

MINING - GOLD

1989

JANUARY - ~~June~~

JULY - SEP

Firmer gold price injects new life into Diagonal St

A FIRMER gold price and weakening dollar injected new life into Diagonal Street and sent the JSE industrial index to an all-time peak of 2635 on Thursday. The belief that the gold price has bottomed and the shortage of quality scrip added momentum to rising share prices.

Brokers say that yesterday's trading started quietly, in line with gold falling overnight, but picked up momentum as the day wore on and the bullion price picked up. They say there was interest across the board, particularly in metals and minerals.

The JSE Overall index came off 15 points to 2627 reflecting weakness in the yellow metal price. The JSE Gold index lost 17 points to 1520 while the JSE Industrial index fell back 15 points in sympathy to 2635.

Nonetheless, the fundamental and technical view is that the downside potential for gold bullion is limited. In view of this, institutional buying is likely to grow which means more and more gold shares could appear on the new highs list as the year progresses. The gold price has tended to stay above \$370 this week and late yesterday was trading at around \$373.

Beatrix, Gencor's mining investment company, has been a strong performer. Its price advanced 75c this week to a new yearly high of 1625c. This is significantly above its February low of 1025c. Vaal Reefs continued to move ahead, rising 1200c to 32200c,

which is still short of its 35200c peak in March.

JCI's only really profitable gold operation, Randfontein Estates, is paying a dividend of 1300c for the year to June, compared with 1150c last year. This prompted its share price to move up 1500c to 20000c.

ERPIM, re-listed on Thursday, did not fare well. Its price sank 50 percent to a new low of 700c before recovering to 725c yesterday.

The strength in Wall Street was a positive factor behind a sparkling De Beers which climbed 240c to 6665c. Amount followed suit and gained 5500c to 88000c.

Rembrandt-controlled Transhex advanced 100c to 1400c, not far off its 1435c high established in March. This followed a turnover increase of 84 percent and an attributable profit rise of 41 percent in the year to March.

In addition, brokers say there is a possibility that Transhex could be enlarged and moved to the mining financial board.

The Consgold deal will give Rembrandt first option on some GFSA shares and it has been suggested that these shares will be placed in Transhex's care.

Mervest, which lost 2c this week to 29c, is another diamond share being talked about. If Mervest's offshore mining contract with the Namibian arm of De Beers works out, a lot more contracts could follow. In this event,

LYNNE PEACH

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they say the price will rocket.

The platinum sector was mixed. Impala lost 25c to 5200c while Rustenburg gained 50c to 6200c. Lefko's price rose 35c this week to 805c, but is undervalued according to brokers. They predict that when the platinum market takes off, Lefko will be a front-runner.

On the back of Hanson's bid, Consgold's share price remained firm, rising from 9100c to 9150c. Minorco will also be favourably affected by any deal as the sale of its stake will fetch just under \$1 billion. Its price, however, retreated 50c over the week to 6250c.

Vanadium operation Rhovan, listed on Thursday and issued at 60c, reached 65c yesterday. Brokers have placed this share on their buy-list saying it offers good value compared with Hiveld and Vansa.

They also believe that building society shares are worth accumulating. Allied's management uncovered "some problems with management accounting" but its share price jumped 12c to 122c.

The restructuring and special dividend announced by NDH drove its price up from 85c to 90c. Sage Financial Services, issued at 370c and listed on Thursday, saw the price of its preference shares increase to 380c.

Columbia's announcement that it is looking for a single substantial invest-

ment had no effect on its price which was steady at 195c. As a result of the sell-out of its major interests, the group is sitting on a cash pool of some R35 million.

It could soon have more cash, according to brokers who say that Columbia may be selling its stake in Anbecco-controlled Supalek for not more than 40c a share. Following their cautionary announcements, Anbecco's price rose 3c to 60c while Supalek's price stayed constant at 40c.

In the insurance sector, Santam has been singled out by stockbrokers as a buying opportunity. They point out that Santam has produced excellent results and its future performance will be relatively unaffected by economic downturn. Santam advanced 10c this week to 245c.

Industrial counters continued to move ahead despite several disturbing economic fundamentals. Arnica appreciated by 100c to 10300c and W&A moved similarly ahead to 6300c. In contrast, Barlows retreated from 4425c to 4400c. Richemont released an impressive set of results with attributable profit up 38 percent in sterling terms. Its price responded, moving up 85c to 1490c.

The beverages & hotels sector welcomed Amalgamated Beverage Industries (ABI) into the fold on Wednesday. This soft drinks giant, with an annual turnover of R550 million, moved to a peak of 675c on Wednesday before

dropping back to 600c yesterday.

Brokers are doubtful about the medium term profitability of the building and construction industry. LTA did not pay an expected dividend despite the doubling of earnings in the year to March. Shareholders reacted negatively and the price came off 15c to 160c. Solid Door's decision to pay minorities 80c for their shares and delist the company pushed its price up 5c to 75c.

Sappi's share price rose 75c to 4775c on the back of rising world market prices, the weak rand and the acquisition of Saccor. Sappi's annualised earnings rose 57% in financial 1989.

Significant volumes of Lenco shares changed hands pushing the price up from 180c to 195c. For some time, stockbrokers have been saying that Lenco is putting together an offshore deal.

The expected rise in TV set prices rubbed off on Tellyoy which advanced 10c to 260c. The group has a significant stock of TV sets and investors are anticipating that more consumers will start renting Telelex, on the other hand, will be negatively affected by rising TV prices and its price moved 5c lower to 220c.

Troubled DCM listed Wedge downward revised its results for the year to December. The attributable loss has been increased by R1.6 million to R4.2 million. This knocked the price back 5c to 50c.

Reserve Bank help for mines

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THE Reserve Bank is working on several initiatives to help the gold mines and South Africa's jewellery manufacturers.

Of particular interest are proposals aimed at facilitating foreign gold loans for the SA mines

Many mining companies in other parts of the world obtain gold loans to finance expansion. American producer Barrick raised a record 1,05-million oz loan

The attraction is that gold loans are available at interest rates well below conventional bank lending rates

James Cross, general manager of the Reserve Bank's gold and forex department, told the Financial Times gold conference in Lugano, Switzerland, this week that the

By RICHARD ROLFE
in Lugano

bank was "in consultation with the mining houses" on a new system for selling some gold

Mr Cross said that since February 1, the mines had received their sale proceeds in dollars and could sell forward up to 100% of expected receipts for rands in the SA forex market

"This step paves the way for the gradual withdrawal of the bank from the forward-exchange markets and limits the participation of the bank in the spot foreign-exchange markets to intervention only," Mr Cross said

Gold producers already have approval to hedge the production of marginal mines in the international

market, meaning that they can effect forward sales if they believe it advantageous to lock into a particular price

Under the step now being negotiated with producers, Mr Cross said, "a portion of the gold sold forward in this manner will in future be delivered to the international markets with the central bank acting as receiving and paying agent"

Delivery

An integral part of the plan is that some of the gold sold forward will be delivered directly to the buyer/lender by the Reserve Bank

Mr Cross said that until now the mines had to enter into "counter" transactions, under exchange control rules, to avoid having to deliver bullion in terms of their forward deals

The bullion is delivered to the Reserve Bank and sold on the spot markets

Johannesburg analysts in Lugano welcomed the Reserve Bank proposals and said it would enable SA gold producers to compete more effectively for new forms of finance

Mr Cross said the authorities were working on "a comprehensive reform package" to stimulate gold jewellery manufacture in SA

For many years, Pretoria and the Chamber of Mines have dreamed of beneficiating gold into mass-produced jewellery, adding value to exports.

At present, SA manufacturing jewellers buy work-in-progress gold which is financed at overdraft rates of more than 20%

Now the Reserve Bank plans to make gold available to the trade through the commercial banks.

Saving

Mr Cross said. "The implementation of a gold loan scheme will mean that manufacturing jewellers are able to access work-in-progress gold at bullion lending rates plus the margin of the commercial banks" — a major saving.

The authorities hoped that "the improvement will help develop a viable export market" for SA manufactured jewellery"

Mr Cross confirmed that

the Reserve Bank had on occasion bought gold. In the past, a criticism of the bank has been that it acted only as a seller and its intentions were therefore always known in advance by the market

By buying from time to time, the bank had been able to obtain keener quotes from the market and had also supported gold in a modest way at times when material was on offer at attractive prices

Such deals, Mr Cross said, offset previous forward sales and were an attempt to stabilise thin and volatile markets

"We believe that extreme volatility is not in the interests of promoting a high level of physical offtake from the market, which is after all what any institution marketing bullion should ultimately strive for"

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RICHARD ROLFE

in LUGANO and LONDON

THE paradox of the gold market for the past year has been the decline in its price in spite of the unprecedented strength of physical offtake in the East

At this week's Financial Times gold conference, the main annual forum for gold producers and dealers, the mood was more positive than it has been for several years

The sponge-like absorption of gold in the East gives strong grounds for hope that it will not collapse to \$280 or \$300 and fewer voices are making this prediction

The expectation instead seems to be that gold's next move will be upwards. The only question is what will be the catalyst to spark it off

Timothy Green, a veteran speaker at the conference, held this year in the Swiss city of Lugano and attended by a record SA contingent says: "Over the past 12 months, the story of gold has been in the Far East"

Mr Green has helped prepare Cons Gold's annual review of the gold market every year since 1969 so he knows a bit about it

He said this week, "Current developments in the market remind me of the time when gold was trying to struggle up from \$35-20 years ago"

Last year Hong Kong took 460 tons of gold, Japan 300, Taiwan 330, Singapore 158 and Dubai 157

DORMANT

The significant point is that all this buying was not merely from Taiwan which tended to hit the headlines. It was over a broad oriental front from the Persian Gulf to Japan

Even the Middle East, dormant since the 1970s, has begun to revive as a gold mar-

Golden hopes lie in Eastern sponge

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The chilling news for followers of gold earlier this year was that the Swiss had begun selling out of private investors' portfolios in spite of their traditional policy of holding 5% to 10% of assets in physical gold

If the Swiss were to turn their backs on gold, the outlook would be bleak indeed

LIQUIDATED

George Milling Stanley, Cons Gold's senior gold analyst estimates that more than 60 tons were liquidated from this source

Mr Green says these sales reflected disappointment with the performance of gold after 1987's Black Monday

Subsequently, when it looked probable that gold would fall below \$400 last September, the Swiss sold

more

Freddie Schneider, senior vice-president in charge of precious metals at the Swiss Bank Corp, says that part of the reason for the Swiss private gold sales was to take advantage of exceptionally attractive Swiss franc interest rates at the time — an opportunity no longer available

Mr Green says that, based on his exhaustive discussions with Swiss private banks, "portfolio exposure to gold was at its lowest level ever. But now that phase of disinvestment is over"

Mr Schneider says, "Private banks are more likely to advise going back into gold"

By now, I imagine, readers will be thinking "I hear what you say, but when is the price going to pick up?"

The short answer is that nobody wants to commit himself — although contravertal charist Brian Marber suggested in Lugano that if gold was fixed at \$383 or better by Friday, the bear market would definitely be over

Tim Green summed up the prospects in what I thought was an illuminating way

Early last year, Newmont arranged a million-ounce gold loan. News of the loan — at the time the biggest ever — was splashed in the New York Times, driving gold down \$40 in a couple of days

Mr Green says, "At present the situation is like the Newmont loan in reverse. At the time of the loan, the market was looking for an excuse to drive the gold price down. Now it is waiting for a reason to drive it up"

That reason could come any time, decisively ending the bear market when it does. But all the pundits in Lugano warn that new gold loans and forward sales from producers will limit the upside in price

The best bet, as Mr Milling-Stanley says, is that "gold is probably near the bottom — and could range between \$350 to \$500 in the next two or three years"

If he is right — and his guess looks as good as any — it will not be cause to split out the champagne. But there will be audible relief in the SA gold industry

TO see what Rudolph Agnew and his mates in Cons Gold are up against in the bid from Hanson, I have been looking

up the record of one of Hanson's recent acquisitions

In 1986, Hanson swooped on Imperial Group in a £2,550-million bid

BUTCHER

You might even call Imps a great British company. In any event, Lord Hanson appears to have been every bit as courteous with Imps directors as he has been with Mr Agnew

However, this did not prevent the Imps board from being frog-marched to the end of the gangplank when the bid was over

Hanson then set about the break-up of Imps. It sold the Courage subsidiary, one of the UK's biggest breweries, for £1.4-billion

Other disposals were Ross, the frozen-food group, Lea & Perrins of sauce fame and the Happy Eater restaurant chain, of no fame at all

At the end of the process Hanson had raised £2.3-billion and still had the original cigarette businesses, including John Player

The cigarettes cost Hanson £250-million. Today, two years on, they make £150-million of profits

Cons Gold, like Imps, comes in pre-packed instant chicken pieces. All the butcher has to do is find buyers for the wings and legs — GFSA, Kenison, Newmont

The name of the game will be to keep the succulent breast — Cons Gold's ARC subsidiary — for the meat-packer himself

Mr Agnew according to reports is telling Lord Hanson that ARC is worth far more than Hanson is paying. But I think that will only increase the noble lord's determination to have it at the current price



ROBERT GENTLE

LONDON— Rudolph Ion Joseph Agnew, Chairman of the diversified UK mining group Consolidated Gold Fields (ConsGold), clearly had fame thrust upon him

While not exactly obscure in the past, the 59-year-old Agnew was not the sort of personality one opened one's newspaper to over breakfast with anything remotely approaching regularity

Yet that all changed one mild day last September when Minorco, a South African controlled investment company based in Luxembourg, launched a takeover bid for ConsGold. Agnew was suddenly worth writing about, and he became known in papers across the political spectrum, from London's pink Financial Times to the red (ideologically) Morning Star — though not always for the same reasons

Here was the true Brit defending his company from rapacious predators operating out of a tax haven across the English Channel — or, alternatively, the obstinate company boss determined to hold out at all costs despite the wishes of the majority of his shareholders

Ad-libbing

Either way, Agnew made good copy and many a journalist relished the thick of the battle when hardly a day went by without something interesting or controversial coming from him, directly or indirectly

His quotes were rich in irony, his barbs downright malicious, his ad-libbing spot on cue, his aim deadly accurate. Not for nothing did the Press turn up at ConsGold HQ on London's Charles II Street with a sense of expectation when summoned to a conference

"I wonder in what glowing terms he's going to refer to Sir Michael Edwardes today," one media representative said earlier this year, reflecting a widespread sentiment that Agnew had been born for speaking in front of an audience

The people in attendance at his birth went unrecorded, but the event took place on March 12, 1934, in Australia. The spoon in baby Rudolph's mouth was of solid gold, as his grandfather was at the time chairman of ConsGold

Even his father worked with the company from time to time in his capacity as a mining engineer

Agnew ²¹⁴ man back in the news ^{B/Dey 3/7/89}



□ AGNEW
the spoon in
baby Rudolph's
mouth was of
solid gold

Agnew went to public school, spent four years as an officer in the 8th King's Royal Hussars before following in father's and grandfather's footsteps by joining ConsGold

It is not yet clear when during these years the impeccable Oxbridge accent he now speaks with was developed, but it safe to assume that it only got better from then on

'So rich'

When he joined the group in 1957, he was deemed to be "so rich" that management decided to pay him £100 less than every other management trainee

Whatever else the lower salary did, it did not prevent him from scaling the corporate ladder. He worked variously throughout the group — from Johannesburg to New York — moving through the quarrying and concrete industries till, in 1976, he became head of the Amey Roadstone crushed stone subsidiary, now simply known as ARC

Within seven years, he was chief executive, having produced profit increases of 40% a year and turnover per employee up by more than 100%

Agnew then moved to group deputy CE, then to deputy chairman during the halcyon days of booming gold prices

On the reverse side of the coin, his time at the helm also saw him preside over the Anglo American-De Beers dawn raid of the early Eighties which swallowed up 29.9% of the company and set the scene for the Minorco bid

There was also the less-than-perfect move into Newmont Mining in the US, a slump in the gold price and a corresponding drop in ConsGold profits. He nevertheless kept up exploration into new mines, even if this meant a hefty rise in group borrowings

Predators

The lean years ended in 1987, when his strategy of moving away from portfolio investments and into directly management companies was accelerated. A doubling of profits coincided with disposal to Rembrandt of 10% of Gold Fields of SA, producing more cash on the balance sheet

However, by then the predators were already circling, first in the form of US company Barrick Resources over ConsGold itself, then by corporate raider T Boone Pickens over Newmont

But those were seen off, and when the dust cleared he found himself at the receiving end of the UK's largest ever takeover bid. Minorco had struck

Agnew was captupulted on to the front pages. People found out that he loved horse racing and shooting, and that he walked his Labrador Augusta most mornings

His notoriety grew along with the value of the Minorco bid. Terms like asset strippers, smoking cheque-books, financial terrorism, pipsqueaks, bastard sons and others filled the air. They were uttered in mellifluous tones between sips of Coke and puffs of blue smoke from his Gitanes cigarettes

New bid

Agnew fought for eight long and bitter months and eventually saw off Minorco, thanks to a legal technicality timeously offered by a New York judge

That was barely a month ago, and just when he thought it was safe to go back into the boardroom, history repeated itself in the form of another bid, this time by the British-US conglomerate Hanson

Rudolph Agnew is once again in the news. For better, or for worse, he is set to go down in history as the British man who most dominated British takeovers in 1988 and 1989

Shareholders say no to Consgold^{Star 4/17/89} special dividend²¹⁴

LONDON — Shareholders in Consolidated Gold Fields (Consgold) have rejected the board's commitment to special dividend payments if the group fails to meet its performance targets over the next three years.

The London *Evening Standard* said yesterday that even after stripping out hostile shareholder Minorco's 63 million shares, there was still a narrow majority against the resolution of £10.9 million to £10.4 million on a 40 percent turnout.

The newspaper said: "Despite getting some remarkably good press at the time, Consgold has been criticised for committing itself to compensating shareholders if it fails to meet targets.

"One view is that it would not necessarily be good for Consgold to have to sell assets or lift borrowings to meet the pledge if things went wrong, perhaps because of a weak gold price."

A Consgold spokesman said "If shareholders don't want to entrench their right to a special dividend, that's up to them. It doesn't matter to us. What matters is that the market takes seriously the targets we have set ourselves."

The *Standard* said the low voting turnout resulted from a view in the City of London that Cons-

gold would be taken over one way or another now that Hanson had had bought much of Minorco's stake with a view to bidding

Leading institutions were ready to mount a campaign against Consgold chairman Rudolph Agnew if he agreed to sell Consgold to Hanson at a low price, said the newspaper.

The *Guardian* reported that a Hanson takeover deal valuing Consgold at more than £3.3 billion could be agreed to before the end of the week.

It said merchant bankers working for Hanson, which launched a £14.30 share offer 10 days ago, were due to meet Consgold advisers in an attempt to settle a price at which Mr Agnew would recommend acceptance.

Consgold is holding out for more than £15 a share, but the *Guardian* said the company might find it hard to resist an offer slightly below £15.

Consgold managed to stave off a £3.5 billion takeover move by Minorco.

But it owed its victory to a US court ruling against Minorco under American anti-trust laws.

More than half of Consgold's shareholders had given the thumbs up to the Minorco deal.— Sapa.

Consgold accepts Hanson's new offer

LONDON — Britain's biggest takeover bid is approaching an end with the agreement of Consolidated Gold Fields to accept a revised offer from Hanson, the international conglomerate, which values the gold mining and aggregates company at £3.5 billion

The Consgold board agreed to the new terms late last night after a fortnight of negotiations

Hanson's original hostile offer, made on 22 June, valued each Consgold share at £14.30, but under the new deal shareholders will receive the equivalent of £15.30 — £14.30 in cash, Hanson share warrants worth 60p and a special Consgold dividend of 40p.

Consgold's chairman Rudolph Agnew said last night. "It is sad to see the loss of independence of a great British company which for over 100 years has created value for Britain and its shareholders around the world."

The agreement, which still has to be approved by investors, could herald the end of a battle for Consgold which has raged for almost a year.

When Hanson agreed to buy the 30 percent stake which Minorco held in Consgold and used this as the platform for his bid, the Consgold board recognised that it would be difficult to resist, and rather than fight it decided to negotiate with Hanson in an effort to secure better terms for shareholders.

The news of the deal came too late for the stock market. Consgold's shares had ended the day at £14.88 in anticipation of an improved bid.

Lord Hanson said Agnew would be invited to join its board as a non-executive director. — The Independent

Briefing

After years of toil, Gold Reef City is slowly beginning to make its mark both as a tourist attraction and family fun-park

But this microcosm of Victorian Johannesburg could not really take off before it had adopted the competitive spirit of the city it was modelled on

After being liquidated early last year, with debts at nearly R16 million, Gold Reef City was revamped and a new marketing strategy adopted by the new management — a company comprising Southern Sun, Solly and Abe Krok and Mr Ben Schütte of Empire Amusements

Whereas before it was a non-profit venture, it is now run on a profit-loss basis. While it has not yet made a profit to speak of it is breaking even, according to Mr David Appleton, marketing executive of Gold Reef City

This new approach, which has seen Gold Reef City changing its image from being mainly a historical museum to becoming a family fun-park set in a historical environment, has received mixed reaction from both patrons and shop tenants, at least two of whom have had to close as a result

Investment in fun

Some critics say Gold Reef City has lost its class in the attempt to court a broader market through huge investments in amusements. But, according to managing director Mr Ben Schutte, the lack of amusements for children and teenagers was the main reason the old Gold Reef City went broke

"To make Gold Reef City viable we needed not only to draw a broader market, but also to get repeat business. The fun-park has been one contribution towards this goal"

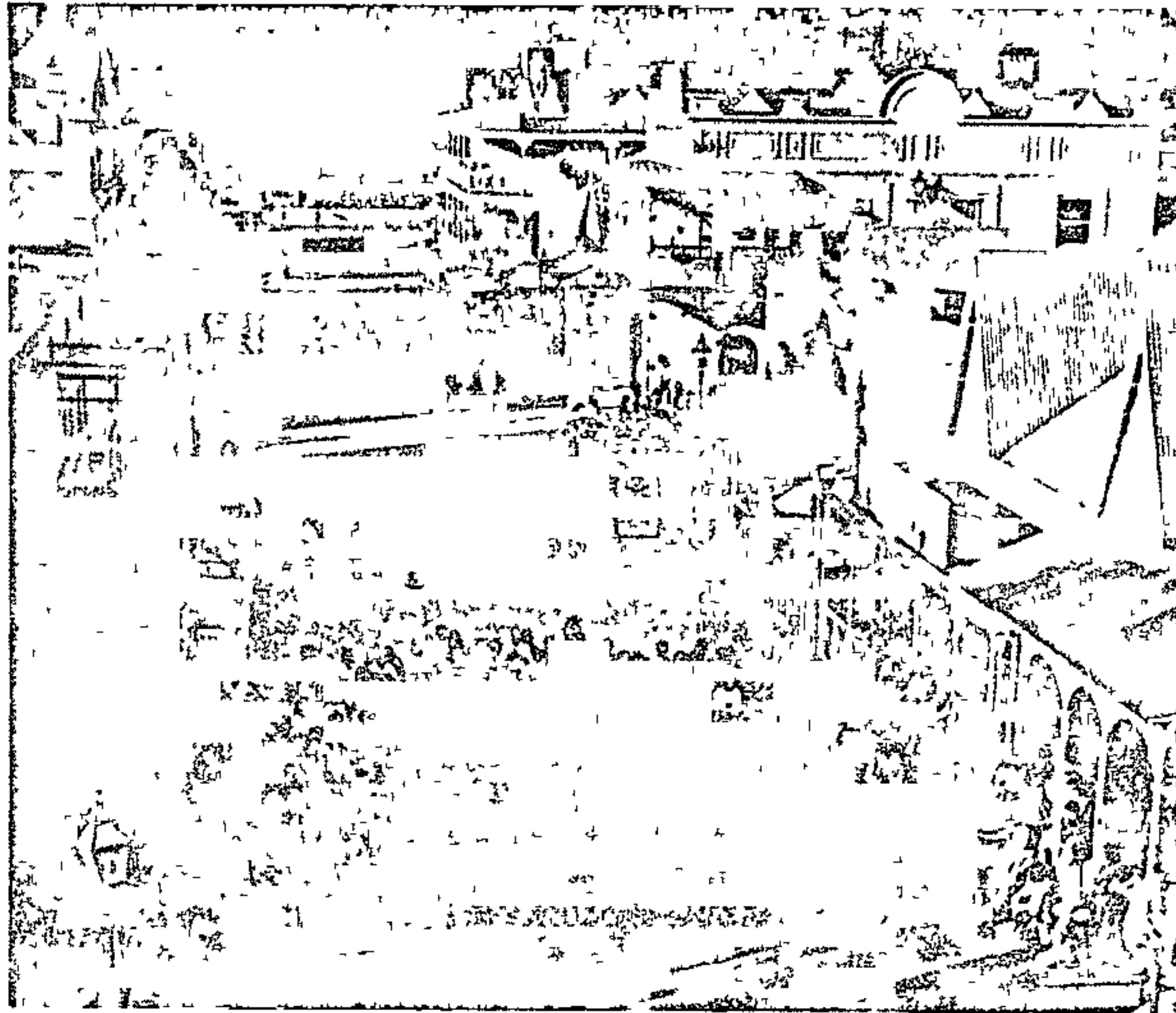
This strategy saw the closure a year ago of Gold Reef City's most prestigious restaurant, Mountbattan's. Attractive only to the upper middle class, Mountbattan's failed dismally after the new Gold Reef City management took over

The owner, Mr Peter Noel-

Victorian Jo'burg lives on — gold digging above and below HELEN GRANGE writes on prospecting at Gold Reef City

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Cashing in on a city reborn



All the fun of the fair is putting the boom back into Gold Reef City, Jo'burg's Victorian miniature.

Baren, says his venture was viable under the old management when he was given assurance that at least five other top-class restaurants would be brought in and that these would court a "northern suburbs" market.

"We never expected the insolvency or the marketing direction of the new manage-

ment. As a result, we lost everything"

The other ingredient in Gold Reef City's upward climb was the introduction of a one-price admission fee and free parking

Says Mr Schutte. "Under the old management, patrons had to pay to see everything over and above the admission fee

and the high parking fee. People were so busy paying, they couldn't really enjoy Gold Reef City"

However, the new scheme proved tough on shop tenants, who were no longer allowed to charge entrance fees of their own or receive a portion of the Gold Reef City entrance fee

The closure of one of the favourite attractions of Gold Reef City, Toys of Yesteryear, resulted. The unique exhibition, which housed a Meccano collection said to be the biggest on display in the world, was finally liquidated last week. Not much has been said by Gold Reef City's management about the loss of these two prestigious attractions and an attitude of "only the strongest survives" seems to prevail now

"Those tenants who are reading the market accurately are winning. Those who aren't are ailing," says Mr Appleton

Certainly this tough approach has encouraged a competitive edge. Barney's pub, Consolidated Saloon and others have become booming night spots with the introduction of more entertainment

Gold Reef City management is also doing its bit. The city has been much enlivened by the injection of more artists, shows, rides and music

Near Disneyland

"It is not far behind Disneyland in America," says Mr Schutte

"The only problem is that we simply don't have the numbers in this country to make it a booming success story. We will never be able to say we get millions visiting Gold Reef City

The average monthly attendance to Gold Reef City seems to stick between 75 000 and 80 000

"This is a slight improvement on last year. Figures are slowly increasing and with ongoing development they should continue to do so," says Mr Schutte

Mr Schutte admits the new Gold Reef City venture was risky, but says he strongly believes it will eventually become profitable

Like its mother city, Gold Reef City has adopted the dynamism of free enterprise which will no doubt keep it afloat, even if it means losing a little of its historical appeal to the modern day world of high-tech entertainment

THE BREAK-UP of ConsGold has begun, and all eyes are on the disposal of its South African interests. ConsGold (30%) and Rembrandt (10%), through Gold Fields of SA Holdings, have what amounts to control of Gold Fields of SA (GFSA), the country's third largest mining group which, at yesterday's trading price, has a market capitalisation of nearly R7bn.

Rembrandt, in terms of an agreement with ConsGold in 1987, has the pre-emptive right to the British company's stake in GFSA.

Reports from London indicate that Hanson Trust, whose bid for ConsGold has succeeded after only a fortnight, will dispose of the group's international mining interests and retain only the Amey Roadstone aggregates interests in Britain and the US, where the group is strong in the building and construction materials business.

This places Rembrandt four-square in the limelight. Will it exercise its rights and, if so, how will it fund what may well be the biggest single acquisition in South African commercial history?

Analysts were yesterday commenting on the extraordinary advance of Gencor's share price to R91. This is a remarkable level considering that after the imminent rights offer — and including its convertibles — the group will have 117.7 million shares in issue.

At current prices, the group capitalises at R10.7bn, compared with R6.5bn before the announcement of the rights offer. This represents an advance of 65%.

The higher rating may well be due in part to the massive growth of its energy interests management of the Mossagas project, its venture with Soekor to look for (and allegedly to have found) offshore oil, the acquisition of Mobil's South African interests and its established petroleum marketer Trek, its tarbomite interests with Trans Natal and its substantial minority stake in Sentrachem — all these add up to a

The possible shape of GFSA to come

by Day 6/7/89

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JOHN STEWART

formidable energy prospect for the future.

But analysts like David Meades, of Meades De Klerk Inc, believe that the market has divined more portentous developments involving Gencor and its holding company, Fedmyn, in which Rembrandt holds about 30% and Sankorp, Sanlam's investment vehicle, more than 50%.

Although Rembrandt capitalises at R5.5bn, has massive offshore holdings, annual cashflow approaching R800m and zero debt, it is thought unlikely that it will tackle the GFSA option on its own and, in a position tantamount to a change of control, take out GFSA's minorities.

It could conceivably offload its Fedmyn stake, which would realise about R1bn, but that would still leave a great deal of money to be

And in view of the rigid capital structure of Remgro and its pyramids, it is thought unlikely that the group will use paper to make up the balance.

Nor does the group's management style favour control — hands on or otherwise — in a business like mining. Rupert, as everyone knows, is a partnership man, and by partnership he means something close to 50%

Rembrandt's stake in Fedmyn has the potential, via the leverage of its strong position in GFSA, to approach the ideal that Rupert had in mind in the early Eighties when he threw Remgro's weight behind Sanlam and Gencor's acquisition of Union Corporation.

Rupert wanted a good deal more than the 30% he obtained in Fedmyn, and his differences with Fred du Plessis made headlines.

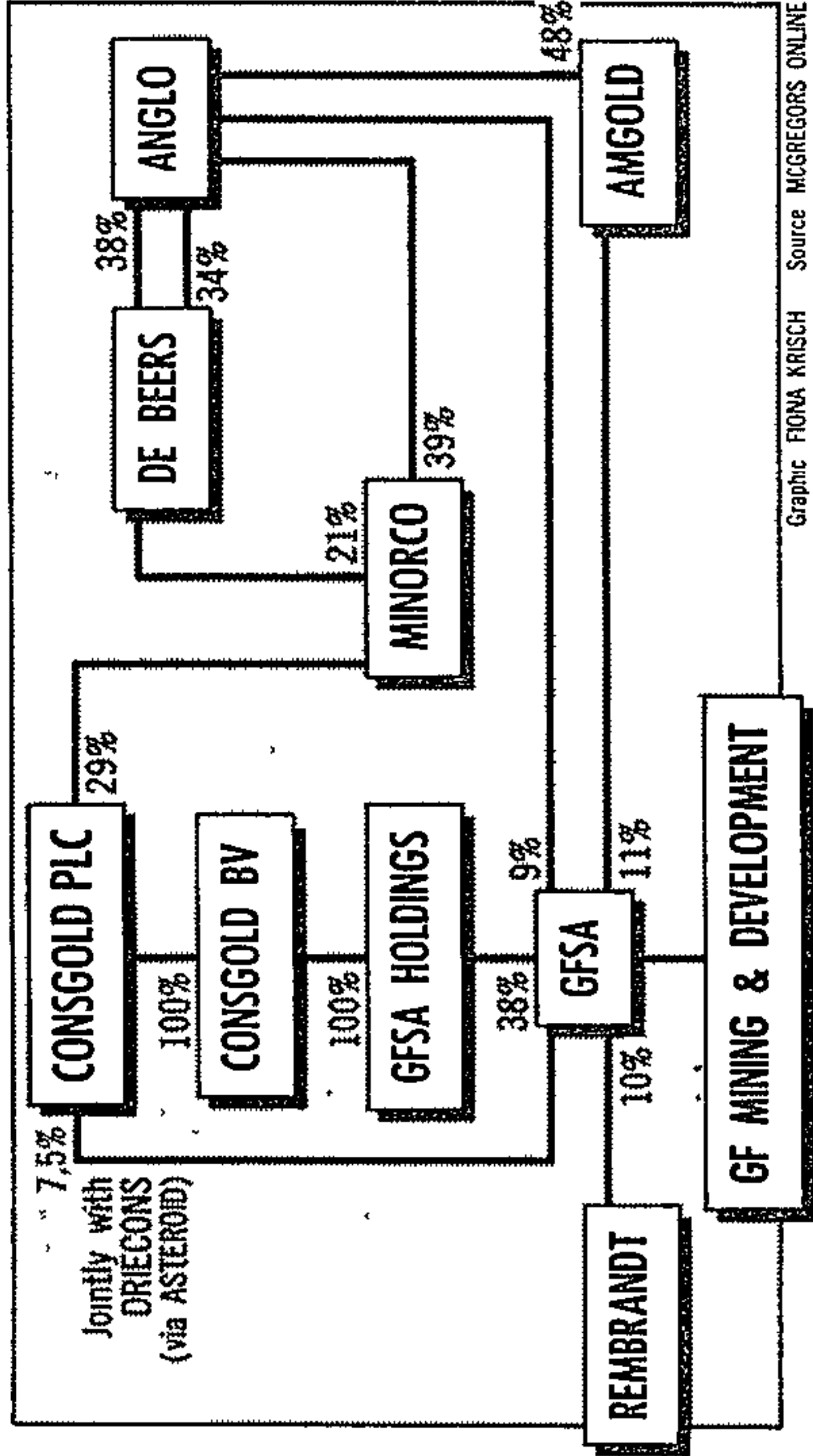
(Du Plessis, on the other hand, is reported to have reminded everyone that Sanlam and Remgro were at last quits since Sanlam had in earlier times helped Remgro to gain control of Rothmans International. Had the insurer not done so, said Du Plessis, Remgro would not have been in a position to lend a hand in the acquisition of Unicorp.)

