferred because of prevailing circumstances — they are certainly not being abandoned."

However, ERPM would have to look for a sustained gold price of about 550 dollars an ounce in real terms at the current rand/dollar rate before the deferred projects could be tackled

Mr Watt said that when the rejuvenation programme was planned it was structured in such a way that certain items of expenditure could be deferred should the gold price fall to levels which would put a strain on ERPM's cash resources. "So we are now simply following a course of action which we planned for at the outset"

The main thrust of the programme — the underground development and modernisation of the mine — is going ahead on schedule and Mr Watt said that this would significantly improve production.

"Unless we complete this modernisation now we will prejudice our ability to continue to produce at capacity levels in the future," he said

Investors should not view this announcement too seriously as the temporary cutback appears to be aimed at being able to continue with the capex programme At the same time there will be no deep dig into earnings, thereby preventing dividend distribution from bearing the burden.

DAVID BAMBER reviews the latest batch of results from the gold mines.

Reduced GFSA profits ahead —Plumbridge

Star 22/9/81 (214)

The outlook for Gold Fields of South Africa for the current year is one of reduced profits says the chairman, Mr Robin Plumbridge, in his annual report for the year to June 30

However, Mr Plumbridge says that unless "there is a major further deterioration in the gold price," the total dividend distribution will be maintained at 500c a share.

TWO PARTS

He expects the interim dividend, which totalled 180c a share last year, will again be paid in two parts The amount of the first interim, which will be declared next November, "will be established in the light of the effective date of the undistributed profits tax concession"

Mr Plumbridge believes that profits will be reduced "because of the probability that the gold price will be lower than last year and the certainty that working costs will rise"

"This will provide a major incentive to our operating managements to give urgent attention to the task of improving production The target for this year is a modest 5 percent for all operations"

Mr Plumbridge feels that the gold price is likely to remain at lower levels in the shorter term before resuming its "long-term upward movement."

REAGAN TEAM

He says that the steps which have been taken by the Reagan Administration in the economic field have been well received in the US and "grudgingly accepted by the governments of the other major industrialised countries, which are somewhat less than enthusiastic aboutthe consequences for their own economies"

"The decline in the price of bullion reflects the gold market's assessment of the new administration's determination to come to grips with economic problems

"Time alone will tell whether the policies will be successful and if they are, whether the administration will be prepared to see the programme through without reverting to political expediency which will swiftly undo what good has been done"

Strangely enough, probably while the annual report was at the printers, reports started filtering through from the US indicating some loss of confidence in the US administration's ability to maintain economic policies

COMPORTING

However, even with the gold price showing signs of an upward move, the metal would probably have to reach much more than 500 dollars an ounce before investors can think of receiving a much bigger payout than the 500c mentioned by Mr Plumbridge

If, on the other hand, the gold price slips back to the 420-dollar level, it is comforting for invetors to know that, because of GFSA's prudent policy of the past, total dividend receipts should be maintained at last year's most satisfactory levels

Capital projects ahead at Harties

22/9/81

By Ann Crotty

A capital expenditure programme of R25-million is planned for the current financial year by Hartebeesfontein Gold Mining Company.

In his annual review, the chairman, Mr Basil Hersov, point out however that factors which reduced last year's capital expenditure from the planned R30-million to R17-million could also inhibit this year's capital programme.

Such factors were:

- An uncertain gold price.
- The effects of inflation aggravated by delays in completing projects which was mainly because of the critical shortage of skilled workers

The major capital projects planned are an additional surface shaft plus ancillary works and infrastructure. To assist in the financing of the expenditure, retained profits have been increased to R17,8-million from R14,8-million.

Despite a decline in gold recovery at Harties to 31 426 kg in 1981 from 32 213 kg in 1980 and a drop in earnings to R118-million (R123-million), dividends remained unchanged at 1 025c a share The results were adversely affected by lower uranium profits Revenue from gold increased.

Van der Merwe P.J.

1976 Black Unemployment Problems in South Africa
Pretoria: Bureau for Economic Policy and Analysis, Research Report No 6.

1977 Unemployment Statistics.
Pretoria: Bureau for Economic Policy and Analysis.

Westcott, G.

1977 Obstacles to agricultural development in the Transkei in (eds) F Wilson, A Kooy and D Hendrie, Farm Labour in South Africa.
Cape Town: David Philip

GFSA (214) FM 25|9|81

Expansion phase

Activities· *Mining house which derives most of its income from gold investments, primarily the West Wits mines Controls Apex, Rooiberg, New Wits, Vogels and unlisted Zincor and Black Mountain Cons Gold, which is almost 30%-owned by Minorco, owns 48% of the equity*
Chairman: *R A Plumbridge*
Capital structure: *16,3m ordinaries of 25c Market capitalisation R1 695m*
Financial: *Year to June 30 1981 Borrowings long- and medium-term, R20,5m Net cash R33,8m Current ratio 1,8 Capital commitments R27m*
Share market: *Price 10 400c (1980-81 high, 11 700c, low, 5 400c, trading volume last quarter, 50 000 shares) Yields 9,8% on earnings, 4,8% on dividend Cover 2,0 PE ratio 10,2*

	'78	'79	'80	'81
Listed investments				
Book value (Rm)	143	170	178	225
Market value (Rm)	593	905	1 813	1 391
Dividend income (Rm)	37 4	61 0	124 0	169 6
Earnings (c)	249	410	760	1 021
Dividends (c)	135	225	400	500
Net asset value (R)	36 3	57 4	116 6	95 6

Chairman Robin Plumbridge has been as good as his word A month ago, when the preliminary results were announced, he said that no borehole details would be published in GFSA's annual report They weren't In fact the report has little to add to what has been announced before

Not that this is particularly important as far as the near term is concerned There is little on the drawing boards which will substantially alter the group's earnings structure for the next few years Most of lead/silver producer Black Mountain's available profits are apparently earmarked for accelerating repayment of the mine's R113,4m outstanding debt And though it is hoped that the group will participate in the recently-announced increased coal export permits, any benefit from that is at least six or seven years away

However, information on exploration activities is needed if shareholders are to gain some idea of where the group is headed On that GFSA is notably deficient Why, for example, is there no mention of platinum prospects in the western Transvaal? Nor, except in passing, of the proven coal reserves between Piet Retief and Ermelo or the drilling for gold south of Kloof

Then there is the matter of R27m capital commitments shown in the notes to the consolidated accounts There is no mention of what the sum is meant for At the start of the last financial year the amount was zero

The tempo of exploration activity is clearly rising Last year drilling and prospecting expenditure was R7,5m against R4,2m in the previous twelve months The target, says Plumbridge, is an eventual prospecting expenditure equivalent to 10% of pre-tax profit If that target had been met last year, the exploration bill would have been more than R17m

Reading between the lines of management's comments on the iniquities of undistributed profits tax and Plumbridge's statement of the obvious that the balance sheet could support considerable short-term borrowings, it seems that at least one major project is being planned

At a guess it could be the proven coal reserves Management is making a strong pitch for the group to be included in the next round of export quotas That is reasonable enough But if export quotas are awarded on the basis of sales in the less-profitable domestic market, GFSA may have to establish a very large colliery And that might mean tendering for an Escom contract

The situation is complicated to some extent by Apex In fairness it should participate in any export quota granted to the group as a whole rather than for a completely new mine to be established to sell overseas A possibility, in order to treat the coal mine's outside shareholders fairly, could be for the group's coal reserves to be managed by Apex and a holding company established along the lines of Amcoal or Trans-Natal

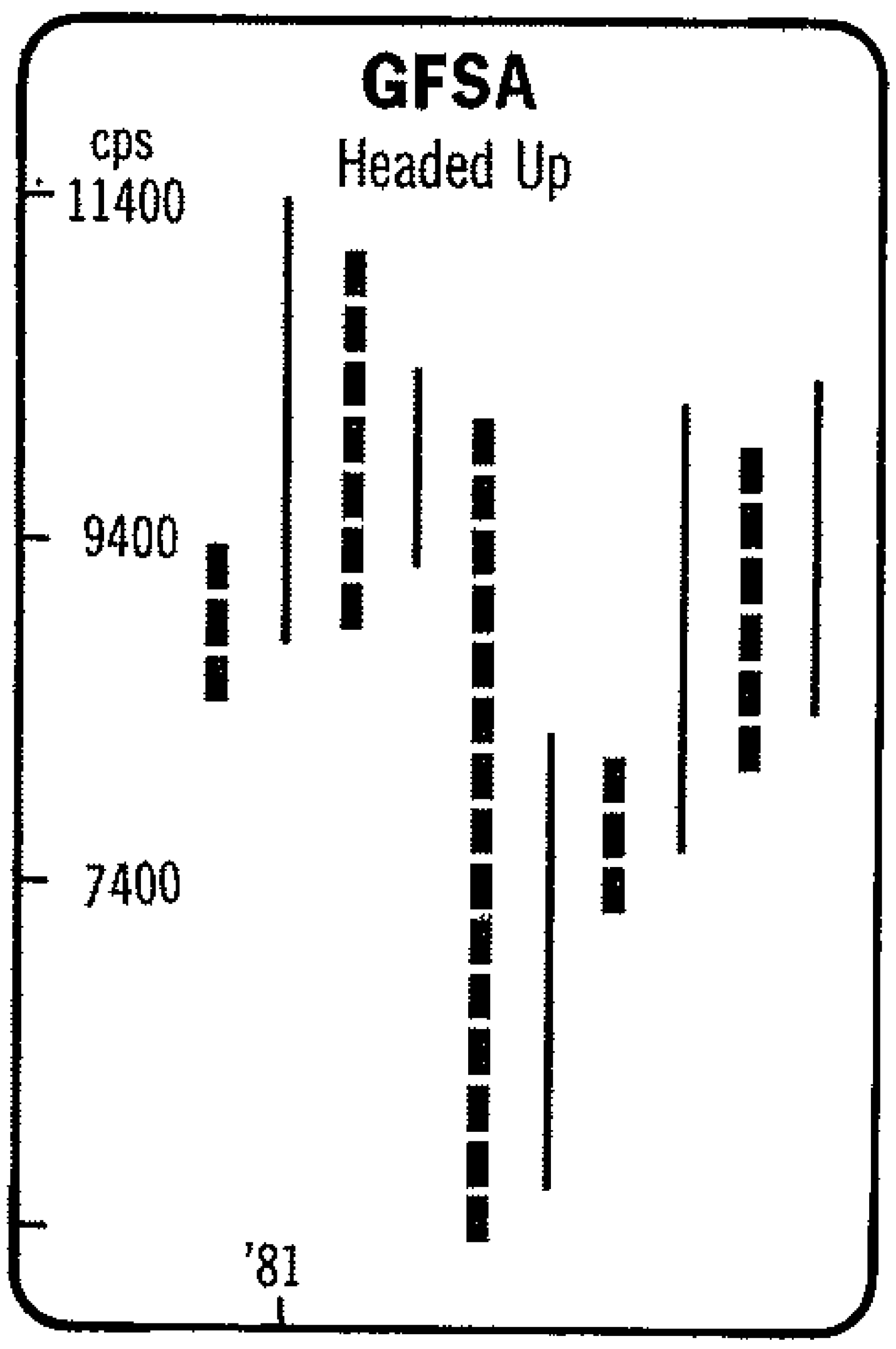
For this year management believes that a total dividend matching last year's 500c will be paid However, its make-up should be different from last year's first interim of 55c, second interim of 125c and final of 320c Unless at least 146,6c a share is paid by end-December the group will be liable for undistributed profits tax A first interim of 150c seems likely

At end-June net current assets, less the contingent liability of the dividend needed to avoid undistributed profits tax, were R29,7m — an increase of R10m on the similarly calculated figure at the end of 1980

This adds to the view that a major capital spending programme is in the offing Cash is being accumulated in part as a protection for dividends if earnings fall

At 10 400c the share yields a prospective 4,8% which is hardly attractive to investors looking for income over the next year or two The share's merit lies in its growth potential as gold moves out of its trough and on likely medium-term expansion projects

Jim Jones



GFSA's CONTRIBUTORS

	Assets 1980	Assets 1981	Income 1980	Income 1981
	%			
Gold/uranium	83	78	88	89
Other minerals	8	10	7	5
Financial/banking	3	2	2	4
Industrial	2	2	3	1
Property	1	1	—	1
Cash	3	7	—	—
	100	100	100	100

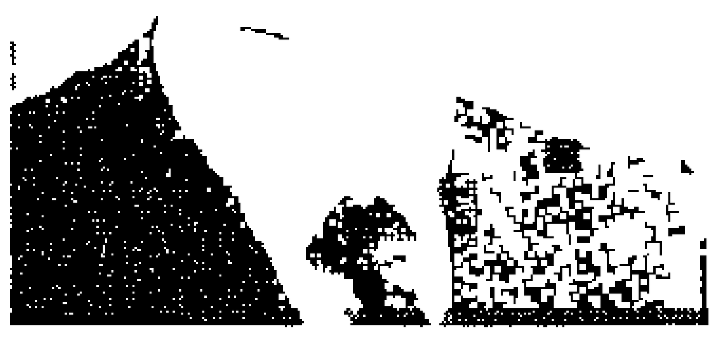
GOLD FIELDS of South Africa Limited

FM 25/9/81

214

Review by the Chairman
Mr R A Plumbridge - 3 September 1981

In this my first review of the affairs of Gold Fields of South Africa Limited, it is my pleasure to record a 33% increase in group earnings to R166,6 million after allowing, *inter alia*, for the write-off of R6 million in respect of goodwill The excellent results can be ascribed primarily to the higher income received from investments in gold mines



The Price of Gold

Gold Fields is a major participant in the South African mining industry and its corporate policy clearly commits it to a continuance of this role As a consequence the fortunes of the group are inextricably bound up with the behaviour of world markets for metals and minerals The cyclic behaviour of these markets will inevitably have their effect on the group's results from year to year and, therefore, the growth pattern in group earnings for which the group is striving must be irregular During the past two years the price of gold, which is the prime determinant in the group's results at this stage, reached exceptionally high levels It rose from R7 558 per kilogram on 30 June 1979 to R22 373 per kilogram on 21 January 1980 By 30 June 1981 the price had fallen to R12 145 per kilogram about which level it has subsequently fluctuated While the present price appears low to those with short memories, it is nevertheless high by historical standards

The events which conspired to produce the exceptional gold prices, that prevailed during calendar year 1980, are unlikely to be repeated in the near future The election of President Reagan in the United States of America has brought into office an administration which has the political will to endeavour to correct the ills in the American economy, which is so vital to the broader economy of the western world The steps which have been taken by the Reagan administration in the economic field have been well received in the United States and grudgingly accepted by the governments of the other major industrialised countries, which are somewhat less than enthusiastic about the consequences for their own economies The decline in the price of gold reflects the gold market's assessment of the new administration's determination to come to grips with the economic problems facing it Time alone will tell whether the policies will be successful and, if they are, whether the administration will be prepared to see the programme through without reverting to political expediency which will swiftly undo what good has been done Provided there are no major unforeseen events, the gold price is likely to remain at lower levels in the shorter term before resuming its long-term upward movement

Inflation and Productivity

During the past ten years the South African mining industry has witnessed rapid growth and increased prosperity However, the positive factors have masked one critical factor, which is cause for great concern Costs have escalated alarmingly Based on Chamber of Mines figures, the cost per ton milled of gold mines increased by 384% between 1970 and 1980 This compares with an increase of 175% in the consumer price index over the same period This means that a gold mine, which today has a pay limit of 5 grams per ton, would have a pay limit of 2 8 grams per ton if the industry had been able to contain its rate of increase of costs of the last ten years to that which was registered by the consumer price index Thus some of the advantage of the higher gold price has been dissipated, vast tonnages remain unpayable in many existing mines, some potential new areas are still uneconomic and many gold mines are once again seeking State Assistance because their operations are marginal The effect of inflation on most of the base metal mines in South Africa has been particularly severe as they have not had the advantage of burgeoning prices for their products

While all the component parts of mine operating costs have increased, the principal structural change has been in the wages of black unskilled and semi-skilled labourers, which have increased by 879% over the ten-year period At the same time their productivity on gold mines has increased by only 4%

A major drive to increase productivity is clearly indicated and employment policies require to be adapted appropriately This implies the removal of the last entrenched elements of discrimination in the industry's employment practices, the determination of an equitable market-related wage curve which gives due cognisance to the level of skills of various categories of workers, and a major increase in the training provided for all employees Provided all concerned recognise the need, on the one hand, to reassure existing white employees that their job security is not threatened, and on the other, to satisfy the aspirations of black employees, I am sure that a pragmatic approach will produce positive results at a quicker pace than most people expect

Manpower

Over the years the mining industry has evolved a highly flexible industrial relations system which has served it well The built-in checks and balances have enabled stability to be restored when confrontations have built up between employers and organised labour I sincerely hope that it will be possible progressively to extend the present system to accommodate all the industry's employees There is no valid reason why this should not be done immediately for skilled categories of employment

The recent period of high economic activity in South Africa has created an acute shortage of skilled and professional manpower while, at the same time, there has continued to exist a high level of unemployment amongst the unskilled It is clear that the South African economy cannot continue to grow at an acceptable rate unless this structural imbalance is corrected There is no easy solution to the problem but there are three major areas which require urgent attention

Firstly, the non-white racial groups must be trained as rapidly as possible to fill an ever-increasing number of skilled and professional positions Inevitably this will be a slow process due to the shortcomings in the educational background of many of the people concerned

Secondly, a major programme to increase the inflow of skilled and professional immigrants in the short-term The current net rate of immigration is about double the level of a year ago but it is necessary to aim for a rate two to three times the current level if continued bottlenecks are not to restrain economic growth,

Thirdly, the creation and not destruction of job opportunities for unskilled workers whose wages must be set in relation to the economic value of their output in a free market economy

New Business

Ten years have passed since West Witwatersrand Areas Limited and Gold Fields of South Africa Limited merged to form the present company Since that date the assets of Gold Fields have grown from R333 million to R1 736 million, while the attributable earnings have increased from R11,4 million to R166,6 million The dramatic change in the size and profitability of the group has substantially altered its capacity to finance new business Historically the financing of new ventures necessitated the sale of part of the strategic shareholdings in existing operations and relatively frequent rights issues Today the group's cash flow is substantial and it is in a position to finance new business without reducing strategic shareholdings In addition the group has a balance sheet which could support considerable short-term borrowings should these be required for any major new business opportunity

During the first half of the year the duties of the executive directors were adjusted to enable a greater emphasis to be given to new business Our first priority is to find new projects as a result of our own exploration and metallurgical research efforts The increase in the tempo of our efforts in this direction is clearly shown in the increase in expenditure from R4,2 million to R7,5 million in the past year Provided we can find suitable targets, it is intended to build up our expenditure under this heading to about 10% of profit before tax

During the second half of the year the scheme for merging East Driefontein and West Driefontein was announced and approved by shareholders Subject to the approval of the Minister of Mineral and Energy Affairs, it is intended that the merged company, Driefontein Consolidated Limited, will acquire the area known as North Driefontein The net consideration which will accrue to the group as a result of this transaction will be 7 067 520 shares in Driefontein Consolidated Upon completion of the transaction the group will have a 30,5% interest in Driefontein Consolidated

At the present time the group is exploring for precious metals, base metals and energy minerals in South Africa, South West Africa/Namibia, Zimbabwe and Brazil In addition the group owns substantial coal rights where exploration has been completed and whose exploitation awaits suitable sales contracts The long-awaited decision on the possible increase in export allocations is vital in this respect The justification for an increase cannot be doubted and it is to be hoped that any new allocation will correct the injustice in the present allocations which exclude our group, although it was one of the four groups which set up the original programme to export low ash coal to Japan through Richards Bay

Undistributed Profits Tax

During the course of the year representations were made to the Minister of Finance to exempt public listed companies from Undistributed Profits Tax or alternatively materially to increase the plough-back allowance in respect of dividend income I therefore welcome the announcement by the Minister during his 1981 budget speech that he has agreed to increase the plough-back allowance from 35% to 50% This concession will materially increase the ability of the group to plan its financial affairs on a flexible basis and to finance its future new business commitments At the time of writing the effective date of the concession is not known Nevertheless, it is expected that the practice which was instituted last year of declaring the interim dividend in two parts will have to be repeated this year in order to avoid the payment of Undistributed Profits Tax in respect of the past year's operations

Outlook

The outlook for the current year is one of reduced profitability due to the probability that the gold price will be lower than last year and the certainty that working costs will rise This will provide a major incentive to our operating managements to give urgent attention to the task of improving productivity The target for this year is a modest 5% for all operations

From the shareholders' point of view, it is expected that the total dividend distribution will be maintained at 500 cents per share, unless there is a major further deterioration in the gold price As I have already mentioned, it is expected that the interim dividend, which totalled 180 cents per share last year, will once again be paid in two parts The amount of the first interim which will be declared in November 1981, will be established in the light of the effective date of the Undistributed Profits Tax concession

Social Responsibility

By its very nature, the group has developed management expertise in the field of major mining enterprises Nevertheless, it recognises the important role which small business can and does play in the South African economy In the past the group has encouraged many small companies, which have specialised technical capabilities and are price competitive, to become suppliers to our operating companies During the past year the opportunity arose to become a founder member of the Small Business Development Corporation, which has been formed by the private sector, in conjunction with the State, to encourage the development of the small business sector Gold Fields has committed R5 million to this project over five years 66.

For many years the companies of the group have supported welfare and other charitable organisations through a centralised Chairmen's Fund and special projects on an *ad hoc* basis It has now been decided, in principle, to formalise these activities and form a Gold Fields Foundation, which will be financed by all the major group companies In addition to making regular donations to welfare and other charitable organisations, the Foundation will have the financial capability to finance projects in the education, training and health fields In this way the group hopes to make a significant contribution to the general welfare of Southern Africa

Tribute

During the past year two members of the group executive retired after many years of distinguished service I would like to record the group's sincere appreciation of the contributions made by Mr A Louw and Mr R A Hope Mr Louw has agreed to remain on the board in a non-executive capacity I would like to welcome Mr C T Fenton and Mr B R van Rooyen to the board and the group executive where they have already made their mark Finally, in this year of record results, I would like to express my appreciation of the contributions made by my fellow board members, the management of the group, both in head office and in the operating companies, the technical consultants and all the employees of the Gold Fields group companies

R A PLUMBRIDGE
Chairman

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tered Accountant, Oct. 1980. p. 439.

28. Annual Report: 1981, p. 41.

Buffels to spend R48m this year

By JOHN MULCAHY

BUFFELSFONTEIN Gold Mining Company will spend R48-million on capital projects in the current year, R19 million of which relates to the Strathmore shaft expansion, says chairman Mr Johan Fritz in the annual report.

He says progress on the Strathmore shaft expansion continues on schedule and the 200 ton a day acid plant extension to supply the major portion of the acid for Buffels uranium production is expected to be in production early next year.

Mr Fritz says gold price predictions remain difficult while the uranium market is depressed and this situation is expected to persist for some time.

Fortunately the production of the mine is fully committed on long term [illegible]

[illegible] constraints Buffels gold and uranium production is expected to be about the same level or slightly higher than the past year.

While tribute payments are expected to increase significantly during the 1983 financial year payments in the current year are expected to be about the same as the R17 760 000 paid during the past year.

The calcine digestion plant, built to increase the percentage of gold and uranium recovered from acid plant calcines should come into operation during the fourth quarter of 1981.

Buffels development is being concentrated in the areas served by the Southern and Orangia shafts especially in the river bulge area, says Mr Fritz and the values exposed during the past year show a 7% improvement over the previous year.

Based on an average gold price of R13 900 a kg equivalent to about $495 an ounce at a rand exchange rate of $1.15 available ore reserves at June 30 were assessed at 7-million tons.

Mr Fritz says good operational efficiencies are being maintained on the mine and the year saw a marked reduction in events disrupting production such as fires and hoisting accidents.

"It is also pleasing to report a much improved tunnel support system which is expected in time to significantly reduce the effect and danger associated with seismic events."

The supply of labour to Buffels [illegible] 50% A[illegible] from Transkei and homeland citizens.

A high percentage of employees engaged are experienced workers and old employees returning to the mine.

"The improved labour stability is having a positive effect on many aspects of the mine's operations including acclimatisation and training."

Unit trusts top R700m in value

But R100m knocked off mining holdings

RPM 7/10/88 By DAVID CARTE (214)

THE value of the gold and mining shares of South Africa's 12 unit trusts fell nearly R100-million in the year to September, but this did not prevent the funds from ending the September quarter near an all-time high.

Figures released by the Association of Unit Trusts yesterday show that lower gold and base metal prices, as well as substantial selling of mining-related shares by the trusts, reduced the total value of the funds' gold and mining shares to R195 300 000 from R291 600 000 a year before.

But thanks largely to a surging industrial market, particularly in the September quarter, the total value of the 12 trusts' portfolios moved up 11% in the third quarter to end it at R703 300 000 — only 4% off the all-time high of R732 900 000 established last September

The unit trust price index came even closer to the record at the end of the September quarter, ending the period at 414,9 compared with the high of 416,8 last September

The income index, which measures distributions, rose by 6,7% during the quarter to close on 672,4, its highest in the industry's 16-year history

This reflects higher corporate profits and dividends as well as improved interest receipts on liquid funds

The Association of Unit Trust's figures for the September quarter reveal a much changed joint portfolio on the year

Mining-related shares at the end of September made up 27,8% of the joint portfolio against 39,8% a year before

With the value of industrial shares up R3-million to R342 500 000 (R339 500 000) on the year, industrials made up 48,7% of the total portfolio against 46,3% a year before

Liquid asset holdings soared by R64 300 000 to R143 100 000, making up 20,3% of the total portfolio against 10,8% a year previously

This reflects greater caution by the funds towards the market in a time of rising interest rates and a relatively depressed gold price

Liquid asset holdings rose by R3-million in the September quarter, but because of the rise in equity values their stake in the joint portfolio actually declined to 20,3% from 22,1% in the second quarter

In the most recent quarter industry sales of units were R11 300 000 and repurchases R14-million, making the net outflow of funds R2 700 000

This was a R300 000 deterioration on the previous quarter, but a big improvement on net repurchases of R16 800 000 in the December quarter and R8 200 000 in the March quarter

The 11% or R68-million gain in value of the trusts made the R2 700 000 outflow pale into insignificance

Gold producers' revenue may drop R52-million

Star 9/10/81

By David Bamber

The revenue received by South Africa's gold producers during the September quarter could be as much as R52-million lower than in the previous quarter

While the rand weakened further against the dollar from 1,19 dollars to around a naverage of 1,07 dollars, this was not sufficient to cushion the 57-dollar-an-ounce fall in the gold price from 478 dollars to a level of about 421 dollars

RAND TERMS

In rand terms, gold will have fetched about R12 660 compared with R13 000 in the previous three-month period

Adding to the gloomy prospects for the results, the first of which, Gold Fields of South Africa, will be released tomorrow, is that working costs for the industry as a whole are expected to rise considerably

This is largely as a result of the September quarter being the first period in which the full impact of the wage increases granted this year will be taken into account

Furthermore, it is unlikely that milling rates will be any higher than in the previous quarter as the 2,2 percent rise from 22,7-million tons to 23,2-million tons reported during that period was merely due to the mines returning to normal capacity following the December holidays

However, there is a possibility that many of the mines will have followed the lead given by General Mining Union Corporation in the June quarter by lifting grades slightly

Gencor was the only one to take this action while Anglo American Corporation and Gold Fields of South Africa reported further reductions

There was almost no change to the grades of Johannesburg Consolidated Investments, Rand Mines and Anglovaal

If the other groups did this during the September quarter the impact of the lower gold price would have been cushioned to some extent.

In addition to all of these factors, capital expenditure usually builds up as the year progresses so it is likely that capex bills will generally be higher than they were three months ago

Therefore, assuming taxed profits are reduced by the lower revenue received and higher working costs, earnings a share after capex should be considerably down on the June quarter

While the increases in working costs are a foregone conclusion, it will be interesting to see whether Anglo American will again head the list with the smallest rise

Record milling in the Gold Fields group

STAR 9/10/81

(214)

By David Bamber

A record mill throughput and increased gold production are the highlights of the quarterly reports of mines in the Gold Fields of South Africa group for the three months to September 30

However, as expected, the lower gold price and higher working costs took their toll leaving pretax profits 7,4 percent down on the previous quarter at R311-million (R336-million).

Oddly enough, the capital expenditure bill for the mines collectively was lower than in the June quarter resulting in taxation falling by only 4,1 percent

This led to taxed profits falling 10,9 percent from R165-million to R147-million

From the operations point of view, however, it was a satisfactory quarter with total tonnange milled increasing from 3 458-million tons to a record 3 569-million tons

This meant that despite a planned decrease in average grade from 10 g /t to 9,8 g /t, gold production increased from 34 633 kg to 35 123 kg

This effort however was neutralised by the fall in the gold price received from R12 954 to R12 563 a kilogram although matters could have been worse if the rand had not declined from around 1,19 dollars to 1 07 dollars as the decrease in the bullion price in dollar terms was about 57 dollars an R186,2-million to R174,6-million

After adding all other income, Driefontein's pretax profit amounted to R86,2-million (R92,1-million).

The combined unexpended balance of authorised capital expenditure for the two mines at September 30 was R239,2-million

Libanon

This mine experienced a static quarter with milling rate unchanged and increased working costs almost offset by a marginal increase in grades from 6 g/t to 6,1 g/t

Under the circumstances of a falling bullion price, however, the mine did exceptionally well to hold taxed profits at R11,1-million compared with R11,6 million last time round

Venters

It's back to State aid for Venters and taxed profits are well down on those of the previous quarter

The marginal mine did well enough increasing mill throughput from 345 000 to 349 000 tons and lifting gold production by increasing the grade marginally, but it could not withstand the fall in the gold price and higher working costs

The latest round of cost increases eans that over the past six months Venters' costs have risen by no less than 16,9 percent

Taxed profit including State aid of R90 000 amounted to R2,4-million (R4 million)

Sampling and development continues but there have been no encouraging results

than half from R11,3-million to R4,7-million the taxman had no mercy and helped himself to R8,7-million (R6,9-million) despite the lower profits leaving taxed profits at R11,6-million — 35,8 percent lower than the R18,1-million in the June quarter.

There has been a swing from mining the Carbon Leader to the Main Reef which was largely responsible for the fall in grade and on the positive side, an increase in ore reserves

Deelkraal

This was the only mine in the group to show an increase in profits

Milling rate and grade were up resulting in higher gold production and working costs being contained to a praise worthy 3,6 percent

Capex for the quarter was slightly light at R2 million and is expected to double next quarter and triple in the final three months

The year-end has been changed to June

Vlakfontein

An increase in tonnages milled from outside sources resulted in a slight increase in grade and as the milling rate remained unchanged gold production was slightly higher

Ore from these outside sources is more expensive than that from the mine's own dumps and working costs were therefore 18,5 percent higher than in the June quarter

After the gold price had taken its toll, taxed profits slumped from R426 000 to R275 000

Star 9/10/81

214

Adding to this adverse factor, costs jumped by 6,5 percent from R42,11 a ton milled up R44,85 — mostly because of the full effects of recent wage increases being felt over the whole of the September quarter

Taking the rise in costs in the previous quarter into account, the increase in the past six months is a staggering 11,4 percent — probably the highest rise in the industry.

Driefontein

Since the merging of East Driefontein and West Driefontein, GFSA has combined the financial results

Operating results are still reported separately and reflect a handsome improvement in milling rate despite the production loss which occurred at West Drie following a fire last August.

The affected area was sealed off but was reopened and normal mining in the area was resumed two weeks later A claim for loss of profits has been lodged with the company's insurers

At East Drie, ore milled rose from 675 000 tons to 705 000 tons but, following a planned reduction in grade from 13,5 g/t to 12,7 g/t, gold production decreased from 9 111,9 kg to 8 932,5 kg.

Therefore, after receiving only R12 575 a kg for its gold compared with R12 801 in the previous quarter and a rather steep 7,1 percent rise in working costs from R40,20 to R43,04, pretax profits were 8,2 percent down at R82,3-million (R89,6-million).

Ore milled at West Drie rose from 675 000 to 715 000 despite the fire and, despite an easing in grade from 14,5 g/t to 14 g/t, gold production was higher at 10 012,3 kg as against 9 787,5 kg.

However, while revenue received was almost the same as that of East Drie at R12 572 a kilogram, it was R387 a kilogram below that received last quarter whereas East Drie's receipts were only R226 lower.

West Drie managed to keep the increase in working costs to a commendable 4,8 percent but pretax profits were nevertheless 4,4 percent lower than those of the June quarter at R92,3-million (R96,6-million)

This good performance led to profit from gold for Driefontein easing only 6,3 percent from

Doornfontein

The most disappointing results of the batch come from this mine

Milling rate was unchanged, but grade fell from 8 4 g/t to 8,1 g/t resulting in gold production decreasing from 3 024 kg to 2 909,8 kg

Costs rocketed 10,5 percent from R46 05 to R50,87 and, following the lower gold price received pretax profits fell 18 7 percent to R20,3-million (R25-million)

After capital expenditure had fallen by more

Kloof

Kloof is slowly creeping up to its target milling rate of 540 000 tons a quarter with a total of 520 000 (505 000 tons)

Grade was marginally increased so that gold production rose quite significantly

This led to revenue being only marginally down on the previous quarter Costs were well contained but unfortunately capex was far lower, resulting in a higher tax bill

GFSA GOLD MINES' REPORTS FOR THE QUARTER ENDED SEPTEMBER 30

Mine	Tons Milled 000's		Yield G/T		Costs R/T		Costs $ oz		Revenue $ oz		Net Profit R000's		Net Profit after Capex R000's		EPS after Capex Cents	
	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June
Driefontein	1 420	1 350	13,3	14,0	45,25	42,72	113	113	419	479	86 244	92 091	67 993	73 986	72	78
Libanon	420	420	6,1	6,0	40,16	37,34	219	231	418	481	11 115	11 452	5 932	6 463	75	81
Kloof	520	505	14,6	14,5	52,20	50,50	119	129	419	488	31 199	34 862	26 350	26 698	87	88
Deelkraal	320	298	4,6	4,3	47,08	45,46	343	395	422	488	4 086	3 690	2 036	2 277	2	2,3
Vlaks	180	180	1,2	1,1	10,04	8,47	278	282	418	487	275	426	-29	426	Nil	7
Venters	349	345	4,1	4,0	46,14	42,52	377	390	419	483	2 449	4 022	1 606	2 990	32	59
Doorns	360	360	8,1	8,4	50,87	46,05	209	203	417	480	11 620	18 103	6 878	6 825	69	68

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ oz	Revenue $ oz	Revenue R/Kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
DRIE CONS*							86 244	67 993	72
June							92 091	73 986	78
WEST DRIE	715	14,0	47,42	113	418	12 572			
June	675	14,5	45,24	116	480	12 959			
EAST DRIE	705	12,7	43,04	113	418	12 575			
June	675	13,5	40,20	110	474	12 801			
LIBANON	420	6,1	40,16	219	417	12 529	11 115	5 932	75
June	420	6,0	37,34	231	480	12 933	11 452	6 463	81
KLOOF	520	14,6	52,20	119	418	12 552	31 199	26 350	87
June	505	14,5	50,50	129	488	13 117	34 862	26 698	88
DEELKRAAL	320	4,6	47,08	343	421	12 647	4 086	2 036	2,0
June	298	4,3	45,46	395	488	13 126	3 690	2 277	2,3
VLAKS	180	1,2	10,04	360	418	12 553	275	579	9
June	180	1,1	8,47	365	487	13 104	426	426	7
VENTERS	349	4,1	46,14	377	418	12 554	2 449	1 606	32
June	345	4,0	42,52	390	483	12 984	4 022	2 990	59
DOORNS	360	8,1	50,87	209	416	12 512	11 620	6 878	69
June	360	8,4	46,05	203	480	12 921	18 103	6 825	68

***West Drie and East Drie financial results combined**

Doorns brings up the rear

RDM 9/10/87

2/4

By JOHN MULCAHY

DOORNFONTEIN Gold Mining Company was the poorest performer in the Gold Fields group of gold mines for the September quarter, with a 35,8% drop in taxed profit to R11 620 000 from R18 103 000 the previous quarter.

Bludgeoned by a combination of higher working costs, a lower gold price and a fall in average yield, Doornfontein's working profit on gold dropped to R18 170 000 from R22 558 000 Substantially lower capital expenditure — down to R4 742 000 from R11 278 000 — raised the tax bill to R18 311 000 from R16 579 000

Doorns average gold price received was the lowest in the group at R12 512 a kg compared with R12 921 in the June quarter In dollar terms the price fell to $416 from $480

Costs rose by 10,4% in the latest quarter to R50,87 a ton milled from R46,05, and the average yield dropped to 8,1 g/t from 8,4 g/t

Full-scale shaft-sinking has begun at No 3 shaft and it has been sunk to 246 metres below collar At No 3 sub-vertical shaft development underground is progressing towards the proposed shaft site and associated chambers

Mr Colin Fenton, deputy-chairman of Gold Fields, told a news briefing yesterday Doorns was mining increasingly on the Main Reef, which in part accounted for the decline in grade

KLOOF: "A better quarter, but not a good quarter" — in the words of Mr Fenton Mill throughput rose to 520 000 tons from 505 000 tons, but the mine is aiming at 180 000 tons a month, or 540 000 tons a quarter

Costs rose by 3,4%, well below the group average, and yield was slightly better at 14,6 g/t compared with 14,5 g/t Working profit on gold dipped to R68 608 000 from R70 731 000

Capital expenditure fell to R4 849 000 from R8 164 000, and the tax charge rose to R42 261 000 from R41 049 000 The unspent balance of authorised capital expenditure at September 30 was R191 100 000

VENTERSPOST: After moving to a State-assisted tax formula in the June quarter, the mine came in for State aid in August and September

Working profit on gold fell to R1 794 000 from R3 497 000, and the profit on sale of pyrites was halved to R89 000 from R195 000

Tonnage improved significantly in August and September, and overall output rose to 349 000 tons from 345 000 tons Mill throughput was lower than planned because of a fire on the Ventersdorp Contact Reef horizon in July The area was sealed off, and mining has been resumed

The mine is persisting with development in the Middelvlei area, although nothing payable has been found Development will continue in the area for the foreseeable future, but there is no prospect now of sinking a shaft

Mr Fenton said that after closing down and stripping the Middelvlei area some years ago, it took some time to start development again, and the trough in the gold price cycle caught up with development

VLAKFONTEIN: Treatment of material from the Vogelstruisbult dump started on a routine basis on July 1, and the company is increasing the quantity of rock from outside sources In the September quarter it treated 98 058 tons of outside material and 81 942 tons from its own surface dumps

The rock from outside sources is of higher grade than that from Vlaks dumps, and the average yield rose to 1,2 g/t from 1,1 g/t

The greater emphasis on material from other sources comes about as the company is protecting its dumps, and is taking advantage of the alternative, higher-grade rock.

Prospect drilling from surface to explore the Kimberley Reef horizon is continuing, with four drills now in operation The chairman, Mr Peter Janisch, says he is "very happy" with progress

DEELKRAAL: Tonnage rose to 320 000 from 298 000, and grade improved to 4,6 g/t from 4,3 g/t, increasing gold production to 1 462,2 kg from 1 271,6 kg

Taxed profit rose to R4 086 000 from R3 690 000, and capital expenditure for the quarter increased to R2 050 000 from R1 413 000 Mr Fenton says capital expenditure will double in the current quarter and treble in the quarter following that

Deelkraal is milling about 110 000 tons a month, and attempts are being made to improve the average grade

Milling record and higher output, but

Costs bite GFSA as gold price weakens

RDM 9/10/81

(214)

RECORD tonnages for a single quarter and higher gold production by Gold Fields of South Africa's gold mines were not enough to offset the lower gold price and increased working costs, and taxed profit for the September quarter fell by 10,9% to R147-million from R165-million.

By JOHN MULCAHY

Production was higher at five of the operating mines, and unchanged at the other four, taking total tonnage to 3 569 000 from 3 458 000 Gold production rose to 35 123 kg from 34 633 kg in spite of a dip in average yield to 9,8 g/t from 10 g/t

The full brunt of this year's round of wage increases was felt in the quarter, with unit working costs rising by an average of 6,5% — this increase would have been a lot greater had it not been for the 3% improvement in production

The average gold price fell 13% to $418 an ounce from $480, but the rand's depreciation against the dollar was again favourable to the mines, averaging $1,07 according to the Reserve Bank, and resulting in a decline of only 3% in the average rand receipts to R12 563 a kg from R12 954

Capital expenditure was generally below the June quarter's levels, particularly at Doornfontein and Kloof, but there is nothing significant in this, says Gold Fields deputy chairman, Mr Colin Fenton, and reflects traditionally low expenditure in the first quarter of the financial year

DRIEFONTEIN CONS. Now SA's biggest gold producer, with total output from East and West Drie almost 19 000 kg for the quarter Taxed profit fell to R92 293 000 from R96 585 000

Mr Fenton says permission has been granted by the Department of Mineral and Energy Affairs to cut through the boundary between West and East Drie, but formal approval for the whole project has yet to be received

As yet the rich pillars separating the two operating mines have not been exploited

Total capital expenditure for the complex in the quarter was R18 251 000 compared with R18 105 000 in the June quarter Mr Fenton says capital expenditure for the year to June 1982 is likely to exceed the R63-million estimated in the annual report

West Dries continuing capital expenditure has been approved by the Drie Cons board, and it will now consider East Dries spending, as well as expected expenditure for the whole project

Because some shafts at East Drie and West Drie have the same numbering, it has been decided to have the suffix E in the case of East Drie, and W in the case of West Drie, added to the shaft desi, nations

EAST DRIEFONTEIN Production has been stepped up to planned capacity of 235 000 tons a month, with total output up to 705 000 tons from 675 000 tons, but grade continued to fall — to 12,7 g/t from 13,5 g/t, reducing gold production to 8 932,5 kg from 9 111,9 kg in the June quarter Unit costs rose by 7% to R43,04 a ton milled from R40,20

The No 4 sub-vertical shaft-E was sunk 52 metres to 386 metres below collar, and excavation of the 31-level station has been completed

Initial pre-sinking of No 5 shaft-E has been carried out to 32 metres below collar

WEST DRIEFONTEIN A fire at No 5 West sub-vertical shaft-W was detected on August 14 The area was sealed off, but was subsequently reopened and normal mining in the area resumed on August 31

The setback reduced overall production for the quarter to 715 000 tons from the planned 720 000 tons, but output was still up on the previous quarter's 675 000 tons A claim for the loss is being lodged with the insurers

Uranium oxide production rose to 64 070 kg from 59 422 kg, but the profit on sales of uranium oxide and sulphuric acid was sharply down at R2 294 000 from R3 942 000

Net tributing royalties — from Blyvoor — and sundry mining revenue fell to R2 680 000 from R3 054 000

LIBANON Tonnage unchanged, but the average yield rose to 6,1 g/t from 6 g/t, reflecting the higher pay limit as the gold price declined and costs increased, with gold output up to 2 563,1 kg from 2 519,9 kg

Taxed profit fell to R11 115 000 from R11 452 000, and the unspent balance of authorised capital expenditure at September 30 was R94 300 000

Erection of the headgear at No 4 shaft is complete and work on other surface installations is in progress The No 4 sub-vertical shaft was sunk 31 metres to 1 642 metres below collar The shaft has almost bottomed

1(b) equ[illegible]

(ii) [illegible]

St Helena's offer of R118-m to Beisa

2/10/81

By Ann Crotty

St Helena, a Gencor gold mine, is to pay about R118-million for Beisa's mining assets.

Payment will be settled by the issue of not more than R104,3-million in preference shares and the balance in cash.

In a circular to shareholders St Helena has outlined details of the acquisition.

St Helena shareholders will acquire a 15 percent stake in the profits of the Beisa Mine at nil cost because of a tax deferment in the financial period ending December 1981. This arises from the nature of the transaction, which is retrospective to January 1, 1981.

Capital expenditure on the Beisa Mine since that date is regarded as having been financed by Beisa Mine through bridging loans made to St Helena. However, the value of the assets acquired and the capital expenditure since January 1 are deducted from St Helena's income for mining tax purposes.

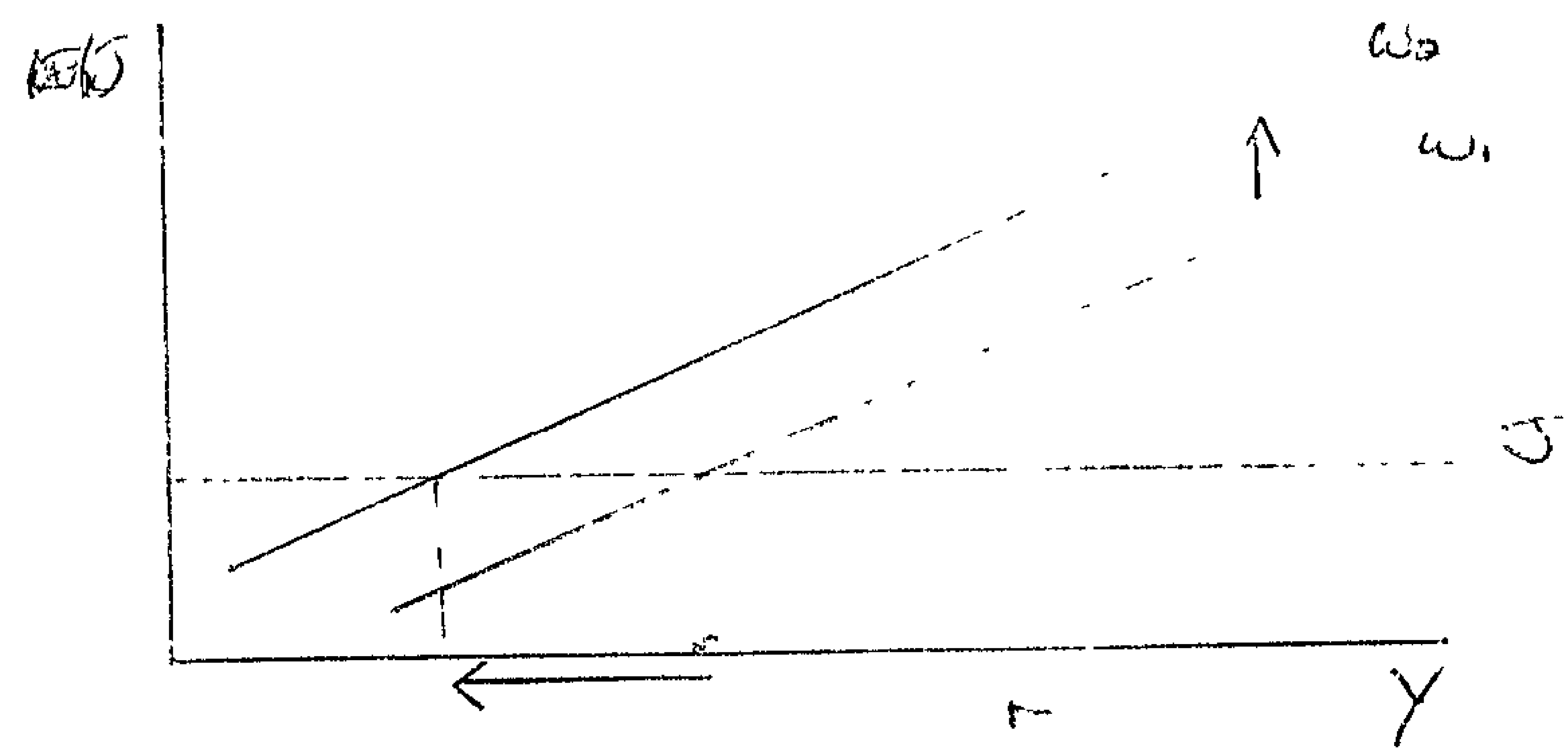
Consequently St Helena will not be liable to pay mining tax in respect of the current financial period. This reduction in tax is used to repay the bridging loan to Beisa and so there is no adverse effect on St Helena's cash flow.

The risk to St Helena is minimal as it is able to suspend mining operations on the Beisa property if it is not profitable.

Beisa's consent must be obtained if suspension is for longer than 30 days in any year.

[illegible]

Therefore the need to [illegible] the [illegible] additional income.



We see in the above diagram Injections are autonomous, completely unaffected by income those

Earnings doubled to 267c as milling rises

Randfontein's best for a long time

(214) RDM 13/10/81

	Tons milled 000s	yield g/t	Costs R/ton	Costs $ oz	Rev $ oz	Rev R/kg	Net Profit R000s	Profit after capex R000s	EPS after capex Cents
RANDFONTEIN	1 198	5,2	32,39	207	427	12 840	31 997	14 435	267
June	1 030	5,4	36,53	252	486	13 030	36 339	7 244	134
WESTERN AREAS	1 070	4,1	42,44	343	423	12 786	13 713	6 567	16
June	1 075	4,2	41,26	367	480	12 852	14 007	1 173	3

Conversion factors: Randfontein R1 = $1,0693, a rand depreciation of 10,9% compared with June Western Areas R1 = $1,0639, a rand depreciation of 11,4%.

IN its best operating quarter for years Randfontein Estates defied the lower gold price and produced earnings of 267c a share after capital expenditure in the quarter to September, almost doubling from the previous quarter's 134c.

By JOHN MULCAHY

A 16% increase in ore milled was largely the result of a sharp rise in the quantity of sand and slimes treated at the Millsite plant to 309 000 tons from 175 000 tons

Although the surface material reduced the average yield to 5,2 g/t from 5,4 g/t, there was a 12% rise in gold production from 5 562 kg to 6 230 kg

The first clue to development in the new Cooke 3 Section is also encouraging, with sampling results 7,4 g/t over a channel width of 151 cm, although only 129 metres were developed.