Hanson reportedly has placed a value of about £300m on the GFSA stake which — through the dollar-financed conversion rates ruling yesterday — indicates that South African interests seeking to buy from Hanson will have to find about R2bn

Gencor after the rights offer, will have R1.4bn in hand, which it says it does not need for its energy projects, nor for the acquisition of Mobil, but which it will hold for projects in the pipeline. Remgro, with its large cashflows and sound debt position, could probably raise R1bn without undue hardship.

But a far more convincing scenario would appear to be one in which Remgro would look for cash-flush institutional partners which could include Sanlam its senior "partner" in Fedmyn, and Old Mutual, a long-standing ally, to participate in a pooling of resources to buy GFSA and receive paper in a reconstituted Fedmyn, the new holding company for a mining giant comprising Gencor and GFSA.

But that would require careful restructuring. Remgro would not, on past performance, be interested in control. But it could negotiate a position where, in association with a trusted institution, it would have a holding of sufficient substance to render itself secure against predation, and to influence strategic decisions.



Graphic: FIONA KRISCH Source: MCGREGGORS ONLINE

Pressure on finrand expected . . .

Biggest ever disinvestment from SA looms

CME Times 6/7/89 214

From IAN HOBBS

LONDON — Hanson is expected to sign and seal his £3.5bn bid for Consolidated Gold Fields (ConsGold) unopposed within two weeks — and the biggest asset auction in British corporate history will follow.

The sale of the century will start with the biggest ever disinvestment from SA — the shedding of 38% of Gold Fields of SA (GFSA) plus holdings in Driefontein, Kloof and other mines for some £450m, which will put intense pressure on the financial rand market.

Hanson confirmed that a condition of its bid is that the Rembrandt group will retain first option to purchase the GFSA stake.

It is confidently antici-

pated that GFSA will cash in its 7.5% interest in ConsGold for a whopping R1.5bn windfall, which will end the need for a rights issue and will finance essential and major new development programmes in SA — with cash left in hand.

One stockbroker involved in the huge Hanson bid yesterday said: "With a thumping great windfall of R1.5bn you can forget about GFSA using its stake in ConsGold to try and hard bargain with Hanson for an improved position. They must be delighted."

A spokesman for Hanson said his board would be having talks with all companies involved as soon as possible. They would be given "guidance and re-assurance."

Cashing in their 30% stake in ConsGold with Hanson has given Minorco the biggest consolation prize in British business history — a cheque for £1bn.

A senior Minorco spokesman said they were delighted with the outcome following the bitter end to their own seven-month takeover bid.

"This is an almost sat-

isfactory situation for Minorco and all shareholders," the spokesman said.

"We are now waiting for our £1m cheque, which represents profits of £400m — that is some £220m more than if we had sold our ConsGold shares last September."

He said Minorco's huge profit from the bid left them with a mammoth cash "nest egg" of £1.5bn.

With a further £1.5bn available in untouched loan facilities of the next three years, Minorco had £3bn "to play with."

"We can now concentrate fully on looking for opportunities and transforming Minorco from an investment company to a major operating business."

He gave no indication of targets Minorco had in its lucrative sights, but confirmed that for commercial reasons SA was not involved in their plans.

Market experts say Minorco will not be interested in acquiring interests in Hanson's although there has been strong speculation that they would want, at least, to buy Newmont Mining in the USA.

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CHE TIMES 6/7/89

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SA assets of £450m for auction

ConsGold's sale triggers disinvestment

(214)

B/Dam 6/7/89

IAN HOBBS

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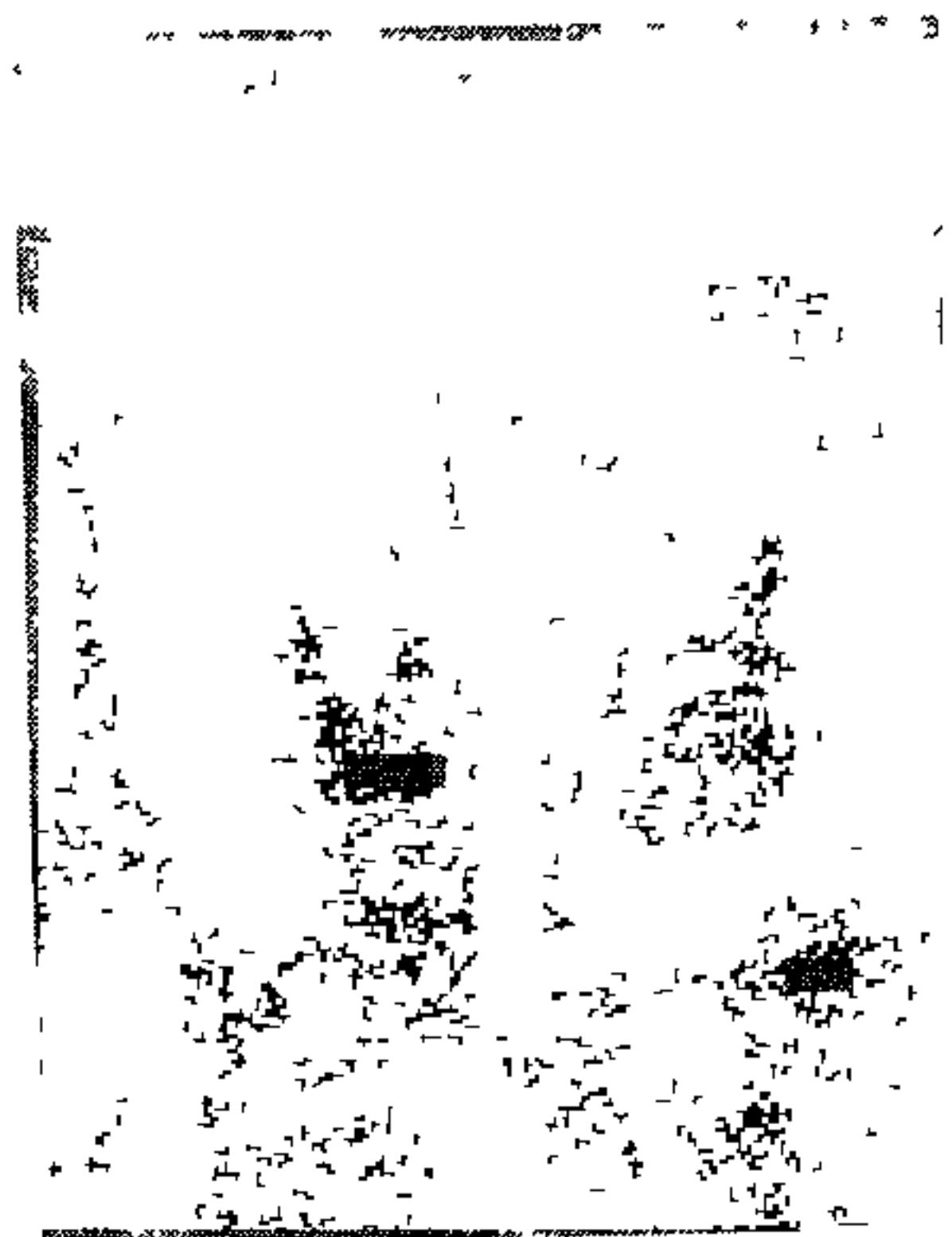
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One stockbroker involved in the Hanson bid said yesterday "With a thumping great windfall of R1.5bn you can forget about GFSA using its stake in ConsGold to try to hard-bargain with Hanson for an improved position. They must be delighted"

Top London brokers, including James Capel and Barclays de Zoete Wedd, said Lord Hanson, whose group philosophy was never to hold a minority share in a company for a moment longer than necessary, was not a forced seller and might wait for the next upswing in the gold price before selling the gold assets

At the same time, his major interests were in the US and he was intensely conscious of the political stigma there of hold-



● HANSON . to sign deal soon

ing assets in SA and would want to sell them at the earliest good opportunity.

A spokesman for Hanson said his board would have talks with all companies involved as soon as possible. They would be given "guidance and reassurance"

The spokesman refused to comment on the expectation that Hanson would put up all ConsGold assets for sale, with the exception of ARC (Amey Roadstone), the giant crushed stone and concrete group with operations in the UK and US, which is forecast to make profits of £158m

Brokers said with his interest burden running at about £400m a year, Hanson, who demands that any takeover must pay for itself within four years, would want to

□ To Page 2

ConsGold B/Dam 6/7/89

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□ From Page 1

dispose of low-yielding assets like Newmont in America and Renison in Australia without delay

While champagne continued to flow in Hanson's headquarters in ritzy Grosvenor Place yesterday as the group's shares rose 3.5p to a record 287.5p, the corks were also popping across town in Minorco's offices

Cashing in its 30% stake in ConsGold with Hanson has given Minorco the biggest consolation prize in British business history — a cheque for £1bn

A Minorco spokesman said the company was delighted with the outcome after the bitter end to its own seven-month takeover bid, thwarted when ConsGold was granted an injunction in the American courts

"This is a most satisfactory situation for Minorco and all shareholders. We are now

waiting for our £1bn cheque, which represents profits of £400m — that is some £220m more than if we had sold our ConsGold shares last September"

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"We can now concentrate fully on looking for opportunities and transforming Minorco from an investment company to a major operating business. The world is our oyster"

He gave no indication of targets Minorco had in its sights, but confirmed that for commercial reasons SA was not involved in its plans

● See Pages 3, 6 & 7

Gold Fields: the mining group that's different

IF CONTROL of Gold Fields changes after the Hanson takeover of ConsGold, the new owner will inherit a group with black labour policies substantially different to those of most other groups in the mining industry

While most other mining houses support a high minimum wage, Gold Fields applies a steep wage curve, with miners in the lowest categories paid less than on other mines and those in some higher categories paid more

This philosophy on black wages and unionism is in contrast to those of groups like Anglo American, JCI and Gencor, as the recently concluded industry wage talks have shown

The accompanying graph for underground gold miners shows how Gold Fields' minimum wage levels compare with those at other gold mining groups. Wage levels for surface and colliery employees reflect a similar pattern.

The philosophy behind a steep wage curve,

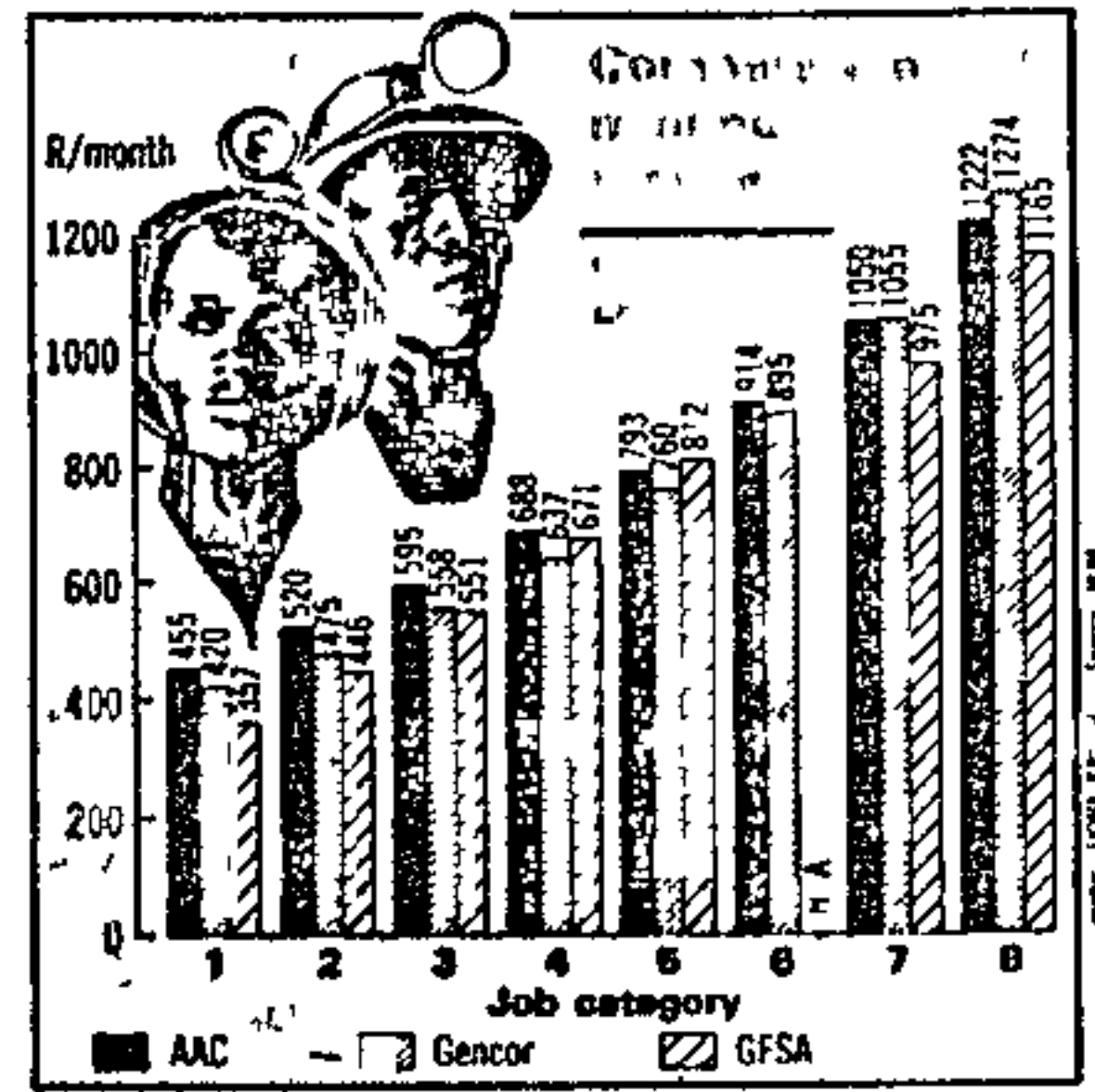
ALAN FINE

which means a greater differential between job categories, is that it represents a greater incentive for employees on the lower rungs to advance to higher-wage categories.

Gold Fields has been able to continue this policy because of the minimal level of NUM representation on group mines. Those groups more highly unionised have come under intense pressure from the NUM over the last five years to increase wage levels substantially in the lower job categories.

Gold Fields, according to NUM spokesmen, has historically adopted a more restrictive approach to NUM organisational activities on its mines. As a result, Gold Fields has been almost immune to the labour disruptions suffered by other groups since the birth of the NUM.

● Comment: Page 6



Profits trimmed at most GFSA mines

By Derek Tommey

The GFSA June gold mining quarterly reports released today contain nothing to excite the share market. All but one of the group's gold mines report lower — and in some cases substantially lower — profits.

Only Kloof reported increased profits, and that is only because of a drop in taxation as a result of a sharp rise in capital expenditure.

However, as many of the poor results were the result of changed mining conditions which can be overcome, the outlook for

several of the mines is not as bleak as the June profits figures might suggest.

Mr Alan Wright, executive director of the group's precious metals division, said last night that considerable success had been achieved in containing costs.

In the past 12 months costs had risen by 6,5 percent at Doornfontein, by 9 percent at East Driefontein and by 6,2 percent at Venterpost.

Costs at Libanon had risen by 12,3 percent and at Deelkraal by 13,3 percent, which was roughly in line with the increase in

the consumer price index.

However, costs had increased by 16,5 percent at West Dries and by 23,6 percent at Kloof.

Increased seismic activity had pushed up costs at Kloof. It had necessitated increased expenditure on timber and the opening of new work faces.

However, yields at the mine are improving and are expected to rise above 12 grams a ton in the next six months.

Kloof had a profit in the June quarter of R107,7 million (R83,7 million) before capital expenditure of R79,0 million (R57,3 million).

Driefontein Cons' profit eased slightly to R148,2 million (R152,9 million). Working profit dropped to R234,2 million from R282,5 million mainly as a result of a drop in

grade at East Driefontein from 10,7 grams a ton to 8,6 grams a ton.

VCR grades fell in existing areas, but better grades have been encountered in areas being opened and grade should recover in the next six months.

Taxed profit at Libanon dropped from R6,1 million to R1,45 million. Mr Wright said this was the result of increased expenditure on refurbishing old haulages giving access to new areas.

At Deelkraal the long awaited decline in yield occurred. Grade dropped from 6,5 grams to 6,0 grams a ton, and this is expected to remain the operating grade.

Mr Wright said that Deelkraal will soon start paying formula tax.

Profit after tax was

R36,4 million (R40,8 million).

Venterpost had a profit of R151 000 for the quarter after a profit of R2,7 million for the March quarter, while Vlakfontein had a working loss of R281 000 against a loss of R402 000 in the March quarter. However, it had a taxed profit of R245 000 against a loss of R301 000 in March.

Mr Wright said Vlakfontein had been doing considerable development and should reach a milling rate of 20 000 tons a month by end of September.

If there is a star in the GFSA quarterlies it is Doornfontein, which maintained its milling rate in the June quarter, held its grade and contained costs. As a result its profit after tax at R4,607 million were only fractionally lower.

MARGINAL GOLD MINES

Not safe yet

214 Email
7/7/89

The violent plunge and immediate recovery in ERPM's price — it fell to 700c from the pre-suspension level of 1 475c before recovering to 1 250c — following the end to the share's suspension on the JSE indicates there are still investors prepared to take a chance on the troubled mine's recovery prospects

However, a look at the details of the survival plan negotiated by manager Rand Mines shows this share remains one for only the most ardent gold bugs. Investors lacking that kind of conviction should steer clear. The survival package merely gives ERPM some more breathing space, principally through the deferment of interest payments on its more than R300m debt burden.

Further, the help extended to ERPM — a particularly delicate case — ties in with government's stated policy of dealing with requests on an ad-hoc basis. No conclusions can be drawn about the official attitude to other marginal mines in trouble and there's no verdict yet on Durban Deep's request.

Interest payments, totalling about R35m a year at current rates, are to be capitalised and then paid out in three equal tranches during 1993/1994/1995. Existing loans from commercial banks will not be called up until 2002. Rand Mines is putting up another R20m in additional loans while the government is effectively putting in R18m a year to cover pumping costs but this assistance will be reviewed annually.

There is still plenty of scope for further derailment if production does not match forecasts or Rand Mines has the gold price wrong again. Chairman Clive Knobbs says that provided the tonnage treated and recovery grades from the developing Far East Vertical Shaft (FEVS) are as predicted, the gold price averages about R33 500/kg for the next six months and grows steadily thereafter, then the latest financial arrangements will enable the mine to return to profitability in the next few years.

Rand Mines' latest forecast on the gold price is still at the top end of the scale of market views, which range down to about R32 500/kg. The current gold price is swinging around R33 000/kg but the continued growth scenario can be queried. It seems likely any recovery in the dollar gold price would be followed and possibly matched by a strengthening in the value of the rand against the dollar. That will restrict the increase in the rand gold price received by the mines.

With hindsight, ERPM should have closed down the older workings much sooner and concentrated on the FEVS. Money which should have been spent on FEVS was

instead used in keeping the old mine going. Knobbs says "Had we closed the old mine down we would have been well away by now on the FEVS. However, one of the main justifications for government in guaranteeing the original R220m loan was the provision of jobs. I don't think we would have got the money had we planned massive retrenchments."

Plans announced for Harmony bear out some of the comments made previously on the scope for cost-cutting within the industry (*Leaders*, June 30). Plans are to retrench 4 200 workers — 12,7% of the current



Rand Mines' Knobbs ... assuming gold will rise

strength of 33 000 — and slim down the management structure. Knobbs says this can be achieved without any drop in current throughput of about 9,6 Mt a year. The labour cuts are expected to save the mine R48m a year in operating costs.

Immediate query from analysts is why this action was not taken earlier. The mine has been under pressure for about 18 months and passed its final dividend last year. Knobbs says the mine started cutting back two years ago and has already reduced the labour force by about 2 000 workers over this period. However, the intention was to cut the numbers by natural attrition. He concedes labour strengths were probably too high but says this was a justifiable safety margin during commissioning of the No 4 shaft system.

Durban Deep shares are likely to remain suspended for another few weeks until the bid from Rand Mines Properties has been made and considered. The outlook for continued underground operations appears grim.

RMP will bid either to take over the company or acquire the bulk of its assets, which included freehold land holdings totalling 3 364 ha at the end of last year as well as a gold dump retreatment operation. Not all that land will be available for development. Some is covered by slimes dams, for example, but the mine owns ground along the Main Reef Road which would form valuable industrial sites, while the land extending south to Soweto could be used for black residential development.

Rand Mines has asked for an independent valuation of Durban Deep's assets which is essential given that it controls both companies. Knobbs declines to specify at this stage what Durban Deep would do with cash from RMP. Main options are to pay it out to shareholders after allowing for the costs of closing down the mine, or to retain it to fund continued operations in the event of a gold price recovery.

Brendan Ryan

SILTEK/M&PD

A bigger stake?

The day after a banquet this week to launch High Performance Systems — previously the SA subsidiary of Hewlett Packard, which Siltek acquired — Siltek, its electronics associate M&PD and holding company Grinaker, as well as cash shell Mooi River, all put out cautionary announcements.

It seems at this stage that Siltek is not on another takeover trail, but is consolidating its position. Market sources suggest that Siltek is keen to increase its stake in M&PD. M&PD's market capitalisation is now R177m. Should Siltek increase its stake to about 65%, as seems likely, this would cost it about R42m at the current price of R4. M&PD chairman Mike McGrath has about 35%, so it is possible the deal will involve sale of part of his holding (he would only need to sell 16% to give Siltek control) and an offer to minorities.

From Siltek's point of view the problem may be to find the finance. As it is now thought to have no borrowings, it would seem that bank finance would be readily available, but the policy is to attempt to maintain a net cash position. The HP purchase is thought to have used up the balance of Siltek's cash resources left after it bought its 41% holding in M&PD in February. It therefore seems likely that Grinaker has been included to help provide the finance needed for the deal.

Mooi River has around R80m cash and is apparently being warehoused by Volkskas Merchant Bank since the operational assets

This time Agnew gives go-ahead

w mail 7-13/7/89

THE directors of Consolidated Gold Fields this week gave their backing to Lord Hanson's £3.5-billion (about R14-billion) bid for the mining group, clinching Britain's biggest takeover

ConsGold's chairman, Rudolph Agnew, agreed to give the bid his support after Lord Hanson increased the terms of his bid announced two weeks ago from £14.30 a share to £15.30 a share

The mining group, which has investments in South Africa, the US and Australasia, has been under siege since last September when Minorco, controlled by South Africa's Anglo American and De Beers, bid for ConsGold. Its bid was blocked by the American courts and lapsed earlier this year.

(2)

Minorco has given Hanson an undertaking that its 30 percent ConsGold shareholding will be voted in favour of the takeover

(214)

ConsGold rejected the initial Hanson bid two weeks ago but tacitly accepted that a takeover was inevitable. Agnew has held a series of meetings with Lord Hanson and Sir Gordon

White, who runs the US arm of the £8-billion Hanson empire

A price was finally settled after two meetings this week at ConsGold's headquarters in London. The increased offer is in the form of £14.30 cash plus a warrant worth 60p and a promised 40p dividend for each ConsGold share.

Hanson is expected to break up ConsGold. All the gold mining interests, including ConsGold's 38 percent investment in Gold Fields of South Africa — which has put the UK parent under consistent attack by anti-apartheid campaigners — are likely to be sold.

A holding in an Australian company which mines precious metals such as titanium and zircon is also likely to be auctioned. Hanson will be left with only ARC.

Hanson's approach of bidding for conglomerates and then breaking them up has left him controlling a range of operations stretching from London Brick and Imperial Tobacco to Ever Ready batteries and Jacuzzi baths. — The Guardian, London

Experts argue over what Hanson plans

bidday 7/7/89

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LONDON — Analysts are sharply divided over the plans takeover king Lord Hanson may have for ConsGold

Hanson is legendary for dismembering companies after acquisitions, but some analysts say there may be hidden benefits in ConsGold's asset pile which Hanson spots on second look. He may therefore keep more of ConsGold than expected.

When the Hanson bid was launched two weeks ago, conventional wisdom in London's financial community held that Hanson would probably keep few, if any, ConsGold businesses. The only logical fit, many suggested, would be ConsGold's Arc aggregates business, its biggest money-spinner, and Hanson's London brick unit, the market leader in UK brick.

But now many analysts argue Hanson could take quite a different approach.

"There's more in ConsGold than meets the eye," said Fiona Perrott-Humphrey, a conglomerates analyst at brokerage James Capel in London. "People may well be more surprised at what (Hanson) holds on to than what it sells."

Hanson won the endorsement of the ConsGold board after sweetening its offer late on Tuesday to £3.5bn. Under the agreement, Hanson will pay the £14.30 a share in cash originally offered, with Hanson stock warrants and a special ConsGold dividend valued at another £1 a share.

"I think they will take a careful look at each and every business before doing anything," said John Willis, analyst at Yamaichi International (Europe) in London.

"There are far more things that Hanson can do with ConsGold's assets besides just selling them off."

ConsGold's gold mining interests, thought to be the lowest cost mines in the world to operate, could be a potential hold. While some analysts reckon Hanson has absolutely no desire to retain any SA operations because of the negative political associations, others see a significant financial advantage in hanging on.

"If they can float gold loans from those mines, it could be a cheap way of raising money to launch more takeovers," Willis said. Gold loans would only incur interest costs of between 2%-3%, Yamaichi figures.

But other analysts scoffed at the idea that Hanson would suddenly launch into gold mining, saying it had previously stuck to operating the bits of its takeover targets in which it had some experience.

But still others suggest that if anyone could be successful operating in uncharted territory, Hanson could.

"Just because they've never been in a sector doesn't mean they won't be in it now," said one Hanson-watcher.

Yet some analysts note that Hanson is not known for buying businesses for neat synergies or holding on to them on the basis of their historical returns. Instead, Hanson tends to single out companies which can benefit from tighter management discipline and are not susceptible to the vagaries of commodity markets beyond management control — AP-DJ

GFFSA gold production drops by 6% as East Drie section nears depletion

REINIE BOOYSEN

TAXED profit from Gold Fields of SA's (GFFSA) gold mines for the last quarter of the financial year to June was marginally higher at R298,7m than the March quarter's R290,6m, largely because of lower tax and the state's share of profit.

The main feature of the quarterly report is the 1 784kg (6%) drop in gold production to 27 572kg (March 29 356kg).

GFFSA's largest operation, EAST DRIE-FONTEIN which mills 240 000 tons of ore a month, was responsible for 85% (1 511 9kg) of this decline.

GFFSA director Alan Wright said yesterday one of East Drie's richest sources of ore — the Ventersdorp Contact Reef (VCR) — was near depletion sooner than expected and before the new development around the No 4 Sub-Vertical East Shaft could replace this lost high-grade tonnage.

Consequently the mine was struggling to keep the mill full and yield had declined to 8,6g/t (10,7g/t). He said it would be "a quarter or two before the mine achieves any meaningful tonnages" from the new area, by which time he expected grades to recover to 10-11g/t.

As a result of the drop in gold production, and in spite of the better average gold price received, the house's gold revenue dropped to R884,4m (R918,9m).

With a rise in working costs to R508,4m (R484,2m), the house's working profit declined 13,5% to R376m (R434,8m). But substantially lower tax and state's share of profit (R121,4m compared with R198m) rescued the bottom-line.

Wright outlined other significant features of the results.

On a year-on-year basis, KLOOF was the GFFSA mine with the largest rise in working costs, at 23,6%. He said this was a matter of some concern to management.

There were two main reasons a significant increase in seismicity at the mine necessitated more timber support in the stopes, and there had been "a lot of additional opening up of face", as a number of faces had been lost as a result of the increased seismicity.

GOLD FIELDS OF SA March Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Drie Cons March	—	—	—	—	—	—	148 162	87 668	43
West Drie March	705	10,0	7 050,0	144,92	14 492	31 998	—	—	—
East Drie March	705	10,2	7 191,0	140,03	13 729	31 230	—	—	—
Kloof March	720	8,6	6 192,1	123,05	14 308	32 113	—	—	—
Libanon March	720	10,7	7 704,0	117,26	10 959	31 205	—	—	—
Venterspost March	540	11,9	6 426,1	191,52	16 094	32 102	107 718	28 729	24
Deelkraal March	540	11,6	7 242,0	174,19	15 005	31 259	83 684	26 340	22
Doornfontein March	435	4,0	1 740,0	127,12	31 780	31 899	1 450	(6 083)	(15)
Vlaktfontein March	435	4,1	1 783,5	118,63	28 936	31 296	6 079	(281)	—
Deelkraal March	412	3,7	1 526,4	119,00	32 120	31 952	151	(11 090)	(55)
Doornfontein March	420	3,7	1 559,8	112,16	30 200	31 331	2 747	(2 182)	(11)
Vlaktfontein March	405	6,0	2 429,7	105,17	17 530	31 793	36 358	15 142	15
Deelkraal March	405	6,5	2 632,5	103,19	15 875	31 344	40 791	25 892	26
Doornfontein March	390	5,0	1 949,6	150,60	30 126	32 020	4 607	(8 213)	(21)
Vlaktfontein March	390	5,0	1 950,0	148,07	29 613	31 284	4 677	(1 297)	(3)
Vlaktfontein March	210	1,2	257,9	40,5	32 993	31 723	245	68	1
Vlaktfontein March	210	1,3	266,9	41,5	32 615	31 056	(301)	(348)	(5)

At WEST DRIE the No 5 Shaft was nearing completion. It had been sunk to 48 level (final depth 50 level).

VLAARFONTEIN'S Droogebult section would be producing 20 000 tons a month by end-September. Although the surface and underground operations both made a loss, "the time has come for a turnaround".

A fire at VENTERSPOST on 20 level played havoc with the mine's communications, resulting in a loss of 8 000 tons. Wright expected a further loss of 16 000 tons before the effect of the fire could be remedied. He said there would be an insurance claim for loss of revenue. Profit declined to R151 000 (R2,747m).

DEELKRAAL'S "anticipated drop in yield has come". Yield was now at a more realistic level. The mine would come into formula tax during the current quarter.

Wright commended the management of DOORNFONTEIN for containing costs, which rose only 1,7% to R30 126/kg (R29 613/kg). He added the mill was kept full under trying conditions.

The 9,8% rise in working costs (to R31 780/kg from R28 936/kg) at LIBANON was due to the refurbishment of old haulages to provide access to the new development to the west of the mine.