The directors say the results will need to be substantiated by further development

Randfontein has ceased production at the SD 32 shaft in the Randfontein section because of the continued weak uranium market and disappointing *in situ* gold and uranium grades

The shaft will be placed on a care and maintenance basis, and throughput at the Millsite gold plant will not be affected by SD 32's closure as additional tonnages of low-grade material from surface dumps will be treated

Randfontein's managing director, Mr George Nisbet, says the tonnage from surface will at least compensate for the SD 32 underground rock, and may exceed this level as sand and slime move faster ʼou 'a ' ' 'ecov-

bility of allowing other companies additional areas for exploitation on a tributing basis "We are looking at the feasibility of establishing a small mine in the area ourselves, and if we find we cannot do it, there is no point in offering the possibility to some-one else"

A feature of Randfontein and Western Areas in the latest quarter was the substantial drop in capital expenditure, which in Randfontein's case trebled the tax charge, resulting in a fall in taxed profit

Mr Nisbet did not specify the reasons for the decline in capital expenditure, but said the target remained as stated in the last annual report, in which the chairman, Mr Philip von Wielligh, estimated expenditure of R100-million for 1981

The mine's capital expenditure for the year to September 30 amounted to R64 568 000, so to reach the target Randfontein will need to spend more than R35-million in the current quarter

The gold price is posing a totally different picture to the situ-

lation ducts at Cooke 1 and Cooke 2 to increase hoisting capacity

This is a long-term prospect says Mr Nisbet, and will have no immediate effect on output

In the annual report published in March this year the director said of the Cooke 2A ventilation shaft "When this shaft is com missioned, the existing upca ventilation shaft at Cooke No will be equipped for hoistin rock"

Other points emerging fro the Randfontein quarterly r port are

- 18 000 tons of undergrou sludge was treated in the ca bon-in-pulp plant, from which kg of gold was recovered
- Throughput and recovery the Cooke plant have been i proved — "The effect on t overall mine recovery of the creased throughput of low gra material at Millsite was parti ly offset by increased through and recovery at Cooke g plant," says Mr Nisbet

Further evidence of the i provement is that although Millsite uranium plant p cessed 97 000 tons o ore fr

ery process than rock

Development is continuing in the other shallow areas of the Randfontein section with a view to the possible establishment of a separate "small gold mine", with such an operation's attendant cost advantages

Mr Nisbet dismissed the possi-

tember quarter, and it is clear that Johannesburg Consolidated Investments has upgraded its outlook, although Mr Nisbet would not confirm this

IN the quarter the Cooke 2A ventilation shaft was commissioned, and the mine is looking to the possibility of using the venti-

underground compared with 119 000 tons in the previous quarter, this fall was more than offset by better throughput and efficiencies at Cooke uranium plant

- Randfontein has completed its exploration of the area underlying South Roodepoort, and will have the results of all boreholes by the end of this year "This does not mean that we will make a decision at that time, but we will be in a position to evaluate the exploration results," says Mr Nisbet

Welkom higher at R47m

RDM 23/10/81 ~~247~~ 214

Mining Editor

WELKOM Gold Mining Company, which now derives its income from its holding in Western Holdings, increased its taxed profit to R47 029 000 in the year to September 30 from R44 692 000 the previous year

After transferring R10 918 000 to a general reserve, profit available for distribution was R36 111 000 for the year, equivalent to 137c a share The final dividend of 90c takes the total to 245c

Share capital increased to 26 300 000 shares from 12 250 000 as a result of the merger of its mining assets with Western Holdings and the takeover of Free State Saaiplaas

Impressive cost control at two JCI mines

(214) Star 13/10/81

By David Bamber

It would take a Herculean effort from the other groups in the national gold-mining industry to match the achievements of the two producers in the Johannesburg Consolidated Investments group in cost control during the September quarter.

Despite the impact of wage increases being felt for the full three months and the high inflation rate, the JCI group managed to reduce costs by a most impressive 4,6 percent from R38,94 a ton milled to R37,14

This was largely as a result of an increased milling rate from 2,1-million tons to 2,3-million tons (a rise of 7,7 percent) but also reflects improved recovery efficiency

The performance is even more commendable when it is considered that the reduction in costs followed the June quarter when the rise in costs was held at a mere 1 percent

That means that the group's costs in rand-a-ton milled are lower now than they have been during the year to date

Bright picture

Oddly enough this bright picture is possibly as a result of the various problems experienced at both of the gold producers in the group

Adverse production conditions necessitated milling of surface stockpile which assisted in a higher mill throughput and lower production costs

In turn, the higher milling rate led to an increase in gold production from 10 077 kg to 10 617 kg, despite a 2,3 percent fall in grade from 4,8 g/t to 4,7 g/t

So, after receiving only one percent less for its gold at R12 818 a kilogram (R12 950) total revenue from gold was 4,3 percent higher than in the previous quarter at R136,1million (R130,5-million)

consequence of the continued weak uranium market and disappointing in situ gold and uranium grades, it has been decided to cease production and to place the shaft on a care-and-maintenance basis"

Mr George Nisbet, managing director of Randfontein Estates, said the company would continue seeking ways of turning the Randfontein Section into a "small mine" which would be able to stand on its own feet It was, however, no longer possible for this section to carry the overheads of a "big" mine

The closing down of the SD 32 shaft, however, resulted in the Randfontein Section's underground ore being supplemented by 309 000 tons (175 000 tons) from old surface dumps and the larger proportion of sand and slimes treated enabled the rated capacity of the Millsite gold plant to be exceeded

The decision to cease mining operations at SD 32 shaft will mean that an even higher quantity of surface material will be used so that the fall in the mine's overall grade from 5,4 g/t to 5,2 g/t could go further

However, this should be partially offset by increased throughput and the current better recovery at Cooke gold plant

In the September quarter the milling rate rose 16,3 percent from 1,03-million tons to 1,2-million so that even after the fall in grade gold production was a massive 12 percent higher at 6 230 kg (5 562 kg)

This neutralised the effect of the lower gold price received of R12 840 a kilogram (R13 030) leaving profit from gold production 18,2 percent higher than in the previous quarter at R41,2 million compared with R34,9-million

Profit from uranium dipped from R3,6-million to R2,6-million but an increase in sundry revenue were all lower but well contained costs and a tax credit turned the mine's financial results for the September quarter into a satisfactory performance

Underground fires and disturbances, caused by inter-tribal conflicts, together with reduced shaft availability owing to materials handling, resulted in lower production and lower tonnages being hoisted

In order to maintain mill throughput, 126 800 tons (74 200 tons) of low grade surface dump material were treated

This resulted in a slight fall in grade from 4,2 g/t to 4,1 g/t but was still not quite sufficient to prevent a fall in tonnages milled from 1,075-million tons to 1,07-million It did, however, assist in keeping the rise in working costs to only 2,9 percent

So after Western Areas received a gold price of R12 786 a kilogram (a mere 0,5 percent less than the June quarter's R12 852), total revenue from gold was less than R2-million lower at R56,1-million (R58-million)

After taking costs into account and higher net sundry revenue, and net interest receivable, pretax profits were 13,2 percent lower than in the previous quarter at R13,4-million (R15,4-million)

However, an adjustment in taxation which resulted in a credit of R320 000 compared with a debit of R1,4-million last time round, left taxed profits a marginal 2,1 percent lower at R13,7-million (R14-million).

214

Star 13/10/81

Uranium fall

The reduction percentagewise, in working costs from R82-million to R84,3-milliom, left profit from gold production 6,8 percent higher at R51,8-million compared with R48,5-million

A fall of slightly more than R1-million in profit from uranium was more than offset by a rise in other sundry revenue leaving pretax profit 8,1 percent higher at R60,7-million (R56,1-million)

However, a 41,1 percent decline in capital expenditure during the quarter from R41,9-million to R24,7-million opened the way for the taxman to step in and claim nearly R15-million compared with R5,8-million last time round.

The net result was that the rise in pretax profits had to give way to a 9,2 percent fall in taxed profits from R50,3-million to R45,7-million.

Randfontein

Sadly, it is goodbye to the SD 32 shaft — for the time being anyway — which was main producer of the Randfontein Section of the mine

The directors say, "As a

nue and interest receivable made up for this leading to pretax profit rising 16,2 percent from R40,7-million to R47,3-million.

However, a 39,6 percent fall in capital expenditure from R29,1-million to R17,6-million, resulted in the tax bill rising from R4,4-million to R15,3-million and consequently an 11,9 percent decrease in taxed profit from R36,3-million to R32-million

The capex target for the current year is R100-million which means that more than R30-million will have to be spent during the current quarter to reach the goal

The hefty 99,3 percent rise in earnings a share after capex will therefore probably return to around the 140c mark during the current quarter

On the development side, the directors are "very happy" with the first major sampling results from Cooke 3 although they point out that sampling was in a "very limited area."

W Areas

Milling rate, grades and consequently gold produc-

JCI GOLD MINES' REPORTS FOR THE QUARTER ENDED SEPTEMBER 30

Mine	Tons Milled 000's		Yield G/T		Costs R/T		Costs $ oz		Revenue $ oz		Net Profit R000's		Net Profit after Capex R000's		EPS after Capex Cents	
	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June
Randfontein	1 198	1 030	5,2	5,4	32,39	36,53	207	252	427	486	31 997	36 339	14 435	7 244	267	134
W Areas	1 070	1 075	4,1	4,2	42,44	41,26	343	367	423	480	13 713	14 007	6 567	1 173	16	3

CONS GOLD FIELDS (214)

Expansion phases

FM 16/10/81

Activities *UK-registered mining house with interests in the US, Canada, Australia, the UK and SA — the latter largely through a 48% stake in GFSA Minorco holds 28,9% of the equity*

Chairman *Lord Erroll of Hale, group chief executive R I J Agnew*

Capital structure *186,9m ordinaries of 25p Market capitalisation R2 056m*

Financial *Year to June 30 1981 Borrowings long- and medium-term, £83,6m Net cash £88,7m Current ratio 1,8 Capital commitments £9,1m*

Share market *Price 1 100c (1980-81 high, 1 650c, low, 950c, trading volume last quarter, 3 600* shares) Yields 10,4% on earnings, 3,8% on dividend Cover 2,7 PE ratio 9,7*

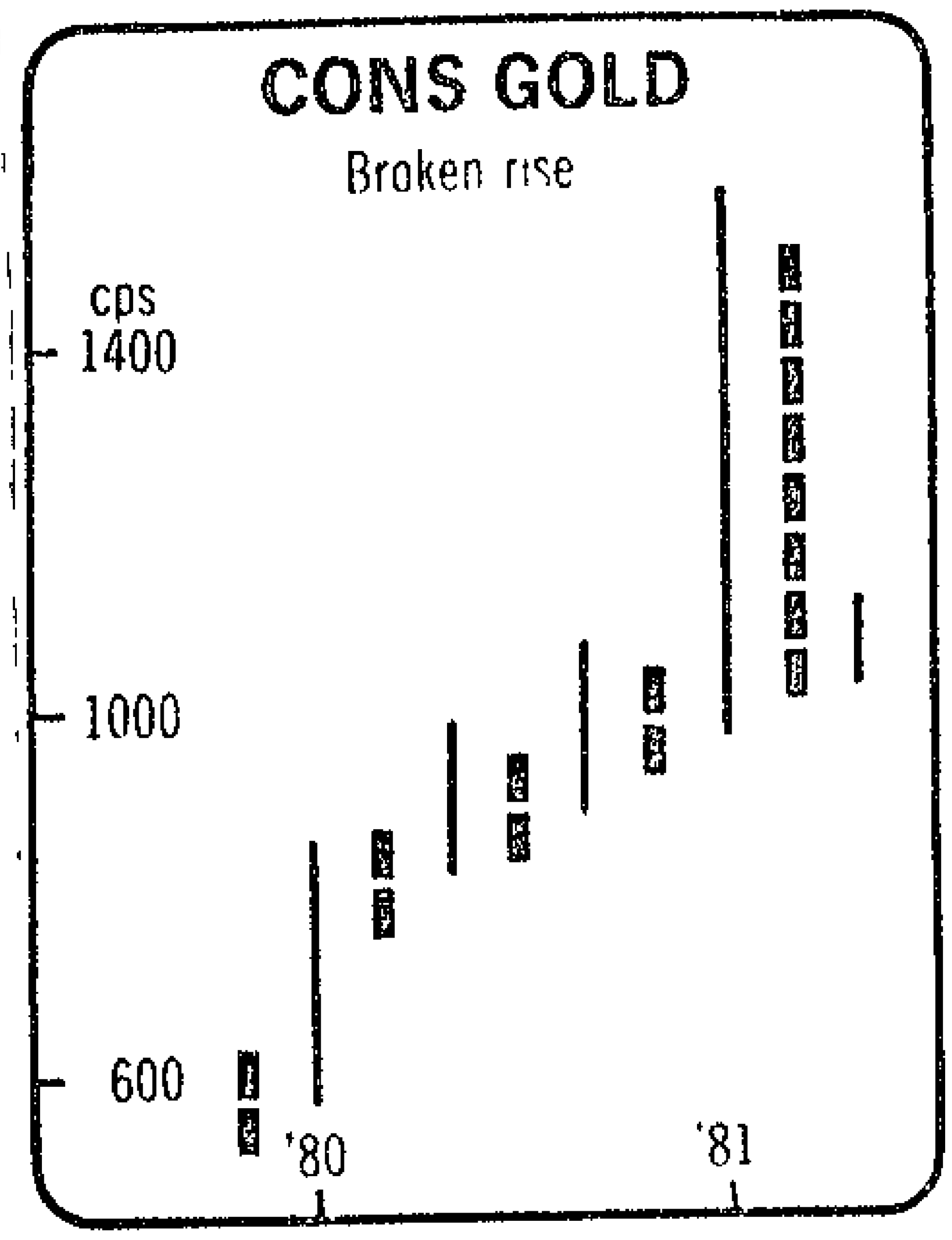
* JSE only

	'78	'79	'80	'81
Pre-tax profit (£m)	69 8	96 4	161 3	214 0
Attributable profit (£m)	34 5	56,2	89 9	114,3
Earnings (p)	18 7	37 0	58 7	66 4
Dividends (p)	9 2	13 5	22 5	24 5
Net asset value (p)	306	375	574	593

Cons Gold is at a critical point in its development The London-headquartered group is on the verge of expanding substantially its north American and Australian interests while at the same time, it will probably have to cope with a drop in earnings from last year's record level

Last year revenue from SA rose to £78,5m (£55,3m), but it is likely to be well down this year Though rand denominated earnings are being supported by a declining rand dollar exchange rate while the gold price falls, the rand has fallen against the pound, meaning an erosion of sterling-denominated income

In Britain the situation is hardly encouraging Public sector spending cuts are taking -- and will probably continue to take — their toll of the group's construction-related interests In addition, the UK industrial interests suffered from much lower volumes, with little prospect of an early improvement



At group level, setbacks in the UK and SA could well be offset by American earnings enhanced by a strengthening of the dollar against sterling And though some of the group's industrial interests in the US have somewhat uncertain near-term prospects the oil industry supply operations should more than compensate

At this stage much depends on exchange rate movements during the year — and they could be something of a mixed blessing A deteriorating pound helps boost sterling-denominated earnings but it also boosts the sterling cost of acquiring further investments

The relevant US authorities have given the green light for Cons Gold to increase its stake in Newmont to up to 49% at a cost which would be likely to run to about $700m Last November the group raised £182m through a one-for-four rights issue The group has considerable borrowings potential, but with interest rates churning around the 20% level in the US, management is unlikely to gear up too far if there is any risk of a profit squeeze through negative gearing In other words, plans for Newmont will have to be tailored to fit the group's capital generating capacity

Further down the line the Australian operations have been restructured to reduce any constraints arising from foreign ownership in that country Merger of the various group companies in Australia has left Cons Gold with 49% of Renison Goldfields Consolidated, which has various interests ripe for expansion

During the next few years the group as a whole will remain very cash-hungry, though that should not act as too great a constraint on sterling dividends Nevertheless, the prospective yield on the share is hardly attractive to SA investors who can find more attractive returns and equally enticing growth prospects among the local mining houses [illegible]

GOLD QUARTERLIES

214

Static period

FM 16/10/81

Gold producers are running true to form — well, more or less Every one which has reported so far is a special case, but the underlying trends are clear

The September quarter has disclosed some sharp wage-led unit cost increases But they have been offset or mitigated by the treatment of higher grade ore or increased mill throughput of low cost, but low grade, surface dump material However the most important aspect of the September quarter's results is the virtual steadiness of the gold price — in rands per kilo The rand's changing worth against the dollar appears to be geared to keeping gold prices unchanged in rand terms no matter what happens to the American currency And if that persists, we could see a steady improvement in gold's dollar price offset, in rand terms, by countervailing exchange rate adjustments

Obviously, the exchange rate is unlikely to adjust to a politically inspired gold price lift-off But as long as US interest rates remain high and keep the dollar strong and the gold price in the low- to mid-$400s, it is unlikely that we will see any fancy near-term gold mine earnings performances

There is an increasing tendency for mine managers to support distributable earnings by deferring capital spending — but there are limits to that Nor are grade increases always possible to completely offset the effect of higher costs on profits Mines in the GFSA group have used the period of high gold prices to establish highly flexible operations and most of the group's mines automatically adjust recovery grades in line with a three-month moving average gold price

But that is a far cry from saying that grades have complete upward flexibility. Low-grade producers such as Venterspost, for example, are having to resort to State Aid while they are still involved in relatively heavy capital and development expenditure needed to secure the mine's long-term future

Randfontein: Unit costs were saved from an almost certain advance in line with higher wage bills by a sharp increase in dump tonnages milled The net result was lower gold recovery and an 11,3% drop in unit costs to R32,39/t from the previous quarter's R36,53/t It should be remembered, however, that this represents an average cost Mill throughput of low-cost surface dump material increased to 309 000 t from 175 000 t And though there was still an increase in the milling of underground ore, its cost was probably at least 5% higher than in the June quarter.

The proportion of surface dump material treated is likely to remain high for some years, now that it has been decided to suspend operations at the SD 32 shaft at Randfontein section That will result in an end to uranium recovery from Randfontein section, though throughput at the Millsite gold plant will be maintained with dump material Randfontein section's future now appears to lie in its amenability to small-scale workings Shallow ore at three of the section's shafts is being examined to assess its potential for limited exploitation

Elsewhere, the first sampling results from Cooke No 3 shaft are encouraging Gold grades averaged 1 117 cmg/t and uranium 77,01 cmkg/t, though this was over a relatively short sampling distance

By the end of this year, drilling of the area near South Roodepoort should be completed, which will give management all the information it needs to decide on the area's mining potential Everything will depend on gold — there is no uranium

PTO

Randfontein . . . increased work on the surface

At the halfway stage, I reckoned the final would be less than the 350c interim That may not be so following the third quarter's performance Capex has fallen behind schedule and though a substantial increase is planned for the final quarter, a 350c final dividend could be in reach.

Western Areas Technical and labour problems forced the mine to treat a greater tonnage of surface dump material to maintain mill throughput That cut gold recovery grade, but a sustained improvement is unlikely as production from the Middle Elsburg reefs is now building up Initial treatment of the reef was done last quarter, though for gold alone The uranium plant is due to be commissioned only towards the end of the year

The September quarter's unit cost advance to R42,44/t from R41,26/t was much less than I expected three months ago It was mainly due to the milling of a greater tonnage of low-cost surface material The situation should reverse this quarter Nor will distributable profits be helped if the year's total capex matches the R45m planned at the start of the year By end September, R26,3m had been spent Retentions from the first three quarters are sufficient to pay a final matching the 20c interim But paying that could be a problem if capex reaches anywhere near R19m this quarter

Kloof The current year's capital spending has got off to a slow start and production has not, apparently, recovered fully from the technical mishaps of the June quarter For the remaining three quarters of the current year rising mill throughput, to a target level of 180 000 t/month should help keep unit cost increases below the industry's average On the other hand part of the benefit that gives distributable earnings will be eroded by much heavier capex

Grade is holding up well and should average at least 14,5 g/t this year And that level should be maintained to see the mine through another couple of years of relatively high capital spending

Deelkraal Establishment of adequate ore reserves is management's main target But though this is resulting in high quarterly development rates operations will not be established in high grade ground in the immediate future Prospects for at least the next year are of slow and small increases in gold recovery grades until the higher-grade areas are opened up Mill throughput is rising steadily, helping keep unit cost advances within reasonable bounds

The next couple of quarters will see capital spending increase to catch up with schedule And that should absorb almost the whole of operating profit unless the gold price improves strongly Even so, the mine has sufficient earnings under its belt this year to repeat last year's 5c dividend payout as well as leave cash available ahead of next year's spending

Doornfontein Unlike most other mines, which have increased gold recovery grades Doornfontein has probably improved its cash flow by increased mining of lower grade ore This is in the original lease area and its exploitation means the mine can defer or delay capital spending on shafts needed for access to the deeper new ground to the south

Recovery grade this year will probably average just less than 8 g/t unless a gold price fall obliges the mine to be more grade-selective With production rates on a plateau and little chance of increasing mill throughput opportunities for better than average cost control are probably limited In the September quarter unit costs rose by 10,?% to R50,87/t from R46,05/t in direct response to the full impact of higher wage rates The rate of increase should fall this quarter but September's performance is indicative of what the industry had to face in the last round of wage awards

Drie Cons No time has been wasted in boosting output from the two mines which merged to form Drie Cons Though that appears initially to have resulted in a lowering of gold recovery grades there is no reason to believe that further cuts are in the offing Once official formalities have been completed work can get into full swing on extracting ore from the high grade pillars separating the East Drie and West Drie sections That should provide substantial grade support and sustain earnings at a time when capital spending is slated to increase

This quarter should result in a further increase in mill throughput which will help keep unit cost increases within bounds And if the present gold price is merely maintained the mine could be homing in on a 150c interim dividend at the end of this quarter

Libanon This year's R34m capital spending programme got off to a slow start in the September quarter and catch-up spending in the next few quarters should eliminate any distributable earnings advantages from better gold prices Similar capital amounts are likely in each of the next four years If capex remains slow this quarter, end-December retentions should be relatively large with an interim dividend of less than 100c in prospect

The mine does have greater grade flexibility now, though within certain upward limits This year gold recovery should exceed 6 g/t, but not by much

Venterspost Management seems to be in something of a dilemma over prospecting in the Middelvlei area Once again underground sampling is failing to reveal grades as good as those expected from surface drilling The time has not yet come to write off the area and development there will continue as an expense drag for at least a few more quarters

The mine cannot raise gold recovery grades enough to compensate for the squeeze of higher costs and present gold prices and is receiving State Aid in moderate doses That will probably continue as long as development prospecting goes on in Middelvlei Presumably, heavier doses of State Aid could be needed if by some chance good values are found and a shaft has to be sunk to exploit Middelvlei Meanwhile, dividend prospects do not look altogether encouraging Unless gold advances smartly, the current financial year will probably result in a total payout of less than half of the 235c a share paid in the 12 months to end-June 1981

Vlakfontein In line with current gold prices, the dump retreatment operation is extending its own life by increasing ore purchases from outside sources That is necessary if grades are to be increased to cope with higher operating costs Management has nothing to say on the drilling programme to probe the Kimberley reef But costs are higher than originally expected

Continued

BCT	NONE	3	14
	SUBA-2	16	0
	STD3-5	1	3
	STD6-7	14	14
	STD8-9	3	1
	STD10	3	14
SKLDMAN	NONE	15	2
	SUBA-2	2	5
	STD3-5	10	14
	STD6-7	3	2
	STD8-9	6	5
	STD10	14	3
LONONMAN	NONE	2	3
	SUBA-2	14	14
	STD3-5	3	2
	STD6-7	3	14
	STD8-9	14	3
	STD10	2	4
SEMI	NONE	5	15
	SUBA-2	4	3
	STD3-5	7	5
	STD6-7	13	4
	STD8-9	2	4
	STD10	0	15
UNSKL	NONE	3	2
	SUBA-2	3	0
	STD3-5	13	5
	STD6-7	2	5
	STD8-9	8	13
	STD10	5	2
EXC	NONE	4	0
	SUBA-2	15	1
	STD3-5	2	4
	STD6-7	9	5
	STD8-9	2	1
	STD10	4	13
PRO	NONE	13	4
	SUBA-2	2	3
	STD3-5	15	15
	STD6-7	0	1
	STD8-9	1	13
	STD10	13	1
CLC	NONE	2	4
	SUBA-2	0	15
	STD3-5	2	2
	STD6-7	2	15
	STD8-9	12	3
	STD10	1	3
BCT	NONE	14	14
	SUBA-2	3	2
	STD3-5	4	14

BP rivals to Anglo over gold

Star 19/10/81

274

Financial Correspondent

LONDON — BP is hunting for gold in Brazil

London's Daily Mail says that BP is negotiating with Compania Valo do Rio Doce, the Brazilian state mineral company, for a majority stake in a new mine in Bahia Province

"We are the largest iron-ore company in the world but we are farming out gold exploration

"BP are negotiating with us, as are Anglo American and Gencor," said Compania Vale

Compania Vale might retain up to two-fifths of the mine, which they found and which may contain from 50 to 100 tons of gold

Reports suggest that BP may invest R140-million in the mine

RAND MINES GOLD MINES' REPORTS FOR THE QUARTER ENDED SEPTEMBER 30

Mine	Tons Milled 000's		Yield G/T		Costs R/T		Costs $ oz		Revenue $ oz		Net Profit R000's		Net Profit after Capex R000's		EPS after Capex Cents	
	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June
Blyvoor	555	536	8,89	8,72	48,62	48,99	182	215	425	480	17 042	17 606	12 930	12 069	54	50
Dbn Deep	602	543	3,78	3,59	36,16	37,88	319	404	429	478	7 950	4 716	1 460	108	63	5
ERPM	657	658	4,43	4,52	51,45	49,71	387	421	422	485	6 780	10 004	-5 377	-2 698	-97	-49
Harmony	1 941	1 948	4,16	4,12	38,44	37,57	307	349	426	486	23 107	26 489	13 661	17 551	51	65

Durban Deep star of Rand Mines

Star 20/10/87

214

By David Bamber

Durban Deep was the star performer of the gold producers in the Rand Mines group in the quarter to September 30

The West Rand mine excelled in reducing costs from R37,88 a ton milled to R36,16 after increasing its milling rate from 543 000 tons to 602 000 tons

So, after the grade had been lifted from 3,59 g/t to 3,78 g/t, gold production rose from 1 947,8 kg to 2 273,2 kg

This effort was rewarded by Durban Deep receiving a surprisingly higher amount for its gold — R12 908 a kilogram compared with R12 878 in the previous quarter — and consequently revenue climbed from R25 1-million to R29 4 million

It therefore followed that working profit from gold was well up on the June quarter at R7,6-million against R4.6-million

Net sundry revenue was higher than last time round at R538 000 (R399 000) leaving pretax profits almost double the R4,96 million of the June quarter at R8,18-million

Increased capital expenditure from R4,6-million to R6,5-million encouraged the taxman to be more lenient than in the previous three-month period, leaving taxed profits a handsome 68 6 percent higher at R7,95-million (R4 72-million)

The Government Mining Engineer has approved capital expenditure of R8,4-million to be incurred during the current year as qualifying for State assistance, however, based on the profit achieved and taking into account the amount of capex allowed for State assistance purposes, the company cannot claim anything for the nine months ended September 30

BLYVOORUITZICHT

Blyvooruitzicht posted a record tonnage milled of 555 000 tons — 3,5 percent higher than the previous quarter This was in spite of the fire in August which resulted in almost 9 000 tons in lost production

Working costs fell from R48,99 a ton milled to R48 62 — and following an increase in grade from 8 72 g/t to 8,98 g/t, gold production rose from 4 672 kg to 4 931,5 kg

These factors more than offset a drop in the gold price received — from R12 960 to R12 808 a kilogram — leaving revenue some R2,6-million higher at R63,3-million

However uranium production fell from 85 294 kg to 78 336 kg after a 0,164 kg/t to 0,156 kg/t decline in grade from and a reduction in pulp treated from 520 746 tons to 503 038 tons

Despite a R1,2-million loss from uranium (R1,3-million profit in the previous quarter), pretax profits rose from R34-million to R34,8-million

But a lower capex bill resulted in taxation rising slightly to leave taxed profits marginally down on the June quarter at R17 - million (R17,6 - million)

HARMONY

A slight fall in milling rate from 1,95-million tons to 1,94-million tons at Harmony was more than offset by the increase in grade from 4,12 g/t to 4,16 g/t resulting in gold production rising from 8 028 kg to 8 081 kg

But after receiving R274 a kilogramme less for its gold at R12 813 a kilogramme, revenue declined from R105,4-million to R103,8 million

Income from uranium was less than half of that of the previous quarter at R4,2 million (R9,2-million) but sundry revenue reclaimed part of this by increasing from R2,8-million to R3,3-million

The lower milling rate was partly responsible for the rise in working costs from R37,57 a ton milled to R38 44 leaving pretax profits 16 9 percent lower than in the June quarter at R36 7 million (R44 2 million)

However, the lower profits and increased capital expenditure resulted in a lower tax bill leaving taxed profits only 12,8 percent lower at R23,-million (R26,5-million)

ERPM

ERPM suffered from the fall in the gold price and despite collecting State Aid during the quarter still reported a fall in taxed profits from R10 million to R6 8 million

Tonnage milled was slightly down and grade declined resulting in gold production falling from 2 976 3 kg to 2 910 6 kg

Costs rose sharply making the mine very vulnerable to the fluctuating gold price

To be fair however, ERPM did suffer from a fire in the high grade area of the mine in the June quarter and last month tonnage came under pressure from a power failure To compound these problems there was also a pressure burst in the mine during the past quarter

The current low level of the gold price has prompted the directors of ERPM to delay expenditure on work related to the increase in the mines's production capacity

Viewed collectively it was a steady quarter for the gold producers in the Rand Mines group

The milling rate rose from 3 685-million tons to 3 755 million and grade increased from 4,79 g/t to 4,85 g/t

This led to gold production rising from 17 678 1 kg to 18 196 3 kg so that despite a 1,4 percent reduction in average gold price received at R12 824 a kilogramme and a mere 1 percent rise in working costs to R41,85 a ton pretax profits were only 6 6 percent down on the previous quarter at R86 4-million

Tax decreased by a proportional amount leaving taxed profits 6,7 percent lower at R54 9-million — a commendable performance under current circumstances of rising costs and lower gold prices

ERPM doubles loss

Dbn Deep lifts profit 68%

RDM 20/10/81 (214)

By JOHN MULCAHY

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ oz	Rev $ oz	Rev R/kg	Net Profit R000s	after capex R000s	EPS after capex Cents
HARMONY	1 941	4,16	*38,44	307	426	12 813	23 107	13 661	51
June	1 948	4,12	37,57	349	486	13 087	26 489	17 551	65
BLYVOOR	555	8,89	48,62	182	425	12 808	17 042	12 930	54
June	536	8,72	48,99	215	480	12 960	17 606	12 069	50
DURBAN DEEP	602	3,78	36,16	319	429	12 908	7 950	1 460	63
June	543	3,59	37,88	404	478	12 878	4 716	108	5
ERPM	657	4,43	51,45	383	422	12 768	6 780	(-5 377)	(-97)
June	658	4,52	49,71	421	485	13 084	10 004	(-2 698)	(-49)

* HARMONY'S costs include Uranium

A GOOD September quarter for Rand Mines gold producers, with Durban Roodepoort Deep and Blyvooruitzicht at the forefront, was marred only by a dismal performance from East Rand Proprietary Mines.

Durban Deep and Blyvoor increased their distributable earnings — Durban Deep by 68,6% — and Harmony's earnings fell by 22%. ERPM almost doubled its loss after capital expenditure

Tonnage at the group's four mines rose by 1,9% to 3 755 000 tons, and with a grade improvement from all except ERPM, gold production rose to 18 196 kg from 17 624 kg

The rand's devaluation continued to work in favour of gold producers, and as the dollar gold price fell 11,8% to an average of $425 an ounce from $482, rand receipts were only 1,4% down at an average of R12 824 a kg from R13 002 in the June quarter

Substantially higher production at Durban Deep and Blyvoor helped to reduce unit working costs, which averaged R42,30 a ton milled for the quarter, only 0,7% up on the previous quarter

After battling with low grades for some time, **DURBAN DEEP** managed to lift tonnage by 11% in the September quarter, and the average yield improved by 5%, which led to a substantial increase in gold production

Higher gold production, combined with the unit cost reduction, increased revenue on gold to R29 410 000 from R25 128 000, and left working profit on gold 67% higher at R7 637 000 compared with R4 561 000 in the June quarter

After battling with low grades for some time, the mine appears to have overcome its problems in the past two quarters, although there is little likelihood of any significant further improvement

The Government Mining Engineer has approved capital expenditure of R8 431 000 this year in terms of the Gold Mines Assistance Act, and because of the level of Durban Deep's profit for the year to date and capital expenditure, the company cannot claim any assistance for the nine months to September

The mine's capital expenditure in the quarter was R6 490 000 — R4 608 000 the previous quarter Capital expenditure for the rest of the financial year is estimated at R6 200 000

The rise in spending for the latest quarter confirms the statement by the chairman, Mr Dammy Watt's, in the annual report earlier this year when he announced a programme to put Durban Deep on a sounder basis

BLYVOORUITZICHT had a record production of 555 000 tons for the September quarter, up from 536 000 tons in the previous quarter, in spite of a fire in August which disrupted mining operations in the A4 area, resulting in a production loss of 8 700 tons

With the average grade up, gold production rose to 4 931,5 kg from 4 672 kg, and revenue from gold increased to R63 292 000 from R60 702 000 Overall costs rose by 2,8% to R26 983 000 from R26 260 000

A negative factor in Blyvoor's results was the uranium operation, which produced a working loss of R1 194 000 against a profit of R1 253 000 in the June quarter

The uranium loss is attributed to a deferred sale, and is in line with forecasts made by Mr Watt that the uranium market will remain unattractive for some time

Uranium production fell to 78 336 kg from 85 294 kg from 503 038 tons of pulp treated (520 746 tons) at a yield of 0,156 kg/t compared with 0,164 kg/t in the June quarter

Capital expenditure dropped to R4 112 000 from R5 537 000, and there are commitments for R2 871 000 Expenditure for the [illegible] estimated at R4 163 000

A slight fall in tonnage was offset by a rise in average yield, and gold production rose to 8 081 kg from 8 028 kg

Total costs rose by only 1,9%, but the fall in revenue led to a 22% decline in taxed profit.

Capital expenditure increased to R9 446 000 from R8 938 000, and there are commitments amounting to R13 013 000 Estimated expenditure for the rest of the year is R35 300 000, which includes part of the cost of Harmony's twin-shaft system, to be established in the mine's northern area

ERPM has entrenched itself as Rand Mines problem producer, with net a net cash outflow of R5 377 000 during the September quarter

The mine was beset by difficulties, starting with a hangover from the June quarter A fire in the mine's high-grade area in the June quarter continued to affect grades, and the average yield fell to 4,43 g/t from 4,52 g/t

The second problem was a "severe power failure" in September, which adversely affected tonnage milled to an undisclosed extent, leaving total production down at 657 000 tons from 658 000 tons This and the drop in grade cut gold production to 2 910,6 kg from 2 976 3 k[illegible]

[illegible]sion to delay expenditure on work related to the increase in the mine's production capacity, saying it is not intended to curtail "to any appreciable extent" work on the modernisation programme.

They add, however, that the whole capital expenditure programme is continuously under review in conjunction with working cash requirements and cash resources in the light of gold prices received and "perceived future trends" in the gold price

ERPM would have needed a gold price of $500 an ounce to break even

The limit of R25 203 000 on capital expenditure approved by the Government Mining Engineer to be incurred this year as qualifying for assistance will probably not be reached because of the decision to delay certain work

However, results achieved to date and the amount spent on approved capital projects, mean that ERPM can claim R1 297 000 in State aid for the nine months to September

Capital expenditure in the quarter was R12 157 000 compared with R12 702 000 in the June quarter, and there are capital commitments of R29 006 000. Spending for the rest of the year is estimated at R15-million

There was also a pressure burst during the quarter

Providing the final chapter to ERPM's tale of woe were the gold price, which at an average of $422 an ounce was the lowest in the group, and unit costs, which were up 3,5% to R51,45 a ton milled from R49,71

The directors refer to the deci-

R13 300 000

HARMONY was adversely influenced by its uranium operations, which halved revenue Revenue from gold and related products — silver and osmiridium — fell to R103 834 000 from R105 362 000, but income from uranium pyrite and sulphuric [illegible]

● DAVID BAMBER reports on latest results from the mines in the Anglovaal and Lonrho groups.

Working costs rocket at Anglovaal

Star 21/10/81 (214)

The gold producers in the Anglovaal group will definitely not be standing at the head of the queue when the laurels are handed out for cost control during the September quarter.

Investors will be most disappointed to note that the group's average working costs have rocketed by an unacceptable 10,4 percent.

Particularly so following the commendable effort of the other mining houses which have thus far published results for the quarter and in view of the 3,1 percent rise in costs reported in the previous quarter.

Anglovaal says that the wage and salary increases were felt in full for the first time but this is no new phenomenon as the other groups were faced with the same increases during the quarter.

The only mine in the group to reduce costs was Village and, while this was partly because of a higher mill throughput by its own admission, it was also partly owing to the previous quarter's costs being "abnormally high".

Had it not been for the increase in costs from R44,67 a ton milled to R49,31 the group would probably have been able to boast with more-than-satisfactory results.

The mines were able to lift milling rate from 1,398-million tons to 1 404-million tons despite mechanical problems at Loraine.

There was also a slight increase in average grade, resulting in gold production rising 2,7 percent from 9 859,49 kg to 10 128,65 kg.

This was sufficient to offset the fall in the average gold price received. However, after taking costs into account, pretax profits fell 4,9 percent from R75,1-million to R71,4-million.

Capex was down on the previous quarter opening the way for the taxman to help himself to a larger portion of profits leaving R32,3 million in attributable earnings — a 9,9 percent fall on the previous R35,8-million.

Copper and antimony fare much better

Anglovaal's copper and antimony producers fared much better than their noble colleagues during the September quarter.

An increased milling rate at Prieska Copper Mines with a lower head grade for copper and a higher one for zinc resulted in copper production falling to 22 074 tons (27 191 tons) and zinc concentrates rising from 29 076 tons to 35 319 tons.

An export shipment was made — there was none during the June quarter — so dispatches jumped to 36 663 (7 027) tons and 31 354 (19 394) tons respectively for copper and zinc concentrates.

This, together with higher metal prices resulted in an operating profit of R1,6-million (R275 000 loss) and after adding non-mining income and deducting interest paid, there was a net profit of R1,7-million (R644 000 loss).

Following a rise in sales antimony producer Consolidated Murchison reported working profit having risen by R726 000 to R1,6-million.

After adding non-mining income and deducting prospecting costs net profit rose from R876 000 to R1,1 million.

ANGLOVAAL GOLD MINES REPORTS FOR THE QUARTER ENDED SEPTEMBER 30

Mine	Tons Milled 000's		Yield G/T		Costs R/T		Costs $ oz		Revenue $ oz		Net Profit R000's		Net Profit after Capex R000's		EPS after Capex Cents	
	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June
Loraine	411	419	4,4	3,8	53,82	47,51	408	457	440	482	2 454	3 483	-6 422	-270	-39	-1,6
Harties	750	749	10,2	10,1	57,35	51,61	188	189	423	492	27 560	29 442	24 356	23 545	217	210
Village	166	154	0,68	0,78	5,56	6,50	274	308	426	494	348	486	229	202	4	3,3
ET Cons	77	76	7,5	7,5	41,16	38,12	183	187	426	478	1 917	2 423	1 720	1 513	40	35

Reduction in grade at Corsyn

Lonrho's Zimbabwean subsidiary, Corsyn Consolidated Mines, did not experience a happy quarter ended September 30.

Milling rate rose from 98 000 tons to 105 000 tons but gold production fell from 375 kg to 369 kg. The reduction in grade was probably because the mine increasing the amount of old accumulated tailings treated from 7 000 to 9 000 tons.

Copper production rose with the increased mill throughout amounting to 660 tons (651 tons).

Total operating income from the company's four mines fell by 9,1 percent to 679 Zimbabwe dollars and after deducting other expenses of 72 000 dollars (11 000 dollars net income last time round) pretax profits were 20 percent lower at 607 000 dollars (758 000 dollars).

Asbestos and coal sales up

Duiker Exploration, Lonrho's South African coal producer, reported a small fall in attributable income in the quarter to September 30.

Sales of steam coal and asbestos rose but a drop in anthracite sales resulted in mining income easing from R5,2 million to R4,9-million.

Amortisation of mining assets was higher but this was more than offset by an increase in other income leaving pretax profits at R4,9-million (R5,1 million).

After deducting taxation and minorities attributable income amounted to R2,8 million (R2,9-million).

Oddly enough Duiker makes no mention of its joint diamond exploration with the Australian controlled Kosovo but perhaps details will be supplied once mining operations start.

Anglovaal gold profit drops

RDM 21/10/81

But earnings per share lifted

214

By ADAM PAYNE

ANGLOVAAL'S gold mines — Hartebeestfontein, E T Cons and Loraine — all report lower net profit in the September quarter because of the lower gold price received (except in the case of Loraine) and increased costs.

But the shareholders' figures — earnings a share — for Hartebeestfontein and ET Cons rose because of lower capital spending

Although Loraine increased its working profit because of a higher grade and higher rand gold price, it ended the quarter with a larger loss after capex, at R6 422 000 compared with R270 000 in the June quarter

Heavier capital spending at R8 876 000 (R3 753 000) mainly contributed to this greater loss

Costs rose on all the mines largely because the effects of the annual wage and salary increases were fully felt for the first time

Reports from the mines are

LORAINE: Mill throughput was lower because some mechanical problems were encountered with the mill treatment of material drawn from the rock dump on surface

This adversely affected costs but because less material was drawn from this source the grade rose by 0,6 g/t to 4,4 g/t

The higher gold price in rand terms led to increased unit revenue of R58,10 (R50,18) a ton which more than offset the higher working costs of R53,82 (R47,51) a ton

Working profit rose to R1 759 000 (R1 119 000) but State aid dropped to R1 423 000 (R2 154 000) and, after accounting for non-mining income, net profit declined to R2 454 000 (R3 483 000)

Development values improved The ore reserves at the September year-end totalled 5 827 000 tons with a value of 846 cm g/t (854 cm g/t) based on a price of R13 280 a kilogram or $442 an oz using an exchange rate of $1,07 = R1

Loraine's annual results to September 30 show a rise in tonnage milled and an improvement in yield of 0,5 g/t to 3,8 g/t

Unit revenue increased to R50,98 (R48,71) a ton but this was more than offset by increased unit costs of R47,90 a ton compared with R37,54 a ton in the previous year

Working profit from gold decreased to R5-million (R18-million) After adding other income, including State aid of R4 723 000 (R31 000) and deducting outgoings the mine had a reduced profit of R9-million (R18-million)

Capital spending totalled R20 408 000 but net loans received reduced this to R11 556 000

HARTEBEESTFONTEIN

Grade was fractionally better in the quarter at 10,2 g/t (10,1 g/t) With unit revenue declining to R129,49 (R134,15) a ton and costs rising to R57,35 (R51,61) a ton, unit profit was reduced to R72,14 (R82,54) a ton

This resulted in a lower working profit of R54-million (R61 824 000) The June unit costs figure was well contained because of year-end adjustments

Pulp treatment for uranium oxide decreased as planned but sales, which depend on timing, of uranium oxide, pyrite and sulphuric acid rose to R4 770 000 (R897 000)

Although after-tax profit was lower, profit after capital spending improved because of lower capex and earnings a share rose marginally to 217c (210c)

Development values for gold were 1 433 cm g/t (2 157 cm g/t) The downturn in the average figure was caused by a different mix of samples from various parts of the mine, combined with the fact that samples in the western portion were lower, as has been forecast

E T CONS Higher tonnages were mined at New Consort and Sheba and the average grade was unchanged Increased wages caused unit costs to rise and this combined with lower revenue from gold led to a small decrease in working profit

There was little change in pre-tax profit but with the tax charge increased to R2 212 000 (R1 906 000) because of lower capex, there was a drop in after-tax profit to R1 917 000 (R2 423 000) The lower capex resulted in an increase in earnings a share to 40c (35c)

VILLAGE MAIN REEF: The average grade declined to 0,68 g/t (0,78 g/t) because of the variable nature of the material found in the dump Working profit dropped by R85 000 to R513 000 Tax was higher and the after-tax profit was substantially lower by R138 000 to R348 000

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ oz	Revenue $ oz	Revenue R/Kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
HARTIES	750	10,2	57,35	188	423	12 725	27 560	24 356	217
June	749	10,1	51,61	190	493	13 300	29 442	23 545	210
ET CONS	77	7,5	41,16	183	426	12 803	1 917	1 720	40
June	76	7,5	38,12	188	479	12 921	2 423	1 513	35
LORAINE	411	4,4	53,82	408	440	13 229	*2 454	†(6 422)	—
June	419	3,8	47,51	458	484	13 035	*3 483	†(270)	—

* Profit after state aid

† Loss after state aid

Conmurch lifts antimony sales

By ADAM PAYNE

ANTIMONY sales by Consolidated Murchison virtually doubled in the September quarter and are expected to remain at the higher level during the present quarter.

Shareholders, who saw the interim dividend passed, can now expect a final dividend and my estimate is that the company will have available for distribution about 65c which, if paid would put the share on a yield of nearly 9% on yesterday's share price of 740c

Profit before tax in the September quarter rose to R1 501 000 (R876 000) but tax was R385 000 (nil) resulting in after-tax profit of R1 116 000 (R876 000)

Earnings a share after capex were 17,7c (13,6c) Earnings a share for the nine months to September 30 totalled 47c and assuming earnings of 18c in the current quarter, the total would be 65c No interim dividend has been paid

At the same time last year the mine showed a loss after nine months of R2 504 000 with capital spending in addition of R2 357 000 It had paid an interim dividend of 30c.

It reported a year's profit of R1 621 000, without accounting for capital spending of R2 631 000

The mine milled more material in the September quarter and throughput will be increased for the remainder of the year to meet expected higher sales

However, gold revenue decreased in the quarter because the slag accumulations of the Antimony Product's plant have now been treated

COMMENT Although Consolidated Murchison passed its interim dividend and the chairman, Mr Hugh Dalton-Brown, at the annual meeting in April saw little hope of a final dividend, the outlook since then has brightened

An interim was paid last year because of a good first half-year but the market collapsed in mid-July and after sales of 11 000 tons in the first half they were negligible in the second half

There was an improvcement in the first half of this year on the second half of last year but the outlook in April was not bright

Production has been increased but the mine is still in a cutback situation.

It has a large stockpile to draw on, fully paid for, and has little capital spending ahead

The price of antimony is still low but the demand has improved Shareholders can now expect a final dividend.

Prieska makes a profit

Financial Reporter

ANGLOVAAL's copper/zinc producer, Prieska, which did not have any export shipments in the June quarter made one shipment in the September quarter bringing despatches to 36 663 tons (7 027 tons) of copper and 31 354 tons of zinc (19 394 tons)

As a result the mine converted the previous quarter's working loss of R275 000 into a profit of R1 646 000

This was helped further by non-mining income and a reduction in interest paid, the net result being a profit of R1 711 000 compared with a loss of R644 000 in the previous quarter

Africa's problems 'cut down on investment'

RDM 21/10/81

THERE is no doubt that the political and economic problems of Africa, and the excessive demands placed on transnationals prepared to explore and mine in countries on the continent, has played a part in Africa being virtually at the bottom of the list of new mining investment in recent years

By JOHN MULCAHY

Mr Dennis Etheredge, chairman of Anglo American Corporation's gold division, in an address this week to the Unisa conference on "Alternative Structures for Southern Africa", referred to an investment survey by the US Mining and Engineering Journal, which revealed that while over $200 000-million was spent world-wide from 1974 to 1981, under $24 000-million was spent in Africa, of which half was in South Africa

As the minerals in the survey did not include coal, chrome platinum metals and manganese the overall SA figure would be much higher, but the rest of Africa not much higher than $11 000-million

The concentration on new mining investment was in South America at $56 000 million while North America, Asia, Japan and Australia were all at least 0% greater than Africa

Mr Etheredge said historically it was no exaggeration to state that transnationals played a greater part in the economic development of Southern Africa than the colonial powers themselves

Southern Africa presented an unhappy economic picture, said Mr Etheredge, with most states south of the equator — 22 recognised by the United Nations and three which have become independent of SA — hopelessly too small and too economically fragmented to be viable units

To his number must be added virtually all the homelands, the self-governing states"

Many of the sub-equatorial states had chosen the socialist path since independence, and transnationals had either disappeared or become less effective

Transnationals were prime targets in any move towards socialism said Mr Etheredge

Turning to Southern Africa, the area likely to comprise the initial 'Constellation of States', Mr Etheredge said the inescapable fact was that SA's immense mineral wealth had been or was being fragmented among a number of independent countries

"Gold lies wholly in white South Africa but when you look at strategic minerals such as manganese, the platinum group metals and chrome, you find that these are now spread across a number of self-governing and independent states"

The fragmentation of mineral resources had happened at a time when mining and treatment of minerals involved such high levels of risk and massive capital investment that only the large mining houses around the world — and international financial institutions such as the World Bank — could assemble the funds, technology and manpower to get new mines started

Shafts and plants cost hundreds of millions of rand, said Mr Etheredge, and in time to come deeper mines and lower grades could increase the investment risk to a point where the normal forces which provided the incentive to private enterprise would no longer work

The concept of regional development co-operation transcending political borders offered the best opportunity for co-ordinated and constructive industrial and commerial development, said Mr Etheredge

"But mines are where you find them and the best guarantee of orderly exploitation of the vast mineral resources in the Constellation will be a commonly agreed exploration and mining policy"

The standardisaion of laws and practices affecting prospecting and the opening of mines, common and fair tax regimes and the continuance of private enterprise in mining would ensure that the many political boundaries did not impede the best exploitation of Southern Afica's mineral resources, said Mr Etheredge

"South Africa has as good a set of mining laws and regulations as anywhere in the world — particularly now that discriminatory practices are to be removed — and the perpetuation of these throughout Southrn Africa will ensure that the unhappy fate which seems to have befallen mining in some parts of the subcontinent will not apply to the Constellation"

SA gold mines to invest R4bn till 1985, UK traders told

By JOHN MULCAHY (214)

SOUTH African gold mining companies will spend about R4 300-million on investment up to 1985, reflecting the magnitude of private sector investment planned for the early part of this decade

Mr Bill Yeowart, Nedbank group liaison executive, in a paper prepared for delivery to the UK-SA Trade Association in London yesterday, said coal mining development until 1985 would involve expenditure of R900-million, while other mining development to the value of R257-million was anticipated

Expenditure by chemical corporations over the same period was expected to be around R1 300-million, while the steel, engineering and motor sectors were together expected to account for R2 500-million

Mr Yeowart stressed that these investment plans were all private sector ventures and did not include new property developments, hotels or office blocks They also excluded multi-million expenditure by Escom, continuing development of the railway system and the Sasol project

Because of these trends, said Mr Yeowart, there should be great reason for optimism about the generation of employment, real personal disposable income and consumer spending during the 1980s in spite of constraints such as skilled labour shortages

The considerable business development programme the thrust and impetus of which was reasonably predictable for the next few years had implications for exporters to SA for investors and for UK companies with SA subsidiaries

In his paper entitled ' The South African Economy and Prospects for Trade and Investment ', Mr Yeowart referred to the trade between the UK and SA, which last year totalled R3 000 million with SA imports from the UK amounting to R1 700 million and SA exports to that country totalling R1 300-million

This represented an increase of R1 000-million in the value of two-way trade between the two countries since 1975 'All this adds up in simple and basic terms to the fact that South Africa still provides the UK with important resources and foodstuffs and that the UK provides machinery transport equipment and technology products to South Africa'

Mr Yeowart said the trade between SA and the UK was mutually beneficial with bills paid rather than recycled through World Bank loans or grants in-aid and the development of trade and investment would be to the countries' mutual benefit with anything obstructing it to their mutual disadvantage

He noted that the SA economy got off to a flying start in the 1980s, with an 8% real growth rate last year

The average $620 an ounce gold price obviously assisted this growth level and produced alarming pressures in monetary and banking sectors

'However there seem to be more fundamental forces at work which indicate that in the early 1980s at least and that is as far as one can reasonably predict the economy will grow at a sustained pace

This growth is largely attributable to the ratio between public sector real fixed investment and private sector real fixed investment

Statements by the monetary authorities that reflation of the SA economy was out of the question should not be interpreted as a message of gloom said Mr Yeowart, "nor do I believe it detracts at all from the broad thesis that the SA economy is in a growth phase Rather I believe it should strengthen the belief that the mechanisms that direct and control the economy are in good hands"

The real growth rate this year would be around 4,5% to 5%, falling to 3% in 1982 and picking up again in the following year, said Mr Yeowart

The scramble fo alternate energy sources had dominated much business and government strategic thinking, said Mr Yeowart and to this end SA had developed a world renowned oil-from-coal industry and developmental engineering in methanol and ethanol was far progressed

SA's vast coal resources enabled the country not only to burn it to produce electricity but also to process it for oil and with coal and uranium in abundant supply the country should be a net exporter of energy by 1984

Mr Yeowart added that the dependence on imported oil as a form of energy would constitute less than 10% of total energy requirements by the end of the decade

On manpower Mr Yeowart said the historical situation in SA of whites managing and enjoying security in skilled trades while blacks were relegated to manual and unskilled labour was "dying, if not dead

BUSINESS

Profits only slightly down at Gencor

84av 22/10/87 (214)

By David Bamber

Despite disappointing cost control at the General Mining Union Corporation gold mines during the September quarter, group profits were only slightly lower than those reported at the end of June.