Gencor poised for further expansion

sk 8/7/89

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HANSON TRUST's successful bid for Consolidated Gold Fields, and British Petroleum's decision to sell its global coal interests, are being closely watched in Johannesburg

South Africa's main mining, industrial and financial groups are quietly positioning themselves for the probable sale of Gold Fields of South Africa (GFSA) and BP's coal mines in the country

Mr Derek Keys, chairman of General Union Mining Corporation (Gencor), is taking a particularly keen interest

After floundering badly in the mid-1980's, Gencor, backed by the financial muscle of Sanlam, is now firing on all cylinders and poised for further expansion and fresh acquisitions

In May it announced a R1.47 billion, 20-for-100 rights issue, followed by a 10-for-one share split Federale Mynbou its main shareholder, will take up its rights in full

Federale owns 54.7 percent of Gencor and is itself owned 50 percent by Sanlam and 28 percent by the Rembrandt group Non-residents own around five percent of Gencor

The fresh capital injection, coming at a time of record earnings and profits for most of Gencor's main operating divisions, will be used both to develop existing businesses and make opportunistic acquisitions such as the recent purchase of Mobil Oil South Africa from its divesting US parent

Heavily committed

Gencor is already heavily committed to the new Oryx gold mine under construction in the Free State and the new Karee platinum mine Karee will add to its already substantial stake in the platinum industry through Impala

Others with substantial investment programmes under way include Sappi, the group's fast-expanding pulp and paper division, which has just reported a 57 percent annualised earnings rise on the strength of a weak rand and buoyant world prices, and Samancor, its 50 percent-owned ferro-alloys company

Gencor, together with Amic, Anglo's industrial arm, are leading shareholders in both Samancor and Highveld Steel Highveld is planning to build a stainless steel smelter in the Transvaal together with Taiwanese interests

It will ship hot rolled products to Taiwan for cold rolling The planned

plant will mark a significant development in downstream minerals beneficiation policy

Gencor's packaging and other extensive industrial interests have also shown dramatic growth since the industrial portfolio was reorganised into the Malbak group, headed by Mr Grant Thomas, widely recognised as one of the country's leading business talents

The diversified Malbak chalked up 80 percent earnings growth last year and expects a further 35 percent in 1989 However, Malbak's recent £40 million acquisition of MY, a UK-based packaging company, as the base for penetration into the post-1992 unified European market has got off to a slow start

Acquisitions

Meanwhile, the acquisition from Mobil underlines the way in which Gencor's rapid internal growth is being matched through acquisitions, including assets made available by foreign disinvestment

"We are not concerned about using the financial rand to buy foreign assets because the JSE values such acquisitions at the financial rand rate anyway," he says

For Gencor, as for many other South African companies, buying foreign assets has proved a cheap way of acquiring first-class intangible, as well as material, assets

Thus, for an estimated \$150 million, Gencor acquired through its Mobil purchase not just a Durban refinery and South Africa's biggest petrol distribution network, but also the management skills and expertise it needs to develop its fledgling energy sector into an important growth area

Based originally on its Trek petrol station network and a 20 percent stake in Soekor, the state-controlled oil and gas exploration company, Gencor last year raised its profile in the energy sector by winning the management contract for the state-backed R5 billion Moss gas oil-from-gas conversion project at Mossel Bay

With the contract came an option to raise its equity stake from the initial modest R30 million to 39 percent once the project was operational

Mr Keys, the man at the centre of Gencor's regeneration, is a self-made millionaire with no previous mining experience By chance he was interviewed barely an hour after the news of the initial Hanson bid for Gold Fields flashed on to his Reuter screen

Given Lord Hanson's track record, he was in little doubt that GFSA would be up for sale, or that when that happened the competition to buy could be fierce

The Rembrandt group, Gencor's minority shareholder, already holds a 10 percent stake in GFSA, with a pre-emptive option on a further 20 percent

Despite the current low gold price and diversification into other minerals and other sectors, Mr Keys made clear that Gencor intended remaining a leading player in the gold industry "Our priority at the moment is to get a number of projects up to the starting line ready for flotation when conditions improve," he said

An admirer of the lean management style practised by Lord Hanson, Mr Keys has carried out a similar management revolution at Gencor

"I've cut the staff around me to 54 from 1700 when I took over three years ago" One entire tier of management was eliminated and younger, more dynamic managers were brought in The best of Gencor's existing managers, such as Mr Tom de Beer, the finance director, and Mr Eugene van As of Sappi, were given greater freedom and responsibility

Real growth

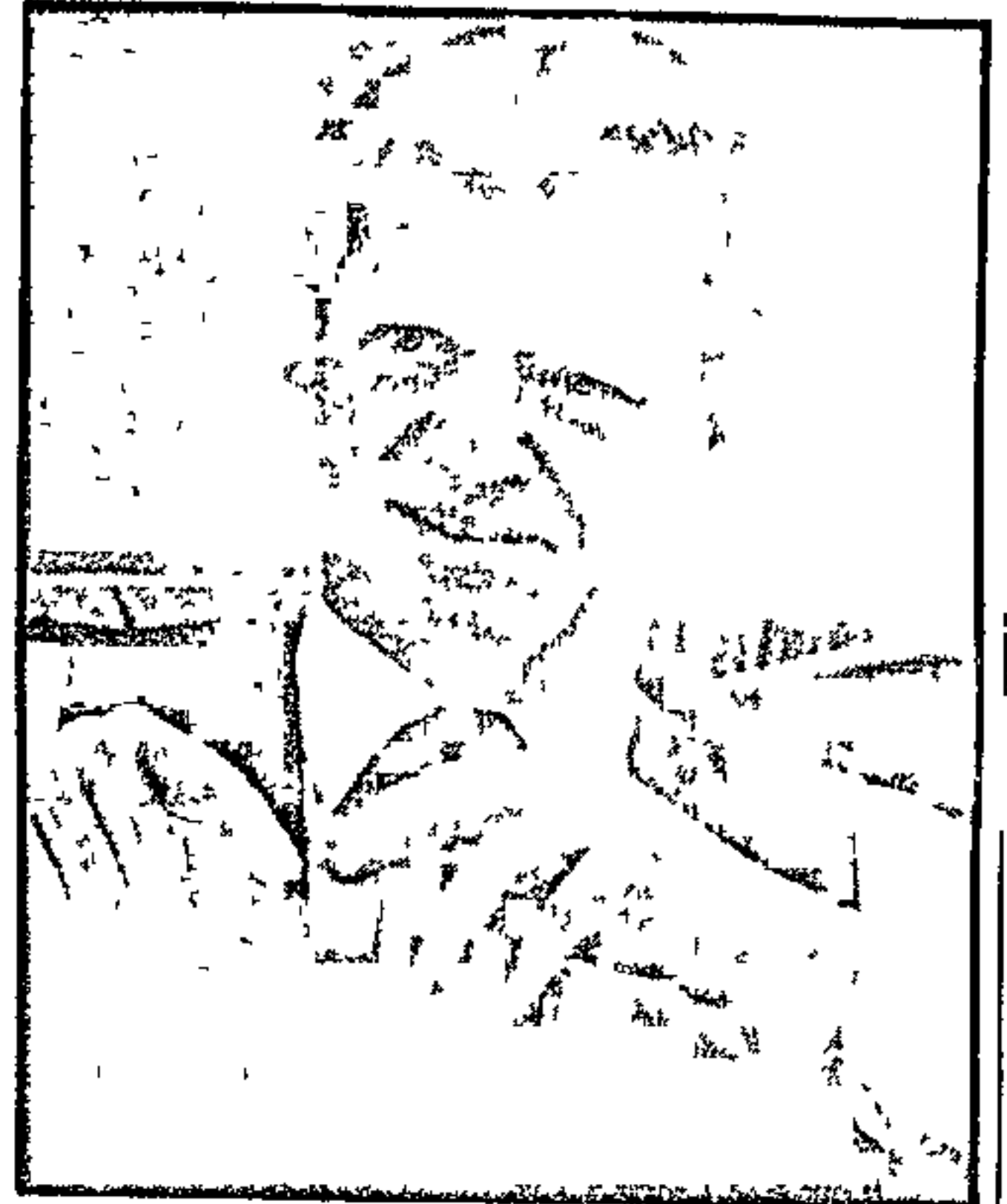
"All I concern myself with here at head office is pondering how to achieve real growth, both by starting or acquiring major businesses and by accelerating the development of our existing ones," Mr Keys said

His priority is simple "To maximise the total return, dividends plus capital appreciation, for shareholders"

For Mr Keys, Gencor has one big advantage not shared by his competitors "In Sanlam we have a major shareholder which is not just willing but enthusiastic about investing its cashflows from insurance premiums and other income into productive investments It needs a major risk-taker — and Gencor fulfils that function"

Over the last three years at least, this symbiotic relationship has aided profitability in key sectors of the South Africa economy

As such, it is an essential part of the overall rise in South Africa's economic efficiency in response to such external pressures as sanctions, disinvestment and the cut-off from foreign capital — Financial Times



DEREK KEYS — An admirer of Lord Hanson's management style

This Adv:

It has been Adv:

Hanson is as Hanson does (214)

Well it looks like everyone could be a winner in the bid for control of Consolidated Goldfields.

According to Myles, market talk is that Minorco could have made some sort of agreement with Hanson about the carving up of Consgold, Mr Agnew could be getting around £2 million on his departure; the shareholders will be getting between £14,70 and £15,30 and; the armies of advisers at all the various stages are also considerably better off

But as his Mum points out - where is all that money coming from. Surely somebody has to be on the losing side?

She wondered if it was inevitable that Consgold would be carved up. I'm not sure if she understood Myles' response. "Hanson is as Hanson does".

But the really big question is - how much were the Minorco advisers paid? According to ancient merchant banking tradition, advisers to the winning party get paid a comfortable whack more than advisers to the losers. Technically it could be claimed that Minorco won - they did get over 50 percent acceptance - however they didn't get the prize.

Myles accepts that this may not seem too important to your average punter in Johannesburg, but it could be causing some restless nights at James Capel.

Myles' Mum was enormously interested in any gen I had brought back from Ireland and the mainland. Delighted she was about the

Inside
Out

ANNE
CROTTY



success of the Greens in the European elections and reckons that if this was to catch on here, it would add 33,3 percent more colour to two-tone local politics

One of the big deals of the week was the 3 million share book-over in Ruhold - struck at 65c compared with a market price of 80c. There was some talk of an overseas' buyer and more talk that it was a move towards the much-speculated change of control. By the end of the week the share price had moved up to 90c

Looks like AVI is again/still involved in restructuring. Its electronics interests are now in the spotlight following the cautionary announcement from Grinaker, Siltek, M&PD and Mooi River.

All sorts of scenarios are being suggested on this front. Two of the more interesting ones: Siltek to acquire the remainder of M&PD and then de-list it and, Mooi River to become the holding company for all of AVI's electronic interests. Myles hastens to point out that interesting doesn't imply correct

Over in the motor sector it seems that Spareco continues to

head the list of deal-makers. Speculation is that a deal has been struck with Fleishmans. If this is the case - then Spareco/Fleishmans would be a formidable operation

On a sort-of-related matter, it looks as though there's unlikely to be an announcement about the Hunts restructuring much before the end of the month

Myles says that there's still talk in the market about a big FSI deal, figures being mentioned vary between R800 million and R1,5 billion. According to FSI head office there's nothing like this on the go. But it seems, as Myles says, that old FSI rumours don't die. they don't even fade away

The MAP consortium have been quite busy with the Manserv/Colfin deal. Myles points out that MAP also controls Cashworth and wonders if this means there could be a deal (perhaps of the pyramid variety) between Manserv and Cashworth

But nothing will happen today or tomorrow 'cos there's still some assets to be sold out of Cashworth. The sale of these assets is expected to lift the cash content from the current 35c a share to 60c-65c.

World of Music may soon be releasing more information about what it describes as the "streamlining" of its assets. At 9c it is currently at its 12 month low - and according to Myles it's not exactly a case of the tills being alive with the sound of music

RICHARD ROLFE

in LONDON

WITH Cons Gold well and truly in the Hanson bag, Minorco can look forward to an inflow of \$1.5-billion, lifting its cash holdings to \$2.3-billion

Its net asset value will be \$21 a share, of which \$14, or two-thirds of the total, will be cash

The rest is a ragbag of assets of which stakes in Charter, Engelhard and Inspiration Resources are the most important

To meet its strategy, which has been described informally as being like running group R17 within a few years, Minorco will have to grow fast by acquisition

PLATINUM

The market thinks Minorco will make an offer for the shares it does not own in Charter, where it already has 36% Charter shares have been pushed up to an all-time high of 560p in London

If it took Charter on board, Minorco could then bid for Johnson Matthey, Charter's 38%-owned associate and one of the key players in the world platinum industry

However, I believe a bid for Charter and JM is not necessarily on the agenda Minorco already has effective control and may not see any point in paying extra for formal control But failure to do so would raise doubts about what Minorco means by its insistence that it wants operating control, which is usually defined as more than

Cash-flush Minorco looking for targets

ST was 9/7/89



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51%, of all its underlying interests

Using its cash, Minorco could in theory bid for some major mining groups Names like Amax, Phelps Dodge or Freeport are within reach

The option of using Minorco shares remains open, but the doubts caused by Cons Gold over its Luxembourg domicile linger in the minds of many fund managers

The prospects for a hostile Minorco bid are also clouded after the storm Cons Gold's Rudolph Agnew cooked up over the SA connection

Whether justified or not, an Agnew-style defence would be the logical option for any board of directors — certainly of US or Australian companies — on the receiving end of a Minorco bid, other than an agreed one

So there are problems, although they do not look insurmountable Minorco's struggle to establish itself as a serious player in the world mining and industrial scene will make interesting watching

A final mischievous

thought comes from securities group Shearson Lehman, whose highly rated mining team advised Cons Gold during the bid

Shearson suggests that Minorco ought to buy in the minority of its shares which Anglo American and De Beers do not own

Private status would enable Minorco to do deals which it could not contemplate as a public company

Privatisation of Minorco would also be attractive to Anglo, Shearson suggests

"It could be done at a significant discount to assets so they would be paying perhaps 80c for a dollar of assets"

An interesting idea But I don't think it is quite what Minorco chief Sir Michael Edwards and his Young Turks have in mind

JAPAN remains one of the vital elements in the world gold scene, so it is encouraging to report that the authorities have eased restrictions on distribution of gold

The Ministry of Finance in Tokyo used to prevent the banks from offering gold or derivative products to clients, advertising gold, importing gold from foreign bullion dealers or holding gold inventories

Under the amended regulations, says the World Gold Council's Jeff Toshima, the banks have greater freedom of action

One bank, Sanwa, which is the world's fifth biggest, has become a gold specialist, and sold 32 tons in 1988

Sanwa sells gold at every branch, encourages gold buying, through toll-free telephone arrangements and has a heavy advertising programme

Stimulated by its success, other major banks like Fuyo are beginning to follow suit So gold ownership, only liberalised in Japan in the early 1970s, is becoming simpler and cheaper

What if? projections of gold demand are always dangerous, so here is one

Japanese individuals hold 600-trillion yen of portfolio investments Yes, if only 1%

was diversified into gold, there would be 6-trillion yen looking for a home in the gold market

That, says Mr Toshima, is 3 000 tons, or five years' SA output

Mr Toshima also thinks the Japanese Ministry of Finance will launch an official gold coin next year

But expect no excitement The 120 tons of gold required for the minting are already in hand They are left over from Japan's official purchases when it launched the Hirohito coin in 1986

MANY people will have had their say on the retirement of Gerhard de Kock from the Reserve Bank My view is that he has been by far the most outstanding SA public servant of the past 20 years

One of my many deficiencies is that I have never studied economics, but over time I have become an adequate bush economist — in much the same way as people with no mechanical skills can become bush mechanics

Regular attendance at Dr De Kock's Church Square Academy of Central Banking did more for my knowledge of the SA economy than any number of textbooks or formal lectures

A single question at the outset would spark off a fascinating and erudite discourse from the Governor on the SA and global economic scene This was always guaranteed to run well over the allotted hour, totally disrupting the lives of other students

Sometimes I was allowed to ask another question as a reward for listening attentively

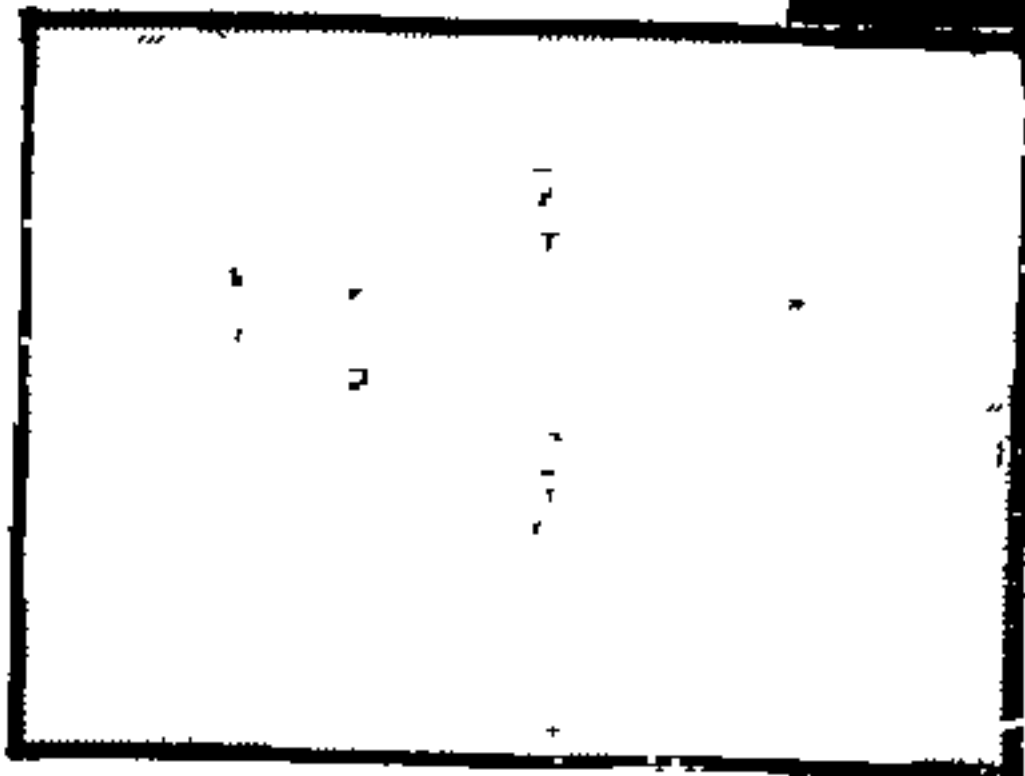
More often, aware of the

questions I wanted to ask but was unable to formulate, Dr De Kock would pose his own questions and press on with the answers For this and much kindness I am eternally grateful

Many men are remembered by their anecdotes, and Dr De Kock will surely be one such

My favourite was his analogy of the SA economy during its spells of overheating "The bath is overflowing, so we have a problem What shall we do first? Shall we turn off the taps, pull out the plug or start mopping up the floor?" I think it was one question he never found the perfect answer to

Chris Stals, I am sure, will in his different way be a worthy successor



Evander comes to terms with its mid-life crisis

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10/04/10/3/87

REINIE BOOYSEN

GENCOR'S Evander goldfield is steadily overhauling its middle-aged status on the JSE's gold board

Three of the four mines making up this mini-goldfield — Kinross, Leslie and Winkelhaak — are making significant progress in developing new areas which could extend their lives for a decade or more

Possibly the most exciting, but risky, development is at Leslie a project to establish the exact extent of a high-grade patch of ore north of its mining lease

In 1987 a borehole, No 1908, drilled in this area (known as the Northern Block) intersected what was described in that year's annual report as highly payable Kimberley Reef at a depth of about 1 400m, which is shallow in SA gold mining, (some mines, like Western Deep Levels have areas deeper than 3 500m)

The grade of this intersection — about 2 500cm g/t — is most acceptable for a mine of this depth The only unknown is the extent of the deposit

Geologist and mining analyst René Hochreiter, of stockbroker Anderson, Wilson & Partners, believes the Northern Block has the potential to increase significantly Leslie's life, increase its grade and, thereby, raise the value of the share substantially

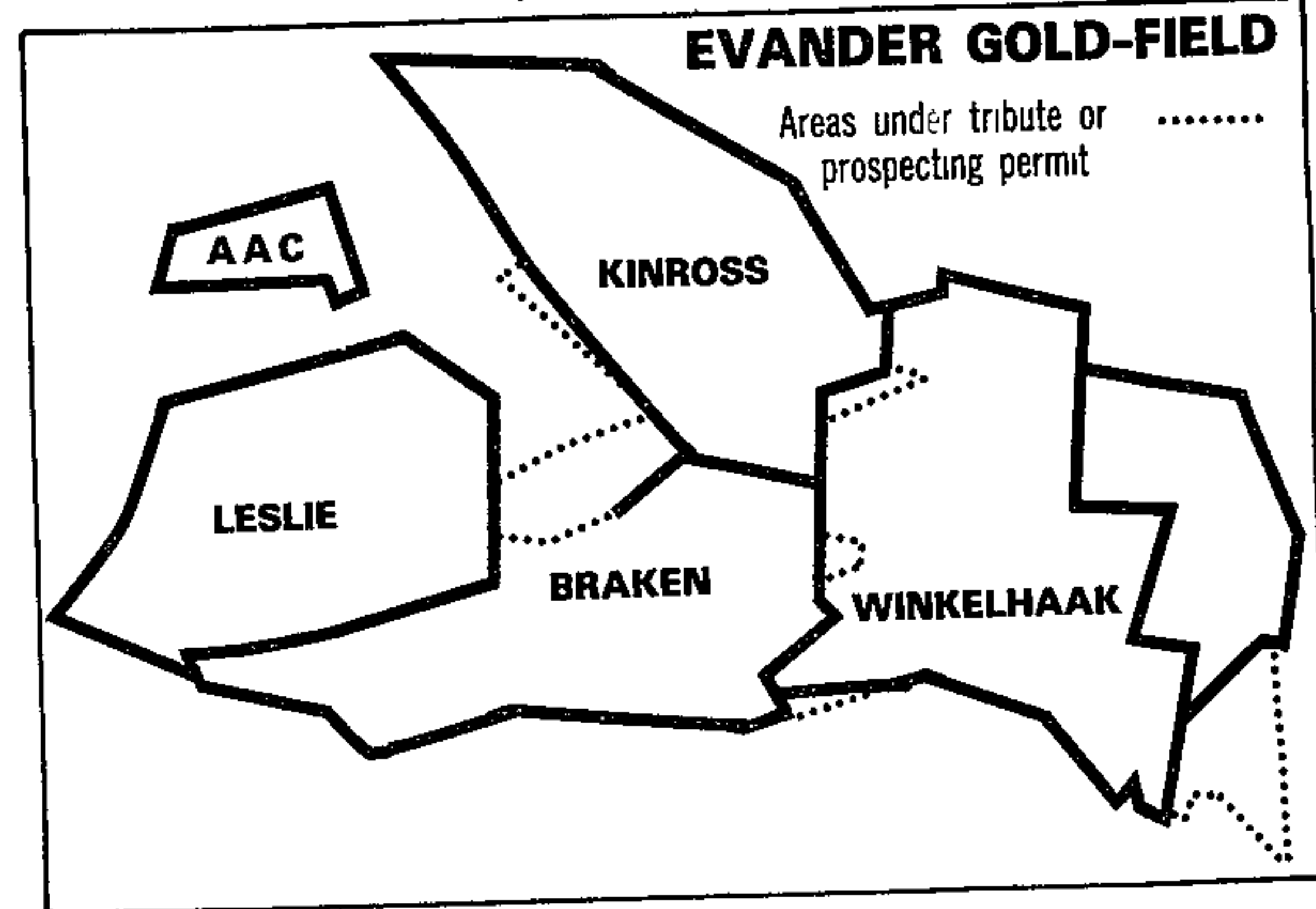
He says research has indicated Leslie's Northern Block contains about 11-million tons of ore reserve on the Kimberley Reef at an estimated yield of 5,8g/t.

"Three boreholes have, to date, been drilled in the area The values in these holes compare favourably with historical grades obtained on both Leslie and Bracken gold mines under similarly favourable geological conditions"

Management is correctly reticent about raising the hopes of shareholders and, consequently, boosting the share-price

Chairman Gary Maude confirms, however, two cross-cuts on 14 and 15 level have reached the area where borehole No 1908 intersected the reef, and that bulk sampling has confirmed the borehole values, but adds it remains to be seen how wide and how far north the rich ore extends He concedes that Leslie could be a "nice speculative share" if Hochreiter's predictions pan out

Hochreiter's optimism is based on a common geological interpretation of the reef structure He points out that sedimentary gold deposits probably came into this



ary gold deposits probably came into this area via a water system with a single entry point to the south and south-east of Winkelhaak, which flowed in four primary channels in a north-westerly direction

One channel flowed north through Winkelhaak and Kinross, while another flowed through Bracken and Leslie, and probably further north towards the property owned by Anglo American

It is this extension which may prove fruitful for Leslie Hochreiter says significant economic gold deposits probably exist in the extension of the Kinross channel further north-west, although he cautions grade and reef thickness tend to decline as the channel gets deeper the further it goes in a north-westerly direction

Any plan to exploit Leslie's Northern Block on a larger scale will entail some kind of tribute agreement with Anglo, should the deposit extend into their property, which analysts say is too small to sustain a mine on its own

In the short-term, however, the mines are extending their lives by venturing just outside their properties

Winkelhaak is developing its No 6 Shaft in the new area to the east of the old mine, which is expected to come into production in the second quarter of 1990 This will

replace the declining reserves at the No 5 Shaft It could also permit an increase in the mine's production rate to about 225 000 tons a month, from the present rate of about 180 000

Kinross is steadily running out of reserves on its established pay-shoot and, consequently, the grade is dropping unavoidably Temporary relief will be offered by the two-decline shafts, in the eastern area of the mining lease and in the northern block Potential also exists in Kromdraai, a farm to the west of Kinross's northern block Various drives into the area have encountered good values

Bracken, which has depleted virtually all its ore reserves, has no option but to face its end with dignity Maude says Gencor will be happy if the mine can be closed without making any losses

This means making enough profit out of cleaning-up remnants of ore underground (like the shaft pillars), and out of recovering gold locked-up in the gold plant, to offset the cost of lay-offs, rehabilitation and other factors in a mine closure

Analysts say part of Bracken's surface infrastructure — like its gold plant — may in time be used again, should Gencor give the go-ahead for Poplar, a venture to the west of Kinross

REINIE BOOYSEN

FROM today the merged interests of Marnevale and Rand Extensions & Exploration (Rand Ext) trade on the JSE under one listing — Randex — in the exploration sector

This is the final step in a transaction that was welcomed almost unanimously by shareholders and the investment community. The primary, and obvious, benefit to both companies is that it spreads the risk in a notoriously risky line of business.

The market capitalisation of the Marnevale/Rand Ext combine — which should come to about R230m — is the second largest among exploration companies on the JSE after Freddex, which has a mar-

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COMPANIES

Merged listing creates new exploration giant

ket capitalisation of about R240m

The deal has diluted Genbel's 93% interest in Marnevale to a 67% stake in Randex. Other major shareholders are East Daggafontein, Sanlam and other local and offshore institutions.

MD Chris Wood said last week Randex would hold a diversified portfolio of mineral rights and mineral-rights participations with significant exposure to future extensions of the Free State, Evander and Klerksdorp gold fields.

"In addition, the company holds participation rights in a good gold prospect in the South Rand Basin around Balfour and Greylingstad and in various other gold, platinum and base-metal projects."

Randex's portfolio consists predominantly of participations in gold prospects which are managed by the major mining houses, including Anglo American, Gencor and JCI. Wood pointed out that Marnevale's portfolio was exposed predominantly to Gen-

cor, which linked the potential for new mine development to that mining house's financial and management resources. The addition of Rand Ext's portfolio, however, enabled the new Randex to benefit should its joint ventures with other mining houses like Anglo and JCI come to fruition.

Commenting on the new combined listing last week, Genbel MD Anton Botha described Randex shares as "freely tradeable options on future SA gold mines". He said two significant interdependent

factors had to change to provide the impetus needed for the development of new gold mines: the improved profitability of gold mining and the ability of the mining houses to justify the after-tax cost of developing new mines.

"The gold price and a new understanding on the part of the state and mining houses of the benefits and problems of new mine development are the key ingredients to the development of Randex's major projects."

"These changes will come about — its a question of patience and developing the proposals to a stage where they can be implemented as soon as the economic conditions are correct."

Anglovaal's Free State Gold Search looks like paying off

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Spur 11/1/89

By Magnus Heystek, Finance Editor
Anglovaal is stepping up its search for gold in the Northern Free State amid signs that an intensive and expensive drilling programme has broadly confirmed the existence of large exploitable ore bodies in two contiguous areas

Gold mining analysts are optimistic that Anglovaal is near to announcing a medium-to-large gold mine, which would cost at least R1 billion in today's terms
But there is some disappointment over the delay in making the announcement because the mining house earlier this year said that an announcement on the proposed mine, or mines, would be made by the end of the second quarter of this year, at the latest
Anglovaal is currently exploring and drilling for gold in the Bothaville area, using two mining exploration companies
In the northern area, prospecting is being conducted on about 33 000 ha by Oribi Prospecting & Mining Company
In the southern area, prospecting is being carried out on about 37 000 ha through Sun Prospecting & Mining Company
The southern area extends from the

southern boundary of Oribi and the northern boundary of the group's Lorraine gold mine

But the joint announcement by Anglovaal and Middle Witwatersrand (Midwits) last night made it quite clear that, despite the positive findings of the exploration programme thus far, further exploration was needed

Feasibility study

"The results of a detailed feasibility study and of the drilling programme to date have broadly confirmed the existence of large exploitable ore bodies in the southern portion of the Sun Prospecting & Mining Company's prospecting area in the Northern Free State

"However, it has become evident from the study that certain aspects require clarification. A need exists for further definition of certain ore-body boundaries, for further details of reef/grade continuity in some areas and for an assessment of the impact of the latter on grade confidence limits in certain reefs

"An on-going drilling programme is being directed to address these needs and shareholders will be informed of the outcome when the results have been assessed in the new financial year"

This announcement from a normally reticent Anglovaal is seen by mining analysts as a strong pointer that it in-

tends going ahead with the development of one medium-sized mine, and perhaps more, in that area

A spokesman for Anglovaal echoed this positive tone, but warned against any premature conclusion

Anglovaal has in recent years undertaken an active exploration and drilling programme in the Bothaville area. In the 1988 financial year, R63 million in total was spent on drilling costs and acquiring mineral rights

This amount increased to R78 million in the financial year to June 30. Many prominent maize farmers in the Bothaville area have been paid millions of rands for the mineral rights on their farms

It has been reported that one farmer was paid more than R7 million for the rights

In the 1988 annual report chairman Basil Hersov lifted the lid on the positive findings of the drilling programme in the Bothaville area

They were sufficiently encouraging to justify a detailed R5,5 million feasibility study into the "viability of a large mine with eventual milling capacity of about five million tons annually", he was quoted as saying

Mr Hersov said that as the mining depths would vary from 2 700 to 4 400 metres, the overall gold recovery grade needed for economic viability would have to be more than the current industry average of 5,3 g/t

Prospects of 26 500kg of gold a year

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Big new mine all set to get the go-ahead

B104/11/787

ANALYSTS expect Anglovaal to give the final go-ahead, within the next year, for a large mine north of its Loraine operation in the Free State.

The new mine could eventually produce more than 26 500kg of gold a year, worth more than R900m at the current gold price

REINIE BOOYSEN

An announcement today, that a detailed feasibility study and drilling programme had broadly confirmed the existence of large exploitable ore bodies in an area of about 12 300ha, has been interpreted as a signal that few obstacles remain to the development of the mine

The announcement says what is still needed is a more detailed assessment of the ore body boundaries and reef/grade continuity in some areas. The impact of this assessment on "grade confidence limits in certain reefs" will then have to be considered

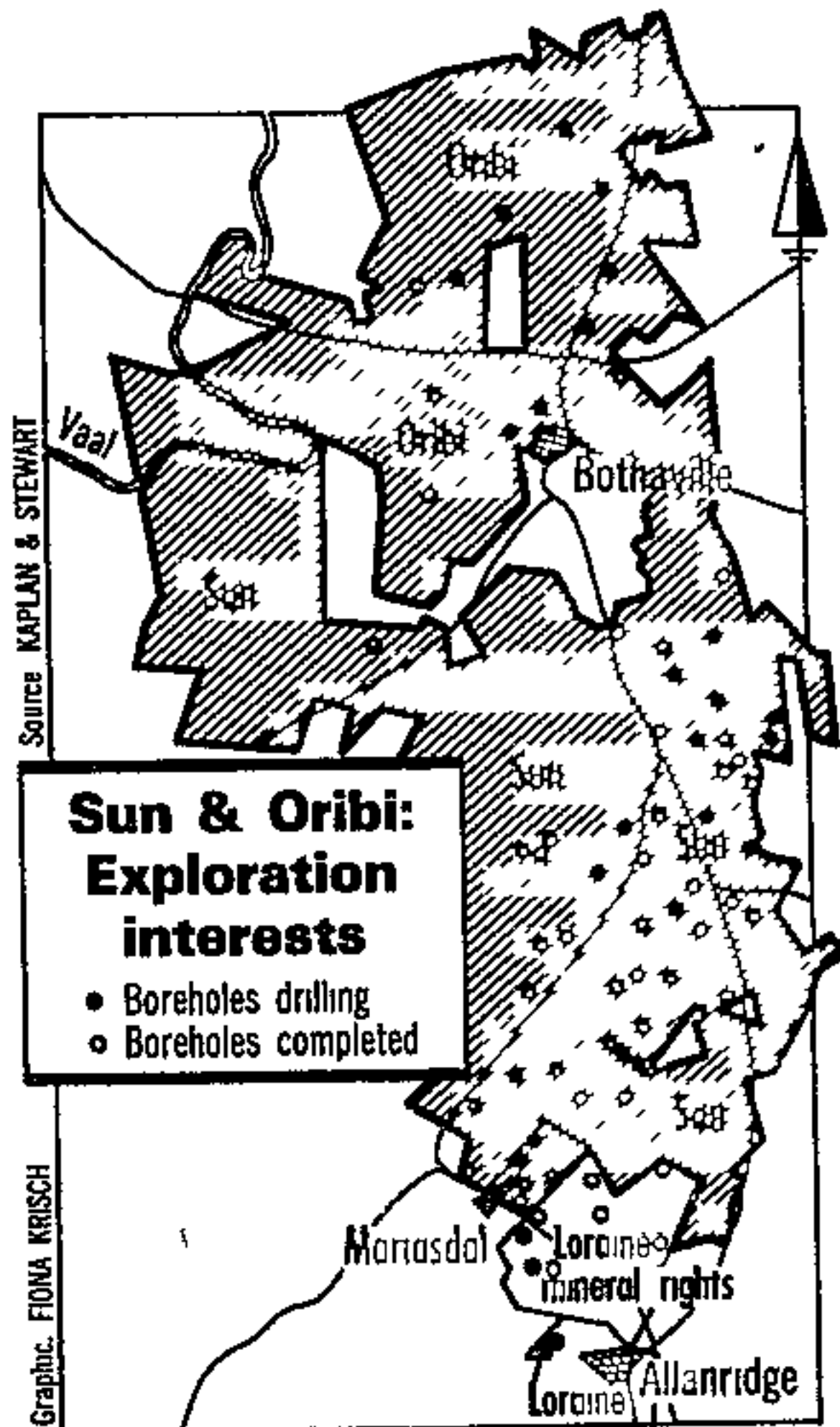
It says an "on-going drilling programme is being directed to address these aspects, and shareholders will be informed when the results have been assessed in the new year

"In the meantime, mine design and optimisation studies are proceeding"

Analysts say the most likely site for the mine is on the farm Mariasdal, north-west of Loraine's mineral rights holding

An Anglovaal subsidiary — Sun Prospecting and Mining — has more than R127m on its 37 000ha holdings north of Loraine, of which the southern portion was the subject of the detailed feasibility study

A recent report by stockbroker Kaplan & Stewart shows most of the drilling is focused around Mariasdal. Four boreholes are being drilled on this farm, while another five are in progress in the northern part of the Loraine lease, and in its mineral



□ To Page 2

New mine

rights holding A further three are being drilled immediately north of Mariasdal

The report says "The intensity of this drilling positively suggests evaluation drilling, but many of the rigs have been on site for a year or more, so that values are probably available already and additional deflections are now being carried out. Furthermore, two of the rigs might be for pre-cementation of shaft sites"

Later the report says "The most telling information is that Eskom has purchased servitudes from the farmers providing for a powerline from the Grootkop sub-station north-east of Loraine to within the farm Mariasdal

"Eskom does not undertake such devel-

opments unless specifically requested by a potential client"

The detailed feasibility study was to examine whether it would be economic to establish a mine with an eventual milling rate of up to 5-million tons a year. According to Anglovaal chairman Basil Hersov's 1988 review, the overall gold recovery grade needed for economic viability would have to be more than the (then) current industry average of 5,3 g/t, as mining depths would vary between 2 700m and 4 400m

Another Anglovaal subsidiary, Oribi Prospecting, spent R14m in the year to June 1988 on its 33 000ha option area, and budgeted to spend R8,5m during the 1989 year

□ From Page 1

GFSA's base metals turn in mixed performances

6/24/89 11:31 AM (214)

ANDREW BUDDEN

RESULTS of Gold Fields of SA (GFSA) base metal and coal operations for the June quarter generally reflect the mixed fortunes of base metal prices over the three months

While tin prices continued to firm in the June quarter, and lead broke sluggishly out of the \$350/ton level to breach \$400, metal prices generally eased off the higher dollar levels sustained over most of the previous quarter

This was reflected in the lower attributable earnings of O'Okiep Copper

GOLD FIELDS COAL almost doubled taxed profit from the March quarter's R4,9m to R8,8m. Tonnages mined and sold were both up 12%, but firm world coal prices pushed turnover 24% higher to R60,6m (previous quarter R50,0m)

Buoyant tin prices and well-contained costs rescued ROOIBERG TIN from lower earnings. The mine's taxed profit more than doubled to R1,8m (R751 000), in spite of a 29% drop in sales volumes

brought on by lower ore grades

June-quarter tin prices were the deciding factor in the recovery — soaring from the March-quarter level of around \$8 000/ton to more than \$10 000, before easing back to about \$9 850 in June

Costs of sales were also well controlled, falling 12% to R5,4m (R6,1m)

Copper, lead, silver and zinc producer BLACK MOUNTAIN lifted earnings 15% to R18,6m (R16,1m) on substantially higher metal in concentrate sales

Sales increases were borne by large inventory reductions in copper, lead and silver concentrates, as production of these concentrates remained largely static

Zinc inventories, however, continued their expansion as higher sales at 7 434 tons were still below the quarter's production, which rose 17% to 7 690 tons (6 590 tons)

Zinc refiner ZINCOR's taxed profits fell

22% to R5,7m (R7,3m) as slightly higher rand sales were outstripped by a 9% rise in costs of sales

June-quarter zinc prices declined in dollar terms from their first-quarter highs around \$2 000/ton, but a depreciating rand pushed rand sales up 4% to R99,8m (R95,8m), in spite of a marginal fall in sales volumes

O'OKIEP COPPER's attributable earnings declined 11% to R15,5m (R17,4m) on slightly weaker copper prices and substantially reduced grades

Ore grades fell 27% to 1,22% (1,67%) and production fell 7% to 9 178 tons (9 894 tons)

GOLD FIELDS NAMIBIA is still suffering from the effects of its Kombat mine disaster, which took the lives of seven men last year and left the underground workings flooded. Profits declined 30% to R9,6m (R13,8m) after R5,6m was spent on continuing operations to dewater the mine

GFSAs sits pretty (214) over Consgold bid

The Star Bureau

LONDON — Lord Hanson's recommended £3.5 billion cash-and-warrant bid for Consolidated Gold Fields (Consgold) is not yet over, says *The Times*

The paper said yesterday that whatever backing Lord Hanson had for the bid, Consgold's 38 percent-owned associate, Gold Fields of South Africa (GFSAs), was left in an interesting position

GFSAs holds 7.5 percent of Consgold and has yet to decide whether to accept the bid terms

"If there is one chairman in the Consgold empire who will not be running to Lord Hanson saying 'Please sir, I want to stay in the family,' it is Robin Plumbridge, chairman of GFSAs," *The Times* said

Lord Hanson might well secure the 50 percent plus needed to give him control of Consgold, but the 90 percent plus he needs if he hopes to acquire compulsorily the outstanding minority to take him to 100 percent could take some bargaining

Asset sales of unwanted parts of the Consgold empire are certain and the South African card is one Hanson might well be unwilling to hold onto.