The tonnage milled by the mines was marginally down on the previous quarter at 4 259-million tons compared with 4 267-million but an increase in grade enabled gold production to rise from 26 064 kg to 26 712 kg.

Added to this, four of the 10 mines received a higher gold price than in the June quarter so that total revenue rose 2,9 percent from R337,0-million to R347,9-million.

Average costs climbed by a staggering 7,3 percent from R34.45 a ton milled to R36.96 This was partly responsible for pretax profits being marginally lower at R194,4-million (R194,5-million)

The taxman appears not to have been too harsh as, though the total capex bill fell by nearly 11 percent to R21 7-million from R24,3-million, tax was almost unchanged so that net profit showed only a small decline from R103,4-million in the June quarter to R103,3-million.

Buffels

An increase in grade more than offset a lower milling rate so that gold production rose. However, costs climbed significantly resulting in a decrease in profits.

Stilfontein

A rise in milling rate and grade was responsible for higher gold production Costs were well controlled and the mine received a higher gold price than it did in the previous quarter However, in the previous three months, Stils received devidends amounting to R3 4-million (nil during the last quarter) so profits were slightly down Nevertheless, it was a commendable performance by the mine.

Grootvlei

A steady quarter in which grade and milling rate were unchanged and costs exceptionally well contained The gold price received was slightly higher than in the June quarter but profits were marginally lower.

Marievale

Milling rate fell sharply because of a programme of essential repair work so even an increase in grade could not prevent a fall in gold production. Costs rocketed resulting in a significant fall in profits.

Bracken

An increase in profits followed a sound effort in cost control and a rise in milling rate. Grade was marginally down but gold production was increased Pretax profits were slightly lower but, despite a decrease in capex, tax was down resulting in net profit rising.

Kinross

A fine quarter saw milling rate and grade rise and consequently a higher gold production. Costs were well controlled so that there was an impressive increase in profit.

Leslie

A sharp rise in working costs neutralised a good operating quarter so that even with a higher gold price profits landed up being lower than they were last time round.

Winkels

Constant grade and a rise in mill throughput resulted in a rise in gold production. Costs rose a rather steep 7 percent but an increase in capex assisted profits to rise.

St Helena

A good operational quarter saw milling rate, grade and therefore gold production rise. Costs rose 4,4 percent leaving pretax profits higher than in the previous quarter. Capex was well down opening the way for the taxman to take a bigger percentage of profits to leave distributable earnings marginally lower.

Unisel

The lower gold price received during the quarter had an adverse effect on profit. Milling rate and grade were higher and the rise in costs was kept to 4,4 percent resulting in the mine being able to report increased profits.

Star 22/10/81

214

GENCOR GOLD MINES' REPORTS FOR THE QUARTER ENDED SEPTEMBER 30

Mine	Tons Milled 000's		Yield G/T		Costs R/T		Costs $ oz		Revenue $ oz		Net Profit R000's		Net Profit after Capex R000's		EPS after Capex Cents	
	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June
Buffels	8401	850	8,6	8,4	53,06	48,76	203	215	427	482	26 385	30 071	17 327	14 882	158	135
Stilfontein	485	462	7,8	7,7	54,92	53,72	235	258	448	488	11 231	11 625	8 271	10 084	63	77
Grootvlei	435	435	3,8	3,8	26,97	25,52	237	249	437	484	4 792	5 027	3 945	4 114	34	36
Marievale	174	240	1,7	1,3	22,58	17,20	336	326	440	460	500	537	500	537	11	12
Bracken	255	240	3 5	3,6	45,25	47,25	265	286	427	483	2 964	2 359	2 707	2 042	19	15
Kinross	420	410	6,0	5,8	31,78	30,55	175	195	425	482	10 100	8 137	7 729	6 946	43	39
Leslie	305	315	3,4	3,2	29,13	27,28	281	318	426	485	3 123	2 886	2 349	2 158	15	13
Winkels	535	530	6,5	6,5	27,19	24,40	138	145	427	485	13 907	13 142	11 844	12 112	97	99
St Helena	540	530	[illegible],4	7,2	33,33	31,92	151	162	431	474	15 729	16 158	13 105	11 711	136	122
Unisel	270	255	6,9	6,7	35,29	33,80	172	192	433	500	14 617	13 475	13 825	12 564	49	45

RDM 22/10/81 (2/4)

General Mining Union Corporation Group

Gold Mining Companies' Reports for the Quarter ended 30 September 1981

All companies mentioned are incorporated in the Republic of South Africa

BUFFELSFONTEIN Gold Mining Company Limited

Issued capital – 11 000 000 shares of R1 each

Operating results		Quarter ended 30 9 1981	Quarter ended 30 6 1981
Gold			
Mined	(m²)	242 684	219 017
Ore milled	(t)	840 000	850 000
Gold produced	(kg)	7 231	7 122
Yield	(g/t)	8,6	8,4
Working revenue	(R/t milled)	111,53	109,54
Working costs	(R/t milled)	53,06	48 76
	(R/m² mined)	183,66	189,23
Working income	(R/t milled)	58,47	60,78
Gold price received	(R/kg)	12 877	13 042
	($/oz)	427	482

The above figures include ore processed by Stilfontein Gold Mining Company Limited

URANIUM			
Pulp treated	(t)	788 000	795 000
Oxide produced	(kg)	152 850	164 500
Yield	(kg/t)	0,19	0,21
Financial results (R'000)			
GOLD – Working revenue		93 689	93 114
– Working costs		44 571	41 445
– Working income		49 118	51 669
URANIUM – Working income		4 860	2 958
Sundry income – net		2 231	2 024
Dividend received		—	600
Tribute and royalties – net		(6 175)	(4 872)
Income before taxation and State s share of income		50 034	52 379
Taxation and State s share of income		23 649	22 308
Income after taxation and State s share of income		R26 385	R30 071
Capital expenditure		9 058	13 243
Dividend declared		—	44 000
Development – Vaal Reef			
Advanced	(m)	14 025	13 981
Advanced on reef	(m)	1 570	1 447
Sampled	(m)	1 509	1 428
Channel width	(cm)	111	113
Average value – gold	(g/t)	12,96	14,41
–	(cm g/t)	1 441	1 630
– uranium	(kg/t)	0,435	0 516
–	(cm kg/t)	48,40	58,41

REMARKS

General
Tribute payments increased by 27 per cent as a result of increased mining done in the Lucas Block and Southvaal tribute areas

Capital expenditure
Amounts approved not yet spent – R131 635 000
Commitments in respect of contracts placed – R21 250 000

Dividend
A dividend of 400 cents per share was paid on 7 August 1981

STILFONTEIN Gold Mining Company Limited

Issued capital – 13 062 920 shares of 50 cents each

Operating results		Quarter ended 30 9 1981	Quarter ended 30 6 1981	9 months ended 30 9 1981
GOLD				
Mined	(m²)	138 956	139 605	408 437
Ore milled	(t)	485 000	462 000	1 417 000
Gold produced	(kg)	3 794	3 558	11 160
Yield	(g/t)	7,8	7,7	7,9
Working revenue	(R/t milled)	104,66	101,40	103,47
Working costs	(R/t milled)	54,92	53,72	53,34
	(R/m² mined)	191 67	177,77	185,96
Working income	(R/t milled)	49,47	47,68	50,13
Gold price received	(R/kg)	13 354	13 141	13 121
	($/oz)	448	488	486

The above figures exclude ore processed for Buffelsfontein Gold Mining Company Limited

Financi[illegible]

WEST RAND Consolidated Mines Limited

Issued capital – 4 250 000 ordinary shares of R1 each
– 25 000 deferred shares of R2 each

Operating results		Quarter ended 30 9 1981	Quarter ended 30 6 1981	9 months ended 30 9 1981
GOLD				
Gold section				
Mined	(m²)	88 371	85 284	246 628
Ore milled	(t)	277 600	289 000	829 100
Gold produced	(kg)	550	536	1 642
Yield	(g/t)	2 0	1,9	2,0
Uranium section				
Mined	(m²)	48 980	120 289	287 250
Ore milled	(t)	206 200	269 000	748 200
Gold produced	(kg)	100	166	416
Yield	(g/t)	0,5	0,6	0 6
Working revenue	(R/t milled)	17,00	16 78	16,65
Working costs	(R/t milled)	33 00	30 89	31,16
	(R/m² mined)	115,41	82,50	92,07
Working income	(R/t milled)	(16 00)	(14 11)	(14,51)
Gold price received	(R/kg)	12 656	13 141	12 764
	($/oz)	424	487	472
URANIUM				
Pulp treated	(t)	133 200	268 500	672 700
Oxide produced	(kg)	24 047	81 012	190 229
Yield	(kg/t)	0,18	0,30	0,28
Financial results (R'000)				
GOLD – Working revenue		8 224	9 213	26 268
– Working costs		15 967	16 961	49 153
– Working loss		(7 743)	(7 748)	(22 885)
URANIUM – Working income		2 012	3 358	11 212
Sundry income – net		2 237	1 769	4 108
Tribute and royalties – net		—	—	—
Income before taxation		(3 494)	(2 621)	(7 565)
State aid		4 620	3 773	10 283
Taxation		1 075	214	1 289
Income after taxation and state aid		R51	R938	R1 429
Capital expenditure		206	212	824
Dividend declared – ordinary shares		—	212	212
– deferred shares		—	71	71
Development				
Uranium section				
Advanced	(m)	186	2 731	6 418
Advanced on reef	(m)	85	1 517	3 247
Sampled	(m)	128	1 293	2 916
Channel width	(cm)	43	52	52
Average value – uranium	(kg/t)	1,018	0,992	0,973
–	(cm kg/t)	43,36	51,14	50,61
– gold	(g/t)	3,90	2,68	2,71
–	(cm g/t)	166	138	141
Gold section				
Advanced	(m)	7 847	6 488	18 874
Advanced on reef	(m)	2 864	2 491	6 580
Sampled	(m)	2 183	2 235	6 630
Channel width	(cm)	90	81	84
Average value – gold	(g/t)	6,55	6,97	7,04
–	(cm g/t)	591	566	596

REMARKS

General
Uranium production was stopped on 23 August 1981 and the plant was put on a caretaking basis The changeover to gold production only, was carried out more smoothly than expected
Underground ore to the gold plant is being supplemented by dump material

Capital expenditure
Amounts approved not yet spent – R1 535 000
Commitments in respect of contracts placed – R350 000

Dividends
Dividends of 5 and 283 cents per share for ordinary and deferred shares respectively were paid on 7 August 1981

KINROSS Mines Limited

Issued capital – 18 000 000 stock units of R1 each.

Operating results	Quarter ended	Quarter ended	Year ended

UNISEL Gold Mines Limited

Stated capital – 28 000 000 shares of no par value

Operating results		Quarter ended 30 9 1981	Quarter ended 30 6 1981	Year ended 30 9 1981
GOLD				
Mined	(m²)	53 383	47 814	188 712
Ore milled	(t)	270 000	255 000	1 011 000
Gold produced	(kg)	1 863	1 708	6 682
Yield	(g/t)	6,9	6,7	6,6
Working revenue	(R/t milled)	88,68	88,05	89 64
Working costs	(R/t milled)	35 29	33,80	34,55
	(R/m² mined)	178 50	180,25	185 08
Working income	(R/t milled)	53 39	54,25	55 09
Gold price received	(R/kg)	12 834	13 111	13 530
	($/oz)	433	500	515
Financial results (R'000)				
GOLD – Working revenue		23 944	22 452	90 622
– Working costs		9 529	8 618	34 927
– Working income		14 415	13 834	55 695
Sundry income – net		202	(359)	(1 640)
Income		R14 617	R13 475	R54 056
Capital expenditure		792	911	1 622
Loan repayments		—	12 676	21 790
Dividend declared		15 400	—	26 600

Development		Quarter ended 30 9 1981 Basal Reef	Leader Reef	Quarter ended 30 6.1981 Basal Reef	Leader Reef	Year ended 30.9.1981 Basal Reef	Leader Reef
Advanced	(m)	2 067	220	1 736	221	7 236	566
Advanced on reef	(m)	631	163	570	126	2 431	349
Sampled	(m)	612	149	513	136	2 318	338
Channel width	(cm)	142	203	141	243	137	209
Average value – gold	(g/t)	15,6	4,8	14,1	5,0	14,7	4 8
–	(cm g/t)	2 219	981	1 986	1 203	2 012	1 011

Ore reserves as at 30 September 1981

		Available Basal	Leader	Middle	Unavailable* Basal	Leader	Middle	Total mine Basal	Leader	Middle
Tons (000 s)		3 000	200	100	200	—	—	3 200	200	100
Block width	(cm)	215	250	190	215	—	—	215	250	190
Value – gold	(g/t)	7,3	4,4	11,0	6,3	—	—	7,2	4,4	11,0
–	(cm g/t)	1 570	1 100	2 090	1 355	—	—	1 557	1 100	2 090

Ore reserve pay limit is calculated at an estimated gold price of R14 800/kg ($482/oz)

*These are ore reserves which cannot be made available for mining during the next twelve months.

REMARKS

Capital expenditure
Amounts approved not yet spent – R3 354 000
Commitments in respect of contracts placed – R191 000

Dividend
On 11 September 1981 dividend No 4 of 55 cents per share was declared to members registered on 25 September 1981 Dividend warrants will be posted on or about 29 October 1981

ST. HELENA Gold Mines Limited

Issued capital – 9 625 000 shares of R1 each

Operating results		Quarter ended 30 9 1981	Quarter ended 30 6 1981	12 months ended 30 9 1981
GOLD				
Mined	(m²)	119 438	110 769	436 230
Ore milled	(t)	540 000	530 000	2 155 000
Gold produced	(kg)	3 942	3 816	15 790
Yield	(g/t)	7,4	7,2	7,3
Working revenue	(R/t milled)	95,02	93,15	99,10
Working costs	(R/t milled)	33,33	31,92	31,07
	(R/m² mined)	150,10	152,71	153,47
Working income	(R/t milled)	61,69	61,23	68,03
Gold price received	(R/kg)	12 [illegible]	12 90[illegible]	13 493

BEISA Mines Limited

Issued share capital – 10 000 000 shares of R1 each
Loan capital advanced to date – R143 576 000

Shafts
Equipping of No 1 Shaft has been completed and station construction and equipping on 3, 4 and 5 Levels is in progress
The fans at the Ventilation Shaft have been commissioned Development on A, 1 and 2 Levels, which was previously done from this shaft, is being continued from No 1 Shaft 1515 metres were developed, bringing the total since December 1979 to 10 396 metres
Trial stoping has commenced

General
Commissioning of the uranium and gold extraction plants is still in progress
A further 31 houses were erected in Welkom, bringing the total to 275

Capital Expenditure
Net expenditure for the quarter on property, shafts, plant and equipment and general expenditure has amounted to R24 083 000 (to date R156 776 000)
Amounts approved not yet spent – R35 919 000
Commitments in respect of contracts placed – R2 641 000

BEATRIX Mines Limited

Share capital – 100 shares of R1 each
Loan capital advanced to date – R56 378 000

Shaft sinking
No 1 Shaft has reached a depth of 74 metres Water and poor ground conditions have caused some delay
No 2 Shaft has reached a depth of 232 metres

General
Occupation has been taken of the first part of the hostel for Blacks, and some 400 men are in residence
Construction work is continuing on shaft offices, workshops, sewage plant and hostel Change houses and the store are complete
A total of 112 families has been housed in Virginia and the house-building programme is continuing

Capital expenditure
Net expenditure for the quater on property, shafts, plant and equipment and general expenditure has amounted to R21 584 000 (to date R54 818 000)
Amounts approved not yet spent – R411 275 000
Commitments in respect of contracts placed – R33 447 000

LESLIE Gold Mines Limited

Issued capital – 16 000 000 shares of 65 cents each

Operating results		Quarter ended 30 9 1981	Quarter ended 30 6 1981	Year ended 30 9 1981
GOLD				
Mined	(m²)	71 469	73 252	284 288
Ore milled	(t)	305 000	315 000	1 250 000
Gold produced	(kg)	1 039	1 008	4 000
Yield	(g/t)	3 4	3,2	3,2
Working revenue	(R/t milled)	44 17	41,67	43,43
Working costs	(R/t milled)	29,13	27,28	26,86
	(R/m² mined)	124,31	117,31	118,10
Working income	(R/t milled)	15,04	14,39	16,57
Gold price received	(R/kg)	12 788	12 974	13 423
	($/oz)	426	485	508
Financial results (R'000)				
GOLD – Working revenue		13 473	13 126	54 289
– Working costs		8 884	8 593	33 573
– Working income		4 589	4 533	20 716
Sundry income – net		373	216	576
Tribute and royalties – net		—	(42)	(72)
Income before taxation and State's share of income		4 962	4 706	21 220
Taxation and State's share of income		1 839	1 820	9 607
Income after taxation and State s share of income		R3 123	R2 886	R11 613

– Working costs	26 634	24 8[illegible]	75 579
– Working income	24 127	22 030	71 033
Sundry income – net	1 109	549	2 766
Dividend received	—	3 400	3 400
Tribute and royalties – net	(3 277)	(3 515)	(9 981)
Income before taxation and State s share of income	21 959	22 464	67 218
Taxation and State s share of income	10 728	10 839	34 160
Income after taxation and State s share of income	R11 231	R11 625	R33 058
Capital expenditure	2 960	1 541	5 931
Dividend declared	—	16 982	16 982

		Quarter ended 30 9 1981		Quarter ended 31 6 1981		9 months ended 30 9 1981	
		Vaal Reef	VCR	Vaal Reef	VCR	Vaal Reef	VCR
Development							
Advanced	(m)	8 038	674	8 323	176	24 858	997
Advanced on reef	(m)	1 437	119	1 706	79	4 444	271
Sampled	(m)	1 230	111	1 419	81	3 678	261
Channel width	(cm)	28	43	26	78	25	62
Average value							
– gold	(g/t)	48,1	6,2	47,0	2,5	51,9	3 6
–	(cm g/t)	1 333	268	1 227	194	1 287	223
– uranium	(kg/t)	0,744	0,143	0,735	0,081	0,817	0,114
–	(cm kg/t)	20,61	6,17	19 18	6 24	20,25	7,05

REMARKS

Capital expenditure

Amounts approved not yet spent – R7 689 000

Commitments in respect of contracts placed – R1 723 000.

Dividend

A dividend of 130 cents per share was paid on 7 August 1981

Chemwes Limited

(A subsidiary of Stilfontein Gold Mining Company Limited)

Issued capital – 1 000 shares of R1 each

		Quarter ended 30 9 1981	Quarter ended 30 6 1981	9 months ended 30 9 1981
Operating results				
Pulp treated	(t)	886 000	885 000	2 628 000
Oxide produced	(kg)	168 815	164 791	505 926
Yield	(kg/t)	0,19	0,19	0 19
Financial results (R'000)				
Net income		12 649	6 559	26 953

REMARKS

General

The increase in income was due mainly to the sale of additional uranium

Capital expenditure

Amounts approved not yet spent – R2 836 000

Commitments in respect of contracts placed – R414 000

The GROOTVLEI Proprietary Mines Limited

Issued capital – 11 438 816 stock units of 25 cents each

		Quarter ended 30 9 1981	Quarter ended 30 6.1981	9 months ended 30 9 1981
Operating results				
GOLD				
Mined	(m²)	117 511	115 830	342 299
Ore milled	(t)	435 000	435 000	1 310 000
Gold produced	(kg)	1 653	1 653	4 890
Yield	(g/t)	3,8	3 8	3,7
Working revenue	(R/t milled)	49 74	49,68	48,38
Working costs	(R/t milled)	26,97	25,52	25,75
	(R/m² mined)	99 83	95,84	98,56
Working income	(R/t milled)	22,77	24,16	22,63
Gold price received	(R/kg)	13 045	13 041	12 925
	($/oz)	437	484	471
Financial results (R'000)				
GOLD – Working revenue		21 636	21 612	63 382
– Working costs		11 731	11 101	33 737
– Working income		9 905	10 511	29 645
Sundry income – net		259	125	190
Tribute and royalties – net		(150)	(185)	(506)
Income before taxation		10 014	10 451	29 329
Taxation		5 222	5 424	15 206
Income after taxation		R4 792	R5 027	R14 123
Capital expenditure		847	913	2 342
Dividend declared		—	7 893	7 893
Development – Kimberley Reef				
Advanced	(m)	1 970	1 231	4 400
Advanced on reef	(m)	1 210	769	2 730
Sampled	(m)	1 200	782	2 700
Channel width	(cm)	21	25	20
Average value – gold	(g/t)	19 8	23,8	26,9
–	(cm g/t)	416	596	537

REMARKS

General

Exploratory work at No 8 shaft has exposed encouraging values on the Black Reef horizon Work is continuing on a fuller evaluation of the extent and potential of this reef in the area

Capital expenditure

Amounts approved not yet spent – R25 771 546

Commitments in respect of contracts placed – R3 689 428

Dividend

A dividend of 69 cents per unit of stock was paid on 7 August 1981

Mined	(m²)	97 0[illegible]	[illegible] 78	[illegible]
Ore milled	(t)	420 000	410 000	1 630 000
Gold produced	(kg)	2 521	2 378	9 459
Yield	(g/t)	6,0	5,8	5,8
Working revenue	(R/t milled)	77,29	75,55	78,20
Working costs	(R/t milled)	31,78	30,55	30,19
	(R/m² mined)	137,50	111 16	120,36
Working income	(R/t milled)	45,51	45,00	48,01
Gold price received	(R/kg)	12 813	12 982	13 402
	($/oz)	425	482	506
Financial results (R'000)				
GOLD – Working revenue		32 462	30 977	127 470
– Working costs		13 347	12 527	49 217
– Working income		19 115	18 450	78 253
Sundry income – net		1 063	493	1 943
Tribute and royalties – net		(78)	(208)	(704)
Income before taxation and State s share of income		20 100	18 736	79 492
Taxation and State's share of income		10 000	10 598	44 263
Income after taxation and State s share of income		R10 100	R8 137	R35 229
Capital expenditure		2 371	1 191	5 506
Dividend declared		15 480	—	29 880
Development – Kimberley Reef				
Advanced	(m)	3 605	3 401	13 671
Advanced on reef	(m)	629	772	3 109
Sampled	(m)	659	781	3 149
Channel width	(cm)	41	51	41
Average value – gold	(g/t)	26,2	25,4	32,7
–	(cm g/t)	1 076	1 295	1 341
The above includes development for No 2 shaft area as follows				
Advanced	(m)	2 852	2 663	10 285
Advanced on reef	(m)	359	492	1 891
Sampled	(m)	378	493	1 944
Channel width	(cm)	38	45	35
Average value – gold	(g/t)	32,2	31,0	48,6
–	(cm g/t)	1 223	1 393	1 701

Surface Drilling

Borehole 1475 was drilled at a position 2,7 km north-north-west of No 2 shaft on the adjacent farm Ruigtekuilen 129 whose mineral rights to precious metals are held by the Company

Four of the accepted intersections of Kimberley reef at a depth of 2 160 m below surface gave an average grade of 0,2 g/t over a width of 18 cm, equivalent to a value of 4 cm g/t.

Ore reserves as at 30 September 1981

		Available	Unavailable*	Total mine
Tons (000 s)		5 000	2 700	7 700
Block width	(cm)	140	140	140
Value – gold	(g/t)	6,5	6,3	6 4
–	(cm g/t)	910	882	900

Ore reserve pay limit is calculated at an estimated gold price of R14 800/kg ($482/oz)

*These are ore reserves which cannot be made available for mining during the next twelve months

REMARKS

Capital Expenditure

Amounts approved not yet spent – R49 240 000

Commitments in respect of contracts placed – R6 490 000.