The investment thinking in South Africa suggests that GFSAs would dearly love to become purely South African, rather than being owned



Robin Plumbridge

by a foreigner

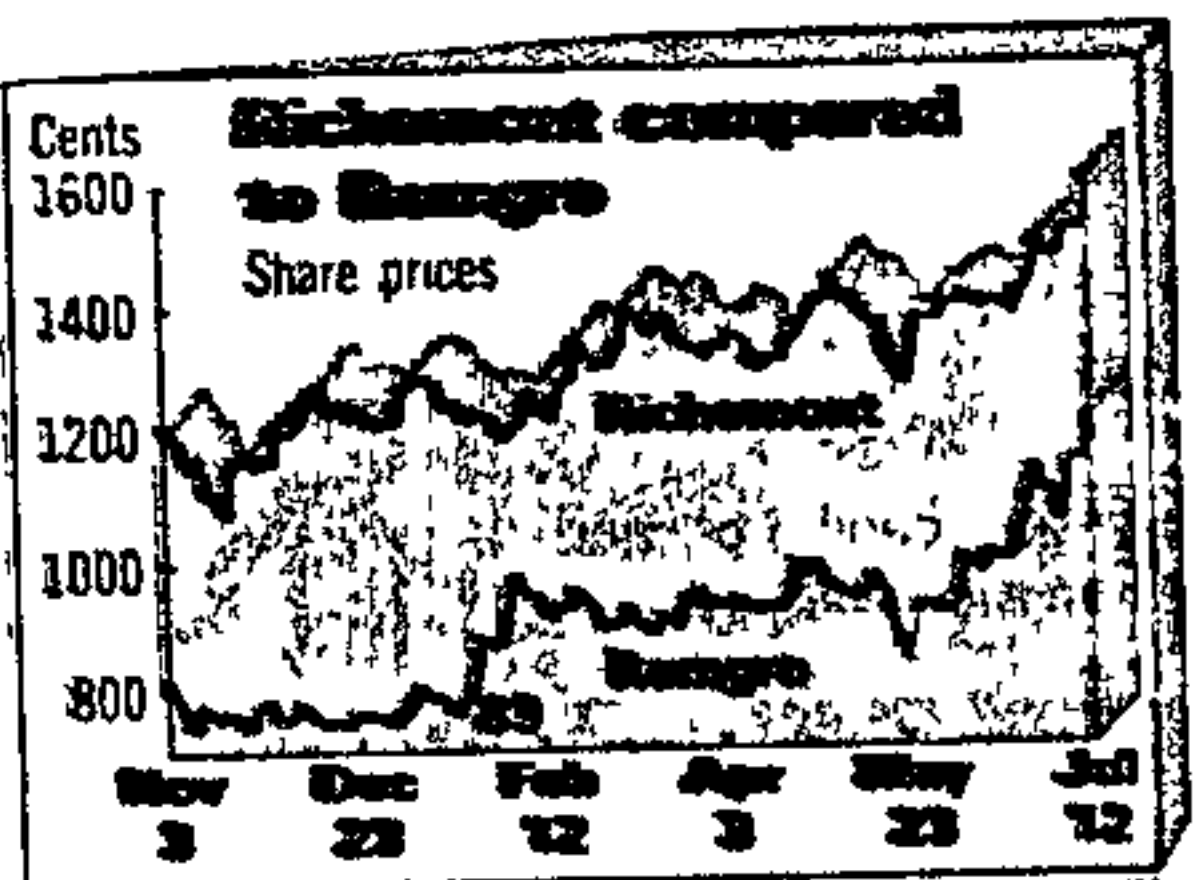
Its chance looms on the horizon

The Rembrandt Group has right of first refusal over 30 percent of Consgold's 38 percent stake, and is thought unlikely to say no if Hanson suggests a sale

"GFSAs is in an interesting position, having acquired a stake equivalent to 16 million shares in Consgold some years earlier," the paper said

"A cash injection of about £244.8 million would be useful to GFSAs — but its acceptance of the Hanson bid for its Consgold stake is not yet being taken for granted

"Mr Plumbridge is a skilled and tough negotiator and with a 7.5 percent Consgold stake in his hands — and the desire to protect his own empire from any upset — he knows he is holding a trump card," the paper said



6/10 am 13/7/89

Graphic: FIONA WIRSCH Source: JSE

Tobacco fever on Diagonal Street

BY J. ERVYN HARRIS

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TOBACCO fever raging in Britain in the wake of the huge £13bn bid for BAT Industries spilled over into Diagonal Street yesterday to boost Rembrandt group shares and its separate overseas arm Richmon

Sharp gains by the four Rembrandt shares in the tobacco sector, and Richmon in the industrial holding sector, were the major factor propelling the JSE industrial index up 25 points to a new high of 2 671

Fuelling the rise of shares representing the group's local interests was speculation on Rembrandt's right to buy ConsGold's remaining 38% holding in Gold Fields of SA (GFSA) following the acquisition of ConsGold by Hansom Trust. Rembrandt already has a 10% stake in GFSA

Remgro leapt to R12,50 before closing 65c (5,7%) up at R12,45 and Remb Beheer touched 900c before closing 35c (4,2%) up at 875c

While the Rembrandt group has first right of refusal to buy GFSA, analysts say it might have problems in financing such a deal which could cost more than R2,5bn

The group had R350m cash at the end of March, but this figure has since been reduced by its recent acquisition of Rambow Chickens through its subsidiary Huntcor

A scenario mapped out by some analysts is that Federale Mynbou, which controls mining house Gencor, would buy GFSA

Rembrandt would then increase its holding in Federale Mynbou

The hostile bid for BAT by three prominent international entrepreneurs had a knock-on effect on shares of Rothmans International, which rose sharply on the London stock exchange

Richmon surged to R16,15 before a firmer financial rand pulled the price back to end 40c higher at a fresh peak of R16

● See Page 7

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GOLD FIELDS OF SA

Prospects and priorities

■ A big question is how independent GFSA will be after the sell-off

Consolidated Gold Fields (Cons Gold)'s board has finally recommended acceptance of the takeover offer from Hanson Plc (see *Fox*) That has greatly hastened the long-anticipated sell-off of the London group's interests in SA, including its effective 38% stake in Gold Fields of SA (GFSA) What does that mean for the SA mining industry?

Much will depend on the form of the deals struck when Hanson chooses to sell these interests, as seems almost inevitable At least until that is known, and perhaps for a while after, question marks will hang over GFSA's future

For prospective local buyers, there are also Cons Gold's direct interests in certain of the GFSA operations Among these, at end-June 1988, were 5% of Driefontein Consolidated, 13% of Kloof, 15% of Deelkraal and 13% of the new Northam platinum mine They include some substantial investments, any one of which could make a useful addition to a mining portfolio At present prices the value of these stakes is roughly Dries, R443m, Kloof, R590m, Deelkraal, R192m, and Northam, R91m

The timing and the manner of such transactions will exert a wide and heavy impact on local financial markets — not least because they will mean heavy pressure on the financial rand and affect share prices of internationally traded stocks on the JSE — for a while, possibly quite radically That is one reason some analysts are recommending shares such as De Beers at present

But the really intriguing question centres on the fate of the GFSA stake Ripple effects — quakes might be a better word — that will be determined by the identity and the strategies of the buyer (or buyers) will be large

At the more dramatic end of the scale is the possibility of an effective merger of GFSA with, probably, Gencor Discarding such ideas, there is the possibility of changes to management strategy and perhaps to management itself Not to be ruled out is the alternative that there will be no changes, at least for some time, with the new stakeholders content simply to receive dividend income and assess the position

Rembrandt, of course, already owns an effective 10% and has right of first refusal on 30% of Cons Gold's remaining 38% in GFSA That does not necessarily mean it wants the full stake Even for Remgro, the deal would be hugely expensive, and would tie up a major — and maybe excessive — proportion of its assets in the mining sector

Release this week of Remgro's accounts for the year to end-March, the first to be published since last year's separation of the foreign interests into Richemont, revealed that already 31,7% (25,8%) of net income

was derived from mining interests, with 35,7% (38,3%) of capital employed in the sector Under mining interests is included the 29% stake in the diversified Federale Mynbou/Gencor, with GFSA and the relatively small Trans Hex (50%)

In contrast with Federale Mynbou/Gencor, which derived about two-thirds of recent earnings from Samancor and Sappi, GFSA essentially represents a pure investment in precious metals This largely explains what Remgro sees in the group Even so, to lift the Remgro stake in GFSA to 48% would greatly increase the overall exposure to mining, which might be considered too dominant in the portfolio On the other hand, Remgro will certainly want to protect its interests Even if it does not emerge with the full stake, it will want to ensure it gets the possible return on the investment in future That leaves a variety of options for Hanson in structuring a deal

London broker James Capel (house broker to Minorco) thinks that competition for the GFSA assets will be fierce, and that Hanson will be seeking to extract maximum value In addition to Rembrandt, the firm believes the following parties are potentially interested Anglo American Gencor/Fedmynbou/Sanlam, Rand Mines/Barlow Rand/Old Mutual, and Driefontein/Asteroid (or GFSA itself)

The GFSA executive, the firm suggests, may wish to retain its independence by using the 7,8% holding in Cons Gold in the unlisted Asteroid vehicle as a platform to bid Hanson for the GFSA stake This sounds far-fetched, but GFSA's stake in Cons Gold — which seemed a gamble at the time — provides considerable leverage for new investment Conversely, the holding in a foreign company is among GFSA's attractions for prospective local buyers

The way Capel sees it, Anglo already has a 20% stake in GFSA and recognises the value of the West Wits line and the new property of Kalkoenkrans in the Free State, Gencor and Rand Mines both need to bolster their gold portfolios Rembrandt is interested in further mining exposure Not to be overlooked is Liberty, which has links with both Rembrandt and GFSA

With these parties sniffing around, the

willingness of one or more to get involved in competitive bidding could be crucial Since the Hanson bid was announced on June 23, GFSA's price has gained 2 150c to trade on Tuesday at R90 But Capel notes that good assets in SA are scarce, and recalls that when the 10% stake in GFSA was sold to Rembrandt in July 1987, a 10% premium to the market price was paid "Why should it be any different this time?" the firm asks

One view is that if Rembrandt does emerge clearly holding the majority stake, or if the holding is spread between Rembrandt and Sanlam, then the next logical move would be to strike a deal with Gencor This is on the basis that Remgro has no management in mining, and presumably would not seek to get directly involved in running a major mining house — even at board level

And, the argument continues, a "partnership" or merger between GFSA and Gencor

would mean the departure of GFSA's aloof and independent-minded chairman, Robin Plumbridge Nobody thinks that Plumbridge (53), a former Rhodes scholar who has spent his career at GFSA since starting there as a statistician some 30 years ago, and has been chairman since 1980, will meekly move into Gencor chairman Derek Keys' management team A majority shareholding with a



Chairman Plumbridge ... waiting of the dust to settle

decisive Anglo influence could have a similar effect Among the lessons coming out of Minorco's battle for Cons Gold was the poor personal relationship that evidently exists between Plumbridge and 44 Main Street

However, to argue that Rembrandt would countenance a GFSA merger with Gencor simply because it does not itself have management in the mining sector might be to overestimate the current management influence of Cons Gold on GFSA's board Plumbridge told the *FM* not long ago that since 1971 GFSA has operated independently of Cons Gold "They have two directors on (our) board in a non-executive capacity and I sit on their board also as a non-executive director," he said "We keep each other aware of our plans" By all accounts, this fairly reflects the way things have worked

The GFSA board has maintained clear strategies which have led to evident strengths and to some controversial policies, notably in

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the labour field Unlike the other major houses (except Barlow Rand's Rand Mines), GFSA has avoided diversification into industrial sectors The declared policy — which may or may not have emanated from London — is to confine activities to mining and beneficiation of minerals The priority has been on development of its own projects rather than acquisitions, and, aside from the stake in Cons Gold, investments outside SA have been essentially avoided

Despite efforts over recent years to diversify into other sectors, in the year to end-June 1988 as much as 80% of group income was derived from gold, with 12% from other minerals and the rest from financial and industrial, property and cash Of the managed gold mines, Drie Cons and Kloof are among the industry's biggest producers, Kloof remains its richest gold mine, and four of the GFSA mines are among the five lowest-cost producers in SA

A rights issue is on the cards, mooted to raise R500m-R600m, raising funds for further development of Northam and a new gold mine The group is not heavily geared and would have little difficulty raising equity funds for such projects as these Bank finance has largely been avoided, though executive director Basil van Rooyen says it would be logical to use loans to provide Northam with working capital to fund its refining pipeline immediately after start-up

At present two major new mines are being developed The Leedoorn section of Kloof, effectively a large new mine, will roughly double Kloof's output The deep Northam Platinum is scheduled to enter production in mid-1991 with an initial milling capacity of 150 000 t/month

Gencor is considered the industry leader in

controlling mine working costs But, as SA mining houses go, GFSA is known for keeping a tight rein on head office costs, it is not known in the industry for paying particularly generous packages to such staff as managers and consultants Management has indicated that because head office resources are limited, there will be no major new projects until at least one of these two is out of the way

After that there are several possibilities In his last review, Plumbridge commented on what is seen as a potential new gold mine in an area south of the old Free State gold-



Van Rooyen

fields He said that on the information available the area concerned has a resource of about 1 150 t of gold Analysts believe there is a potential mine in the Potchefstroom Gap area, though its development looks further off

The house has become more active in the base metals arena recently and there could be more to come The disinvestment from SA by Newmont Mining enabled GFSA to buy 81% of O'okiep Copper, 80% of G F Namibia, which owns the Tsumeb base metal mines, and 55% of Gamsberg zinc deposit Gamsberg is SA's largest and richest zinc de-

posit, with about 10 Mt of zinc, and is bound to be exploited before long, probably with a listing O'okiep is not listed on the JSE, though its shares are listed in American Depositary Receipt form on the American Stock Exchange, with net profit last year of R45m, a local listing could be possible

A GFSA strength has been its handling of cash and funding of capital expenditure Mines such as Drie Cons and Kloof have steadily maintained massive capital programmes — they spent R512m last year — without the fluctuation in funding availability which has marred the planned spending activities in other groups This has resulted

partly from the policy of keeping retentions relatively high rather than paying out cash not absorbed by current spending In more prosperous times, some investors have criticised this policy as tight-fisted On the other hand, it's a conservative and logical philosophy that could fit in with Remgro's thinking

GFSA's most controversial policies have been in the labour field, where it has often differed from other major mining houses It prefers to apply a steep wage curve, paying relatively high wages for skills but unskilled workers get less than on other groups' mines This has helped to maintain employment levels but has been out of step with the Chamber of Mines' policy of lifting average wage levels GFSA's unwillingness to allow the National Union of Mineworkers to organise on its mines may have had short-term benefits, but mining analysts feel that it will eventually have to face up to this — and may have costs to bear

Assuming that GFSA remains at least nominally independent, there may be few if any major strategic changes Considerable progress has been made towards diversification beyond gold and there are big new projects in the pipeline The policy of sticking to mining and related areas is apparently a local preference that followed some unsuccessful ventures into industry, so there need not be new investment boundaries set after the departure of Cons Gold More tantalising is what changes of style may emerge, such as in the labour field — and how rigid a view the GFSA executive would take of its "independence" — following new appointments to its board

Gencor took a long time to emerge in its present form after General Mining's stormy takeover of Union Corp, many eventually came to see the results as more of a takeover by Union Corp Consequences of another merger of SA mining houses would be far-reaching

Andrew McNulty

Newmont's future at a standstill

Star 14/7/89

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It was a stressful week for New York arbitrageurs who dabble in the stock of Newmont Mining, as they scrambled to locate copies of an obscure standstill agreement that covers almost half the company's shares

The shares are those held by Consolidated Gold Fields (Consgold), which originally bought them to help thwart a takeover of Newmont, North America's largest and most promising gold producer, by raider T Boone Pickens

Ironically, it was ownership of the same shares that enabled Consgold to defeat Minorco's hostile bid earlier this year

Now that Consgold has agreed to a £3.5 billion takeover by Hanson, the shares are complicating matters for both parties and creating divergent estimates of the value of Newmont.

Newmont Mining is the glittering prize among Consgold's holdings

Its Newmont Gold subsidiary has rights to most of the Carlin Trend, a 30-mile strip of the Nevada desert, containing the largest vein of gold outside South Africa

Newmont also controls North

America's largest coal mining company, Peabody

It does not take a Boone Pickens to recognize the break-up potential of Newmont and those who believe Hanson will dispose of its shares consider the company, now trading in the low \$40s, to be worth as much as twice that

For Hanson to hang onto Consgold's 49 percent share of Newmont, they reason, is unthinkable

Unacceptable return

Without control of the company's cash flow, its return will be only \$20 million a year, a rate Hanson would almost certainly find unacceptable from any of its other holdings

Gold mining is too rich for Hanson's blood, says Jordan Estra, an analyst at Mabon, Nugent, the New York broker

Hanson's style, he suggests, is to sell off attractive properties such as Newmont, while keeping less glamorous ones such as ARC, Consgold's successful construction materials subsidiary, which also makes a good fit with Hanson's empire

There are plenty of potential buyers for Newmont American

Barrick, the US mining company, which has interests in Nevada, has expressed interest

Canada's Placer Dome would also be a likely bidder

There is also Minorco, which was barred from acquiring Consgold by a US judge fearful of the anti-trust implications of its control of Newmont.

The problem with all of this is Consgold's standstill agreement with Newmont, which Lord Hanson promised last week to abide by

The agreement, which runs for another eight years, prevents the owner of that 49 percent from buying more unless it is willing to make a cash tender offer for all the outstanding shares, fully financed in advance

That would mean a total cash outlay of \$3 billion, or 60 times Newmont's current earnings, at a time when gold is trading below \$380 (\$500 18 months ago)

A buyer prepared to live with the standstill agreement would have to be content with less than a third of Newmont's board seats and a dividend return acceptable only to the most traditional British mining finance houses, says Mr Shorr

Minorco, for its part, is likely to settle instead for Consgold's two wholly owned US gold mines, Chimney Creek and Mesquite, held by Gold Fields Mining Corporation, a wholly owned subsidiary

The widely varying estimates of Newmont's worth hang on the durability of the standstill agreement, which not everyone takes as given

It is difficult to believe Hanson went into the Consgold acquisition without a strategy for Newmont

Some analysts suggest it is wrong to assume that Newmont management is so attached to its independence that it would not consider a closer association with its new investors

The agreement can be amended by consent of both parties, they say, and Newmont could use Hanson's financial muscle to step up production at Carlin Trend

If Hanson is prepared to let management get on with the job of developing the deposit, it is not unthinkable that the two groups could come to terms

The Independent

ASA share price rise seen as bullish for SA

star 17/7/89.

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By Derek Tommey

ASA shares on the New York Stock Exchange have risen \$3 in the past week to a 17-month high of \$43 signalling a possible change of heart by Americans towards gold — and also towards South Africa

Local brokers said the rise was bullish for South Africa but were not so certain about gold

While ASA's share price has been rising, shares of Homestake, a major American gold mining company, have shown little movement. This suggests that ASA's firmness could be due more to political factors than to expectations about a higher gold price

ASA Limited is unique. It is a gold investment company created about 30 years ago specifically to encourage American investors to put their money in South African gold shares. At the time gold was \$35 an ounce and had little apparent prospect of going much higher.

As a result Americans looked on gold shares as they looked on yesterday's dinner — without much favour.

To make ASA attractive to the Americans it was given special tax and exchange control conces-

sions. To ensure that these benefited only Americans, South Africans were prohibited from buying the shares. This is why they are not traded on the Johannesburg Stock Exchange.

There is no doubt that if the political risk — in the United States as well as in South Africa — were removed ASA shares would be much higher than they are.

ASA is giving a return of just under 10 percent. In contrast, the dividend yield on Homestake, which mines gold in South Dakota and California, is a miniscule 1,4 percent.

Newmont Gold

The return from Newmont Gold, which played an important role in the defeat of Minorco's bid for Consgold is even smaller — five cents on a share price of more than \$30.

If ASA were valued on the same basis as Homestake, its share price would be over \$300.

One of the political risks that faces American investors is that the US Congress might approve the Dellums Bill which calls for the forced sale of South African shares by US citizens. The Bill

failed to get approval last year but was reintroduced into the House of Representatives on January 3 and in the Senate on March 3.

ASA's chairman, Mr Wesley A Stanger, Jr both in his 1988 annual statement and in his 1989 first quarter report, urged shareholders to protest to their Congressmen and Senators about the Bill.

Perhaps, these protests are having an effect and have lessened the prospects of the Dellums Bill seeing the light of day.

Brokers say there has been a rise in American interest in local gold shares recently, but trading has been mainly professional.

At the end of February 34,3 percent of ASA's portfolio was in Driefontein, Kloof and Western Areas, another 35,8 percent in Harties, Southvaal, Vaal Reefs and Zandpan, 2,5 percent was in Beatrix, Free State Consolidated, Joel and Unisel, 5,9 percent in Kinross and Winkelhaak, 1,1 percent in Canadian mines, and 16,1 percent in Amcoal, Anglo American, De Beers, GFSA, Impala, Rand Mines, Rustenburg Platinum, Samancor and Sasol.

ASA's total investments were worth R1,3 billion equal to \$527,5 million — or \$59 a share.

Gold in row is 'too old' to bust sanctions

SOUTH AFRICAN gold that caused a "sanctions-busting" uproar this week was produced in the '70s — long before Australia imposed bans on bullion from South Africa.

This was revealed yesterday by the company accused of breaking international standards by melting down the SA gold and then restamping it as sourced in Australia.

"The handling of the shipment contravened neither accepted gold refining practice nor the spirit of the Australian Government's trade policy," a spokesman for the Perth mint, Mr Ron Barry, told the Sunday Times.

He denied claims that the mint, which is owned by the West Australian Government, used the SA gold to produce Australia's equivalent of the Krugerrand, the Australian Nugget.

Mr Barry said the mint had bought 40 000 ounces of gold bars, valued at over R42-million, from a Swiss bank which is a member of the London Bullion Market Association.

This was done because the mint temporarily lacked

NIC van OUDTSHOORN
Sydney

enough gold to meet demands. Mr Barry said the LBMA, which controls the world market in gold, insisted that "a buyer may not stipulate any particular brand when taking delivery".

"Consistent with this, we had no knowledge we would be receiving bars refined in South Africa until they had been freighted to us," he said.

"In any event, although the Rand Refinery remains to this day an accredited LBMA refiner, whose bars are traded around the world, the markings on the bars we received indicated they were manufactured in the '70s."

Mr Barry said the LMBA had no objections to bars being reprocessed by a buyer.

"What is frowned upon is melting bars and restamping them without checking weight and assay because the stamp of an accredited refiner is the guarantee of weight and purity."

This was done by the Perth mint after the SA bars were melted down and restamped.

In spite of offshore interests . . .

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AAC a grassroots SA entity — Relly

JOHANNESBURG — Anglo American Corporation (AAC) is "first and foremost" a grass-roots SA entity and has no desire to change this, says chairman Gavin Relly in his annual review

However, he says, the corporation's policy of building up its overseas interests within its own relatively limited foreign resources, and based on its technical and financial skills, will continue both directly and in support of Minorco

Although Hanson PLC's acquisition of Minorco's stake in ConsGold will not promote Minorco's plan to become directly involved in natural resources management on an international scale, it will enable the company to take advantage of new investment opportunities from a powerful cash base

Anglo American, Relly says, is pursuing its investment programme in southern Africa

- Some R200m will be spent this year on prospecting, much of which will be devoted to delineating new gold mining areas in SA,

- Several new mining ventures in the non-precious metals field are expected to be announced in the next 18 months,

- Mondi Paper has just announced a R110m greenfields timber project in the Eastern Cape and is planning a second

- Pulp line at Richards Bay and — Highveld Steel, with Samancor, is examining a project to produce stainless steel for export

Planned and projected capital expenditure by the corporation's gold, coal and industrial interests, he says, should be well in excess of R8bn in 1989/92

The corporation is keen to help

develop Mozambique and may re-assume responsibility for part of the cashew nut industry which became a state activity after independence, he says

In a more stable security climate opportunities would exist for forestry, mineral and agricultural development and the exploitation of natural gas

The corporation's associates in Zimbabwe, he says, have been enjoying more prosperous times due to higher international commodity prices, and chrome, nickel and sugar operations have benefited

Investments in Zambia have done well in local currency terms but the chronic shortage of foreign exchange has severely limited dividend remittances, he says

While favourable copper prices have enabled Zambia Consolidated Copper Mines to declare its first dividend in eight years, payment to shareholders has not yet been cleared

In Botswana, Relly says, favourable prices and record production enabled Selebi-Phikwe copper/nickel mine to reduce its debt, the burden of which continues to preclude dividend payments.

The R900m soda ash venture at Sua Pan near Francistown, in which Anglo American is participating with AECI and the Botswana Government, will meet Southern Africa's soda ash and salt needs, thus saving substantial foreign exchange, he says.

New equity investments by the corporation in the 1988/89 financial year included funding for the developing gold mine at Navachab, in Namibia. — Sapa

Rand Mines

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gold producers

profits wiped out

JOHANNESBURG — Rand Mines gold producing companies' after-tax loss for the June quarter rose to R20,8m — 91,72% higher than in compared with the previous quarter

The quarterly results which were released yesterday show that the R10,4m after-tax profits recorded by Blyvooruitzicht and Harmony were wiped out by marginals ERPM and Durban Roodepoort Deep whose losses totalled R31,2m

For administration purposes, the monthly cost closing dates at the mines have been revised with the result that there were 88 milling days in the quarter against 91 previously

Tonnage milled was down from 3,8m tons to 3,6m tons, while gold production dipped from 13 110 kg to 12 503 kg. Grade was up at Blyvoor and ERPM, virtually unchanged at Harmony and down at Durban Deep

The average gold price received was slightly up from R31 639 to R32 403 a kg

Unit costs of the four mines as a group were just over R7 per ton up at R138,78 a kg, while capital expenditure by the group for the quarter was R29,5m against R15,7m previously

Harmony's tonnage was little changed at 2,3m tons (2,4m), while yield was virtually the same at 3,04 g/t (3,05 g/t). Costs per ton were well maintained at R95,36 (R96,28), but revenue per ton was slightly down at R97,93 (R99,71)

Net profit was down at R9,1m (R10,8m), while capex was sharply higher at R16,1m (R7,3m)

Blyvooruitzicht's tonnage for the

quarter was 539 000 tons compared with the previous 571 000 tons with yield little changed at 4,39 g/t (4,331 g/t)

Costs per ton were higher at R140,36 (R124,52), but revenue per ton increased to R142,06 (R135,70) mainly as a result of the higher gold price received of R32 343 a kg (R31 321 kg)

Net profit, however, was sharply down at R1,2m (R7,8m)

Durban Deep's lower tonnage of 412 000 tons (456 000 tons), and drop in yield to 2,87 g/t (3,17 g/t) combined with higher costs per ton of R133,22 (R116,06), reduced revenue per ton to R97,28 (R107,50)

Net loss was accordingly higher at R13,9m compared with the net loss of R2,5m in the previous quarter. Capex was significantly lower at R775 000 (R1,2m)

Sand treatment tonnage increased to 114 000 tons (74 000). There was a slight drop in grade to 0,61 g/t (0,87 g/t), and revenue per ton after virtually constant cost per ton of R10,91, dropped to R20,37

ERPM's tonnage fell to 359 000 tons (420 000 tons), but grade was up at 4,02 g/t (3,67 g/t)

Cost per ton were slightly lower at R186,17 (R189,95) which helped to push up profit per ton to R129,87 (R115,14)

Net loss was substantially reduced to R17,3m compared with the previous quarter's loss of R26,9m

Revenue from the sand treatment dropped to R32,31 a ton (R36,25) mainly as a result of higher costs a ton of R12,15 (R10,78) — Sapa

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The Star Bureau

Consgold lifts profit estimate 32,5 percent

LONDON — Operating profits of Consolidated Gold Fields, which is facing a recommended £3,5 billion bid from Hanson, are estimated at not less than £350 million for the year to the end of June *Star 18/7/89*

The estimate is given in a letter to shareholders from Consgold's chairman, Mr Rudolph Agnew, and contained in the formal Hanson offer document.

The profits figure, an increase of 32,5 percent on the previous year, is higher than the total of at least £335 million suggested by Mr Agnew in the course of the previous bid battle against Minorco

Mr Agnew adds that earnings per share for 1988-89 are now estimated to be not less than 102p. This compares with 100,2p in the previous year

Another problem area opens up for Rand Mines

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Star
18/7/89

By Derek Tommey

Rand Mines, which already has two problem gold mines on its hands — ERPM and Durban Deep — now looks like being saddled with a third — Blyvooruitzicht

Blyvooruitzicht reported last night that its taxed profits dropped in the June quarter by 85 percent from R7,8 million to R1,2 million

After taking into account capital expenditure in the quarter of R4,5 million, the mine had a negative cash flow of R3,2 million, against a positive cash flow of R3,4 million in the March quarter

Revenue for the quarter was fractionally lower at R76,6 million (R77,5 million), but total costs jumped 6,5 percent from R71,1 million to R75,7 million

The mine management says that costs for the June quarter reflect the full effects of the increases in officials' salaries and skilled wages

Mr Clive Knobbs, chairman of Rand Mines gold and platinum division, says that the tight controls on costs and grade at Blyvoor are being intensified

ERPM, which was in danger of being closed down a few weeks ago, still made a substantial loss of R17,3 million in the June quarter. But this was significantly below the R27,0 million in the March quarter, raising hopes that the reorganisation of the mine, which includes the closing of most of the old mining areas, is beginning to bear fruit

Ore milled dropped to 359 000 tons in the quarter from 420 000 in March, reflecting the curtailment of operations. But the grade of ore milled rose from 3,67 grams to 4,02 grams — possibly as a result of mining only the new deep area

Although total revenue was slightly down at ERPM — from R60,5 million in March to R59,1 million in June — working costs were sharply lower, dropping from R83,4 million to R71,5 million. This is also a cause for hope that the mine may be made profitable again

However, Durban Deep plunged even deeper into the red in the June quarter, reporting a loss of R13,9 million which is five times the

R2,5 million loss in March

The mine says that no reply has yet been received to its request for State assistance

Harmony, which has been retrenching staff recently, reported a taxed profit of R9,1 million for the June quarter, only R1,7 million less than the profits earned in March

But with capital expenditure rising from R7,4 million in the March quarter to R16,2 million in the June quarter, Harmony too had a negative cash flow last quarter

The only real bright spot in the quarterlies is the 45,5 percent jump in the taxed profit of Witbank Colliery from R30,3 million to R44,1 million, as a result of higher export prices and the start of operations at Majuba Colliery

At Barbrook Mines, the group's new gold mine in the Eastern Transvaal, the metallurgical plant is expected to be commissioned towards the end of the September quarter. This is earlier than expected and suggests that the mine is well on target to begin production at the start of 1990

(214) B/DM
19/7/84

Gold 'must go in special account'

MICHAEL ACOTT

TREASURY should try within five to 10 years to remove all gold-mining revenue from the Budget and put it in a special account for capital expenditure only.

This scheme is proposed by former Sanlam chief Andreas Wassenaar to prevent government consuming the revenue from gold for current expenditure and to train SA for the time when gold revenue declines to an insignificant level.

Wassenaar says government's entire gold-related revenue should be invested in the national infrastructure. A similar policy with other mineral resources would increase the amount spent on infrastructure and bring current spending under stricter discipline.

At present, with the industry approaching a declining stage, SA had little to show for its consumption of the "unique capital asset" it had at the beginning of the century.

SA had a large national debt, high inflation, a vulnerable economy and above all "we appear to have taught ourselves to live, as a nation, far beyond our means".

Anglovaal mines lift earnings

CML-TMP 19/7/89

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JOHANNESBURG — Three of the Anglovaal group's gold mines — Hartbeestfontein, Eastern Transvaal Consolidated and Village Main Reef — yesterday reported higher earnings, after capital expenditure, for the year ended June 30, as did the group's copper/zinc mine, Prieska

The antimony producer, Consolidated Murchison, also announced sharply increased earnings after capex for the period

Contributing to the gold mines' improved results were firmer rand gold prices received, increased hedging profits and, in the case of Harties and Village Main, lower tax charges. All three mines lifted their total dividend payments

Harties' low-grade gold plant and ETC raised their milled tonnages

However, the low-grade plant's figures are not strictly comparable as this is the first time it is reporting results for a full financial year, having only started trial milling in the December quarter of 1987. Gold recovered was higher at this plant, at ETC and Village

Although Harties' income from other sources was fractionally down, expenses were considerably lower and this, combined with a reduced tax bill — partly as a result of higher capex and a lower marginal tax rate, and partly because of a reduced pre-tax profit led to a rise in taxed profit to R262 322 000 (1988 R234 676 000).

ETC's non-mining income rose, but prospecting and other costs were

sharply higher. Therefore pre-tax profit increased as did the tax charge, leaving an after-tax figure of R47 560 000 (R49 522 000)

Village's pre-tax profit was a little lower, but taxation declined because of this, higher capex and the revised tax formula, leaving an after-tax profit of R4 888 000 (R4 424 000)

With the Prieska copper mine now running down — underground operations at their present level will come to an end in the September quarter — the milled tonnage, production and despatches were all lower than a year ago

However, firmer copper and zinc prices as well as weaker exchange rates, brought about an improved working profit and a R5 959 000 rise in taxed profit at R11 722 000

In spite of the continued instability of the antimony market as a result of disruptive sales made by Chinese producers in the year, Consolidated Murchison's net revenue from antimony sales rose, mainly because of the weaker rand/dollar exchange rates

This, together with higher income from gold sales and sundry mining income, more than offset a slight rise in sales costs

After taking into account reduced non-mining income and prospecting expenditure, the pre-tax profit rose to R11 153 000 (R5 756 000)

The tax charge was also lower, leaving an after-tax profit of R10 227 000 (R4 520 000) — Sapa

CMT Times 14/7/81
**Western Areas
performs poorly**

JOHANNESBURG — The significant improvement in the results of Randfontein Estates, one of the three gold mining companies in the JCI group, for the June quarter was offset by Western Areas' poor performance which resulted in the mine recording a sharply increased net loss

Randfontein's improved performance was largely as a result of maintaining constant working costs per ton, while mill throughput and average grades have increased.

Gold production increased to 6 653 kg (6 279 kg)

Profit after a slightly lower tax bill of R4,4m (R5,0m) was accordingly higher at R43,9m (R31,9m), while capex increased significantly to R33,8m (R11,4m).

Although Western Areas experienced increased unit costs and decreased tonnage, results are expected to improve as higher grade reserves are mined on the VCR.

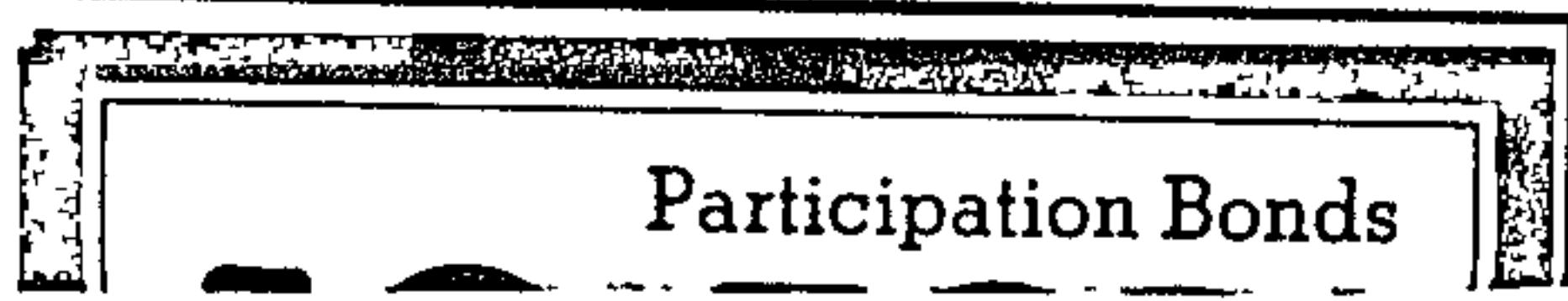
Gold production was lower at 2 981 kg (3 249 kg)

The mine recorded a net loss which increased sharply to R6,2m from R1,4m in the previous quarter. Capex was higher at R12,9m (R10,6m).

H J Joel's metallurgical plant capacity is now 80 000 tons a month and the build-up of stoping tonnage is proceeding as planned.

Ore milled increased to 98 000 tons (79 000)

Gold production increased to 326 kg (255 kg) Capex was significantly higher at R32m (R21,9m) — Sapa



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Anglovaal boosts profits

Finance Staff

Higher rand prices received (including profits from hedging) for gold sales, combined with generally reduced tax charges, led to good rises in the after-tax profits of the Anglovaal group's four gold mines during the June quarter

Increased capital expenditure and the reduced marginal rate applicable to the revised formula tax were largely responsible for the taxation factor, which led to a 24 per cent decrease in total tax paid at R61,06 million (March quarter R80,6 million), leaving the total taxed profits of the mines 10 per cent higher at R90,05 million (R81,7 million)

This was made up by Hartebeestfontein R68,14 million (R65,7 million), Eastern Transvaal Consolidated R12,74 million (R10,64 million), Loraine R7,09 million (R4 54 million) and Village Main with R2,06 million (R849 000)

Mill throughputs in Hartebeestfontein's main plant and at Village

Main rose, while ETC's figure was unchanged and there were small declines in Harties' low-grade gold plant and at Loraine. The latter mine's grade was unchanged, Village's was higher, but the other mines reported fractional declines in average values and thus lower gold production figures were recorded at all mines except Village Main, the total being three per cent lower at 10 624 (10 986) kg

Average rand gold prices received showed good rises, partly reflecting the weaker rand, but hedging profits again contributed to these increases

Underground mining operations at current levels at the copper/zinc producer, Prieska, will cease during the September quarter. Thereafter, the mine may recover limited tonnages of ore from underground to supplement material to be drawn from the low-grade surface dump

Production of both copper and zinc concentrates increased during current quarter, but despatches were lower with a resultant decline

in operating profit. However, there was a sharp reduction in the tax figure as a result of export allowances and the partial re-allocation to a trust fund of previously-made rehabilitation provisions, the net effect being that the after-tax profit rose to R5,19 million (R2,91 million)

There was an increase in Consolidated Murchison's volume sales of antimony concentrates, but this was offset by slightly lower average US dollar prices. However, the weaker rand/dollar exchange rate more than compensated for this, with the result that net revenue from this source was higher

Gold sales income declined, sales costs were marginally lower and non-mining income rose following receipt of the export incentive allowance

After deducting prospecting expenditure, the pre-tax profit rose to R2,38 million (R2,31 million). There was a marginal rise in the tax charge, leaving after-tax profit slightly up at R2,1 million (R2,06 million)

16.45

Joel on course for ^{sk} profits by year-end ₁₉₁₇₈₉ (214)

By Derek Tommey

Joel, South Africa's newest developing gold mine, should be rearing profits by the end of the year, says Ken Maxwell, chairman of JCT's gold division

Joel hit the headlines 15 months ago when preliminary development results differed markedly from expectations

But this problem now appears to have been overcome and Joel is continuing to make good progress in the opening up of stopping faces, with some development being three months ahead of schedule

Joel is the first gold mine to be planned from scratch to use trackless equipment for its mining operations

It expects to mine fairly large volumes of ore in the near future. Results show a satisfactory increase in grade and channel width as development moves deeper into the mine

Mr Maxwell said at a briefing last night on JCT's June quarterly results he was sanguine that the group's loss-making mine, Western Areas, would be turned around

Other good news was that the third mine, Randfontein, had shown a sharp increase in prof-

its in the June quarter

But shareholders were warned that costs at the mine were expected to escalate 15 percent in the next 12 months

Joel's consulting geologist, Dr C J Fauconnier, said that since May the mine's metallurgical plant had been able to treat 80 000 tons a month and it was expected to reach this rate at the end of this current calendar year

Part of the plant had been shut down recently to see how much gold was being "locked up" during the milling process. The amount was found to be low

He said underground development was ahead of schedule

The mine had milled 98 000 tons at a yield of 3.3g/t. This low grade was the result of considerable development ore being milled. But the ratio of development ore to reserve ore should fall steadily over the next two years

Dr Fauconnier said No 4 Shaft had been equipped as a second outlet facility and that work on the grouting plant was making good progress

Joel had decided to use grouting instead of backfill for a number of reasons, including the lower fire risk

Randfontein, the "super-mine"

on the West Rand, reported taxed profits of R43.9 million (R31.9 million) for the quarter. This 37.3 percent increase was the result of a six percent rise in gold production to 6653kg after a small increase in both milling rate and grade

A rise in the gold price received from R31 212 to R31 955 a kilogram had also helped

The increased gold production was helped by higher grades from the Doornkop area. A further small improvement in grades was expected

Western Areas quadrupled its loss to R6.2 million from R1.4 million in the March quarter

The mine was R73 million in debt. However, the outlook for the mine did not appear completely bleak, Mr Maxwell said

The situation at Western Areas was worrying and the mine might be in for a tough time before conditions improved, he said

But operations, which were partly mechanised, were being organised to make the most use of plant and equipment

Cost reduction scheme pays off . . .

Sharp rise in Gencor mines' profits

COM 11/11/89 20/7/89

JOHANNESBURG — The benefits of the steps taken by Gencor 12 months ago to reduce costs were reflected in the June quarterly results, in which the slightly lower tonnage milled was compensated for by the higher average yield and lower working costs, resulting in substantially higher after-tax profits

Total tonnage milled dropped to 4,40m tons (4,45m), but the average higher yield of 4,8 g/t (4,7 g/t), combined with the lower average working costs of R23 500/kg (R23 826/kg), pushed total after-tax profits sharply up to R169,3m (R96,5m)

Total capex was increased to R64,8m from the previous R37,8m

Average milling rate at 367 000 tons (371 000 tons) recorded a drop of 1,1%, but average yield was 2% up on the previous quarter, while average working costs per kg were reduced by 1,4%. Average capex for the mines was 71,4% higher at R5,9m (R3,4m)

Stilfontein's higher gold production of 1 225 kg (1 111 kg) as well as the R24m dividend received from Chemwes, were largely responsible for the sharp increase in the mine's after-tax profit of R27,6m (R3m)

Bracken recorded overall improved results and lower costs and higher gold production of 555 kg (544 kg) as well as an improved yield, increased after-tax profit to R1,5m (R459 000). The planned scale-down has reduced production to 54 000 tons a month at a marginally increased grade

West Rand Cons' reduced operating loss and restored overall profitability. The mine recorded an after-tax profit of R770 000 against a previous loss of R4,3m

Kinross recorded a largely constant quarter with a marginally lower milling rate, unchanged yield of 5,7 g/t and virtually unchanged gold production of 3 001 kg (3 000 kg). With well maintained costs, the mine posted slightly higher after-tax of R20,9m (R19,8m)

Chemwes after-tax profit was R2,9m against the previous loss of R93 000. The company declared a R30m dividend

Buffelsfontein contained costs and increased gold production to 3 664 kg (3 521 kg). This combined with lower costs and constant grade as well as a higher contribution from Beatrix, increased after-tax profit to R20,7m (R15,3m)

Unisel benefited from a higher gold price, higher milling rate and slightly improved yield, but an increased tax bill of R8,9m (R3,8m) resulted in marginally lower after-tax profits of R12,3m against the previous R12,9m

Winkelhaak which started trial stopping at No 6 Shaft posted a higher after-tax profit of R28,5m (R21,4m)

Grootvlei improved average underground grade mined and is focusing on more profitable areas. The mine's after-tax profit increased to R561 000 (R167 000)

Beatrix recorded an overall good performance maintaining a constant milling rate, and yield as well as containing costs. These factors combined with a tax saving of R21m, sharply increased net profit to R43,4m (R18,2m)

Leslie's higher yield and higher gold production combined with lower working costs, pushed the after-tax profit up to R3,9m (R1,1m)

St Helena returned a steady performance and a programme to increase productivity has been introduced. Grade was steady at 5 g/t, while gold production was little changed at 2 650 kg, as was after-tax profit at R8,9m (R8,5m)

Marievale's yield and profit deteriorated resulting in a sharp drop in income before tax to R172 000 (R1,1m)

Oryx's shaft sinking exceeded expectations and the mine's after-tax profit was slightly up at R777 000 (R707 000) — Sapa

Genmin belt-tightening pays

(214) B/Dec 20/1989

GENMIN'S plan for group gold mines to tighten their belts, announced in August last year, is starting to pay off.

The main feature of Genmin's June quarterly results is the successful containment of costs. Average working cost per kg of gold produced rose by only 0,3% since the June quarter last year to R23 500 (R23 429) and declined by 1,4% when compared with the previous (March) quarter (R23 826/kg).

Even in terms of tons milled, the rise in costs is commendable when compared with industry trends from the June 1988 quarter's R104,11/ton, costs have risen by only 7,6% to R112,06/t.

From March 1988's R111,18/t they have risen by only 0,8%.

At a presentation of the results yesterday Genmin gold operations MD Gary Maude said his company "took the view in August that costs would continue rising at the national rate of inflation (currently about 15%), and that the gold price would not match this.

Consequently we decided we had to stop

REINIE BOOYSEN

mining unpay areas, and we're now starting to see the fruits of that policy."

This success coupled with a higher rand gold price, enabled the group to lift its average working income per kg of gold produced by 25,7% to R6 043/kg from June 1988's R4 808/kg, and by 30,3% from March 1989's R4 636/kg.

The average rand price of gold received by Genmin mines rose to R32 111/kg in this June quarter, compared with R31 797 in last year's June quarter, and R31 186 in this year's March quarter.

Although aggregate tonnage milled declined by 293 000 tons since June last year, and by 50 000t since the previous quarter, gold production rose to 20 987kg because of a rise in average yield to 4,8g/t from 4,4g/t in the 1988 June quarter and 4,7g/t in the March 1989 quarter.

This reflects the house's strategy of cutting back on uneconomic mining areas, and rather concentrating on high-grade areas.

The house's aggregate net profit —

GENMIN June Quarter	Tons milled 000s	Yield* g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Beatrix	540	6,1	3 301	142,87	18 570	31 942	43 488	16 469	—
March.. ..	540	6,1	3 294	138,70	18 041	31 249	18 244	12 786	—
Bracken	164	3,4	555	102,42	30 265	32 155	1 535	1 195	9
March... ..	170	3,2	544	103,99	32 496	31 255	459	306	2
Buffelfontein	584	6,3	3 664	163,38	26 040	31 851	20 774	17 344	158
March... ..	562	6,3	3 521	169,78	27 099	31 188	15 321	12 495	114
Grootvlei	196	3,9	760	120,55	31 091	31 667	561	589	5
March	281	2,9	821	92,78	31 758	30 999	167	134	1
Kinross	526	5,7	3 001	105,57	18 503	31 762	20 912	13 681	76
March	527	5,7	3 000	103,95	18 261	31 279	19 799	13 061	73
Leslie	245	3,0	735	79,98	26 660	31 871	3 895	2 562	16
March... ..	278	2,5	690	78,84	31 764	31 301	1 162	326	2
Marlevale.	107	2,0	210	64,98	33 110	32 097	—	—	—
March	98	2,3	224	62,12	27 179	31 204	—	—	—
St Helena	530	5,0	2 650	139,47	27 893	32 080	8 876	8 174	85
March... ..	540	5,0	2 700	135,44	27 088	31 246	8 456	7 128	74
Stilfontein	505	2,4	1 225	69,99	28 855	32 033	27 656	27 316	209
March.	379	2,9	1 111	84,65	28 878	31 125	3 007	2 841	22
Unsel	270	5,9	1 605	119,30	18 976	32 023	12 310	7 504	27
March... ..	254	5,8	1 470	118,93	19 317	31 205	12 904	5 050	18
West Rand Cons....	238	2,0	480	66,08	32 765	32 086	770	1 087	26
March	317	1,8	585	73,88	40 036	31 142	(4 439)	(4 052)	(95)
Winkelhaak	496	5,6	2 801	118,00	20 896	32 006	28 553	8 633	71
March	505	5,6	2 840	113,18	20 125	31 399	21 493	10 245	84

which rose 43,7% to R169,3m in the June quarter, compared with R117,9m in the June 1988 quarter — was boosted by two extraordinary sources of income. SPIL-FONTEIN'S R24m dividend payment from the defunct Chemwes uranium operation, and a R21,1m tax refund for BEATRIX in part settlement of an objection with the Commissioner for Inland Revenue dating back to 1984.

The rise in net profit is even more impressive — 75% — if compared with the March quarter this year, when aggregate income after tax was R96,6m.

Maude highlighted the following features at individual mines.

□ GROOTVLEI had been through "its depths", and having borne the retrenchment costs (about R1m) of reducing underground operations it would now "get back on its feet".

□ Management was investigating an acceptable package to develop a tertiary shaft at BUFFELSFONTEIN.

Present estimates were that the shaft would cost R1,18bn but he hoped this would be reduced through greater techni-

cal efficiency.

He said the project would look more attractive with about 15 years ore reserves, and capital costs of significantly less than Ribn.

□ At BEATRIX, yield is expected to decline to around 5,5g/t while the mine exploits a relatively low-grade zone (of about 600cm-g/t) to get access to a higher-grade zone in the south-west of the lease area.

□ Maude said management at WINKEL-HAAK was learning to mine the faulted area at the No 6 Shaft.

He said the drop in tonnage was because some faces in the old area had become uneconomic and this caused a disruption while new payable faces were prepared.

□ ST HELENA'S tonnage dropped when the programme of opening up pillars at the No 2 Shaft fell behind schedule, but this had been jacked up.

□ The hoped-for extension of the ore body at ORYX has not been confirmed by additional boreholes although "this does not affect management's opinion of the mine."

Gencor gold mines breeze through difficult times

214

Star
20/7/89

By Derek Tommey

Several gold mines in the Gencor Group have announced outstanding results for the June quarter

Despite the difficulties of a static gold price and rising costs, all but one of Gencor's mines have reported higher profits — some substantially higher

Furthermore, all but one have reported increased cash flows after providing for capital expenditure

Gencor, with possibly unseemly modesty, says group working profit was 15 percent higher than in the March quarter

But when all the bits and pieces are added, group taxed profit has risen 75,4 percent from R96,6 million to R168,3 million

Group earnings after capital expenditure have risen 77,9 percent from R58,8 million to R104,6 million

Some of the improvement is the result of a special dividend from Chemwes and a substantial tax refund to Beatrix

But this cannot detract from the achievement of the Gencor group as a whole in restoring to profitability a great many marginal mines at a time when the industry is facing its most difficult conditions for more than 16 years

It is worth pointing out that the improved results are not a flash in the pan, but reflect group policy, adopted last August and based on the view that it could not expect a higher gold price, to cut costs wherever possible and mill only payable ore

Gencor executives, Brian Gil-

bertson and Gary Maude, say that a year ago the group realised it had to alter its policies if it was to survive in today's tough conditions

It could no longer assume that the rand gold price would rise in line with inflation

This meant priority had to be given to cutting costs

It meant mining only payable ore and not mining unpayable ore simply because the labour force was there

It meant continually seeking means to reduce expenses and raise productivity

Mr Maude expects the cost-cutting campaign to show further results in the present quarter

One of the highlights of the quarterlies is a declaration of an interim dividend of 200c by Stilfontein

Uranium producer

The mine has received a dividend of R24 million from the former uranium producer, Chemwes. The dividend stems from compensation paid to Chemwes after the cancellation of a supply contract

Mr Maude says it was thought initially that some of the Chemwes payments might have to be retained to cover the costs when the mine eventually closed

But after examining the mine's financial position, he felt comfortable about paying the dividend

Stilfontein's working profit was 59 percent higher at R4,0 million (R2,5 million) after an increase in milling rate. But grade fell after problems caused by rock falls at the Margaret shaft

The shaft is again in operation and this should lead to a drop in

working costs in the present quarter

Marginal mine Grootvlei had a R1 million turnaround in earnings. It converted a working loss of R621 000 in the March quarter to a working profit of R532 000

Working costs, which included a non-recurable R1 million in retrenchment payments, were reduced from R26,1 million to R23,6 million

Bracken's working profit jumped from R128 000 in March to R1 280 000 and taxed income rose from R459 000 to R1 535 000

But because there is no possibility of extending its lease area, Bracken's life is limited to about three to four years

Buffelsfontein increased its working profit by 49 percent from R14,6 million to R21,8 million

Taxed profit, helped by a higher contribution from Beatrix, rose 35,6 percent from R15,3 million to R20,8 million

Mr Maude says the Tertiary Shaft project is not feasible at the present gold price

A study is being made and he is fairly hopeful of finding a way to cut costs and extend ore reserves so that the project becomes feasible

The previous study had found the project would cost R1,4 billion, of which R470 million would be for refrigeration

He says it will be necessary to install a "belt and braces" refrigeration system because at the high temperatures in the tertiary shaft area, a two-hour breakdown in the refrigeration system could be fatal

Beatrix has received a tax re-

fund of R21 million after an objection to a 1984 assessment

Further large amounts are still under negotiation. The money will be used to repay loans from Buffelsfontein

Beatrix's working income rose slightly from R43,7 million to R44,4 million. The milling grade is expected to show a temporary decline in the next few quarters. Development southwest of No 2 Shaft traverses a zone about a kilometre wide, with below-average ore. However, once development is through the zone, grade should recover

Marginal mine

West Rand Cons, another marginal mine that has been in danger of closing, reduced working costs from R23,4 million in the March quarter to R15,7 million, which resulted in the working loss dropping from R5,2 million to R218 000. However, after including sundry income the mine had a taxed profit of R770 000, against a loss of R4,4 million in March

Operations for the full calendar year are expected to show a profit, says Mr Maude

Leslie's working profit jumped from R383 000 to R4,3 million and taxed profit from R1,16 million to R3,9 million

The mine reports that a cross-cut in the northern part of the mine has intersected a reef from which the 12 metres currently developed shows values of 1 000 cm-g/t

This is substantially higher than the current development grades. Work is in progress to determine the extent of the block

Tighter cost controls benefit Anglo mines

STC 211 71 84

214

By Derek Tommey

Western Deeps, Vaal Reefs and Elandsrand, three Anglo American group gold mines, have good news for their shareholders

Western Deep is the star of the group's June quarterlies, increasing its taxed profits by 19,6 percent to R105,8 million and earnings a share by 25,8 percent to 146c — the highest quarterly earnings figure since the same mine's 164c earned last September

Vaal Reefs, which has been affected by seismic disturbances, believes it is on the way to overcoming the resultant problems and that production and the current low milling grade should start recovering

Milling rate

Elandsrand shareholders will be pleased with the news that the mine has found encouraging values south-west of the sub-vertical shaft

As a result it is to accelerate development in the area with the intention of building up the milling rate from 140 000 a month to 200 000 tons a month over the next two years

The quarterlies show that the mines kept a tight control on costs

Despite continually rising

costs and higher pay awards, Western Deep and Freegold were able to reduce unit costs

Vaal Reefs, although faced with its seismic difficulties, was able to contain cost increases to just over two percent, while Elandsrand held them to less than five percent

Helped by a slightly higher gold price, milling grade and milling rate, Western Deep Levels increased its working profit from gold from R107,8 million to R140,2 million

Helped by the increased milling rate, costs a ton milled dropped R125,17 to R120,50

At Vaal Reefs, mill throughput dropped by two percent to 2,64 million tons

This was the result of severe faulting at No 8 Shaft, which has delayed ore reserve replacement and curbed production

A sharp increase in capital expenditure to R103,2 million (March R43,3 million) led to a substantial drop in tax and to taxed profits rising from R126,8 million to R172,3 million

But the higher capital expenditure led to available earnings falling from 438c to 363c a share, the lowest figure for several quarters

T L Pretorius, head of the group's Transvaal mines, said at a briefing yesterday that steps

were being taken to counter the seismic activities They included a backfill programme

This should give more stability to the area by reducing the rate of closure of old workings

Ore reserves in the No 8 Shaft area were being increased by opening more points of attack

He said the mine was over the worst and that production would steadily improve in the next six months Within a year the mine would be back to normal

Elandsrand had a taxed profit of R35,5 million (R36,6 million in March)

However, earnings a share after capital expenditure jumped from 15c to 20c

Lower grade

Grade was slightly lower, but as development increased in the sub-vertical shaft area, grade should improve

The accelerated development programme would cost R65 million over the next two years and would be financed from internal sources and borrowings, he said

At Freegold, the giant Free State mine, tonnage mined in the southern section reached a record level

This helped offset a slight drop in the milling grade and

resulted working profit rising fractionally from R179,1 million to R180,7 million

But a drop in profits from the metallurgical scheme, a decline in sundry income and higher tax as a result of under-payment in the previous financial year, trimmed taxed profits from R217,7 million to R180,9 million

Earnings a share, after capital expenditure, were 72c (90c in the March quarter, 84c in December 1988 and 75c in the September 1988 quarter)

At Ergo a six percent drop in the tons of slimes treated caused its operating profit to fall from R22,1 million to R16,8 million

Earnings a share, after capital expenditure, fell from 40c to 26c

An increase in the grade of sulphur in the slimes treated was responsible for the lower throughput

But the sulphur grade was expected to return to normal in the next six months, he said

Sallies' taxed profit dropped by 16 percent to R1 001 000, mainly as a result of a fall in the recovery grade and increased costs arising from the higher transport costs

However, the grade for the year to date was in line with forecasts

Promising turnaround at Southgo

Star Finance Staff 21/7/81

The Southgo Group recorded a good June quarter, showing a recovery on all fronts compared with the previous quarter

Sharply higher tonnage milled combined with a much improved yield, more than doubled the group's gold production for the June quarter (214)

The financial results released today show that tonnage increased to 55 945 tons (29 932) and the yield improved significantly to 3,63 g/t (2,81 g/t)

The higher revenue per ton of R120,11 (R86,90), however, was offset by increased costs per ton of R123,56 (R97 64)

Profit per ton recorded a substantial recovery at R6,55 compared with a loss of R10,74 in the previous quarter

The dump treatment operations reflected constant yield and well maintained costs at R4,53 per ton

Net profit after substantially reduced capex of R307 000 (R1,3 million) more than doubled to R1,2 million (R576 000)

The recovery was also in evidence at Knights, where a higher yield and higher tonnage treated pushed up operating profits to R3,18 per ton, compared with a loss of 10c per ton previously

After reducing capex by about R1 million to R1,57 million taxed profits were at R2,019 million In the previous quarter a loss of R342'000 was recorded

Rand gold price lifts Anglo mines

By AUDREY D'ANGELO
Financial Editor

THE weak rand helped Anglo American Corporation of SA to lift the combined pre-tax profit from its three Transvaal gold mines by 6% in the quarter to June 30 to R384,1m, in spite of rising costs, a lower average yield and a lower dollar price for gold.

A R40m drop in the tax bill, largely due to a 49% rise in capital expenditure to R203,3m, lifted after-tax profit by 25% to R313,6m.

But after appropriations of R185m, mainly for capital expenditure, available profit was slightly lower at R128,6m (R129,7m).

The directors said yesterday that the improvement in after tax profit was due mainly to tight control of working costs and a slight improvement in the rand price of gold in spite of the lower dollar price.

"The squeeze between price and inflation continues at the mines but over-all costs were well contained," said Theo Pretorius, MD of the

Transvaal mines

The three Transvaal mines — Vaal Reefs, Western Deep Levels and Elandsrand — increased the area mined by 5% and the tons milled by 2%. But average yield declined by 3% to 6,62 grammes per ton and overall gold production fell slightly to 31 498kg (31 868kg).

Working costs were contained to a 2% increase at R624,8m. But because of the lower grade the cost per kg rose by 3% to R19 836 per kg. The gold price received on sales rose by 2% to R32 034 per kg.

● Sapa reports that gold revenue at Anglo's Free State Consolidated Gold Mines (Freegold), in the quarter to June 30 was up from R875,4m to R898,2m.

But profit before taxation declined 7,4% to R203,4m mainly as a result of a drop in revenue from the metallurgical scheme and net sundry income.

Profit after taxation declined to R180,9m from R217,2m reflecting a significantly higher

provision for taxation at R22,5m (R2,1m).

Working costs rose from R657,9m to R676,2m while unit costs were lower at R103,48 per ton milled (R104,53 per ton milled).

Capital expenditure was lower at R106,6m down from R126,3m and available profit was lower by 19,8% at R83,9m. Production, increased from 26 409 kg to 26 765 kg for the quarter ended June 30.

The increase in tons milled from 6 294 000 tons to 6 535 000 tons more than offset the drop in average grade from 4,20 grams per ton (g/t) to 4,10 g/t, thereby accounting for the increased gold production.

Freegold's Metallurgical Scheme (MS) increased gold production from 593 kg to 600 kg and acid production was also up at 106 401 tons (103 895 tons). Uranium oxide production decreased from 116 020 kg to 10 679 kg while costs rose 32,8% to R33,6m. Profit declined from R13,1m to R7,7m.

No more hostile (214) bids — Minorco (5 Feb 21/78)

By Neil Behrmann

LONDON — Minorco will shy away from hostile bids in future, say executives

Instead, the company aims at friendly agreements with small or large companies that are in the natural resources and metals fields.

The companies can be public or private, says Keith Irons, a vice-president of Minorco

Minorco however, must have a say in the decision-making process and be in control of cash flow

Chairman Julian Ogilvie Thompson and his executives accept that Minorco is not welcome in several natural-resources countries

Minorco has a three-year £1,4 billion facility from several banks, but one of the lenders, Chemical Bank, has received flak from anti-apartheid groups

Net asset value

When Minorco agreed to sell its 29,9 percent stake in Cons-gold to Hanson, its shares soared to \$15 from \$13

Since then, however, investors have not rushed into Minorco, even though the net asset value is \$21 a share and it has cash reserves of \$2,4 billion

Albert Loveless, a Smith New Court International analyst, says US investors have been selling Minorco shares, while European institutions have been neutral

The main buyers are South African investors who are using them as rand hedge stocks

Market rumours that Minorco is buying Bond Corporation's 20 percent stake in Lonrho are false

Executives say that the company is not interested in a min-

ing and industrial conglomerate

Brokers believe Minorco chief executive Sir Michael Edwardes would never dare to take on Tiny Rowland, Lonrho's independent chairman

Lonrho shares, however, surged by 10 percent to £3, partly because of the rumours

Mr Ogilvie Thompson told London mining correspondents in a recent interview it would take some time before Minorco spent its cash hoard

He hoped that an improvement in South African politics would persuade banks to take a different view of Minorco and its South African links

Investors are concerned about the possibility of lengthy delays before Minorco can make material acquisitions

Investors are uncertain because of the delays and inexperienced management, says Mr Loveless

Moreover, Minorco has stakes in base and precious metals industries and prices have fallen sharply in the past six months

Minorco's main holdings are Engelhard, Inspiration Resources, Charter, Adobe and Amsa

Minorco's broker James Capel predicts that the company's earnings will rise to \$1,79 a share this year from \$1,54 in 1988. The dividend will increase to 42c a share from 30c

Shares are thus on a potential P/E ratio of eight and dividend yield of 2,8 percent

This is in line with base metals companies in the US

Their ratings are low because investors are expecting a downturn in the industry in the coming year.

Gazgold offers more than most marginals

Star 2/7/84

With the gold price fluctuating between \$360 and \$380 an ounce mark, the marginal mines offer little prospect for investors, according to Ann Mackeurtan from stockbrokers SP Reid and Mackeurtan.

Marginal mines, by definition, have high operating costs relative to the grade of ore milled and therefore a \$10 change in the price of gold from \$370 to \$360 an ounce will drop the profitability of a mine such as Loraine, before tax and lease considerations, by 67,4 percent.

Until the gold price stabilises or moves upwards the marginal mines offer little or no buffer zone in which to absorb the changing gold price.