Dividend

On 11 September 1981 dividend No. 27 of 88 cents per unit of stock was declared to members registered on 25 September 1981 Dividend warrants will be posted on or about 29 October 1981

MARIEVALE Consolidated Mines Limited

Issued capital – 4 500 000 shares of 25 cents each.

		Quarter ended 30 9 1981	Quarter ended 30 6 1981	9 months ended 30 9 1981
Operating results				
GOLD				
Mined	(m²)	13 392	14 018	42 383
Ore milled	(t)	174 000	240 000	654 000
Gold produced	(kg)	296	312	920
Yield	(g/t)	1,7	1,3	1,4
Working revenue	(R/t milled)	22,58	17,20	18,21
Working costs	(R/t milled)	17,23	12,19	13,41
	(R/m² mined)	223,94	208,73	206,85
Working income	(R/t milled)	5,35	5,01	4,80
Gold price received	(R/kg)	13 161	12 447	12 639
	($/oz)	440	460	460
Financial results (R'000)				
GOLD – Working revenue		3 929	4 128	11 907
– Working costs		2 999	2 926	8 767
– Working income		930	1 202	3 140
Sundry income – net		22	18	(2)
Tribute and royalties – net		—	—	(6)
Income before taxation		952	1 220	3 132
Taxation		452	683	1 682
Income after taxation		R500	R537	R1 450
Capital expenditure		—	—	—
Dividend declared		—	1 125	1 125

REMARKS

General

Due to the lower gold price and the need to reduce throughput in the plant to implement a programme of essential repair work, the tonnage contribution from the surface dump is in process of being reduced by approximately one half

Dividend

A dividend of 25 cents per share was paid on 7 August 1981

GOLD – Working revenue		51 311	49 369	213 550
– Working costs		17 999	16 915	66 949
– Working income		33 312	32 454	146 601
Sundry income – net		1 359	863	3 064
Income before taxation and State s share of income		34 671	33 317	149 665
Taxation and State s share of income		18 942	17 159	83 813
Income after taxation and State s share of income		R15 729	R16 158	R65 852
Capital expenditure		2 624	4 447	10 638
Dividend declared		25 025		56 788

		Quarter ended 30.9 1981		Quarter ended 30 6 1981		12 months ended 30.9.1981	
		Basal Reef	Leader Reef	Basal Reef	Leader Reef	Basal Reef	Leader Reef
Development							
Advanced	(m)	1 385	226	1 653	277	5 913	743
Advanced on reef	(m)	188	155	195	152	785	387
Sampled	(m)	176	158	187	141	764	404
Channel width	(cm)	81	144	86	153	89	148
Average value – gold	(g/t)	9,8	6,3	11,5	5,5	12,2	5,4
–	(cm g/t)	794	907	988	842	1 089	800

Ore reserves as at 30 September 1981

		Available		Unavailable*		Total mine	
		Basal	Leader	Basal	Leader	Basal	Leader
Tons (000 s)		7 600	300	3 800	—	11 400	300
Block width	(cm)	163	180	163	—	163	180
Value – Gold	(g/t)	11,1	4,1	7,7	—	10,0	4 1
–	(cm g/t)	1 809	738	1 265	—	1 624	738

Ore reserve pay limit is calculated at an estimated gold price of R14 800/kg ($482/oz)

*These are ore reserves which cannot be made available for mining during the next twelve months

REMARKS

Capital expenditure

Amounts approved but not yet spent – R29 109 000

Commitments in respect of contracts placed – R16 617 000

Dividend

On 11 September 1981 dividend No 52 of 260 cents per share was declared to members registered on 25 September 1981 Dividend warrants will be posted on or about 29 October 1981

WINKELHAAK Mines Limited

Issued capital – 12 180 000 shares of R1 each

		Quarter ended 30 9 1981	Quarter ended 30 6 1981	Year ended 30 9 1981
Operating results				
GOLD				
Mined	(m²)	130 895	126 084	514 456
Ore milled	(t)	535 000	530 000	2 140 000
Gold produced	(kg)	3 479	3 445	14 019
Yield	(g/t)	6 5	6,5	6,6
Working revenue	(R/t milled)	84,33	84,77	89,10
Working costs	(R/t milled)	27,19	26,40	24,85
	(R/m² mined)	111,14	107,55	103,37
Working income	(R/t milled)	57,14	58,37	64,25
Gold price received	(R/kg)	12 837	12 988	13 504
	($/oz)	427	485	513
Financial results (R'000)				
GOLD – Working revenue		45 117	44 930	190 675
– Working costs		14 548	13 460	53 180
– Working income		30 569	31 470	137 495
Sundry income – net		1 509	1 076	3 439
Tribute and royalties – net		141	254	814
Income before taxation and State's share of income		32 219	32 800	141 748
Taxation and State s share of income		18 312	19 658	85 013
Income after taxation and State's share of income		R13 907	R13 142	R56 735
Capital expenditure		2 063	1 030	5 170
Dividend declared		23 142	—	49 938
Development – Kimberley Reef				
Advanced	(m)	3 224	2 809	11 704
Advanced on reef	(m)	733	527	2 434
Sampled	(m)	701	510	2 426
Channel width	(cm)	56	73	63
Average value – gold	(g/t)	14,6	17,2	17 6
–	(cm g/t)	820	1 257	1 108

Ore reserves as at 30 September 1981

		Available	Unavailable*	Total mine
Tons (000 s)		10 200	1 200	11 400
Block width	(cm)	152	152	152
Value – gold	(g/t)	7,1	6,9	7,1
–	(cm g/t)	1 079	1 049	1 076

Ore reserve pay limit is calculated at an estimated gold price of R14 800/kg ($482/oz).

*These are ore reserves which cannot be made available for mining during the next twelve months

REMARKS

Capital expenditure

Amounts approved not yet spent – R21 815 000

Commitments in respect of contracts placed – R4 294 000

Dividend

On 11 September 1981 dividend No 43 of 190 cents per share was declared to members registered on 25 September 1981 Dividend warrants will be posted on or about 29 October 1981.

Development – [illegible]				
Advanced	(m)	2 019	2 000	7 926
Advanced on reef	(m)	647	563	2 465
Sampled	(m)	615	569	2 471
Channel width	(cm)	13	14	16
Average value – gold	(g/t)	21,5	25,4	21,4
–	(cm g/t)	279	355	343

Ore reserves as at 30 September 1981

		Available	Unavailable*	Total mine
Tons (000 s)		2 900	600	3 500
Block width	(cm)	127	127	127
Value – gold	(g/t)	4,8	5,3	4,9
–	(cm g/t)	610	673	621

Ore reserve pay limit is calculated at an estimated gold price of R14 800/kg ($482/oz)

*These are ore reserves which cannot be made available for mining during the next twelve months

REMARKS

Capital expenditure

Amounts approved not yet spent total R3 263 000 of which R2 938 000 has been approved by the Government Mining Engineer for 1981 in terms of the Gold Mines Assistance Act, 1968 (as amended)

Commitments in respect of contracts placed – R668 099

Dividend

On 11 September 1981 dividend No 34 of 25 cents per share was declared to members registered on 25 September 1981 Dividend warrants will be posted on or about 29 October 1981

BRACKEN Mines Limited

Issued capital – 14 000 000 shares of 90 cents each

		Quarter ended 30 9 1981	Quarter ended 30 6 1981	Year ended 30 9 1981
Operating results				
GOLD				
Mined	(m²)	66 471	62 380	252 503
Ore milled	(t)	255 000	240 000	975 000
Gold produced	(kg)	894	864	3 488
Yield	(g/t)	3,5	3,6	3,6
Working revenue	(R/t milled)	45,25	47,25	48,75
Working costs	(R/t milled)	28,12	28,00	27,43
	(R/m² mined)	107,90	107,73	105,94
Working income	(R/t milled)	17 13	19,25	21,32
Gold price received	(R/kg)	12 822	12 974	13 481
	($/oz)	427	483	511
Financial results (R'000)				
GOLD – Working revenue		11 539	11 340	47 531
– Working costs		7 172	6 720	26 749
– Working income		4 367	4 620	20 782
Sundry income – net		471	355	1 050
Tribute and royalties – net		—	(2)	26
Income before taxation and State s share of income		4 838	4 973	21 858
Taxation and State s share of income		1 874	2 614	11 960
Income after taxation and State s share of income		R2 964	R2 359	R9 898
Capital expenditure		257	317	889
Dividend declared		4 200	—	8 400
Development – Kimberley Reef				
Advanced	(m)	1 473	1 198	4 729
Advanced on reef	(m)	238	131	797
Sampled	(m)	234	116	788
Channel width	(cm)	34	30	32
Average value – gold	(g/t)	16,4	37,6	30,5
–	(cm g/t)	557	1 129	976

Ore reserves as at 30 September 1981

		Available	Unavailable*	Total mine
Tons (000 s)		2 400	500	2 900
Block width	(cm)	128	128	128
Value – gold	(g/t)	5,2	5,8	5,3
–	(cm.g/t)	666	742	679

Ore reserve pay limit is calculated at an estimated gold price of R14 800/kg ($482/oz)

*These are ore reserves which cannot be made available for mining during the next twelve months

REMARKS

Capital expenditure

Amounts approved not yet spent – R412 000

Commitments in respect of contracts placed – R28 021

Dividend

On 11 September 1981 dividend No 38 of 30 cents per share was declared to members registered on 25 September 1981 Dividend warrants will be posted on or about 29 October 1981

NOTES

1. Development values quoted above represent actual results of sampling, and no allowance has been made for any adjustments which may be, or were, necessary when estimating ore reserves at the end of the financial years.

2. All financial figures are unaudited.

3. The quarterly reports have been approved and signed on behalf of the respective companies by two directors.

Johannesburg, 21 October 1981

Super mine West Holds earns R102m

RDM 23/10/87

(214)

WESTERN Holdings has established itself as the "super mine" of the Free State, milling 1 972 000 tons of rock and producing more than 10 000 kg of gold in the September quarter Taxed profit was R102 524 000.

By JOHN MULCAHY

The results for the latest quarter are not comparable with the June quarter, as the complex, incorporating Welkom and Free State Saaiplaas, became effective only on July 1

The taxed profit includes a tax credit of R46 852 000, which came about as a result of the merger of the three operations, and can be considered a one-off

This special tax situation at Western Holdings distorts the overall picture for the Free State mines in the September quarter as the total tax provision fell to R11-million from R118-million in the previous quarter

Total tonnage for the Free Staters was marginally higher than in the June quarter, but generally lower grades reduced gold production to 30 003 kg from 30 793 kg

The average gold price for the quarter was 14,8% down at $414 an ounce from $486, but fell only 4% in real terms to R12 551 a kg from R13 075, reflecting the continued depreciation of the rand against the dollar

The operational trend for the new complex should become apparent by the next quarter, but costs appear to have spiralled The weighted average unit cost (including the Holdings, Welkom and Saaiplaas) in the June quarter was R33,33 a ton milled, and actual unit working costs in the latest quarter were 15% higher at R38,27 a ton milled

The 5,16 g/t average yield for the complex is more or less in line with the weighted average for the previous quarter

Capital expenditure for the quarter was R135 053 000, including the purchase consideration for the development assets of Saaiplaas and Welkom, and effectively moving the complex into a deficit for the quarter

Development results on the Holdings Basal Reef show a sharp increase to 3 894 cm g/t from 1 423 cm g/t after development of a particularly rich reef in the No 3 shaft area The reef is limited in extent, and improved sampling results will not be maintained, according to the directors

Development results on the Welkom section also show a substantial improvement, and redevelopment of known high-grade remnants is being carried out

Excavations and headgear foundations at the Erfdeel main shaft have been completed, and the pre-sink has reached a depth of 55,6 m Preparation for the sliding of the headgear is in progress

The Erfdeel ventilation shaft's concrete headgear has been completed and steelwork is being installed The pre-sink has reached a depth of 47,2 m and sinking is expected to begin late in November

Orders placed and outstanding on capital contracts for Western Holdings at September 30 totalled R77 034 000

Introduction of the Lifo method of uranium stock valuation reduced Anglo's Joint Metallurgical Scheme's net profit by 58% to R5 646 000 from R13 546 000 in the June quarter

Production at the JMS returned to normal after the annual shutdown for overhaul of the acid plant in the June quarter, and gold production rose to 1 010 kg from 700 kg Acid production increased to 96 646 tons from 66 951 tons and uranium output rose to 273 463 kg from 264 957 kg

As expected, **FREE STATE GEDULD'S** average grade was sharply down, reflecting the continuing shift towards production from the lower-grade northern areas of the mine

The lower yield was, however, more than offset by an 8,8% increase in tonnage milled to 795 000 from 731 000, and gold production rose to 7 014 kg from 6 857 kg

Capital expenditure was stepped up in the September quarter, reaching R32 407 000 compared with R22 426 000 in the previous quarter, but the total of R96 240 000 for the year was still below the targeted R110-million

Orders placed and outstanding on capital contracts at September 30 totalled R26 681 000

Development results on the Basal Reef were significantly better at 1 453 cm g/t compared with 1 153 cm g/t in the June quarter, and 17 347 m was advanced against 15 770 m in the previous quarter

Labour unrest during July and numerous Escom power cuts combined to reduce **PRESIDENT STEYN'S** mill throughput to 967 000 tons from 1 008 000 tons, but the average yield improved to 6,42 g/t from 6 g/t, and gold production rose to 6 209 kg from 6 048 kg

The tonnage figure of 3 859 000 for the year to September falls short of the planned 3 960 000

Overall costs rose by more than 9%, but because of the drop in mill throughput unit working costs rose by 13%, or more than 3% a month

Capital expenditure for the year was R37 884 000, well up on the budgeted R31-million, with the most being spent on the new No 4 sub-vertical shaft system

Share of profit from the Joint Metallurgical Scheme was 53% higher at R5 282 000 compared with R3 442 000 in the June quarter and sundry income fell to R2 668 000 from R3 997 000

Development results on the Basal reef show a slight decline from the June quarter to 1 905 cm g/t from 2 182 cm g/t

PRESIDENT BRAND'S tonnage was slightly up in the September quarter, but the yield dropped by 6% to 7,8 g/t from 8,3 g/t, reducing gold production to 6 595 kg from 6 977 kg

Shaft sinking at the No 5 shaft advanced 225,4 m to a depth of 482,2 m The shaft is expected to cost R125-million and to be commissioned in 1986

Capital expenditure for the quarter was R13 564 000 compared with R13 293 000 in the June quarter, and for the year to September expenditure reached R48 646 000 — in line with budget

Expenditure on the JMS was R1 468 000 for the quarter and R6 781 000 for the year, well below the budgeted R11-million

The disposal of Free State Saaiplaas will reduce President Brand's prospective financial commitments, ensuring more secure dividend income from Western Holdings

Most of Anglo's Transvaal mines lift tonnages

West Deep the best —Elandsrand worst

RDM 23/10/81 214

WESTERN Deep Levels put up the best performance of Anglo American Corporation's Transvaal gold mines in the September quarter with a 9% rise in net profit. But neighbouring Elandsrand was the worst performer because of low values west of the shaft.

By ADAM PAYNE

Western Deep Levels raised its grade to 12,44 g/t from 12,10 g/t, but is still below the revised target of 12,50 g/t which was moved down from 13,50 g/t after lower values were encountered on the Carbon Leader Reef

One can assume that the mine will achieve a yield of about 12,50 g/t for anything up to a year before moving into higher yield areas

Western Deep's net profit rose at R120-million (R137 600 000) This reduction will not affect work on the No 1 Shaft project which is on schedule

VAAL REEFS Because of the lower tonnage milled gold pro-

sion for tax against its net sundry income of R1 300 000 for the six months to September was made

At Simmer & Jack excavations for the foundations of the

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ Oz	Revenue $ Oz	Revenue R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
WEST DEEP	825	12,44	57,39	154	424	12 766	59 515	23 009	92
June	798	12,10	54,13	166	488	13 081	54 373	24 624	98
VAAL REEFS	2 160	8,80	44,53	201	422	12 740	75 910	44 651	235
June	2 198	8,82	38,22	161	484	13 077	90 245	58 376	307
ELANDS	325	4,17	52,56	420	421	12 714	2 648	(3 140)	—
June	311	4,64	46,47	372	484	13 108	4 329	(2 378)	—
SA LANDS	375	0,88	4,14	-156	417	12 599	1 884	75	0,8
June	366	0,92	3,91	158	481	12 977	1 198	342	5

to R39 313 000 (R34 373 000) and earnings a share after heavy capital spending were marginally lower than in June

Elandsrand fared badly in an area to the west of the shaft which had been fully developed Values were found to be lower than expected from development results

This caused a drop in yield and mining was stopped in the area which resulted in a big rise in costs because of loss of stope face

It remains to be seen how successful the mine will be in achieving an improvement in stope advance in the present quarter

Vaal Reefs, which had an outstanding quarter to June 30, milled less tonnage because of a temporary loss after a fire in the south area

Costs at R44,53 a ton milled were up 16% on the June quarter, but this gives a false impression because the mine usually stockpiles tonnage in the cool months to help keep the mills filled in the hot months

As a result costs a ton milled were unduly high

The mine is in a favourable position to reach the revised planned production level for the year of 8 500 000 tons milled

Yield at Vaal Reefs has been excellent at 8,80 g/t and 8,82 g/t for the past two quarters against a target of 8,4 g/t

WESTERN DEEP LEVELS. Tonnage milled increased 3,4% and gold production rose to 10 260 kg (9 656 kg)

This offset the drop in the gold price received of R12 766 a kg (R13 081) and boosted gold revenue by just under R6-million to R132 500 000

Unit costs rose only 6,3%

Capital spending for the year to December 31 is now estimated

duction and gold revenue fell, resulting in 15,5% lower taxed profit at R76-million

Earnings a share fell 23% to 235c

Operations in the Afrikander Lease area resulted in a loss of R928 000 Mining at Afrikander Lease was stopped when sufficient ore for commissioning the uranium plant in the second quarter of 1982 had been stockpiled

Commissioning of the gold plant started in October It is being used initially for the treatment of Ventersdorp Contact Reef ore from Vaal Reefs

ELANDSRAND: Tonnage milled rose to 325 000 (311 000), but grade fell to 4,17 g/t (4,64 g/t) and gold production dropped

Forecast gold production for the year has been reduced to 5 160 kg (6 096 kg) from milling 1 200 000 tons at a grade of 4,3 g/t (5,08 g/t)

ERGO: Production was affected by a lower number of operating days, a marginally reduced gold head grade and the scheduled biannual overall of the acid plant

Uranium oxide production dropped to 76 tons (82 tons) and gold production fell to 1 391 kg (1 754 kg) Taxed profit was R16 223 000 (R20 390 000)

Capital spending included R3 100 000 on the Simmer & Jack project

Ergo expects to be liable for tax on its operations in the current financial year and is also liable for tax on its income from other sources A R555 000 provi-

and tenders for the civil work have been invited Timber in the top 30 m of the South Deep Shaft has been replaced and examination of the shaft is going ahead

SA LANDS. Gold production and profit were steady Profit before tax was R1 400 000 (R1 200 000) and a tax credit of R455 000 (R2 000 credit) brought taxed profit to R1 900 000 (R1 200 000)

Capital spending totalled R2 100 000, of which R301 000 was recouped through the sale of a winder

The main shaft from surface at Van Dyk No 5 has been commissioned to provide access to the sub-vertical shaft hoist level where work has started on the foundations for the underground winder

It is expected that this winder will be operational in the second quarter of 1982, enabling engineers to examine the sub-vertical shaft to the flood level

EAST DAGGAFONTEIN: Royalties fell to R7 000 from R425 000 and there was an taxed loss of R24 000 (R145 000 profit)

The mine's income fell drastically because royalties from Grootvlei mine are payable in April and October

Under the arrangement whereby East Daggafontein acquired a 23% interest in Bonanza, royalties from that source ceased on April 1

East Daggafontein had to pay R11 000 towards the losses sustained by operations in the area mined under tribute by Marievale mine

RDM 23/10/81

214

BUSINESS

Working costs mar Anglo's returns

Star 23/10/81

214

By David Bamber

A huge drop in Anglo American Corporation's Free State mines' provision for tax assisted the premier national mining group in lifting taxed profits by more than R56-million in an operational quarter marred by unacceptably high rises in working costs.

The fall in provision for tax from R118,2-million to R11-million was caused mainly by the implementation during the September quarter of the scheme to combine Free State Saaiplaas and Welkom gold mines with Western Holdings.

This had not taken place but the group would probably have had to report figures showing an almost 13 percent fall in profits during the quarter.

ERGO TONNAGE

In the Transvaal sector the milling rate at Anglo's mines was slightly higher than in the previous quarter at 3,685-million tons (3,673-million tons) excluding tonnage treated at the Ergo plant and down to 8,46-million tons from 8,7-million if Ergo's tonnage is taken into account.

Grade was slightly higher but not enough to offset the lower mill throughput resulting in gold production falling from 32 582 kg to 32 336 kg.

The mines will not be proud of their record in cost control as costs rocketed 12,9 percent during the quarter from R38,96 a ton milled to R44.

Adding to these problems, all the mines in the Transvaal sector received lower gold prices so that total revenue fell 0,6 percent from R402-million to R399,7-million.

The leap in costs left pretax profits 9 9 percent lower at R240,9-million (R267,3-million) and after a slightly capex bill, the tax burden was marginally lightened leaving taxed earnings 8 2 percent down on the previous quarter at R156 3-million (R170,3-million).

One of the mines to increase taxed profits in the Transvaal was Western Deep Levels but the greatly increased capex bill left earnings a share after capex 6c lower than in the previous quarter at 92c.

Vaal Reefs disappointing quarter started with a lower mill throughput and a fall in grade. Coupled with the sharp rise in costs and an almost unchanged capex bill earnings fell to 235c a share (306c) after capex.

Elandsrand's profit was well down on the previous quarter and the directors say the forecast gold production for the year has been reduced to 5 160 kg (6 096 kg) from milling 1 2 million tons at a grade of 4,3 g/t (5,08 g/t). The principal reason for the reduction is that mining values encountered in the west of the shaft were lower than expected from the results of development.

Sallies had a satisfactory quarter and was able to capitalise on a higher capex bill leading to the rise in pretax profits moving higher following a provision for a tax credit.

The Free State sector, as mentioned earlier, revelled in their R107,2-million gain from the fall in tax provision.

This led to taxed profits in this sector shooting up 50,9 percent to R208 9-million from the previous quarter's R138 4-million despite a 14,3 percent fall in pretax profits to R219,9-million (R256 6 million).

The milling rate was slightly higher at 4 579 million tons (4 563-million tons) but a marginal decrease in grade resulted in gold production dipping 2,6 percent from 30 793 kg to 30 003 kg.

The average gold price received by the Free State mines declined 14 8 percent in dollar terms to 414 dollar an ounce (486 dollars an ounce) but only 4 percent in rand terms from R13 075 a kilogram to R12 551.

Capital expenditure more than trebled to R193,6-million (R61 5-million) principally as a result of the capex incurred by Western Holdings.

Star

(214) 23/10/87

AAC GOLD MINES' RESULTS FOR THE QUARTER ENDED SEPTEMBER 30

Mine	Tons Milled 000's		Yield G/T		Costs R/T		Costs $ oz		Revenue $ oz		Net Profit R000's		Net Profit after Capex R000's		EPS after Capex Cents	
	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June	Sept	June
West Deep	825	798	12,44	12,10	57,39	54,13	153	167	424	488	59 515	54 373	23 009	24 624	92	98
Elandsrand	325	311	4,17	4,64	52,56	46,47	417	369	421	484	2 648	4 329	-3 140	-2 387	-3	-2,5
Vaal Reefs	2 160	2 198	8 80	8,82	44,53	38,22	168	160	422	484	75 986	89 986	44 651	58 117	235	306
SA Land	375	366	0,88	0,92	4,14	3,91	156	158	417	481	1 884	1 198	-226	342	-2,5	3,7
West Hldgs	1 972	854	5 16	7,80	38,27	33,40	244	159	413	484	102 524	25 393	-32 529	21 374	-227	285
Pres Steyn	967	1 008	6,42	6,00	42,48	37,36	218	231	422	487	27 907	28 052	16 766	18 992	115	130
Pres Brand	845	841	7,80	8,30	42,80	39,71	181	177	413	484	37 259	35 475	23 659	22 182	169	166
FS Geduld	795	731	8,82	9,38	47,18	47,38	176	187	404	484	41 176	37 559	8 769	15 133	84	145

Anglo's OFS finals below forecast

RDM 23/10/81 214

By ADAM PAYNE

FINAL dividends from Anglo American Corporation's Free State mines for the year to September 30 are lower than expected by analysts in London and Johannesburg

Ergo's interim dividend is also lower than expected

Free State Geduld. 245c compared with expectations of between 250c and 275c The year's total is 610c giving a yield of 10,70% Last year's total was 950c

President Brand 300c against expectations of between 300c and 350c, to total 595c yielding 10,34% Last year's total was 695c

President Steyn 245c compared with estimates of between 250c and 270c, to total 515c yielding 11% Last year's total was 665c

Welkom 90c against estimates of 100c to 110c

Western Holdings 350c, which is at the lower end of estimates, the highest being 440c

Ergo 60c interim compared with expectations of 75c to 80c The previous interim was 100c

Smoother road ahead for Golden Dump's operations?

RPM 28/10/81, 2/4

By JOHN MULCAHY

THE most significant aspect of Golden Dumps quarterly reports is not the level of earnings (working losses are still substantial), but the fact that operations at South Roodepoort and Consolidated Modderfontein appear to have stabilised

After a disastrous June quarter, with costs rocketing at both of the mines, September saw a good measure of cost control, an improvement in underground tonnage at South Roodepoort, and a return to a reasonable milling rate at Cons Modder

Neither operation can yet claim to be out of the straits — Cons Modder had a net profit of R30 000 and South Roods a net loss of R1 476 000 — but managing director Mr Loucas Pouroulis says Cons Modder should increase mill throughput to 55 000 tons this quarter from 32 898 tons in the September period, while South Roods is looking to an improvement in grade from 2,17 g/t to 3,0 g/t

At Cons Modder, the expansion programme is well ahead of schedule, and production should reach 80 000 tons a month within a year, according to Mr Pourouhs

Of the R20-million raised by Cons Modder via a rights issue earlier this year, Mr Pourouhs says R12-million is on call, indicating that R8-million has already been spent

He estimates that when the mine reaches its planned 80 000 tons a month, there will still be about R4-million of this capital available for further expansion.

The first phase of expansion on the reduction plant, to treat 20 000 tons a month, was completed this month It includes the commissioning of No 3 mill and continuous leaching

Improvements to hoisting facilities at No 7 shaft have been carried out, while limited production from No 14 shaft has commenced, and tonnages mined will be systematically increased.

Golden Dumps management would offer no further illumination on the Black Reef possibilities, other than "the borehole results are exciting".

They say that to extrapolate the borehole results into an overall estimate could be misleading

Cons Modder, in a cost-saving exercise, has for the time being stopped all primary development and is reopening previously developed areas

During the quarter Cons Modder was granted an additional 2 661 precious metal claims on the farm Geduld, and the surface drilling programme will include this area

The big question surrounding South Roods is how long it can continue in a negative cash flow situation Mr Pourouhs explains that two hoists from the V1 shaft were sold during the quarter, providing enough cash to continue for some time.

There is no news yet on the R2 500 000 State loan application, but the company expects a reply in about a month

South Rood maintained its 20 000 tons a month milling rate, but increased the proportion of higher grade underground material to a total of 50 000 tons for the three months, with 10 000 tons taken from surface dumps

Tonnage in the current quarter is again estimated at about 60 000 tons, but with an even greater proportion of underground ore, to take the average grade to 3,0 g/t

During the quarter the raise from six level to two level was holed, and the raise from two level to surface was also completed.

Development on the Ventersdorp Contact Reef and on the Kimberley Reef was accelerated during the quarter, with the 345 metre advance on the VCR exceeding the advance in the whole of the year to June, while 1 104 metres were advanced on the Kimberley reef, compared with 720 metres in the June quarter and 3 338 metres in the year to June

The 71 metres sampled on the VCR yielded 17,3 g/t over a channel width of 76 cm, while the 200 metres sampled from the Kimberley reef yielded 7,2 g/t over a channel width of 164 cm.

GOLD QUARTERLIES 214

Squeezing cash

FM 30/10/81

The final sets of quarterly reports from the gold mines — those managed by Anglo and Gencor — provide a neat synopsis of the state of the industry And they provide a strong indication of the types of mines it is comfortable to be invested in at this stage of the gold cycle

The trend has been towards increasing mill throughputs as a measure to combat the adverse effect on unit costs of the full impact of wage increases granted in the June quarter And while that has in most cases been insufficient to hold unit costs steady, recovery grades have generally increased This, linked with some apparent slowing of capital spending programmes, has resulted in one of the industry's best quarters for supporting cash flows

But the scope for these types of improvement does not exist at each and every mine — only at those with sufficiently high-grade reserves to provide upward recovery flexibility The marginals such as West Rand Cons, South Rood and Wit Nigel are having to take drastic action simply to keep afloat Capital spending programmes have been pared to the bone, pointing to earnings being pre-empted for now-delayed capex even if gold does manage to put in a strong near-term advance South Rood has chopped its labour force, West Rand Cons is closing its uranium section and Wit Nigel has all but cancelled its necessary shaft sinking programme Despite all this, operations are well and truly in the red for the simple reason that the costs of producing each ounce of gold is twice the going price State Aid will weigh in and keep things going at some of the marginals, but until the gold price starts a meaningful improvement, the shares will lack attraction

While higher grade producers are having to reduce dividends, once gold starts to improve their payment advances should be strong and on that basis the shares are probably the best to be in now and at the start of a gold price recovery

Ergo: Though the treatment rate is set to increase over the next two quarters, gold recovery will be lower as larger tonnages of lower grade slimes are processed The first liability for tax has been incurred and though the liability will be kept low because of the R55m Simmer capital project, distributable earnings will be restrained by the pre-tax liability for funding the project The net effect will be as if Ergo was paying tax at the full rate

Prospects are for lower distributable earnings both because of tax and lower grade slimes now being treated

Western Deep: There has been no comment on the implications for the mine of the lower-grade zone of Carbon Leader reef at the No 3 shaft Gold recovery improved slightly in the September quarter, but not by enough to assume that the low-grade area is limited Capital expenditure continues at the heavy rate needed to add to production facilities No let-up is likely this year or next, even though capex planned for this year has been reduced by R17m to R120m A final matching the 200c interim might be within reach, but there is little point in expecting anything more

Vaal Reefs: Afrikander Lease's gold plant has been commissioned and is treating VCR ore from Vaal Reefs' Nos 6 and 7 shafts This year there should be little difficulty beating the revised 8,4 Mt production target nor the 8,4 g/t estimated average grade The grade at Vaal Reefs itself is falling, while that in the Southvaal area is improving Th-result is a fairly steady overall grade but a higher percentage of profits heading in Southvaal's direction This quarter total capex should increase sharply to about R45m if the year's spending target of R135m is to be met Even so, there should be no difficulty paying a final which matches the 450c interim

President Steyn: Mill throughput should increase to a monthly level of 340 000 t when the new No 4 sub-vertical shaft is commissioned early next year The effect of the new ore on overall recovery grades should be made clear in the annual report due in a month or so, but there seems to be no reason to expect a recovery much greater than 6 g/t Recovery rose to 6,4 g/t in the September quarter, but a large part of that may have been a response to capacity problems caused by rioting workers

President Brand: The annual report should disclose what arrangements have been made to borrow so that the sinking of the new No 5 shaft does not unduly restrain dividends The mine's commitments have been reduced by the merger of Free State Saai with Welkom and Western Holdings and there should at least by a steady flow of dividends from the interest in the enlarged operation

Free State Geduld. Gold recovery grade is still falling as planned as operations move increasingly into the lower-grade, northern part of the lease area This is allowing the mine to increase milling rates and, thereby, to keep unit costs well under control The mine's share of income from the Joint Metallurgical Scheme is trifling

Western Holdings. Distributable profit figures were distorted by financial arrangements for the merger with Free State Saai and Welkom in the last quarter The merger has yet to have a significant impact on overall operating results Shaft sinking is under way at Erfdeel and once that is completed, lower grade tonnage should start to replace part of that mined on the higher grade Basal reef on the Holdings division

Elandsrand. After the June quarter, there seemed to be grounds for hope that grade was at last improving, even though the advance was slight That hope has been firmly knocked on the head Gold grades to the west of the shaft are lower than expected from drilling and this year's planned average recovery has now been chopped to 4,3 g/t from the earlier forecast of 5,08 g/t At the same time, the year's planned capital spending has been cut by R3,5m to R29m, though whether this is a planned reduction or has been forced on the mine by, for example, shortages of skilled labour is not clear There are no obvious cash constraints on the capital spending programme as funds were raised from shareholders earlier this year By end-September, capex of R298m had been incurred at the mine and a further R10m is slated for the current quarter It is open to question whether the mine would ever have been started if its cost and the disappointing results so far could have been foreseen

Grootvlei: Prospects appear to be improving for extensions to the mine's life Encouraging values have been disclosed from development from No 8 shaft on the Black reef and that, presumably, adds to the attractions of mineral rights acquired on the old East Geduld and East Dagga mines Capital spending to increase mill capacity from a monthly 145 000 t to 160 000 t by 1983 has yet to get into stride and until the project is complete, management will probably be cautious about dividend payments There is little likelihood that the final dividend will match the 69c interim If it is decided to retain cash in anticipation of the capital programme, the final may not be more than 50c

Stilfontein: Unlike many other uranium producers, Stilfontein's 85%-owned slimes retreatment operation, Chemwes, significantly boosted profit in the September quarter

GOLD QUARTERLIES

	Gold									Uranium				Profit		
	Cost R/kg	$/oz*§		Revenue R/kg	$/oz§	Milled *000 t		Recovery g/t*		Milled* 000 t		Recovery* kg/t		Gold R'000	Uranium & other R'000	EPS after capex c
ANGLO AMERICAN																
Elandsrand	12 615	418	(370)	12 714	421	325	(311)	4,2	(4,6)					491	2 193	(3,2)
Ergo				12 646	419	4 777	(5 033)	0,3	(0,3)	4 777	(5 033)	0,16	(0,16)	—16 778—		19,4
Free State Geduld	5 348	176	(187)	12 248	404	795	(731)	8,8	(9,4)	†648	(644)	0,09	(0,09)	51 747	4 466	84,0
President Brand	5 484	181	(177)	12 483	413	845	(841)	7,8	(8,3)	†389	(514)	0,15	(0,16)	48 763	11 777	158,3
President Steyn	6 616	219	(231)	12 760	422	967	(1 008)	6,4	(6,0)	†2 910	(2 904)	0,08	(0,08)	39 536	7 950	115,1
Vaal Reefs	5 062	168	(160)	12 740	422	2 160	(2 198)	8,8	(8,8)	2 119	(2 170)	0,20	(0,19)	149 273	(18 184)	235,0
Western Deep	4 615	153	(167)	12 766	424	825	(798)	12,4	(12,1)	609	(605)	0,10	(0,10)	85 145	3 843	92,0
Western Holdings	7 411	244		12 540	413	1 972	1 983	5,2	(5,5)	†2 222	(2 185)	0,12	(0,12)	55 072	600	(226,9)
ANGLOVAAL																
ET Cons	5 488	181	(175)	12 793	422	77	(76)	7,5	(7,5)					4 233	(104)	39,8
Hartebeestfontein	5 636	186	(177)	12 725	420	750	(749)	10,2	(10,1)	750	(796)	0,15	(0,15)	54 103	8 951	213,4
Loraine	12 254	404	(426)	13 229	436	411	(419)	4,4	(3,8)					1 759	695‡	(39,2)
GENCOR																
Bracken	8 022	265	(286)	12 822	427	255	(240)	3,5	(3,6)					4 367	471	19,3
Buffelsfontein	6 164	203	(215)	12 877	427	840	(850)	8,6	(8,4)	788	(795)	0,19	(0,21)	49 118	916	157,5
Grootvlei	7 097	237	(249)	13 045	437	435	(435)	3,8	(3,8)					9 905	105	34,5
Kinross	5 294	175	(195)	12 813	425	420	(410)	6,0	(5,8)					19 115	985	42,9
Leslie	8 551	281	(318)	12 788	426	305	(315)	3,4	(3,2)					4 589	373	14,7
Marievale	10 132	336	(326)	13 161	440	174	(240)	1,7	(1,3)					930	22	11,1
St Helena	4 566	151	(162)	12 990	431	540	(530)	7,4	(7,2)					33 312	1 359	(136,2)
Stilfontein	7 020	235	(258)	13 354	448	485	(462)	7,8	(7,7)	886	(885)	0,19	(0,19)	24 127	(2 168)	63,3
Unisel	5 115	172	(192)	12 834	433	270	(255)	6,9	(6,7)					14 415	202	51,5
WR Cons	24 565	823	(897)	12 656	424	484	(549)	1,3	(1,3)	133	(267)	0,18	(0,30)	(7 743)	8 869‡	(3,8)
Winkelhaak	4 182	138	(145)	12 837	427	535	(530)	6,5	(6,5)					30 569	1 650	97,2
GFSA																
Deelkraal	10 304	340	(368)	12 647	417	320	(298)	4,6	(4,3)					3 488	598	2,0
Doornfontein	6 293	207	(189)	12 512	413	360	(360)	8,1	(8,4)					18 170	2 155	68,8
Drie Cons	3 391	112	(105)	12 573	415	1 420	(1 350)	13,3	(14,0)	336	(313)	0,19	(0,19)	174 559	18 406	71,8
Kloof	3 569	118	(120)	12 552	414	520	(505)	14,6	(14,5)					68 608	4 852	87,1
Libanon	6 581	217	(215)	12 529	413	420	(420)	6,1	(6,0)					15 319	1 830	74,7
Venterspost	11 324	373	(363)	12 554	414	349	(345)	4,1	(4,0)					1 794	991‡	31,8
Vlakfontein	10 801	356	(339)	12 553	414	180	(180)	1,2	(1,1)					379	290	9,7
JCI																
Randfontein	6 230	207	(252)	12 840	427	1 198	(1 030)	5,2	(5,4)	862	(838)	0,18	(0,18)	41 185	6 083	266,6
Western Areas	10 352	343	(367)	12 786	423	1 070	(1 075)	4,1	(4,2)					10 677	2 716	16,3
RAND MINES																
Blyvoor	5 460	181	(208)	12 808	425	555	(536)	8,9	(8,7)	503	(521)	0,16	(0,16)	36 309	1 516	53,9
Durban Deep	9 556	318	(391)	12 908	429	602	(543)	3,8	(3,6)					7 637	538	62,8
ERPM	11 597	383	(407)	12 768	422	657	(658)	4,4	(4,5)					3 413	3 367‡	(97,0)
Harmony				12 813	426	1 941	(1 948)	4,2	(4,1)	1 742	(1 824)	0,09	(0,08)	—36 699—		50,8
INDEPENDENT																
South Rood	24 769	817	(883)	13 015	429	60	(60)	2,2	2,1					(1 528)	52	(94,5)
Wit Nigel	14 948	493	(409)	13 088	432	76	(74)	3,6	(3,9)					(511)	376‡	(10,5)

*Figures in parentheses refer to previous quarter †Calculated at R1 = $1 06 when figure not given by mine ‡Includes State Assistance §Deliveries to Joint Metallurgical Scheme

Though Chemwes has some relatively heavy debt repayments scheduled it should at least match its June quarter contribution to Stilfontein this quarter. On the other hand poorer gold prices have limited the amount of mining which is viable on lower grade ore opened up last year. Nevertheless the mine increased mill throughput and recovery grade in the September quarter. This coupled with an increase in stoping width helped keep the quarter's unit cost increase down to a respectable 2,2%. The final dividend should match the 130c interim.

St Helena The current quarter should see a complete reversal of the tax and lease payments made in the 12 months to end September. That, however, will have no effect on cash flow as it will be offset by payments to parent Gencor for the capital spending incurred at Beisa since the start of the year. For the present, gaining control of Beisa will have no effect on financial results and shareholders will have to rely on St Helena itself to generate funds for dividends over the next half year or so. Grade, as expected improved in the September quarter and there is probably scope for an increase to more than 7,5 g/t over the next couple of quarters. Even so distributable earnings will be under some restraint for the next year. Apart from spending on Beisa, St Helena has to complete its own expansion spending and there may be a slight delay in offsetting that against profit for tax purposes.

Unisel The milling rate is slowly rising towards the 110 000 t/month that will be possible when expansion is completed at St Helena. Increased milling has again allowed the mine to reduce unit costs — by 1,6% last quarter to R53,39/t. There is scope for further reductions until full capacity is reached. If that is accompanied by no more than a maintenance of recovery grade dividends should be reasonable for the next quarter or so — at least until the mine reaches the tax paying stage.

Bracken The year which started on October 1 is unlikely to result in any fireworks. There is little point in expecting recovery grades much greater than the September quarter's 3,5 g/t unless mining becomes more selective. That, however, could mean lower mill throughput and the prospect of lousy cost control. As things are the mine probably has a remaining life of about five years at current milling rates and recovery grades. Sometime, though, consideration will have to be given to what is to be done with the plant — whether it is to be sold or used to mill ore from other group mines nearby.

Leslie The mine seems to be in a slightly better position than neighbour Bracken. There is some scope for smallish grade increases even if they are accompanied by milling reductions. Some of the mine's vulnerability to cost increases became apparent in the September quarter when a mill throughput drop was accompanied by a 6,8% unit cost increase to R29,13/t.

Winkelhaak Mining operations are proceeding steadily, but the current year will probably result in lower grades than last year's average of 6,6 g/t. Operations are in a steady state and in the last quarter unit costs rose by a relatively large 7%. Costs will continue to rise in line with industry averages until expanded milling capacity, which will lift the monthly rate to 200 000 t, comes on stream in a couple of years.

Kinross The mine is in more or less the same position as Winkelhaak. Judging by end September ore reserves, recovery grade is likely to fall slightly this year, even though the September quarter resulted in a higher recovery grade than in the preceding nine months. Drilling on mineral rights held outside the present lease area has not been altogether encouraging, though some areas could be eventual sources of low grade ore. But for the present, there is no pressing need to exploit them.

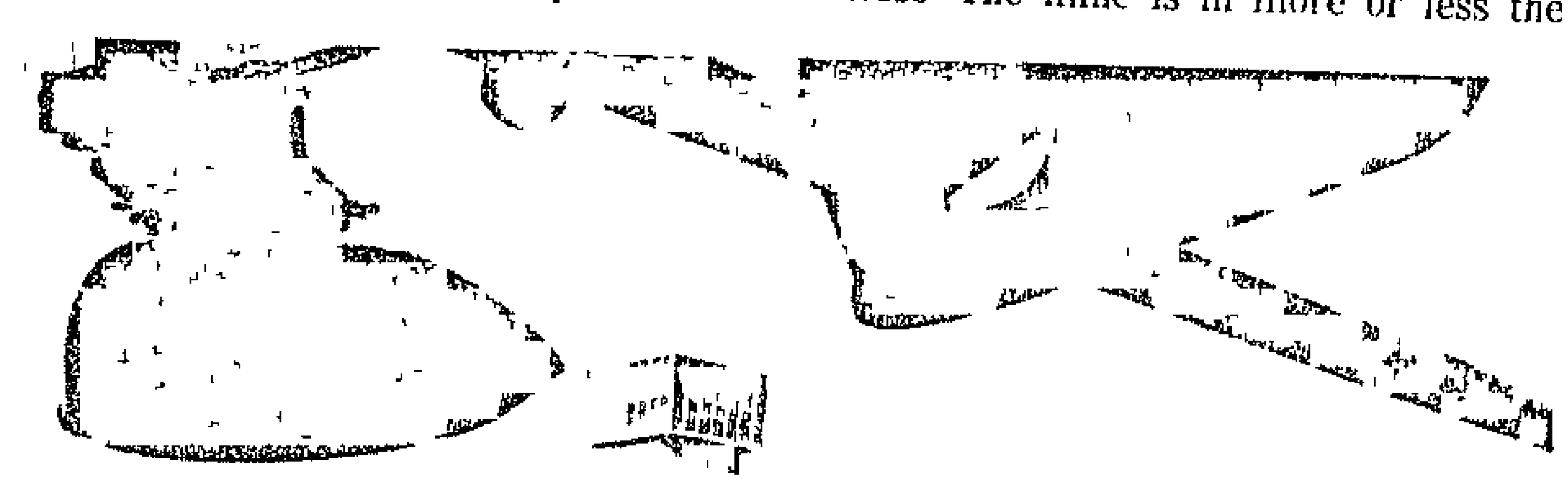
Marievale Lower gold prices are obliging the operation to curtail milling of low-grade dump material with the result that mill throughput has fallen and unit costs have shot ahead. Though a higher recovery grade was achieved in the September quarter and the average rand denominated gold price received increased, higher unit costs more than offset the advantage. There is no possibility of the final dividend matching the 25c interim.

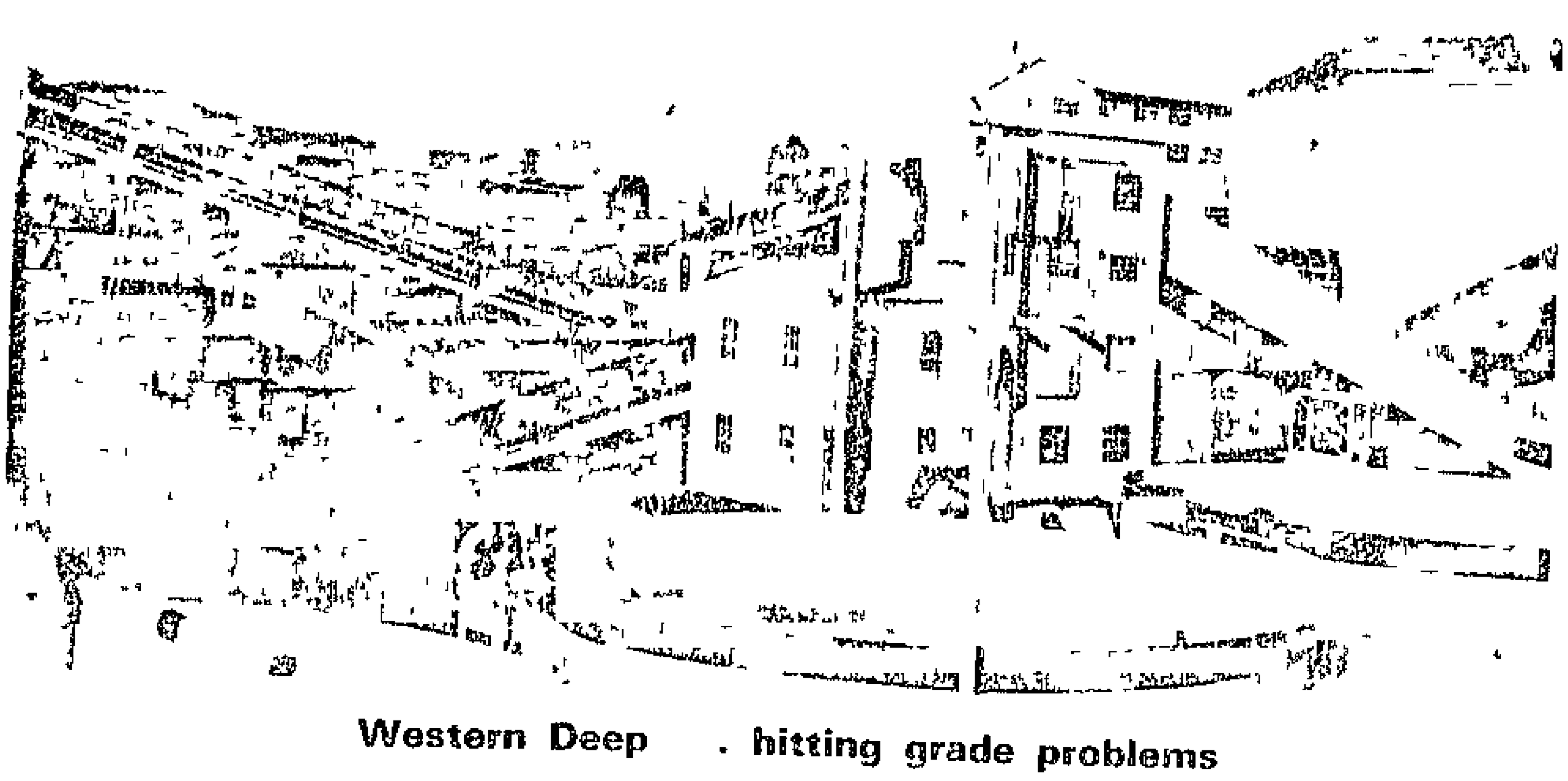
Buffelsfontein Mining in the tribute areas of the Lucas Block and Southvaal is starting to form a greater part of the mine's production and resulting in increasing tribute payments. As far as grade was concerned, the current year started well but the higher grade ore came from narrower reef bands and resulted in a sharp 8,8% unit cost increase to R53,06/t in the September quarter. Buffelsfontein has 15% of the Chemwes operation but contributions from this source are relatively minor. The mine is planning a relatively heavy capital spending programme over the next few years and unless the gold price recovers sharply, the interim dividend may be no greater than 250c.

West Rand Cons Despite the rapid reduction in production from the uranium section, the mine is no nearer profitable operations. Gold section recovery grades need to double from the September quarter's 2,0 g/t before mining revenue equates with mining costs. Meanwhile, of course, operations are being kept afloat by liberal doses of State assistance, but even that is insufficient to allow dividends to be paid.

South Roodepoort All the stops are being pulled to see the mine through the present gold price trough. Costs have been cut by reducing the workforce and unnecessary capital and development expenditure has been curtailed. However, there is probably little point in expecting an early start to dividend payments. Recovery grade is planned to rise to 3 g/t this quarter, but any additional revenue arising from that is probably earmarked for improvements to the treatment facilities. There will be a long haul before the mine is in the ranks of dividend payers.

Wit Nigel The mine's difficulties can be ascribed simply to one factor — lack of decent grades. As things stand, the mine is likely to wallow from loss to loss until the gold price gets its act into gear. Even when that happens profits will be earmarked first for resuming the interrupted capital spending programme. Needless to say there is no point in expecting any dividends for a long time.