Gazgold, which in its June quarterly reflects the grade of ore milled to be 2,15 grams per ton, has a distinct advantage in that operating costs are a fairly inexpensive R49,86 per ton of ore milled.

This sets it apart from the other marginal mines as profit margins have reasonable elasticity to accommodate price fluctuations.

For Gazgold a \$10 an ounce drop in the price of gold to \$360 means a drop of only 9,5 percent in profitability.

Earnings are expected to be higher for the next 12-month period as their major expenses by way of bringing in line a mill and the establishment of shafts for underground mining and an



improved method for extracting the gold from dumps have all been implemented, according to chairman Sydney Newman.

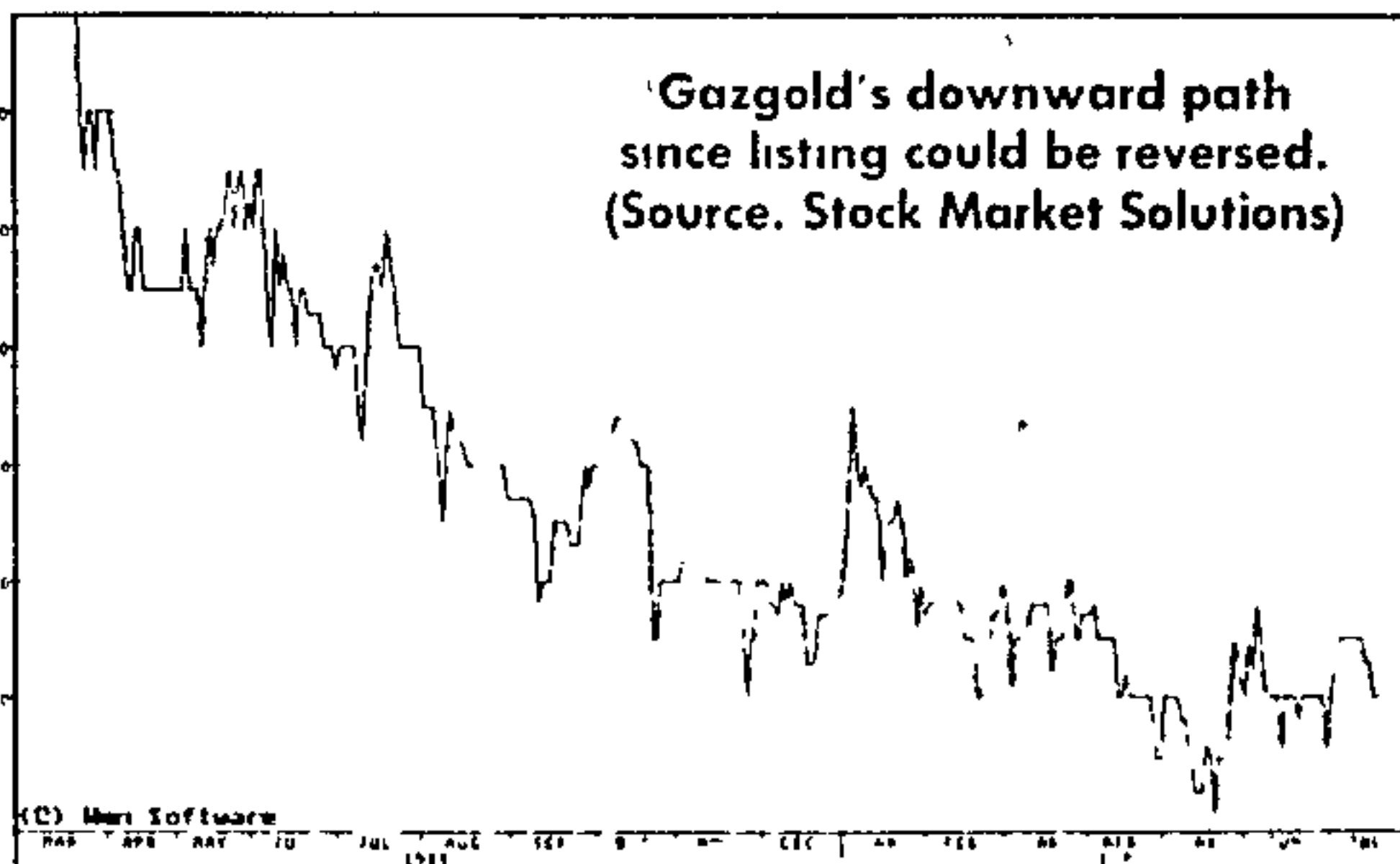
In addition the company is in an advantageous position with regard to capital expenditure, as profits will not be taxable until the capital expenditure has been offset against profits.

Gazgold intends rehabilitating more of the mines in the Sutherland Greenstone belt in the Eastern Transvaal which are currently water-logged.

During the quarter the production of gold increased by 47 percent from 49,41 kg to 72,53 kg, while operating profits have increased from R478 785 to R774 502, a 62,4 percent increase during the quarter.

Tom Dale of Ed Hern and Rudolph believes that the share price will pick up if Gazgold continues to produce encouraging reports.

If the low operating costs can be maintained by sustaining a small work force (at present 28 skilled and 300 unskilled workers) and capital expenditure contained then, considering their due performance and future prospects, the share price should move to highs beyond its listing price of 110c.



Anglo's Transvaal gold mines show 25% taxed income rise

By Day 21/7/89

214

REINIE BOOYSEN

LOWER taxation — largely due to higher capital expenditure — enabled Anglo American Corporation's Transvaal gold mines to declare a 25% improvement in taxed income to R313,6m (R251,9m) in the quarter to June

Pre-tax income rose by only 6% to R304,1m, but tax dropped almost R40m to R70,5m and capex rose 49% to R203,3m

With appropriations of R185,0m — mainly for capital expenditure — distributable profit was little changed from the previous quarter at R128,6m (R129,7m)

The main feature at VAAL REEFS was the decline in overall grade, to 6,81g/t (7,15g/t) Combined with a marginal drop in mill throughput, gold production declined 7% to 17 990kg (19 296g/t)

Anglo Transvaal gold mine MD Theo Pretorius said yesterday grade and tonnage had suffered as a result of two factors increasing seismic activity in the North Lease area around the No 5 Shaft, and severe faulting at No 8 Shaft in the South Lease area This delayed ore reserve replacement and curbed production capability

Pretorius said there was a "major back-

fill programme" under way to tackle the seismicity problem in the North Lease area, which would lead to greater stability and reduce the amount of closure

There was also substantially increased development at the mine and production was expected to improve steadily and reach normal levels by mid-1990

Pretorius confirmed there was a trend towards increased seismicity in the Klerksdorp area, but said historically seismicity levels displayed a cyclical trend and "we hope it will start improving again"

Costs were well contained Costs/ton milled rose only 2,2% to R137,62 (R134,61) and cost/kg of gold produced rose 7,4% to R20 218 (R18 821)

WESTERN DEEP LEVELS increased gold production to 10 582 kg (9 578kg) after tonnage milled rose to 1 666 000 (1 541 000) and a slightly higher average yield A rise in waste yield compensated for a lower reef yield at 8,37g/t (8,72g/t) But Pretorius said he did not expect underground yield to decline further

The rising volume of mill tonnage led to a reduction in unit costs, both in terms of tonnage, to R120,50/t (R125,17/ton), and in

terms of gold production, to R18 971/kg (R20 174/kg) As volumes of mill tonnage would be increasing further, there was more scope for a reduction in unit costs, said Pretorius

The higher gold production was responsible for the 26% rise in pre-tax profit, to R144,7m (R115,2m)

Although grade dropped at FREEGOLD to 4,10g/t (4,20g/t) this was compensated for by increased milling, to 6 535 000 tons (6 294 000 tons), and gold production rose to 26 765kg (26 409kg)

A drop in revenue from the metallurgical scheme was partly responsible for the 7,4% drop in pre-tax profit to R203,4m Higher tax at R22,5m (R2,1m) also had its effect so that taxed income declined to R180,9m (R217,7m)

The decline in capital expenditure was partly due to the lower gold price, which had led management to hold back on various projects, said MD Lionel Hewitt

A feature of the North Region's results was a decline in unit costs, in terms of tonnage, to R120,80/t (R123,01/t), and gold production, to R27 456/kg (R27 467/kg)

In the South Region, gold production was a record 15 114kg (14 702kg)

ANGLO GOLD MINES June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Vaal Reefs	2 643	6,81	17 990	138	20 218	32 057	172 298	69 099	363
March	2 698	7,15	19 296	135	18 821	31 429	126 831	83 475	438
Western Deep Levels	1 666	6,35	10 582	121	18 971	32 068	105 828	39 968	146
March	1 541	6,22	9 578	125	20 139	31 329	88 466	31 842	116
Elandsrand	452	6,47	2 926	133	20 618	31 945	35 510	19 591	20
March	449	6,67	2 994	127	19 007	31 373	36 649	14 338	15
Freegold	6 535	4,10	26 765	103	25 265	32 072	180 926	83 906	72
March	6 294	4,20	26 409	105	24 913	31 293	217 700	104 681	90

BIDAM 21/7/87 (214)
Southgo production more than doubles

SOUTHGO's gold production for the June quarter more than doubled due to sharply higher tonnage milled combined with a much improved yield

The financial results released yesterday showed tonnage increased to 55 945 tons (20 932) and yield improved significantly to 3,63g/t (2,81g/t) Gold production showed a marked increase to 223kg (84kg) However the higher revenue a ton of

R120,11 (R86,90), was offset by increased costs per ton of R123,56 (R97,64) and profit a ton was R6,55 compared with a loss of R10,74 in the previous quarter

The dump treatment operations reflected constant yield and well maintained costs at R4,53/ton Tonnage was up at 529 579 tons (514 928) Profit per ton increased R4,10 (R3,63) — Sapa

Elands on the run

S/Times 23/7/89

(214)

EXPANSION at Elandsrand is to be brought forward because encouraging values are being encountered in the south-western corner of the sub-vertical shaft

Management at Anglo American Corporation made this disclosure in the group's gold quarterly reports on Friday

Production will be built up gradually from the current 150 000 tons a month to 200 000 by 1993 at a capital cost of R65-million

The expansion will be financed either internally or by borrowing, depending on the gold price. The money will be repaid out of profits from 1991.

Capital expenditure for the financial year to December is forecast at R125-million, including R32-million for the

accelerated development of the sub-vertical shaft

Management says Elandsrand is mining the remnants of low-grade ore from the top shaft, and will move to higher grades accessible from the new sub-vertical shaft

Elandsrand earned 20c a share after appropriation for capex in the June quarter — 33% up on the three months to March. A 40c interim dividend has been declared

The share price reached a high of R27,50 early in July, and is now 2 650c

Seismic activity which "continued unabated" in the Klerksdorp area raised more problems for Vaal Reefs. The highly rated gold mine depends on shafts 5 and 8 for 52% of its production

Seismic activity at Shaft 5

is worse than elsewhere, and backfilling is being employed to overcome the problem

No 8 shaft, which accounts for a third of tonnage, is severely faulted. Ore reserves are being increased so that more working faces are available from which to maintain production. Management expects the position to return to normal in six months to a year

Vaal Reefs earned 363c for the quarter compared with 438c to March. An unchanged interim dividend of 800c was declared

There was a change in policy at some of the shafts in the northern section of Freegold. Lower gold production especially at Western Holdings and Welkom was augmented by sweepings from old areas

Extended family runs mega-buck empire

When Anglo American and De Beers proposed to Consolidated Gold Fields in 1986 that it should merge with their offshore investment arm, Minorco, they called the plan "Romans"

After American Barrick acquired an inspired stake in Consgold and the South Africans realised they would have to offer a premium for Consgold, the plan became "Friends" Inevitably, last year's hostile bid was called "Countrymen"

The joke says much about Anglo American and De Beers The stereotype Anglo-De Beers executive is educated in the English liberal tradition, often being finished at Oxford He may be more at ease with the British than the Boers

Yet the joke long ago turned sour in 44 Main Street, the group's pre-war pile in the heart of Johannesburg The failure to take over Consgold was the biggest setback suffered by Anglo-De Beers for many years and laid to rest the group's reputation for invincibility

It stimulated much heart-searching and some internal rancour about the causes of failure and the alternative strategy for the future

What really stung, however, was the realisation that the group's good works in South Africa and liberal credentials counted for little in the outside world

Anglo-De Beers lives in constant danger of bumping up against natural and political limits to growth in SA, and treads an increasingly precarious path as SA's future dissolves into as many possibilities as there are pundits

Anglo-De Beers' quoted companies constitute almost 60 percent of the Johannesburg Stock Exchange's capitalisation Last year Anglo's equity-accounted earnings was R2,64 billion De Beers profits, including its share of associates' retained profits — R2,96 billion

Dominates diamond market

Their scope is colossal Anglo produces a fifth of the West's gold, while De Beers dominates the diamond market through control of the Central Selling Organisation (CSO), a cartel marketing 80 percent of stones sold in the West

In Britain, Minorco has 36 percent of Charter Consolidated, which also has 38 percent of Johnson Matthey But that is only the beginning

The quoted and unquoted interests include Highveld (SA's only steel producer), Mondi (one of the two major paper producers), Rustenburg (the biggest platinum producer), Southern Life (a leading insurance company), coal, base metals, property, car importing and distribution, the Argus newspaper group and a collection of engineering enterprises

The group, moreover, is virtually synonymous with the emergence of SA as an industrial nation, an emergence which in turn was associated closely with English-speaking South Africans

De Beers Consolidated Mines was formed by Cecil Rhodes in 1888 Anglo American was created by Ernest Oppenheimer in 1917 from capital raised in London and in the US to exploit the discovery of gold

In 1929 Sir Ernest also became De Beers chairman, and a few years later created the CSO The most extraordinary feature of the group is that this structure remains intact, partly preserved by an unusual family continuity

There have been only three chairmen of Anglo since its foundation Sir Ernest died in 1957, to be succeeded by his son Harry When HFO, as he is known, retired in 1982, Gavin Relly took over

De Beers' modern history is similar HFO followed his father in 1957, and then handed over to Julian Ogilvie-Thompson five years ago Moreover, the compact nature of the top management is likely to be reinforced if, as seems likely, Mr

Anglo-American and De Beers constitute an intertwined group whose quoted companies constitute more than half of the JSE's capitalisation The Independent newspaper of London examines these bonds.



De Beers chairman Julian Ogilvie-Thompson ... said to owe his position to mastery of the Anglo-De Beers web.

Ogilvie-Thompson succeeds Mr Relly at Anglo

Mr Relly is due to retire in about 18 months Mr Ogilvie Thompson will then emulate the famous HFO by being chairman simultaneously of Anglo, De Beers and Minorco Mr Ogilvie-Thompson said "I think there are advantages in going back to that system in due course It allows the company to look at the long term"

Another advantage is that the extended family retains a pervasive influence throughout the group The Oppenheimer family's holding is much greater than the modest holdings in group members held by the private company, E Oppenheimer & Son, and by other family businesses

A complex patronage system of marriages, friendship and service contracts binds together an otherwise disparate band, and draws in each fresh generation

The Minorco board includes Roger Phillipmore, one of HFO's godsons and son of a director of Anglo companies, and Hank Slack, who is married to HFO's daughter Mary HFO's son Nicky sits on the Anglo and Minorco boards, is deputy chairman of De Beers and chairman of the CSO

In all probability Nicky, who is 44, will slip into the chairs eventually vacated by Mr Ogilvie-Thompson And beaming benignly from a thousand office portraits is HFO, who disingenuously describes himself as a retired chairman

The personal network is inextricably part of the financial network De Beers owns 38 percent of Anglo and Anglo owns 32 percent of De Beers The pattern of impermeable cross-holdings is replicated throughout the group It stems logically from the character of the SA mining industry, in which a single company could rarely afford to finance a mine on its own But it has also been transformed into a unique control system

The group is proud of its social commitment, and executives are privately scathing about what they regard as the incompetence and corruption of the Nationalist government

Mr Ogilvie-Thompson said "We don't believe the last of the mines has been found in South Africa either gold or base metals"

Nevertheless, Anglo in particular faces rising costs in its gold mines As one executive said "Everyone thinks this thing runs itself It doesn't It's damn difficult to keep the show on the road"

Exchange control makes exporting capital from SA difficult, so spending Minorco's cash pile of some £2 billion, probably bit by bit, is the best way of spreading risks Anglo and De Beers do not intend that their next move will be code-named "To be or nor to be"

Gold industry 214 in VICIOUS circle 213

B/day 25/7/87

THE gold industry is caught in a vicious circle of stagnant rand gold prices and rising inflation, which has locked many mines into dependence on an ever weakening rand.

Economists warn that SA finds itself in a similar position to that of the late 1960s, when mines' rising working costs threatened to overtake the artificially fixed gold prices of the period.

At the time, many SA mines faced the prospect of closure. Their rescue came in the form of subsequent liberalisation of gold markets, which allowed the price to rise above the artificially low \$35 an ounce.

Today many mines face the same crisis — in dollar terms gold has been in a steady decline for the past 19 months, and officials remain pessimistic about its short-term to medium-term outlook.

Over the same 19 months, marginal mines have been rescued more than once by a weakening rand, which fell in response both to gold's dollar decline and to political pressure, economists say.

The weaker rand has maintained mining income in rand terms, but brought with it rising inflation. Increased inflation

ANDREW BUDDEN

has inevitably translated into higher working costs, so reducing the margins bolstered by a weaker rand.

Economists have forecast an effective inflation rate of 17% by the end of this year, and warn it will probably rise to about 20% in 1990. The implications for gold mining are disturbing.

Working costs have been rising at 20% to 25% a year, and without a marked improvement in the dollar price, many mines will join the ranks of the marginals by next year.

The metal recently recovered some of the ground it lost earlier in June, when prices plunged to a three-year low of \$356.96, but analysts say this does not mark the beginning of a prolonged upswing.

Technical analysis shows the price would have to climb well above \$390 and stay there for about six weeks to mark an extended break-out of the decline, says one.

Gold industry officials this week also said they were not convinced the dollar gold price had bottomed out.

Rogold set for R7,7m European takeover deal

~~REINIE BOOYSEN~~ (214)

ROUDEPOORT Gold Holdings (Rogold) is to be taken over by an unnamed group of European investors in a reverse takeover *By 10am 25/7/89*.

In terms of the deal, Rogold has bought the entire share capitals of and loan accounts against Zinc and Lead (Namibia) and Namib Lead Mines from Paladin, a foreign nominee company, for R7,74m — to be settled by the issue of 25,8-million Rogold ordinary no par value shares at a price of 30c a share.

This will effectively leave Paladin with a controlling 49,3% (fully diluted) stake in the company.

Rogold MD Bob Poisson yesterday declined to identify the controllers of Paladin. "Essentially Paladin is a nominee company for a group of European investors, who wish to remain nameless in view of disinvestment pressure."

He said they would be "passive" investors in Rogold. He added that Rogold directors were attempting to persuade the JSE to overlook its requirement that the people behind the takeover be named.

Earnings

Directors say the acquisition is in accordance with Rogold's strategy of minimising risk through diversification into a broad base of mining interests.

They estimate that earnings a share for the year ending June 30 1990 will be increased by about 3,2c (from 0c) as a result of the acquisition.

"No estimate of the effect of the acquisition on net asset value has been made as this would involve an assessment of mining resources and assets which is neither realistic nor cost effective to perform," say directors.

The existing management contract between African Exploration Company and Zinc & Lead will remain in force, and management services will also be provided to Namib. "The boards of directors of Zinc & Lead and Namib will be reconstituted to vest control in Rogold."

Rogold will apply for a transfer of its listing on the JSE to the financial — mining holding sector — to better reflect the new diversified nature of its mining operations.

Margins still unhealthy at many gold mines (214) analyst

PROFIT margins on gold mines were still low and the situation at many mines was still unhealthy, said gold analyst Nick Goodwin of E W Balderson

Goodwin said this week the current margin of R277 an ounce represented a pretax profit margin of 27,6%. This was the lowest the industry had seen in the past 20 years.

Of the 50 mines that had reported to date for the June 1989 quarter, 27 had improved margins, 18 had reduced margins, while margins were unchanged at five mines.

Goodwin said in the case of costs increases, 26 had reported increased costs in rand/oz terms, and here and there costs increases had ranged from 1% to 31% for the quarter.

Seventeen mines had reduced costs ranging from 1% to 18% percent and seven mines had reported unchanged costs. Looking at earnings, 22 mines had increased earnings, 24 mines had reduced earnings and five mines had reported unchanged earnings.

Of the 50 mines that had reported, 11 were running at a loss for the June quarter.

These mines collectively produced 85 tons, or 14%, of SA's annual gold production.

The current outlook for inflation, the dollar gold price and the rand gold price was not encouraging and the gold mines would have to tighten their belts further and introduce innovative strategies to control costs and improve profitability — Sapa

Chl 71412 26/7/87 (214)

Increase gold production to reduce SA debt says Kantor

By AUDREY D'ANGELO
Financial Editor

SOUTH AFRICA should fix its exchange rate to the basket of European currencies when Europe becomes one market in 1992, Brian Kantor, professor of economics at the University of Cape Town, said last night.

And it should boost gold production now to reduce foreign debt as much as possible.

Kantor, speaking at a seminar organized by Investec, stressed the need to bring down the inflation rate.

He said SA needed a system of "reverse annuities" with payments increasing with time so that people in this country need not fear living too long.

He pointed out that one effect of inflation was that the share market gave a much better return than fixed investment. Even ignoring capital growth, it took 11 years for dividend income alone to overtake interest income from longterm investment.

Property shares had done even better. "Dividends from property shares have done spectacularly well."

He thought property shares and investment were under-valued.

In view of this, anyone expecting to live more than 11 years should in-

vest their money in the equity market or property shares.

"The danger facing old South Africans is that they will live too long," Kantor continued. "We need a system of reverse annuities."



Brian Kantor

"The great problem facing ageing South Africans is inflation."

"It was not always like that. SA's capacity to generate inflation high in relation to that of other countries began in the '80s."

SA had mismanaged its booms in 1979 and in 1987-88, "giving us tremendous trouble on the way down."

Kantor said the government did not print money to finance its expenditure. It was willing and able to do this through taxation. "The government spends too much. But it also taxes too much."

It always failed to raise interest rates in the early stages of a boom, because politicians prevented the Reserve Bank from doing this.

"We haven't got a political fix. And I've given up on money supply targets. We always under-shoot in recessions and overshoot when times are good."

"We need a fix and I've got one. We should get back to fixed exchange rates and fix the rand to the European basket of currencies in 1992. We can trust to the Germans and others to manage their money supply properly."

"We should go in at an under-valued rate. This is better than going in over-valued."

Kantor said his second suggestion was to step up gold exports to reduce SA's foreign debt problem. Pointing out that revenue from gold mines amounted to "less than 1% of the take from sales tax", he said "We should stop looking at our gold mining industry as a source of revenue."

SA had consistently reduced its gold output since the 1970s. Instead it should increase it. "We should stop thinking of revenue and start thinking in terms of higher gross domestic production (GDP) and lower debt."

He was in favour of getting rid of the Board of Trade and of stopping trying to save foreign exchange by increasing local content. This interfered with efficiency and did not bring foreign currency into the country.

Inflation, was not as bad as it appeared through the year-on-year statistics, Kantor said. The smoothed, annualised, monthly increase showed a declining trend.

He expected inflation to peak towards the end of the year "but it won't go much above 16%."

The balance of payments (BoP) was the key. "The outlook for the BoP in dollars is difficult but not disastrous."

The price of gold by the end of 1991 depended on the way the US economy was managed — "and I have not given up hope that the Americans will mismanage their economy and give us at least a medium gold price."

It was quite possible that the Americans would allow a slight rise in inflation, which would suddenly turn into a big rise. A great deal would depend on how tough Alan Greenspan, Chairman of the Federal Reserve Board, was and how much power he had.

NOON

Monday 27/7/89

'Boost gold output'

CAPE TOWN — SA should fix its exchange rate to the basket of European currencies when Europe becomes one market in 1992, UCT economics professor Brian Kantor said on Tuesday night.

And it should boost gold production now to reduce foreign debt as much as possible.

Kantor, speaking at a seminar organised by Investec, stressed the need to bring down the inflation rate.

He said SA needed a system of "reverse annuities" with payments increasing with time so that people in this country need not fear living too long.

One effect of inflation was that the share market gave a much better return than fixed investment, Kantor said.

Even ignoring capital growth, it took 11 years for dividend income alone to overtake interest income from long-term investment.

Property shares had done even better. "Dividends from property shares have done spectacularly well."

He thought property shares and investment were under-valued.

In view of this, anyone expecting to live more than 11 years should invest his or her money in the equity market or property shares.

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"We need a system of reverse annuities."

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Own Correspondent

to that of other countries began in the '80s."

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"Government spends too much. But it also taxes too much."

It always failed to raise interest rates in the early stages of a boom, because politicians prevented the Reserve Bank from doing this.

Trust

"We haven't got a political fix. And I've given up on money supply targets. We always undershoot in recessions and overshoot when times are good."

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He was in favour of getting rid of the Board of Trade, and of stopping trying to save foreign exchange by increasing local content.

This interfered with efficiency and did not bring foreign currency into the country.

Discussing inflation, Kantor said it was not as bad as it appeared through the year-on-year statistics. The smoothed, annualised, monthly increase showed a declining trend.

He expected inflation to peak towards the end of the year "but it won't go much above 16%".

The balance of payments (BoP) was the key. "The outlook for the BoP in dollars is difficult but not disastrous."

The price of gold by the end of 1991 could be either low, in the region of \$350; medium, in the region of \$450; or high, in the region of \$550.

Which it would be depended on the way the US economy was managed — "and I have not given up hope that the Americans will mismanage their economy and give us at least a medium gold price."

It was quite possible that the Americans would allow a slight rise in inflation, which would suddenly turn into a big rise. A great deal would depend on how tough Federal Reserve Board chairman Alan Greenspan was and how much power he had.

Severin rewards (214) shareholder faith

By Derek Tommey
Shareholders in Rand Leases and Eersteling, two gold mines in the Severin group, have been waiting for some time for their faith in the two ventures to be rewarded

The June quarterly reports suggest they should not have to wait much longer. Both have reported encouraging developments, while those at Eersteling should enable it to show its first working profit in the September quarter.

At Rand Leases, working revenue rose from R9,07 million in March to R10,63 million in June, after a rise in yield from 2,48g/t to 2,76g/t. Working costs rose from R8,9 million to R10,1 million owing to the higher expenses incurred when

opencast operations went deeper and because of the higher cost of transporting sand from dumps.

However, both these operations have been stopped, which should have a beneficial effect on costs.

Gold production and yield are expected to continue to improve as more ore is sourced from underground.

Eersteling is at last moving from the development stage to the production stage.

With the new Franka Shaft in operation, the amount of ore hoisted should start to rise from 6 000 tons a month to 20 000 tons a month by January.

Mine sources say that Eersteling should show its first profit in the September quarter.

MINING

GR ARGUS 27/7/89 (214)

Severin mines set for profits

The Argus Correspondent

JOHANNESBURG — Shareholders in Rand Leases and Eersteling, two gold mines in the Severin group, have been waiting for some time for their faith in the two ventures to be rewarded

The June quarterly reports from the two operations suggest that they should not have to wait much longer. Both mines have reported encouraging developments, while those at Eersteling should enable it to show its first working profit in the September quarter

At Rand Leases, working revenue rose from R9,07-million in March to R10,63-million in June after a rise in yield from 2,48 grams a ton to 2,78 grams a ton and a small increase in the tonnage milled

Working costs rose from R8,9-million to R10,1-million owing to the increased expense incurred when open-cast operations went deeper and also because of the higher cost of transporting sand from dumps in the wake of the rise in the price of diesel fuel

However, both these operations have been stopped, which should have a beneficial effect on costs in the coming quarters. Gold production and yield are expected to continue to improve as more ore is sourced from underground

Capital expenditure in the quarter of R2,23-million continued to exceed the working profit of R806 000. But capital expenditure should now start to decline

Eersteling is at last moving from the development stage to the production stage

Primrose

(214)

Primrose Gold Mines posted record production and profits for the year to June

Pre-tax profit before extraordinary items rose 75 per cent to R2,6 million

Gold production rose 25 per cent to 487kg (387kg)

Costs per ton were held to a six percent increase over the previous year and costs per kilogram of gold were reduced by one per cent

The company is going ahead with the central plant expansion programme, due for completion in the first quarter of 1990

This will increase milling capacity to match the increased production obtained by opening up the Waverley mine and the recently acquired tribute mining agreement over the shallow levels of Simmer & Jack

The benefits of this expansion programme, both underground and on improving the milling capacity, will be felt in the latter half of the current financial year when the new plant has bedded down fully — Reports by Sapa and Finance Staff

GOLD QUARTERLIES

No pain, no gain

The profitability squeeze continued during the June quarter, and the slight increase in the average gold price did nothing to ease the plight of the various problem mines in the Rand Mines and JCI groups. However, excellent results from Gencor's marginals show

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that the house's hardline approach to restoring profitability, initiated a year ago, is paying dividends

The average gold price moved up a mere 1,4% to R31 644/kg (March quarter — R31 195/kg) while average working costs on the mines are rising at 3%-5% quarter-on-quarter

Randfontein chairman Kennedy Maxwell says management is using a revenue forecast of R35 000/kg for the current financial year — 8,6% up on the R32 208/kg average price received for the year to end-June — but he expects the mine's working costs to rise by about 15%. That means another drop in profits but even if that cost performance is achieved it could be regarded as reasonable given the mine's track record. Randfontein's costs for financial 1989 compared with financial 1988 rose 32% in total to R666,7m (R505m) and 22% in unit terms to R77,82/t (R63,84/t)

Western Areas plumbed new depths and is now in a perilous financial position. It went R41,4m into the red in the year to end-June 1988 and has followed that with another negative cash flow of R50m for financial 1989. This has been financed through leasing agreements and loans from parent JCI. The R100m in preference shares raised last year was redeemed at the end of June. The mine's overdraft stood at R57m at June 30. The mining plan has been changed yet again, this time to take a higher percentage of Ventersdorp Contact Reef (VCR) in the South Division.

Maxwell says he believes this latest change will at last pull the mine's fortunes around. He says there is no question of the mine being closed at this stage because to do so would be irresponsible, given its ore reserves and the stake in the South Deep pro-

ject

Every one of Rand Mines' producing gold mines showed a loss after allowing for capital expenditure in the June quarter, though the results do show some progress is being made on cost control.

Harmony recorded a negative cash flow of R7m (March quarter — distributable earnings of R3,4m) but managed to cut unit costs to R95,36/t milled (R96,28/t milled) and total costs to R221m (R227,2m). Future costs should reflect the benefits of the mine's actions in retrenching 12,7% of the 33 000-strong labour force and slimming down management.

Durban Deep turned in a shocker, with grade down 9,5% at 2,87 g/t (3,17 g/t), while the negative cash flow soared to R14,7m (R3,7m). The mine is cutting its underground production in half in an attempt to return to profitability.

Boksburg bomb-out ERPM gave its long-suffering shareholders a few straws to grasp at with an increase in grade to 4,02 g/t (3,67 g/t) and a drop in unit costs to R186,2/t (R189,9/t) as progress is made underground on the Far East Vertical shaft.

Gencor's marginals performed well as the policy of concentrating on the cost per kg of gold produced by cutting production and raising grade paid off. Leslie dropped its costs 16% to R26 660/kg (R31 764/kg) and more than trebled net income to R3,8m (R1,2m). The cross-cut to the north block has confirmed the high grades revealed there by the drilling work, and development to check the size of the ore block is under way. Leslie's share price has jumped 25% to around 500c in response to the mine's changed circumstances.

Grootvlei improved grade to 3,9 g/t (2,9 g/t), cut working costs to R31 091/kg

(R31 758/kg) and pushed up distributable earnings more than fourfold to R589 000 (R134 000). Stilfontein has decided to pay out to shareholders the R24m windfall it got from the Chemwes uranium plant, and the interim dividend declared is a healthy 200c.

As predicted by Gencor last quarter, West Rand Cons turned around to post a R770 000 taxed profit for the June quarter compared with the March quarter's loss of R4,4m. Costs were brought down 18% to R32 764/kg (R40 036/kg) and MD Gary Maude reckons the mine should post a small profit for the year to end-December despite the R3m interim loss.

In the Anglo American Corp stable Vaal Reefs' average yield dropped 4,7% to 6,81 g/t (7,15 g/t) because of underground problems at its two highest-grade shafts, the No 5 and No 8 shafts. The No 5 shaft is suffering from an increase in rockbursts while the No 8 shaft has hit severe faulting. Production from No 8 shaft is expected to return to normal only during 1990.

Elandsrand is to accelerate production from its sub-vertical shaft system to hit 200 000 t/month by 1993 to capitalise on better grades found in the south-west area. This will cost R65m over the next two years, to be funded from internal sources and borrowings.

Grade fluctuations at GFSA's Driefontein continued, with a 20% drop in yield at East Drie to 8,6 g/t (10,7 g/t). The volatility has been caused by swings in grade on a VCR longwall which is being phased out of production.

As previously predicted by chairman Allen Wright, the grade at Deelkraal dropped to 6 g/t (6,5 g/t), which he says is a level that the mine can expect to maintain on average.

Brendan Ryan

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Golden Primrose path

PRIMROSE gold mine hit an all-time record production of 487kg in the year to June 1989 — 25% more than the previous year's result.

Control of the mine was taken over from the Boshoff family in 1987 by Simon Malone's Metorex group.

General manager Jomo King says productivity from each miner improved from 0,27 tons milled a manshift to 0,32. The long-term objective is to improve productivity by 5% a year. Costs a kilogram fell by 1%.

Mr King says there are many areas where costs can be curtailed, especially in haulage of ore. There is also scope for people with skills to help in other tasks.

Morale at the mine has improved since the new management took over, and the workforce — 45% of which is Mozambican — is stable.

Centralised plant will be commissioned early next year.

Primrose has bought tributing rights to the next-door Simmer & Jack mine. Mr King believes the grade from these areas could lie between 5g and 6g/t with careful mining.

The mine earned R2,5-million before capital expenditure. A dividend statement will be made with the annual report in September.

S/ Times 30/7/89. (214)

ERPМ action plan put to Rand Mines

Star 11/6/89
Finance Staff
The deputy Minister of Economic Affairs, George Bartlett, has denied reports that the government is delaying a decision on aid for the ERPМ gold mine

Mr Bartlett says in a statement that he met a delegation from the mines last Thursday and on Friday made certain proposals to the Minister of Economic Affairs and Technology, Dame Steyn and the deputy Minister of Finance, Dr Org Marais

During the weekend he held more discussions in Cape Town and a plan

of action was compiled This was put to the Finance Minister Barend du Plessis on Monday morning and to Rand Mines the same day Mr Bartlett says he is still awaiting the mining group's decision on the plan

In addition, the inter-departmental committee on Finance and Mineral and Energy Affairs has been instructed to investigate government policy relating to assistance to marginal gold mines

Both ERPМ and Durban Deep will close unless government assistance is provided

GENCOR

Asking for firepower

Bold and imaginative moves have become a hallmark of Gencor under chairman Derek Keys. The plan to go to the JSE with a rights offer of some R1,5bn is in that category — though the rather vague explanation for the intended use of the funds may have been behind an initially nervous reaction by the market.

When the announcement was published on Monday, Gencor's share price dropped as low as R80, shedding R6, before closing at R82. It was a day of general weakness in the mining house sector, but the share's slide was more exaggerated. Gencor executive director Tom de Beer says the price dip was expected, and the group is "not uncomfortable" with the response.

Essentially, the mining house has seized the moment when the equity market is at high levels, the institutions are highly liquid and its own share price is well rated. As De Beer puts it, the house sees this as "a good opportunity to strengthen our firepower." A spate of other rights issues are expected this year, and one of the sponsoring brokers points out that it's better to be first in the queue with a big issue than come plodding in later.

By all accounts, Keys took the view early this year that 1989 would be the time to go to the market. Some 19,6m new shares are to be issued by Gencor, but the house is expected to report excellent results in its year to end-August 1989. Much of the driving force behind this year's profits will be the potentially cyclical commodity products produced by Sappi and Samancor, as well as the contribution from Gencor's industrial interests, which could soon be dragged back by a weaker economy.

To the extent that the recent softening of the share price was attributable to the weaker gold price — the share is down from a peak of R93 set on May 2 — the fall may have been overdone. Last interim Gencor derived only about 16% of earnings from gold. Some 62% was from Sappi and the metals and minerals interests.

The size of the issue reflects, as much as anything, the range of projects Gencor already has on its hands. The group wants to avoid going to the market any more frequently than every four to five years. De Beer says that if the present issue had raised only, say, R500m-R700m, it would not have been enough and another issue would have been needed fairly soon. He adds that the major difference between this and the last issue, in 1984, was that that one was to strengthen an overgeared balance sheet, this time that doesn't apply.

Management offers no specific breakdown

of how the funds will be used, apparently because it has not reached that stage itself. Oryx gold mine, of which Gencor owns an effective 50%, is slated to cost some R1,5bn, part of which has yet to be funded. With the gold price at these levels, conditions are not propitious for a deep-level gold mine to ask the JSE for more money. So Gencor may have to provide capital until Oryx becomes self-funding.

Impala Platinum's Karee mine is in a



Gencor's De Beer ... strengthening Gencor's firepower

similar position. Its development is continuing, but Impala can hardly go to the market for equity funds while its legal tussle with the Bafokeng tribe remains unsettled. When Karee was launched it was intended to raise about R300m by an Impala rights issue. This was cancelled and the project, which could ultimately cost close to R1bn, has meanwhile been funded internally. As with Oryx, the funding structure has not yet been worked out, but Gencor had given an assurance that it would support Karee.

If Samancor goes ahead with its joint venture stainless steel project with Highveld Steel, now at the feasibility study stage, this could cost more than R1bn. While Samancor's balance sheet would enable self-funding, De Beer notes that it probably would not be wise for Samancor to rely too heavily on debt financing for such a project.

And when Moss gas reaches commercial stage, Gencor is expected to take 30% of the equity, and inject some R600m in 1987 money. This is only expected to occur in about

1992, but by then the amount could exceed R800m. The decision to go ahead with the torbanite project has yet to be taken by Gencor (which would hold 51% of the equity) and by government, but this too would be expensive.

De Beer notes that Sappi issued about 20m-odd shares at last year's Saiccor deal, but its balance sheet is considered to be "in great shape." Malbak has controlled its balance sheet tightly and has no apparent need for capital, though it has established a springboard in the UK and, like others, it has been offered disinvestment opportunities. Keys, incidentally, said recently that the intention is to fund Malbak's foreign expansion through the financial rand.

There's been some speculation that Gencor's rights issue might be aimed at building up the armoury in the event of a sell-off of SA interests owned by Consolidated Gold Fields. But if that happens it may well have to be a separate exercise. R1,5bn would fall well short of the amount needed.

It's safe to assume that the announced projects and deals are by no means all that Keys has up his sleeve. Other internal projects, such as a Beatrix expansion, are possible, as are any number of deals. Anglovaal, for example, will need a partner for its Bothaville gold prospect.

Various events indicate there's been a loosening up in the control structures of the SA mining houses and their interests, and these could presage further changes. Federale Mynbou, of which Sanlam owns about 50% and Rembrandt owns more than 28%, will raise some R850m in a separate issue to fund its own take-up of the Gencor issue. A still unresolved question is what stance Rembrandt will adopt to the issue.

The rights will be offered at a "realistic" discount to the ruling market price, which is likely to be at least 10%, depending on market conditions. The decision will be taken at a meeting on June 16 and announced on Monday June 19.

Andrew McNulty

BUSINESS

COMPANIES

ARGUS 2/6/89 214

Diamonds oust gold as Anglo moneyspinner

Business Staff

DIAMONDS have replaced gold as the major revenue-earner for Anglo American Corporation, the world's largest gold producer

This is detailed in AAC's financial results for the year to end-March 1989 published today

On an equity-accounted basis gold and uranium's contribution to earnings declined from 21,7 percent (R392-million) in financial 1987 to 14,8 percent (R390-million) in 1988 while that of diamonds rocketed from 19,3 percent (R350-million) to 25,7 percent (R679-million)

DRAMATIC RECOVERY

This dramatic turnaround in sectional contribution to group earnings is the result of the sharp increase in the profits of AAC associate De Beers, via Anamint, and a static performance from the group's gold mining interests

While the gold price rose from R909 an ounce in calendar 1987 to R992 in 1988, production costs increased at a far higher rate, Mr Gavin Relly, chairman of AAC, said last night

On the other hand, the diamond industry underwent what he called a dramatic recovery, leading to earnings from this sector becoming the most im-

portant contributor to earnings

"In the light of the buoyant markets, the recently announced US dollar price increase and the fall in the rand, income from this source is expected to grow further in the coming year," Mr Relly said.

Mr Relly expressed concern about the current gold price saying "The decline in the US dollar price of gold since the financial year-end, although compensated for by the continuing fall in the rand against the dollar, is of considerable concern to us and it seems that until the dollar price recovers, we shall have to rely on the other sectors in which we are invested for growth in earnings

"However, one must not underestimate the importance of the gold mining industry in our economy. A low dollar price is adversely affecting the flow of foreign exchange at a time when the country is forced to repay its external debt

"This, together with the inevitable reduction in activity in this sector, must have a severe impact throughout the economy," he said

At a Press conference to announce the group's results, Mr Relly expressed his faith in the long-term future of gold, indicating some measure of concern about political developments in Eastern Europe,

saying "it still remains the ultimate hedge against financial instability"

Describing the present gold price as "sloppy", he said that gold was the only international final financial adjuster and as such would continue to play an important part in world economic affairs

Regarding the future of the local gold mining industry, he said "We know there is still a lot of gold under the ground. We will just have to be more courageous and imaginative in getting it out"

The equity-accounted earnings of AAC reached the record level of R2,6-billion, reflecting an increase of 46,2 percent on the previous year's earnings of R1,8-billion and in terms of earnings per share increased by 45,5 percent per share to 1148c, compared with 790c per share

Attributable earnings increased from R1 037-million (453c per share) to R1 254-million (545c a share), reflecting an improvement of 20,9 percent overall or 20,3c per share

A final dividend of 200c a share has been declared, which, together with the interim dividend of 70c, makes a total distribution for the year of 270c a share (1988 225c)

GM. Final 2/6/89

Anglovaal mines lift dividends ⁽²¹⁴⁾

JOHANNESBURG — Mines in the Anglovaal stable have all reported increased dividends. The group said prices received in rand terms were largely responsible for increased final dividends from three mines, Hartebeestfontein, Eastern Transvaal Consolidated and Village Main Reef.

However, Hartebeestfontein's figure was also helped by better non-mining income and reduced taxation, while lower capex contributed to the lift in ETC's final and a reduced taxation charge aided Village Main to declare a higher final.

The group's main producer, Hartebeestfontein, raised its final payment to 100c (1987/88) 90,5c a share. This, combined with the higher interim of 80c (62,5c), lifts the year's total to 180c, compared with 153 cents in the previous financial year.

Eastern Transvaal Consolidated Mines increased its final to 265c, which was 80c more than the 185c final declared in the previous financial year.

The current year's final, together with the improved interim of 150c (125c), boosts the year's total to 415c (310c) a share.

Village Main Reef improved its final by 5c to 17,5c (12,5c) a share which, after adding the 13c (12,5c) interim, brought the year's total to 30,5c (25c) a share — Sapa

Anglo's earnings rise by 46,2%

Gavin Relly bullish on gold's future

CME Trends 2/6/89
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From REINIE BOOYSEN

JOHANNESBURG — Anglo American's equity accounted earnings rose by 46,2% to R2,64bn (R1,80bn) in the year to March, after a substantial increase in income from its 32,5% stake in diamond associate De Beers which more than offset static earnings from gold

Earnings a share (equity accounted) were 1 148c (1988 790c)

A final dividend of 200c a share has been declared, bringing total distribution to 270c — 20% more than last year's 225c

Excluding the R1,39bn retained earnings of associated companies — which represent 52,6% of equity accounted earnings — the profit growth is less spectacular, at 20,9%

Some 30 of the company's associates are equity accounted, the largest being De Beers, Minorco, Amic and JCI

Retentions within the group have risen significantly from last year, when they were 42,7% of equity accounted earnings

At a media conference on the results yesterday, chairman Gavin Relly said the rise in retentions reflected well on the group's long-term strength

Besides the need of associates to retain a greater proportion of their earnings in times of high inflation, funds were earmarked for strategic capital expansions such as Highveld Steel and Vanadium's stainless steel project with Samancor

Other projects under consideration were an additional pulp-line for Mondi, which would cost more than R1bn at current prices, and the establishment of a primary nickel mine in the eastern Transvaal

While De Beers became the single most important contributor to equity accounted earnings (25,7% compared with 19,3% last year), the contribution of Anglo's gold mining associates declined from 21,7% to 14,8%. Equity accounted diamond earnings almost doubled to R679m (R350m)

Other segments managed sound improvements: coal, by 57% to R80m (R51m), Rustenburg Platinum, Samancor, CMI and Palabora, by 43% to R200m (R140m), industry and commerce (Amic, Samcor, Mondi and Highveld), by 70% to R498m (R293m), mining finance, by 51% to R604m (R399m), and banking, insurance and property, by 20% to R139m (R116m)

Relly said in spite of the "sloppy" gold price, gold remained "the heart" of Anglo, and alluded to the company's intensified gold drilling programme in SA, which ran up an additional R31m in prospecting costs, to R138m

This figure — which included Anglo's mineral rights purchases — would amount to "about R170m to R180m" through 1989 to 1990, reflecting the company's "continuing faith in the future of gold"

The two major problems for the future of gold mining were coming to grips with fluctuations in the gold price and the technical difficulties associated with deep-level mining

On the gold price, Relly took issue with the view that the future was negative in view of the waning threat of international nuclear conflict. Anglo could "hardly wish on the world the sort of political instability on which the gold price thrives", but predicted that "a great deal of instability may well emerge in eastern Europe"

RICHARD ROLFE in LONDON

Bush bullish for dollar

THE continuing strength of the dollar has been given new potential momentum by last weekend's accord in Nato on the 40-year-old alliance's future

The plan announced by President Bush to cut US troops in Europe by about a fifth will have repercussions on the US Budget deficit, a principal source of dollar weakness in the past

The US spends \$300-billion, about a third of its total annual budget, on defence. It does not give a figure for the cost of its European commitment, but estimates range as high as half of the total

A rundown of the 340 000 US service personnel in Europe would lead to large savings, cutting the deficit and enhancing the long-term attractions of the dollar

Mr Bush proved to be the star turn of the Nato celebrations. For six months, he has been hammered by the US

media for failure to respond to Soviet disarmament proposals

The advice he has been getting is to take things a step at a time. President Gorbachev has been launching arms initiatives almost once a week

The intention seems to be more to confuse European — particularly West German — public opinion than to put a firm agenda on the table

Key Bush advisers are sceptical about the Gorbachev manna in Europe. They question whether Gorbachev can survive and whether, beneath the surface, anything has changed in the USSR

It would not take much to bring to power some hard-faced men dedicated to cracking down on liberalism at home and to reviving the cold war abroad

The Bush administration has been attacked for not putting forward bold proposals to seize the initiative from Mr Gorbachev and help keep him in power

Instead, President Bush is treading softly. The pressure is all on the other side. Massively inactivity is the order of the day in Washington

RTZ has completed the purchase of BP Minerals at a cost of \$4.3-billion. The deal adds BP's stake in Richards Bay Minerals and in the Unisel and Oryx gold mines to RTZ's interests in the region, notably Palabora and Rossing

RTZ can now claim to be the biggest mining group in the world with market capitalisation of nearly \$4-billion

That is ahead of De Beers and Anglo American, though less than the two of them combined

It is the mining company others wish to emulate. London's Tiny Rowland always regarded Val Duncan, RTZ's chief architect, as his mentor

and tried to model Lonrho on RTZ. Minorco hopes to be like RTZ in a few years' time

With its strong following of loyal UK institutions, RTZ is the model of a modern mining company. There are several reasons for its high standing

It is technically excellent, with a good exploration record and ability to turn low grade orebodies like Rossing and Palabora to highly profitable account

It has always gone in for innovative financings, another legacy of the Duncan era

More recently, it has ridden the investor relations bandwagon, listening to its institutional shareholders and accepting their advice where it has seemed sensible

A decision to focus on core assets led RTZ to streamline its structure, getting rid of

peripheral assets last year. Out went interests in cement, oil and double glazing

Minorco has said its policy will be to obtain majority, operational control of assets in its portfolio, although this is not the practice anywhere else in the Anglo group

As a matter of interest, it is not the practice in RTZ either. It has only 49% of CRA, its Australian arm, and less than that in Rossing and Palabora

It remains to be seen how Minorco will proceed in imitating RTZ, with resolution of the Cons Gold impasse a vital consideration if it is to make any real progress

ONE of the oldest jokes in the stock market is that somebody is supposed to ring the bell when a bear trend has run its course. The trouble, says Peter Miller, the Johannesburg mining analyst now based in London with Canada's Yorkton Securities, is that no one ever hears the bell

He believes that the gold market is showing some of the characteristics which typify the final stages of a bear market

● Excessive negative reaction to bad news ceases, especially among good-quality stocks

● Instead of ignoring good news, markets start slowly to respond to it

● Real value, in the form of dividend yields, begins to appear and "the practice of brokers discussing prospective P/E ratios three years hence disappears into history"

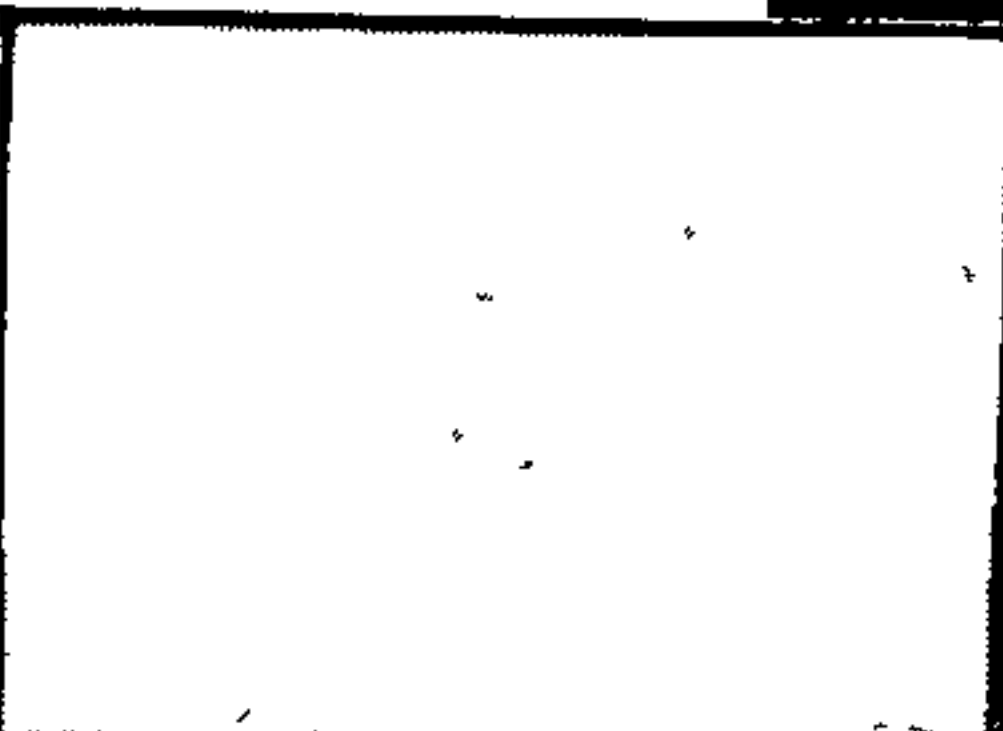
● A sense of deep despair is universal and even super-bulls are disillusioned

● Trading is minimal and "most investors are either broke or apathetic"

Some of these characteristics, Mr Miller suggests, have become apparent in the gold market, especially the response to bad news. He thinks it is significant that gold-share indices have held above previous lows in spite of the three-year low in the gold price

As a result, he suspects the bottom of the bear market in precious metals stocks "may not be imminent, but it should occur some time in the next six months"

In support of the argument, he notes the rising physical demand for gold throughout the Far East, do-



commented by Cons Gold in its latest review

Closure of mines, such as Durban Deep and ERPM, would help the market touch bottom and speed the recovery

"Gold's downside from \$360 should be limited. If you listen very carefully, you may even hear the sound of a bell ringing"

Anglo No 20 in Fortune League

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STimes 4/16/89

tribution to equity accounted earnings fell marginally last year from R392-million to R391-million and diamonds' share rose by 94% to R679-million

In the final analysis, diamonds increased their contribution from 19.3% of the total to 25.7%. Gold's contribution slipped from 21.7% to 14.8%

Mr Relly says diamond earnings are expected to grow again in the current year after the recent dollar price increase and the rand's fall

Industry and commerce increased its contribution to the total from 16.2% to 18.8%, or R498-million

The 70% lift largely reflects excellent results from Amic, where Samcor is making satisfactory profits and Hoart, Scaw, Mond and Highveld are doing well, particularly in foreign markets

Steps

But Mr Relly says that recent steps to dampen the economy and indications that commodity prices have peaked foreshadow a lower rate of earnings growth

The contribution from platinum and other mining

● To Page 2

By Ian Smith

udent that it will retain its long-term importance to SA Anglo intends to spend between R170-million and R180 million on gold exploration this year — up from last year's R138-million

Attributable earnings which increased from R1 087-million to R1 245-million showed 20.9% growth, which might look pedestrian when compared with Gencor's 55% profit lift

Retained

But Mr Relly says the lower rate of increase in attributable earnings reflects the fact that the corporation's associates retained a greater proportion of their profits

It is not Anglo's policy to own 100% of subsidiaries and this makes it difficult to draw comparisons

The results of about 30 Anglo associates are equity accounted, including major contributors like De Beers, Minorco Amic and JCI

Because they are not controlled by Anglo only dividend income is brought to account for attributable earnings

Mr Relly says "Accounting of their retained earnings is entirely realistic in the determination of our bottom-line equity accounted earnings in view of our significant shareholdings in those independently managed companies and the conservative accounting policies adopted by them"

The associate companies need to retain a greater proportion of their earnings in times of high inflation and when funds are earmarked for new projects and expansion slows the increase in Anglo's attributable earnings

ANGLO American Corporation's R800-million earnings leap in the year to March has been deemed the reputation of SA's mining and industrial juggernaut

The 46% earnings leap announced this week would place SA's premier mining house among the 20 most profitable corporations in the US as rated by Fortune magazine — in spite of a weak rand

Before the result Anglo was looking sheepish because of the failure of Minorco's bid for Cons Gold

It also suffered in comparison with the more dynamic moves of rival mining house Gencor

Anglo rode high even though gold hardly glistened in the past year. Scintillating results from diamond monopolist De Beers and from industrial giant Amic pushed equity-accounted earnings to a record R2 645-million — 46.2% above last year's R1 809-million

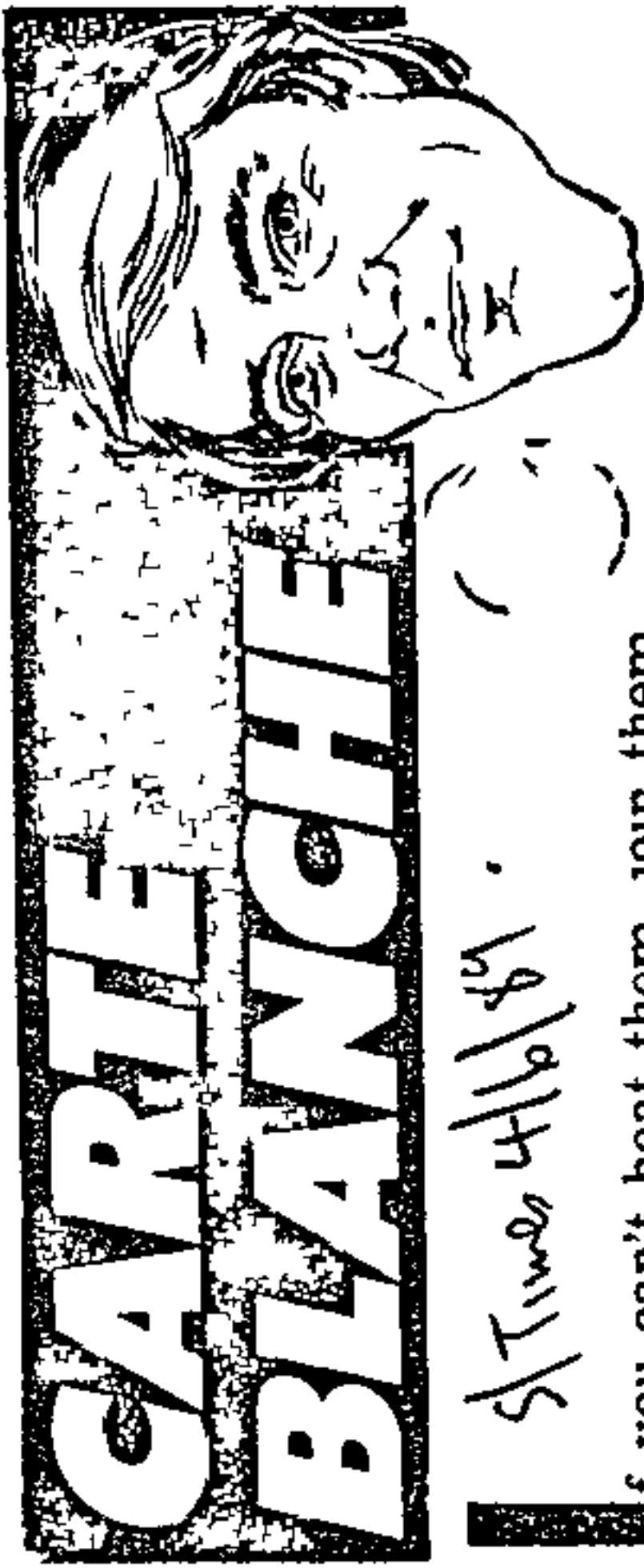
Sleeping

Measured by shareholders' funds Anglo would rank 12th in the Fortune list of the top 500 US corporations — ahead of Texaco Anglo had equity of R28.5-billion (\$10.3-billion)

Chairman Gavin Relly believes the results give the lie to any suggestion that Anglo has let development opportunities slip through its fingers

Mr Relly says "The results reflect the far sighted investment strategies adopted over the years which have resulted in a portfolio which is sufficiently robust to provide excellent growth despite the static earnings of the gold mining industry"

Although gold's contribution shipped on the back of a sloppy price Mr Relly is con-



By David Carte, BUSINESS TIMES Editor

If you can't beat them, join them

This seems to be the credo of Piet Badenhorst, chief executive of UBS Holdings

He has long complained that the playing field in financial services is not level, sloping appreciably in favour of bankers and insurers

He told the Investments Analysts Society this week that 90% of life assurance business even a good part of pensions business is deposit taking in disguise

Mr Badenhorst did not mention the assurers' biggest advantage — being in real assets such as shares and property rather than in financial assets that are eroded by inflation

His solution to the UBS disadvantage? Get into insurance and banking through the purchase of 30% of Volkskas and 30% of Commercial Union UBS's life arm which sells mainly mortgage protection policies contributed a taxed profit of R10-million

Mr Badenhorst said "That was a conservative estimate of life profits after an actuarial valuation We know of a competitor that reported a profit of R21 million on a much smaller life arm"

As a result of diversification and thanks to equity accounting UBS Holdings was happy to report this week that something like 38% of taxed profit came from banking and insurance last year

Growth in the two new areas outstripped that in the building society While building society profits rose only 12% assurance profits rocketed 75% and banking profits by 20% plus Less than half of taxed profit came from the building society compared with 19.5% from banking and 18.6% from assurance

Mr Badenhorst recognises that banking is a minefield for the uninitiated That is why UBS has gone to such lengths to employ

● From Page 1

increased from R140-million to R200-million

Falling metal prices mean earnings should level off this year

The revival in coal meant its contribution rose by 57% to R80-million Improved ex-

ports, the low rand and higher Eskom demand enables Amcoal to forecast an increase in earnings, but at a slower rate

"Export earnings and offshore investments ensure considerable protection

Anglo

against the weak rand and the balance sheets of the associated companies are extremely sound," says Mr Relly

To round off a pretty picture, he says Anglo's balance sheet reflects minimum gearing and a large cash balance

STimes 4/16/89

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Star 5/16/89. (214)

Trading in (214) some Consgold shares blocked

Foreign Bureau and Finance Staff

LONDON — Mystery holders of Consolidated Gold Fields shares are still being sought by Department of Trade and Industry officials after last Friday's decision to disenfranchise a block of 320 000 Consgold shares, the true ownership of which cannot be established.

Consgold and the DTI failed to extract the information from BFC Bank for whom they were holding the block. The Cayman bank said that under island regulations, it was unable to reply fully to the request.

The DTI decided to freeze the shares, in effect ensuring that they cannot be voted, that no dividend can be paid to the owners, and no new shares may be issued for them — although the freeze does not necessarily imply any impropriety.

● Minorco has announced a restructuring of its board, with Harry Oppenheimer retiring and five others directors resigning.

Mr Oppenheimer has been a director of Minorco over 50 years.

The five directors who have resigned are John Abell, Robert Clare, Neil Clarke, Louis Marx and Sidney Spiro.

The Minorco board is due to meet on June 15 and the statement said it intended to elect Nicholas Oppenheimer as a non-executive director.

Closer to home, Anglo American announced the appointment of Bobby Godsell, Lionel Hewitt and Tony Trahar as directors of the Corporation with effect from June 1.

Mr Godsell is group consultant, Industrial Relations and Public Affairs, while Mr Hewitt is managing director of the Corporation's Gold and Uranium Division, with responsibility for the Free State gold mining operations.

In addition to his appointment as a director of Anglo American, Mr Trahar, who was previously MD and CE of Mondi Paper Company, has been appointed executive chairman of Mondi and NTE with effect from June 1, 1989.

Agnew's proposal under attack (214)

Finance Staff
A number of institutional shareholders are planning to vote against Consolidated Gold Fields chairman Rudolph Agnew's controversial proposal to break-up Consgold if it fails to meet tough three year financial performance targets

The *Evening Standard* in London reported yesterday that these dissident shareholders were likely to get the support of Minorco, which holds about 30 percent in Consgold

The dissident shareholder may thus be able to block the plan and further embarrass Mr Agnew, who is still facing some

criticism for that dramatic escape from Minorco's £5.4 billion bid

An extraordinary general meeting in July will be the battleground for this confrontation, when Consgold asks shareholders to approve the break-up proposal which it put forward as part of its radical defence to the bid

Consgold is understandably fearful that the existing simmering discontent over its escape from Minorco could crystallise around the July vote over the break-up pledge, the newspaper writes

Mr Agnew is expected to can-

vass shareholders over the next few weeks to tell them that support for the EGM resolution is not "binding" and is reversible if the circumstances change between now and the target date

The vote is over Consgold's plan to pay a special dividend if it fails to meet a 400p cumulative earnings target over the next three years

This will inevitably involve selling off businesses in order to finance the estimated cost of £1.3 billion, which a number of shareholders, included many who supported Consgold in the fight with Minorco, are known to oppose

Freegold sets priorities for capital projects

Star 6/16/87

214

The control of both operating costs and capital expenditure, whilst receiving management's day-to-day attention, is a cause for considerable concern, says Freegold chairman Peter Gush in his annual review.

Turning to exploration, he said that as a result of continually escalating costs and the likelihood of a static or lower rand gold price prevailing for the coming year, it had become necessary to "prioritise" capital in order that those revenue-generating projects nearing completion were given first call upon available funds.

It would not be possible therefore to continue with less important projects and for the time being these would be discontinued.

All projects currently on stand-by, however, had been left in such a way that work could recommence as soon as an improvement in the gold price took place, he said.

Referring to the deferred exploitation of the

farms Jonkersrust and Du Preez Lager, Mr Gush said it was important that the government realised the necessity to relax the provisions of "ring fencing" to enhance the viability of some new mining projects.

REALISM

Following the 1987 miners strike, a new realism was evident during the 1988 wage negotiations.

In contrast to its approach to the 1987 wage negotiations, the National Union of Mineworkers had accepted a wage increase of between 13 percent and 16,5 percent "without recourse to any of the dispute-settling machinery provided for in legislation," Mr Gush said.

Commenting on the removal of the "scheduled person" definition from the statute book, he pointed out that management was still dissatisfied with the number of provisions within the Mines and Works Act that could be used to impede the advancement of black employees.— Sapa.

Gold remains a sideshow despite international rally

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Star 7/6/81

By Neil Behrmann

LONDON — At the beginning of this decade the terrible events in China and a collapse in the confidence of Hong Kong, would have pushed the price of gold up by at least \$50

The news in the bullion market this week, however, is that gold has done virtually nothing

After being depressed in Hong Kong and London Tuesday, it managed to stage a rally to \$377.75 in New York and opened \$9.10 higher in Hong Kong this morning at \$376. That increase came about because professionals covered their short positions

The rise in the gold price to three-week highs has been described as a belated reaction to last weekend's violence in China

"The first round affect of the upheaval in China was a rally in the US dollar and it looks like the reaction is setting into gold," said Jeffrey Nichols of American Precious Metals Advisors

More telling, however, according to Zurich and London dealers, is the fact that buying from the people of Hong Kong and Taiwan has been negligible in the past week

"We were surprised and disappointed," said a bullion manager of one of Switzerland's leading bullion banks "Hong Kong's citizens were queing up to withdraw money from banks allied to China, but at most a tiny amount found its way to the bullion market"

Added a London dealer "The market is quiet and professional, we have not noticed any unusual buying from Hong Kong, Taiwan and other South East Asian countries"

Hong Kong has traditionally been one of the leading precious metals centres. In only eight years time, Britain will be handing the colony over to an authoritarian Communist regime

So the lack of interest in the gold market at this particular juncture is a tale in itself

It illustrates how the global structure of the financial and precious metals markets have changed

Deregulation in international financial markets has enabled investors around the world to switch from currency to currency.

Except for refugees — and unfortunates from China may soon be examples — there is little need to buy gold during political crises

Thus instead of rushing into that traditional store of value, gold, Hong Kong citizens purchased US dollars. Gold rose slightly on news of the massacre in Beijing. But it soon lost its glow when it became obvious that Far Eastern money was flowing into the US dollar

South East Asian currencies such as the Hong Kong dollar are pegged to the US dollar. So Asians feel comfortable with the greenback. It is a natural haven and a store of value in times of uncer-

tainty

Since Hong Kong is not encumbered by exchange controls, deposits can be placed anywhere in the world. So why buy gold?

In time gold will rally. The recovery might have begun already

But the revival would be little different from rallies in prices of copper, zinc, sugar, cocoa or any other commodity. At a time of high interest rates gold has become a speculation, not an investment

The old time bullion bugs who have held gold through thick and thin have lost fortunes this decade — not just from capital depreciation — but from interest foregone. No doubt the bullion bugs time will come. Any commodity ultimately rises in time and fundamentals are beginning to shift in favour of gold

But in the meantime, however, the majority of investors are likely to ignore gold

If they fear that the dollar will weaken, they can buy Swiss francs which are now trading on interest rates of eight percent

And if they have confidence in the dollar, short term US interest rates are nine percent

Meanwhile investors will shift from equities to bonds to cash and back again. Currencies are there to be chosen

For the international investment markets, gold is a mere sideshow

Star

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Gold soars \$12 to four-week high

By Sven Lunsche

Gold prices have soared to four-week highs as investors, reacting to the continuing political turmoil in China, flocked to buy the precious metal

The dramatic \$12,40 recovery in New York, to a close of \$377,75, comes at a crucial time for South African marginal gold mines, which have been under threat from the falling bullion price since the metal hit three-year lows just two weeks ago.