Western Deep . hitting grade problems

Cost squeeze has mines by the throat

SUN TIMES (B.T.) 22/11/81 214

By Andrew McNulty

GOLD mines are gripped in a worsening cost squeeze that threatens profits and capital expansion projects at many mines

In the September quarter, costs at many mines had risen during the first nine months of 1981 at rates well above the inflation rate

Break-even points measured in $/oz have in most cases actually declined as a result of the change in the dollar/rand exchange rate

The average exchange rate for the September quarter had declined by 20,1% to $1,07 compared with $1,35 in the December quarter

However, this fortunate turn in exchange rates was not enough to offset the slump in revenue earned caused by the lower gold price

As shown in the table, revenue in $/oz has fallen by around 33% during the year

The London gold price has averaged $465,99 for the year so far, but only $421,41 during the September quarter compared with $627,69 during the fourth quarter of 1980

The average gold price for the current quarter is $432,28 — and this week the price again fell below $400, sparking little optimism for the remainder of the year's results

As shown by the third column of the table, the year's rises in working costs in rands per ton milled — generally considered by mine management to be the most important yardstick of costs — have risen even more sharply

Most mines are already showing increases at well above the inflation rate and — while revenue earned only sinks lower — almost all show rises of well above 20% by the year-end.

September, the first to reflect wage increases, normally shows the most severe cost rises, but there are other factors still filtering through (the steel price increase earlier this year, for example) which will tighten the stranglehold

Although mining equipment supply companies say that the mines have sharply cut back on orders, and some mines have performed well against cost escalations, the trend will continue

The effects of the cost squeeze can be softened in a few cases by moving to higher-grade ore or by milling higher tonnages, this helped Durban Deep in the last two quarters, for example

But generally the scope to earn much relief is limited

Some, such as Kloof and Western Deep Levels, have no scope for raising grades Most of those [illegible] able to do so will manage only fairly small increases over several quarters

While earnings a share are cut sharply by this cost squeeze, scope for dividend payments is further cut back in many cases by heavy capital expenditure programmes

ERPM, Driefontein, Durban Deep, Randfontein, Libanon, Doornfontein and West Deeps are among mines with high capital spending commitments.

So far ERPM has announced a deferment of part of its expansion programme Others are increasingly likely to follow unless they see a significant increase in revenue

Unless the gold price rises to above about $480 and stays there, profits and dividends can only be expected to continue to decline

Also, more may join ERPM, Durban Deep, Leslie, Loraine, Stilfontein, Venters, WR Cons and Wit Nigel on State assistance

	COSTS						REVENUE	
	$/oz	% change Dec 80-Spt 81	R/kg	% change Dec 80-Spt 81	R/t milled	% change Dec 80-Spt 81	$/oz	% change Dec 80-Spt 81
Blyvoor	182,10	−17,7	5 472	+3,1	48,62	+10,4	425,00	−31
Bracken	266,99	−12,1	8 022	+10	45,25	+72,4	427,00	−31
Buffels	205,14	−10,5	6 164	+12	53,06	+18,3	427,00	−31
Deelkraal	342,91	−15,4	10 304	+5,9	47,08	+18,4	420,90	−33,9
Doorns	209,43	+4,2	6 293	+30,5	50,87	+22,7	416,41	−36
Driefontein	112,87	+3,8	3 391	+30,1	45,23	+24,6	419,52	−36
Durban Deep	318,76	−24,5	9 578	−5,5	36,16	+7,2	429,00	−32
ERPM	386,11	−11,8	11 614	+11	51,45	+4,8	422,00	−32
Elandsrand	419,84	−14,8	12 615	+6,7	52,56	−5,4	421,00	−34
F S Geduld	177,98	−4,9	5 348	+19	47,18	+10,5	404,00	−36
Grootvlei	236,18	−16,2	7 097	+4,9	26,97	+10,6	437,00	−30
Harties	187,56	−3,7	5 636	+20,6	57,35	+15,7	423,58	−32
Kinross	176,20	−17,0	5 294	+3,8	31,78	+11,3	425,00	−32
Kloof	118,78	−5,9	3 569	+17,8	52,20	+18,8	417,74	−36
Leslie	284,57	−18,4	8 551	+2,1	29,13	+16,0	426,00	−32
Libanon	219,02	−12,1	6 581	+10,1	40,16	+13,8	416,97	−37
Loraine	410,98	−24,5	12 349	−3,8	53,82	+18,9	440,25	−28
Marievale	337,19	−3,7	10 132	+20,6	22,58	+91,8	440,00	−30
P Brand	182,51	−1,8	5 484	+22,9	42,80	+16,7	413,00	−35
P Steyn	220,18	−5,4	6 616	+18,4	42,48	+16,9	422,00	−34
Randfontein	207,32	−26,3	6 230	−7,6	32,39	−5,8	427,00	−35
St Helena	151,96	−4,7	4 566	+19,3	33,33	+16,0	431,00	−31
Southvaal	129,10	−15,7	3 879	—	41,57	—	430,60	−34
Stilfontein	233,63	−5,2	7 020	+18,7	54,92	+22	448,00	−29
Unisel	170,23	−25,9	5 115	−7,3	35,29	+1,6	433,00	−32
Vaal Reefs	201,02	−0,3	6 040	+39	44,53	+20	429,34	−34
Venters	376,87	−3,2	11 324	+21,2	46,14	+17,8	417,80	−36
W Areas	344,52	−6,2	10 352	+17,4	42,44	+9	423,10	−34
W Deeps	153,59	−0,8	4 615	+24,2	57,39	+15,6	429,77	−34
W Holdings	246,62	+8,1	7 411	+87,5	38,27	+20,8	426,58	−32
Winkelhaak	139,17	−3,5	4 182	+20,8	27,19	+19,0	427,00	−32

General Mining Union Corporation Group

Abridged Chairmen's Statements – Gold Mining Companies

F.M. 11/12/81 (214)

LESLIE GOLD MINES LIMITED

In spite of a drop of 6 per cent in the average gold price received, the company managed to improve on last year's results This improvement can generally be ascribed to a higher gold output of 4 001 kilograms compared with 3 610 kilograms in 1980 as a result of a greater tonnage milled and an improvement in the yield from 3,1 to 3,2 grams per ton

Working revenue increased from R52 287 000 to R54 310 000 and working costs rose to R33 789 000, while taxation and the lease consideration dropped some 42 per cent to R8 808 000 Net income, at R12 420 000, was higher than last year's R10 505 000 Dividends were however lower at 54 cents per share compared with 60 cents reflecting the need to retain funds to meet the increased capital requirements associated with the development of the western area

The rate of cost escalation slowed down in 1981 and working costs per ton milled increased by 17,5 per cent to R27,03 per ton milled This compares with an increase of 20 per cent and a cost of R23,00 per ton milled in 1980

The shortage of skilled workers, which was mentioned in last year's report, continued during 1981 The supply of unskilled workers remains adequate

The estimated ore reserves are 3,5 million tons, or 0,5 million tons more than last year's estimate The latest figures are based on a gold price of R14 800 per kilogram and these reserves have an estimated grade of 4,9 grams per ton Of this tonnage, 0,6 million will not be available for mining during the 1982 financial year

With the present relationship of working costs to the gold price, your mine should continue profitable operations for an estimated 8 years The yield is likely to decline modestly with the present production rate being maintained

The mine's high cost per kilogram makes it particularly vulnerable to low gold prices, although this would be cushioned to some extent by state aid for which the company qualifies, having been classified as a State Assisted Mine in 1977

L W P VAN DEN BOSCH
19 November 1981

KINROSS MINES LIMITED

The mine increased its milling rate marginally during the year under review and as the yield increased slightly to 5,8 grams per ton, gold production rose by nearly 3 per cent to 9 458 kilograms

The average gold price received dropped by 5,2 per cent to R13 402 per kilogram, resulting in a lower working revenue of R127 471 000 compared with R131 000 000 in 1980 Costs increased from R39 245 000 in 1980 to R49 591 000, while taxation and lease consideration at R43 195 000 was 23 per cent lower Net income was R36 327 000 compared with last year's record of R36 287 000 Total dividends paid decreased from 191 cents per unit to 166 cents per unit

Rapid escalation in costs remains a serious problem and for the year under review costs have increased by 24 per cent to R30,42 per ton milled The chief contributing factors to this rise were wages and increases in the price of stores and services, over which the mine has limited control

Although the supply of unskilled labour was good there was a general shortage of skilled labour such as artisans and surveyors

The ore reserves, based on a gold price of R14 800 per kilogram, have been estimated at 7,7 million tons at an average grade of 6,5 grams per ton Of these reserves some 2,7 million tons will not be available for mining during this financial year The 1980 reserve estimate was 7,6 million tons at a grade of 7,3 grams per ton

During the year the Board approved a capital expenditure programme to expand the mine's operations to 165 000 tons milled per month This involves an extension to the plant and an increase in the hoisting capacity at a cost of R45 million Progress on this work is on schedule

The increased rate of production is expected to be reached in 1983

The development at No 2 shaft has continued to show encouraging values but lower grades are indicated east and west of the main shoot in the central block Prospecting is continuing

The development rate is being increased especially at No 2 shaft in order to prepare for the expansion

A surface borehole was drilled outside the lease area at a position 2,7 km north-north-west of No 2 shaft on the adjacent farm Ruigtekuilen 129, the precious metal rights of which property are held by the company The value was disappointing at 4 centimetre-grams per ton

L W P VAN DEN BOSCH
19 November 1981

WINKELHAAK MINES LIMITED

There was a slight reduction in the tonnage milled during the year under review, but the yield was virtually unchanged at 6,6 grams per ton and gold production was 14 019 kilograms

The lower gold price took its toll and working revenue decreased some 6 per cent to R190 749 000 Costs rose to R53 842 000 while taxation and lease consideration was lowered to R85 557 000 from R102 247 000 Net income was R56 475 000, 8,3 per cent down on last year's figure and dividends declared totalled 410 cents per share compared with 453 cents per share in 1980

Working costs increased by 24,7 per cent from R20,18 to R25,16 per ton milled In addition to the escalation in wages and prices, the mine required fairly extensive repairs and replacements of equipment

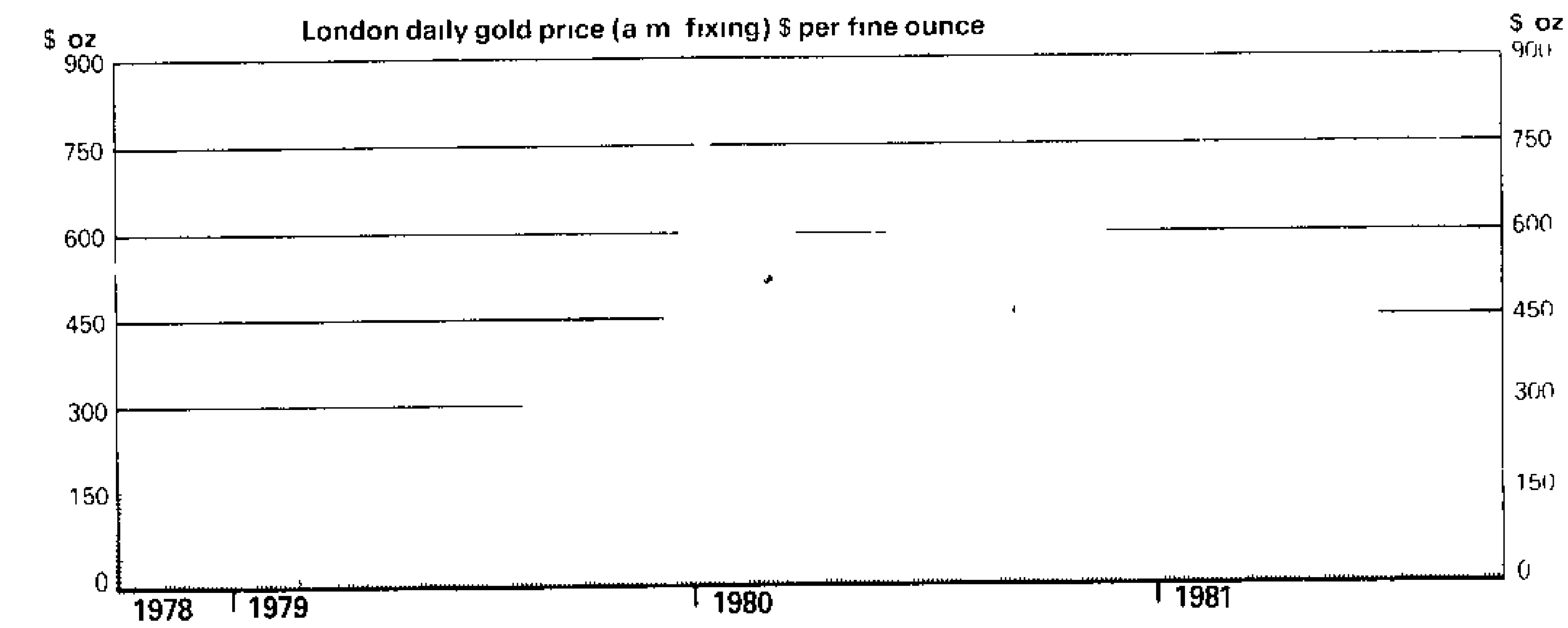
The shortage of skilled labour is still cause for concern The availability of unskilled labour was good and averaged 100

F M. 25/12/81 (214)

Gencor Group

Unisel Gold Mines Limited

Abridged Chairman's Statement



An improved availability of stope face has given greater flexibility and as a result both tonnage throughput and yield have improved Tonnage milled increased by 16 per cent to 1 011 000 tons whilst the average yield increased from 6,2 grams per ton to 6,6 grams per ton, a total of 6 683 kilograms was produced 23 per cent up from last year s figure In spite of a drop in the average gold price received from R14 644,83 per kilogram to R13 529,71 per kilogram, total working revenue increased by 13,8 per cent to R90 623 000 Costs per ton milled were effectively kept in check as a result of increased productivity rising by only 5 1 per cent to R34,76 per ton milled, the increase in tonnage milled was achieved with the same labour complement as that for the previous year

Net income amounted to R53 665 000, compared with R45 180 000 in 1980 and dividends were increased by 18,8 per cent to 95 cents per share In neither year was tax payable although the State s share of income totalled R453 000 during the 1981 financial year

Black labour was freely available during the year, the average wage increased by 17,5 per cent from 1 July 1981 The enhanced wages, together with free board and lodging and the early return bonus and re-employment guarantee are major factors not only in the availability of labour but also in stability and thus the efficient operation of the mine During the year recreational and hospital facilities were completed and additional accommodation provided

The mine continued to experience a severe shortage of artisans and skilled mining personnel In order to combat this a programme of recruiting artisans, miners and surveyors has been instituted in the United Kingdom These men should arrive in South Africa early in the new year but will have to be trained in our methods and procedures

The planned increase in tonnage throughput from 75 000 tons milled to 110 000 tons per month together with a programme for reducing the stoping width necessitates an increase in the area mined and thus an increase in the rate of development Selected areas of Middle and Leader Reef were prospected and stoping has commenced on a limited scale on these horizons

Extensions and modifications have commenced at the St Helena reduction plant which will cater for the treatment of the increased planned tonnage from Unisel and will result in the metallurgical problem arising from gold being encapsulated by pyrite being alleviated Commissioning is planned for the end of 1982

The drilling and development programme will inter alia continue to test the extent and values of the Middle and Leader Reefs which are located in the hanging wall of the Basal Reef To date an area of interest on the Middle Reef is indicated which extends over approximately eight per cent of the lease area Information to date on the Leader Reef indicates that scattered areas of economic interest do exist but they may well be difficult and costly to locate and delineate

The potential of the Middle and Leader Reefs remains to be defined but will certainly make a meaningful contribution It is to be noted that these reefs were not taken into account in the initial planning

Exploration below 10 level has commenced with a winze that will be developed to 11 and 12 levels

E PAVITT
19 November 1981

The annual report containing the full text of the chairman s statement is obtainable from the secretaries PO Box 61357, Marshalltown 2107

The annual general meeting of the company will be held on Friday, 22 January 1982 at 9 30 a m are inevitably flexing their muscles, the mining industry was virtually trouble-free. It seems clear, however, that we will make an error in taking for granted that our black employees necessarily view employee benefits in the same light as whites. While some blame, no doubt, attaches to ineffectual communication, it is nevertheless true that a major riot occurred at President Steyn as a result of the introduction of a death benefit scheme. Further, a well-intended attempt by Government to introduce a scheme for the transferability of pensions has incurred widespread unrest in industries outside mining.

Trade unionism amongst blacks has grown considerably during the year and was given an additional spurt by the passing of the Labour Relations Act which gave unions the right to determine their membership and freedom to blacks to form unions. Thus far no black trade unions have sprung up in the mining industry. However, the mining industry was the focus of the final report of the Wiehahn Commission which, to the degree it was accepted by Government, provides that the racial provisions which exclude blacks from attaining various certificates of competency – and thus the jobs that go with them – will be removed, provided the employers and the predominantly white trade unions can reach an accord on a series of guarantees with regard to the future of their current members.

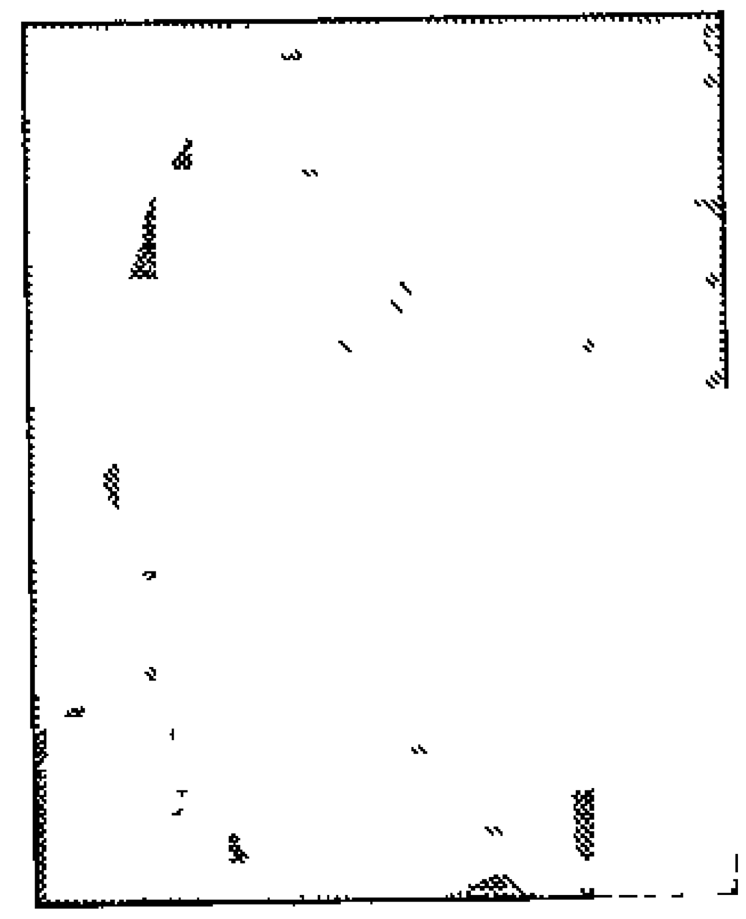
We have accepted this challenge and negotiations have started between the Chamber of Mines, representing all gold and coal mines, and the officials' associations and unions operating in the mining industry. It would be foolish to suggest that these negotiations will be anything other than protracted and difficult but when they are concluded we should have a workable industrial relations structure within the industry, a white labour force whose fears have been alleviated, black workers whose aspirations can be met and an entirely non-racial approach to the filling of jobs on the mines.

The mines administered by the Corporation, have for many years been determined to improve employment practices, industrial relations and working and living conditions. The system of Industrial Relations audits which determines the extent to which each mine has met the targets it has set itself for each year has now reached the point where it is intended that we will comment in the annual report on the progress which has been made, bearing in mind the financial and other circumstances of the company.

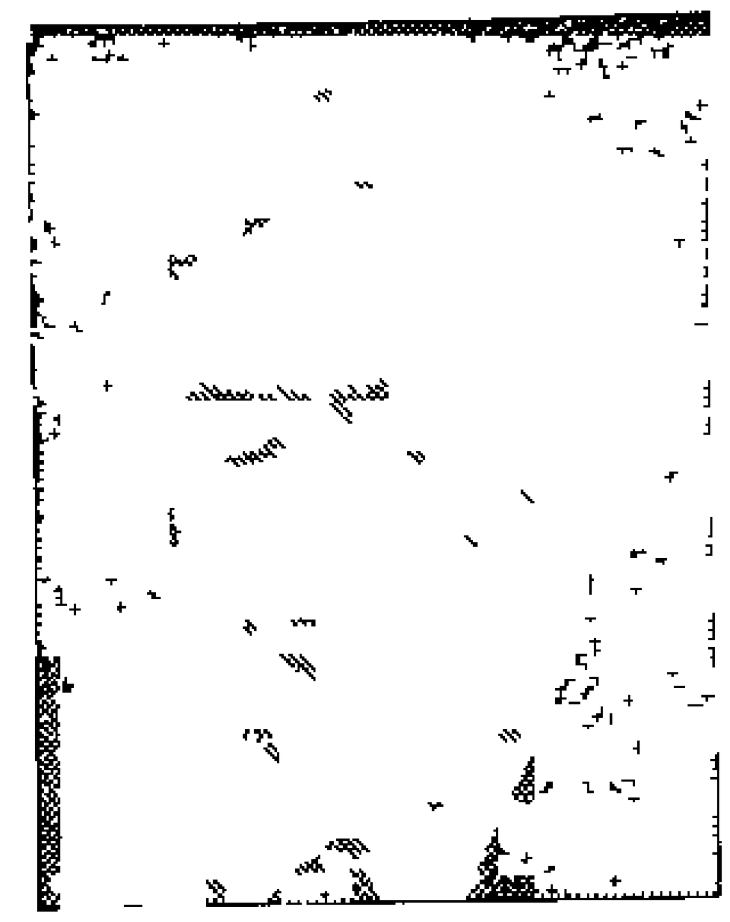
The year ahead

To date, the measures introduced by Government to reduce the rate of inflation have had little impact, but it is hoped that during 1982 there will be a meaningful drop from the unacceptably high levels experienced over the past two years.

Our forecasts of production and capital expenditure are based on assumed escalation and gold prices and while our planning allows for fluctuations, any prolonged change in these parameters will lead to revisions of the plans.



Mr D A Etheredge



Mr G Langton

The annual reports, including the chairmen's reviews, may be obtained from Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 2001.

Annual General Meetings

The annual general meetings of the members will be held at 44 Main Street, Johannesburg, on Thursday, January 28 1982 at the following times
Free State Geduld Mines Limited 10h00,
Western Holdings Limited 10h15,
Welkom Gold Mining Company Limited 10h45,
President Brand Gold Mining Company Limited 11h00,
President Steyn Gold Mining Company Limited 11h15.

F.M. 25/12/81 (214)

Crucial negotiations between the Chamber of Mines, officials' associations and unions must produce a workable industrial relations structure within the mining industry.

– Mr D A Etheredge, Mr G Langton

Reviews by the Chairmen of the OFS Gold Mining Companies administered by Anglo American Corporation

The following is an abridgement of the text common to the annual reviews for 1981 of Mr D A Etheredge, chairman of President Brand and President Steyn, and Mr G Langton, chairman of Free State Geduld, Western Holdings and Welkom·

Gold

The price of gold averaged $512 an ounce at the London fixings in the year ended September 30 1981, compared with $561 during the previous year, a decline of nine per cent The average gold price received during the year was R13 549 a kilogram as against R14 208 during the previous year, a drop of only 4,6 per cent reflecting the sharp fall in the value of the rand against the US dollar during the second half of the year

Against a background of political unrest in the Middle East and Eastern Europe, a weak dollar and low interest rates, the year opened quite strongly for gold However, from $680 the dollar price of gold declined steadily to reach a low point of $390 at the beginning of August, then recovered and was $430 at the financial year-end

Apart from the impact of any major political disasters which may occur in the rest of the world, the gold price is heavily dependent upon the economic fortunes of the United States There appears to be serious concern that a depression is around the corner and the price of gold has again fallen below $400 The problem in the economy has, on the other hand, led to a lively debate in the US on the part that gold could play in bringing discipline into the monetary system and there is even talk of a return to the gold standard Although such a development must be regarded as highly unlikely, some link between gold and the dollar might be devised by the US Congressional Gold Commission While this must, in a general sense, be 'good' for gold, the impact on the market cannot be foreseen without knowing precisely what will be implemented

Meanwhile, the forecasting of the gold price has become more difficult, a matter of concern to gold producers who have to plan capital programmes which are dependent on the gold price some years ahead For this reason, the Corporation commissioned a study by Dr Horace Brock of the future world price of gold based on probability theory and the economics of uncertainty This study was published as a supplement to Optima and launched in London in September While the study concludes that there is an 85 per cent chance of the gold price achieving an average annual growth rate of six per cent in real terms between now and 1987, this is only a forecast It has, nevertheless, brought new discipline to bear on the subject and has every possibility of proving more reliable than previous methods

Uranium

The uranium market continued to weaken during the year This was partly a result of the ongoing enforced inventory liquidation by US electric utility companies in a market already weakened by perceptions of projected oversupply

As a result, a number of higher-cost uranium producers, particularly in the US, which represented a significant proportion of world production, have become uneconomic and been forced to curtail or cease their operations In addition, a number of new projects have been deferred or cancelled It will require a considerable price increase before these production facilities will be utilised

Nevertheless, despite the consequent shortening of the period until projected supply and consumption are again in balance, lead times for new nuclear reactors remain long and it will probably be several years before any real price improvement is seen

Labour

In a year in which South African industry, in general was faced with a fair number of stoppages and strikes mainly by members of new black trade unions which