The higher gold price and a lower rand exchange rate — the rand closed slightly lower at R2,78 against the dollar yesterday — pushed the rand price of gold to a year's high of around R1 050

Gold mines receive their payments in rands, so the latest rise will certainly ease the immediate pressure at about 10 gold mines, which are making serious losses when the gold price falls to levels of under \$370

However, it is doubtful that it will help the two mines under the most immediate threat — East Rand Proprietary and Durban Roodepoort Deep. They will be closed by its owner, Rand Mines, unless Government assistance is forthcoming

Gold's recovery followed a decline in the US dollar yesterday

● See Page 14

ANGLO AMERICAN

Muscle from diversity

214 (circled) *mail*
9/6/89

Gold was for many years the mainstay of Anglo American Corp's earnings and even in the 1988 year it produced 34% of the group's investment earnings. In its 1989 year the house showed that its other investments can take over and generate excellent bottom line growth when gold income is stagnant.

In the year to end-March equity accounted earnings rose by 46,2% and attributable earnings were up 20,3%, which enabled a dividend increase of 20%. Conditions were favourable in almost every sector but gold.

□ A rejuvenated De Beers (*FM* May 12) is again fulfilling its historic role as a major cash generator. The 94% growth in diamond income was the big impetus behind Anglo's equity accounted income, and the 82% higher dividend which De Beers paid in its centenary year was largely responsible for the 26,3% increase in investment income.

□ A more active local economy helped boost earnings and dividends paid by many of the group's investments, particularly Amic.

□ Buoyant international prices of exported products boosted profits in sectors such as steel, ferro-alloys, platinum, pulp and paper and even coal.

□ After looking sleepy for years, the major international arm, Minorco, woke up and announced sharply higher earnings and dividends, and

□ The rand depreciated steeply after standing relatively firm during 1987. This lifted results from many of the mining, mining financial and industrial interests, including the foreign investments.

Any rand weakness generally ensures at least some profit growth for the mining houses sector, particularly when export sectors are fundamentally profitable. But this time Anglo has outdone most of its rivals. Only Gencor, whose attributable earnings for the six months to end-February were up by 55%, has shown comparable gains. The bulk of Gencor's profits came from Sappi, Samancor and Malbak.

Diversity is helping most of the houses. Rand Mines reported interim earnings to end-March up by about 39% and expected to advance by around 15% for the full year. Anglovaal this week forecast its consolidated earnings for the year to end-June will be up by 21%. JCI, with its exposure to platinum, ferrochrome, diamonds and Premier/SA Breweries should report strong figures for the year to end-June. GFSA's results will be interesting: it gains 80% of profits from gold but has high quality gold mines and some useful base metal interests.

But comparisons between the houses are problematic owing to different accounting policies. What Gencor, for example, reports

as attributable earnings includes its equity accounted associates, while Anglo separates attributable and equity accounted figures at bottom line. The largest slice of Anglo's earnings (see table) comes as equity accounted earnings from roughly 30 associates, many of which it does not control — at least not at management level — though the major associate contributors are De Beers, Minorco, Amic and JCI.

The attributable figure reflects results from subsidiaries, the major one being Amcoal, as well as dividend income from the associates including the gold interests. And while the equity accounted earnings are larger, the attributable earnings are a better indicator of Anglo's cash income and its potential to pay dividends. The policy is to maintain dividend cover at about 2,0 on attributable earnings. However, the equity accounted figure does affect the balance sheet. Year-end net worth, lifted also by the recovering stock market, was 45% up at 12 379c.

Ironically, the considerable exposure to equity accounted associates means that, at least to some extent, a concern that has been raised about Minorco could be directed at Anglo itself. This is that Minorco's reliance on investments in associates, with its cash flow dependent on the dividends they declare, is financially inefficient and contributes to the share trading at a discount. "Get control over cash flow" was a Minorco battle cry during its Cons Gold campaign.

From Anglo's standpoint, chairman Gavin Relly points out that the associates' need to retain a greater proportion of their earnings, in times of high inflation and when funds are earmarked for new projects and expansion, has the effect of slowing down the rate of increase in Anglo's attributable earnings. Given the cover policy, the same effect can apply to Anglo's dividend payments.

The question of financial efficiency aside, the annual report will show that the cash pile, R1,8bn at March 31 1988, will again be very large. As shown by the cost of some of the projects which Relly says are planned within the broader group, Anglo will ultimately spend huge amounts to ensure its long-term growth. But few if any major ones may go ahead soon.

In the gold sector, Anglo's earliest big prospect is a new mine in the Potchefstroom Gap. Relly says that the area contains a great deal of gold, but his comments suggest there is little point expecting an imminent development. He points out that as this is a new goldfield, Anglo and probably other groups involved will tend to go "rather cautiously," particularly as an adequate struc-

tural view of the field has not yet been built up.

"I think it would be essential to achieve that before one could talk in realistic and immediate terms about putting down shafts," he says. "One would like to look for a relatively shallow area but most of it appears to be relatively deep. If something like that could be isolated it would enable a quicker approach. But I think it's going to be quite a while."



Anglo's Relly . . . still bullish on gold

Relly notes that Anglo's gold operations will have to tackle new areas which will require attention to the problems associated with mining at great depths, including technology and cost. He notes that shaft systems in the Free State which cost £8m in 1950 can today cost several billions of rands. "The heart of Anglo is its long-term belief in gold, and the opportunities for gold in SA remain very extensive. We'll have to be more imaginative and perhaps more courageous to get it out," he adds.

In the eastern Transvaal Anglo is conducting new feasibility studies on a nickel mining prospect (see *Leaders*). Nickel is used in production of stainless steel — an area of possible expansion for Highveld — but the mine would have to be economic on its own. The feasibility will continue well into next year, and if the mine goes ahead production would start in about 1992. Present indications are that it could produce about 17 000 t/year of nickel which would provide about 60%-65% of the revenue, the rest coming from copper and precious metals.

In the industrial sector, two costly projects are being considered for Amic. As well as Highveld's potential stainless steel joint venture with Samancor, Mondri is at an early stage of considering establishment of an additional pulp line. The cost would be well

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ANGLO'S LEAP

Year to March 31	1988	1989
Investment income (Rm)	1 015	1 282
Trading income (Rm)	274	427
Other income (Rm)	121	89
Attributable earnings (Rm)	1 037	1 254
Equity accounted earnings (Rm)	1 809	2 645
Dividends (c)	225	270

over R1bn in current money, though the capacity could be smaller than that of the present line. Relly points out that the group would have to be sure that enough timber resources would be available, and this would call for extensive additional investment in forest development.

Apart from any such investments in new projects, Anglo could have to direct some of its funds towards taking up rights issues by some of its associates — though Relly points out that none has been announced.

The share traded on Tuesday at R81, up from R75 before results were announced last week, but the price still discounted net worth by some 34%. The related Gencor, at R84, stands at a discount of about 27%.

Andrew McNulty

NEW MINING PROJECTS

Rush in the Transvaal

214 Email 9/6/89

■ A rich geological inheritance means many new projects in the pipeline

Mining in the Transvaal has been moving steadily away from the traditional locus of activity in the Witwatersrand goldfields and the Highveld coal belt. The trend looks set to continue, bringing benefits for various local communities and for the economy.

Among the latest developments is the announcement that De Beers is poised to go ahead with an R800m diamond mine at Venetia, near the northern Transvaal village of Alldays. So far this year, Rand Mines has officially opened the Vansa Vanadium mine near Steelpoort, Samancor has completed the first of two new furnaces being installed at its Tubatse ferrochrome plant in the same area, and the Rhombus group is to establish a vanadium mine in Bophuthatswana to supply Union Steel's proposed vanadium pentoxide plant.

Four new platinum mines are being developed — Northam, Messina, Karee and Lefkochryos. A fifth, Atok, is being expanded and JCI is committed to the development of

another two — Maandagshoek and Potgietersrus. Platinum Rand Mines is continuing shaft-sinking development at the Rhodium Reefs platinum mine, despite its decision to first bring Lefkochryos Platinum near Brits into production.

Among new developments in the eastern Transvaal, the new granite producer, Aurora Granite, has started production near Belfast, where existing quarries are expanding output. A number of new small gold mines have started up — Osprey, Gazgold, Cengold — and more are being considered. And the overall exploration effort by the mining houses in the area is being stepped up.

This level of activity contrasts with the gloomy conditions facing the established gold mining industry. There are several reasons for it.

They include the bull market in base metals, the surge in demand for platinum, the growth in the international dimension stone business (granite and marble), the recovery

of the diamond trade where De Beers is firmly back in the saddle (*Leaders* May 12), and the search for new gold mines to augment and replace existing ones.

All these factors are linked to the unique geology of the Transvaal where 3,5bn years of geological evolution have created a varied treasure house of mineral deposits.

The most important of these structures is the Bushveld Igneous Complex (BIC), source of the world's greatest known deposits of platinum. The BIC is also the host formation for the chrome, vanadium, tin and granite mined in the Transvaal. In addition to the BIC, the Transvaal has large areas of greenstone belts which host gold, emerald and base metal deposits of which the best known is probably antimony, mined by Consolidated Murchison near Gravelotte.

Another major geological feature is the coal fields of the northern Transvaal. These are largely undeveloped, with the exception of Iscor's Grootegeluk mine near Ellisras and

Tshikondeni coking coal mine in Venda near the Kruger Park. Output from Tshikondeni is being doubled to 36 000 t/month and a new railway line to the mine is planned.

The Waterberg coal field contains an estimated 28% of SA's coal reserves. Petrochemical consultant Philip Lloyd told a recent conference held in Venda that in Region G — the northern Transvaal — Sasol has extensive mineral rights interests in the Waterberg coal field. He said the upper zone coking coals in the Waterberg can be readily treated by direct liquefaction to produce a crude oil. From this, high-octane petrol and diesel can be prepared with far greater efficiency than the Fischer-Tropsch gasification route used by Sasol.

He pointed out that direct liquefaction technology has evolved considerably in Germany since the mid-Seventies. "It is by no means impossible that a direct liquefaction plant, perhaps with an attendant chemical facility, could be built on the Waterberg coal field later this century, or early in the next," he told delegates.

As if these geological riches were not enough, the Transvaal also has a number of volcanic pipes composed of alkali rocks. One of them is the host for the Palabora mining operation, which accounts for 65,5% of SA's copper production and 99% of its phosphate output.

GfSA consulting geologist Richard Viljoen told the Venda conference "Region G must by virtue of the distribution of the Bushveld rocks, have the world's greatest potential for the location and exploitation of the platinum group metals, chrome and vanadium, with excellent possibilities for copper, nickel, fluorite and tin."

"In addition, potential still exists for locating gold in the greenstone belts and other sites, with particular emphasis on low-cost opencast mines.

The Venetia diamond pipe was a relatively recent find, suggesting that further diamondiferous pipes could be located in the region."

Exploration for new mines is receiving attention from major mining houses and smaller mining companies alike, as the following examples show.

Anglo American Corp is involved in extensive exploration work on several greenstone gold deposits in the Pietersburg area, one of which is adjacent to Severin Mining's Eersteling gold mine. Anglo has re-established a small gold mines division, an approach which it tried in the early Eighties but then shelved.

Anglovaal is keen to find more small gold mining projects and is prospecting actively for them. It's understood the house is intent on getting back into the platinum business from which it withdrew when it sold the Atok mine to JCI. Anglovaal this year bought the Lavino chrome mine near Steelpoort.

Soaring working costs on deep-level gold mines have led GfSA to set as a priority the search for low-grade, surface gold deposits

that can be exploited cheaply by opencast mining methods and the heap leaching recovery system.

The house has followed Anglo and JCI in the use of image-processing computer systems which can locate ore deposits using data recorded from space by Landsat satellites. I understand that GfSA has pinned down a new greenstone formation using this technology. It is speculated that Anglo-De Beers have found a viable kimberlite diamond pipe in Lebowa. Both mining houses refuse to comment on their exploration activities.

Rand Mines and Gencor have extended the search for new platinum deposits as far south on the BIC as Dullstroom in the eastern Transvaal, while exploration company South Wits recently announced it had a viable small gold mine near Gravelotte. I understand that Metorex is reassessing the small Maranda zinc-copper deposit in the same area.

south of the JCI mineral holdings.

However, a contender must be the Uitkomst nickel sulphide deposit in the eastern Transvaal which is controlled by Anglo.

In addition to all these projects, there are a number of known mineral deposits which so far have not been exploited but could be, depending on circumstances. These include the Rhenosterkopie iron ore deposit north of Pietersburg which contains large reserves of low grade — 38% — iron ore and the Shangani tungsten deposit of the Givani belt.

The new mining developments are being watched closely by the various provincial and State authorities. This is partly because of their possible influence on government decentralisation policy which is aimed at creating jobs in rural areas to stem the flow of workers to the main cities.

SA has been split into a number of economic regions. Three of these fall entirely in the Transvaal while a number of mining projects are in the self-governing homelands of Venda, Lebowa, Bophuthatswana and Gazankulu.

That all adds to the bureaucratic red-tape involved in getting a new mine off the ground. Messina, for example, has been trying to finalise a mineral lease for its platinum mine in Lebowa for the past 18 months without success.

Government and local authorities would like the infrastructure needed by developing mines such as new suburbs, schools and the like to be sited in existing towns. The mines, however, are often situated far from these towns and managements prefer to develop their own townships at the mine for cost and strategic reasons.

GfSA's Northam platinum mine is a case in point. The mine is about 45 km from Thabazimbi, the nearest large centre. The Thabazimbi Town Council would like the mine's white

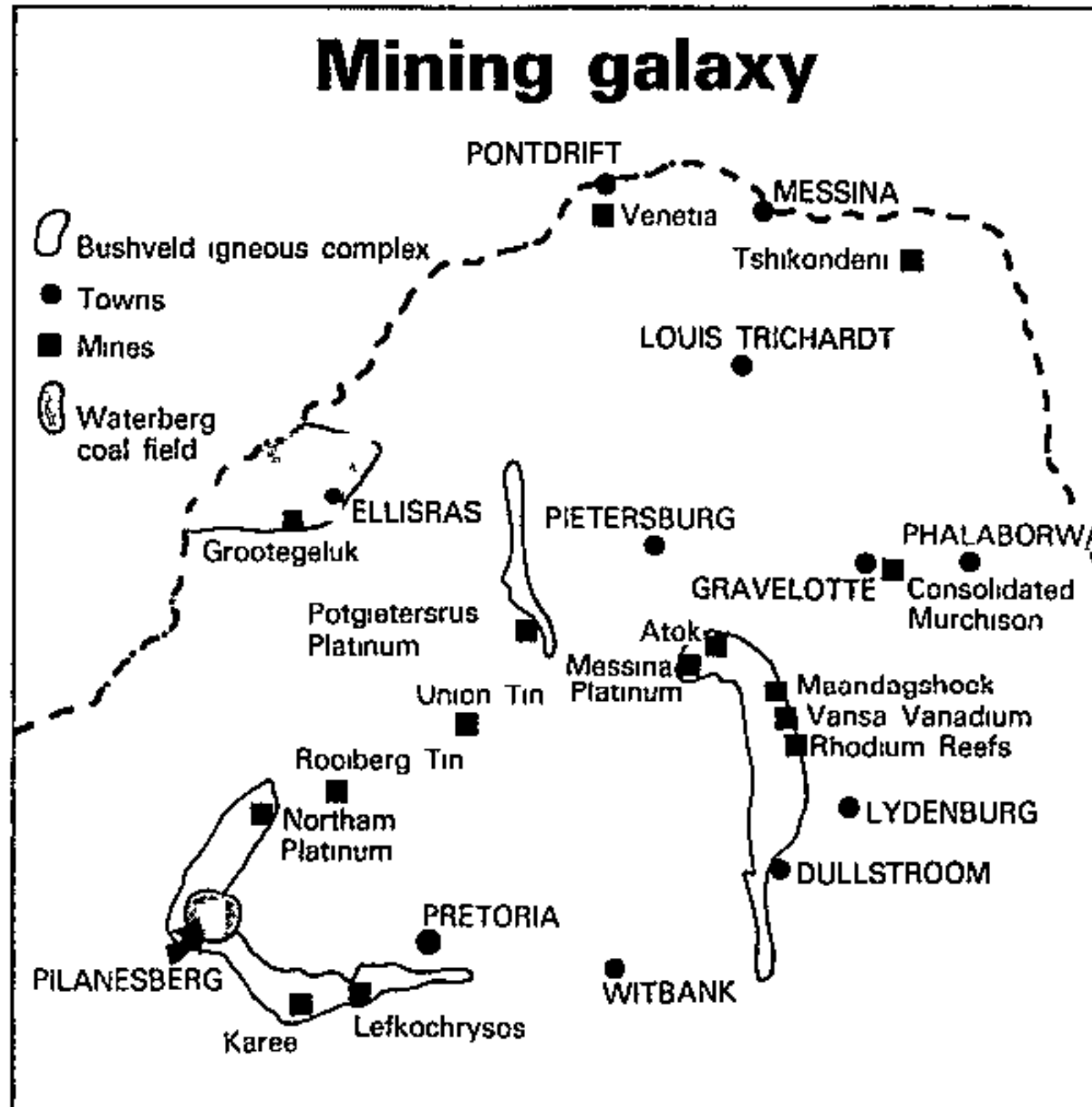
workers housed in the town but management prefers having them on site to avoid the long commute and to help promote mine community spirit.

A solution offered is a township built at the mine, which is administered as part of Thabazimbi.

A major problem for large new mines in the Transvaal, particularly in the dry northern and western regions, is the province's chronic shortage of water for which there is no simple solution. This would be a serious constraint on any proposed synfuel project in the Waterberg.

Damming the Limpopo has been assessed to the stage where two possible sites for a wall have been chosen. But this project would require the approval of Botswana, Zimbabwe and Mozambique, as all these countries would be affected. Getting that approval appears unlikely given the current political situation. It is understood Venetia is considering drawing its water from a borehole project near the banks of the Limpopo, 25 km away.

Brendan Ryan



There is a strong possibility that a nickel mine will be established in the Transvaal, particularly if the go-ahead is given on the stainless steel plant being considered by the Samancor-Hiveld joint venture (Fox April 14). Nickel is an essential ingredient in the manufacture of stainless steel and SA produces about 30 000 t/year as a by-product of platinum mining.

UK stockbroker James Capel reckons that, depending on its final size, the proposed stainless steel plant would require 20 000 t/year-40 000 t/year of nickel. Middeburg Steel & Alloys is also raising its stainless steel output.

The scope is there for a new nickel mine. The brokers suggest that the Platreef, where Potgietersrus Platinum is situated, might be the source as it contains 0,3% nickel in addition to platinum and palladium. The ore body can be mined by opencast methods and Capel suggests a 4 Mt/year operation would produce 10 000 t/year nickel along with 300 000 oz each of platinum and palladium. South Wits also has a project on the Platreef

CAC 11-14 9/6/89

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Mine killings: No arrests

NO arrests have been made in connection with the public executions of four mine team leaders in July 1986 at Western Holdings gold mine near Welkom, police said in Pretoria yesterday. Business Day editor Mr Ken Owen and two reporters were subpoenaed in terms of Section 205 of the Criminal Procedures Act two weeks ago to reveal the identities to police of three mine workers who identified the alleged murderers.

Reports by Staff Reporter Own Correspondent Sapa Reuter AP and UPI

Foreign money shuns high-cost gold mines

Stev 9/16/89

214

By Sven Lunsche

High-cost mines are becoming less attractive to foreign investors, who are shifting their money to the greener pastures of Australia and North America.

The point is graphically illustrated in the annual report of a leading Swiss mining fund run by Credit Suisse. The fund has assets exceeding \$300 million

In a telling comment, the portfolio managers of the Credit Suisse Gold Valor fund write: "The bulk of our assets will continue to be invested outside South Africa, reflecting the fact that the greatest growth opportunities are to be found in other gold-producing countries, namely Canada, the US and Australia."

At the end of March this year South African mines comprised 15,6 percent of the portfolio, compared with 17,3 percent at the 1987/88 financial year-end.

On the other hand, the share of Australian gold mines rose dramatically from 14,5 percent to 22,6 percent.

US mines took up 16,1 percent

of the portfolio (11,5 percent).

The decline in the South African holding was mainly due to the sale of 1,5 million Driefontein shares, although the fund raised its investment in Kloof, the lowest-cost producer, by 290 000 shares.

"South African mining shares are coming under particularly intense pressure

Political factors

"Apart from the decline in the gold price and an increase in production costs, this is due to the fall in the rand and to political factors, in particular to fears that the US Congress might stiffen sanctions against South Africa," the fund managers say.

"Australian and North American mining shares are faring comparatively better.

"The outlook for production growth outside South Africa continues to be highly encouraging and production costs are also developing more favourably," they say.

This week's rise in the gold

price to \$375 has only briefly alleviated the dilemma faced by South African mines in general and by marginal mines, in particular.

The firmer dollar gold price over the last few days caused a R26 jump (1,5 percent) in the rand price to R1 030.

Gold mines are now getting R60 (6,2 percent) more for their output than at the beginning of May, which represents a liferaft to many struggling operations.

Apart from doubts that the mines can control their costs in the wake of the rising inflation rate and wage demands by the NUM, analysts also question whether the gold price will maintain its current higher levels.

The Star Bureau in London reports that traders are wondering whether this week's sudden surge by \$10,25 means that the gradual fall since November is over at last.

Most analysts are suggesting it was merely a delayed reaction to the turmoil in China.

Tom Butler, gold bullion man-

ager at Samuel Montagu, says that while many people expect the price to move upwards, "there is no way of knowing what will happen until the situation in China becomes clearer".

Robert Weinberg, gold analyst at James Capel, who predicted two weeks ago that the gold price would rally temporarily, says "We haven't seen the bottom yet. We're headed for \$300 by the end of the year."

Immediate future

While the rally was more rapid than he had expected, he is sticking to his prediction that in the immediate future the gold price is likely to reach \$380, "bumble around for a while" and then step down to \$340.

He says Wednesday's sudden spurt had nothing to do with events in China, but had been caused entirely by buying in New York and "those funny fellows in the Comex pit desperately seeking a reason to convince people to buy or sell for no other reason that they have to make a living".

THE WEEK ON THE JSE

By Julie Walker

MARGINAL mines, which fall from grace when the gold price falls, returned to favour this week

Slaughter in China catalysed a welcome rally for gold as some investors rushed to their traditional haven. The Hong Kong stock market took a dive, but the JSE was firm.

Wit Nigel, Village, Lindum, Modder B and Primrose all tacked up. But they almost all retreated as gold dropped. Blue chips overreacted when the gold price rose, and gave up some of their gains when it eased on Friday.

Driefontein went from R38 to R43,50 before falling to 3 950c. Kloof firmed from 3 350c to 3 900c and then slipped to 3 600c. Vaal Reefs rose from R284 to R330 before sliding to R314.

The rand followed a similar pattern against the dollar, closing about 279c. The firrand was steady at about 418c.

ANTIMONY

Most analysts still believe that the fundamentals for gold are not great, and no buying signal has emerged from technical charts.

Not even a strong inflationary signal from the American producer price index — which rose from 0,4% in April to 0,9% in May — could support gold. It shed \$3

Marginals live on slaughter

5 Times #16/89

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to \$369 on the announcement.

Cons Murch rose — China is one of its chief competitors in antimony production and has sold at a large discount. Prices have been depressed for a few years. The SA antimony and gold producer put on 150c to 750c.

Granite company Keeley put on 90c to 1 250c, and newcomer Aurora gained 5c to 260c before giving it up at the close.

Rhovan nil-paid letters (npl) exceeded expectations. Trade on Monday was as low



ating company Murray & Roberts.

Hudaco put on a quarter to 775c after a deal in which its abrasives interests will be coupled with those of M&R.

Hunts put on 100c to 1 100c, but gave up half of the rise. The preferred ordinaries gained 50c to R10 — in theory they should not trade at a discount.

IGI gained 70c to 870c on good results and the 10% convertible prefs added 80c to 780c in small volume. They can be converted one-for-one either by the end of June this year or the following two years.

BARGAIN

There was a special bargain of 3-million shares in Columbia at 185c ex-dividend of 18c — close to the market price of 205c.

Trade in Speciality npl ceased on Wednesday at 50c — the range was 20c to 125c. The ordinaries began trade at 365c, closing at 370c — take-up price was 325c.

In the clothing sector Ninian & Lester rose by 50c to 750c on trade of 100 shares. Amshoe gained 5c to 105c, Da Gama gained 30c to 850c and tiny Veka — bought by management last year — edged up from 25c to 32c.

On the Development Capital Market, Commercial Finance (CFC) added 75c to 600c — 35 times historic earnings.

Old Mutual's got R5bn in the kitty

By David Carte

OLD Mutual is sitting on more than R5-billion of cash — and feeling relaxed about it

General manager, investments, Johannes van der Horst says "There are assets of R37-billion and in our equity portfolio, and we still have a good chunk of corporate SA

"Although the equity market looks a trifle vulnerable, we are getting 17% on short term-deposits compared with 9% to 10% a year ago. It's good to have flexibility ahead of privatisations and in case of further disinvestment"

Contender

Old Mutual and Barlows have been tipped as possible contenders for Gold Fields of SA should Cons Gold consider severing the SA link. But the suggestion is roundly denied at the top of both Mutual and Barlows

Dr Van der Horst says the dollar price of gold is important in so far as it affects SA's constrained external position. But the rand price is more directly relevant to mines, mining houses and their shares

He is counting on a weaker

Managed assets rise

OLD Mutual's assets under management rose by more than R10-billion to nearly R37-billion in the year to December

Investment income increased by 44,8% — close to double the growth rate of the rest of the insurance industry's 24,8%

SA premium income rose 27,7% compared with the rest of the industry's growth of 11,8%. Old Mutual's share of payouts rose to 37%, and expenses were held to 1987 levels

Old Mutual claims to have sold a third of all policies in SA. It says it did particularly well in the retirement annuity market. The return on the RA portfolio in the year to April was 40%. Over five years it was 22% a year compared with the average inflation rate of 15,3%.

The RA portfolio is now worth R1,7-billion and exceeds pre-crash levels

rand to relieve distress if the dollar price weakens further. The rand price has moved up from R930 to more than R1 000

Dr Van der Horst says lower rand prices of gold together with rising costs have concentrated minds in an industry which has been too little concerned about costs and needed something of a purge

He believes gold mines have a bright future, provided they can become more cost efficient

Confirming a generally bearish feeling at Old Mutual, Rob Lee, assistant general manager, investments, says

"Sometimes cash is the best investment"

Mr Lee believes that the strong dollar is a threat to world stock markets. He quickly adds that Old Mutual does not fear a replay of October 1987

"That sort of correction happens once or twice in a lifetime. I would expect a general drift downwards"

Inflation

A rampant dollar has already forced the Japanese and the British to lift their interest rates. In the UK, prime is 15% compared with an inflation rate of 8%, to support sterling. The UK economy is slowing appreciably. German rates have also risen to support the mark and to counter inflation, which is running at 3%. Without higher rates, a weaker mark plus wage concessions soon to be granted, would be more inflationary than Germans like

Running

With their inflation rate at 2%, the Japanese will have to follow, slowing down their economy which, fuelled by domestic spending, has been running at breakneck speed (industrial production up at an annualised 15%)

Mr Lee showed me a graph that perturbs him. It shows

Japanese land prices running away from rents

He believes one has to give. Either land prices will have to fall — the sort of thing that happens when financial markets are shaken — or rents will have to rocket, pushing up inflation

With the leading industrial nations mostly facing fairly hard landings, he believes it will be difficult for gold to do well in the near future

Mr Lee believes growth in SA will slow from 3% to zero by the end of the year. Provided gold does not weaken and fiscal policy is more disciplined, it should be possible for the SA authorities to avoid raising interest rates significantly

Downwards

Because the Conservative Party poses a threat, it will not be easy for the Government to exercise fiscal restraint ahead of the election. A public-sector pay rise appears to be the most unthinkable prospect for the economy

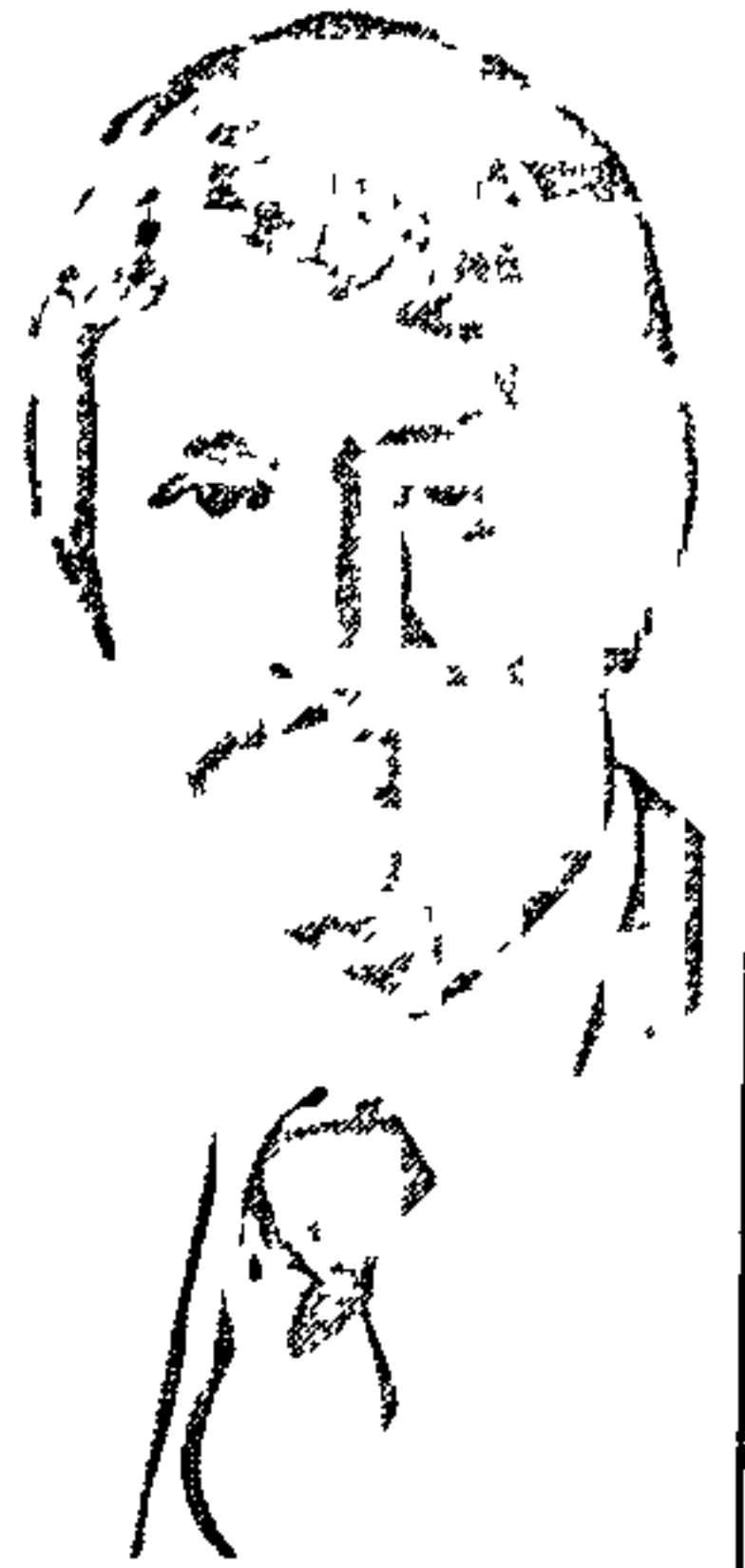
As to the SA market, he is not looking for any kind of a rout

"Although the market direction is basically downwards, it is hard to see it retreating to post-crash levels. Earnings and dividend growth have been so good since the crash that PEs and dividend yields today are not too demanding"

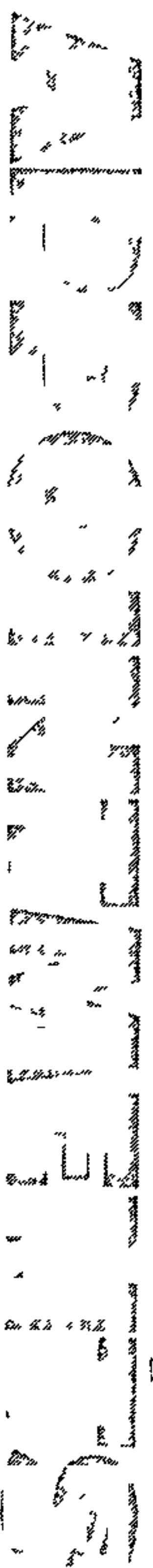
In Mr Lee's scenario, rand hedges are obvious long-term bets. A gold price of close to R1 000 seems assured. If the dollar gold price does not bring it about, the rand probably will. With so many new mines likely to be announced, Mr Lee likes the exploration sector

Pointing out that some top-quality stocks are available at less than four times earnings, Mr Lee maintains that cyclical sectors, such as furniture and motors, may have overcorrected

Other interesting sectors, for defensive reasons, appear to be property and property trusts



ROB LEE



PAGES AND PAGES OF THE BEST JOBS IN SOUTH AFRICA

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Bosses and Numm dig in

THE Chamber of Mines has been lucky regarding wage negotiations because of news coverage highlighting the plight of struggling gold mines.

Headlines such as 300 000 jobs on the line at 18 mines and Gold pipe crisis threatens mines are unlikely to plead the case of the National Union of Mineworkers (NUM).

The sustained low price of gold has given the chamber ammunition in negotiations which are notoriously tough and require all the resources of two of South Africa's most hardened and experienced negotiators — the chamber's Johan Liebenberg and Num's Cyril Ramaphosa.

NUM has placed full page advertisements in newspapers contending that the mining industry can pay a living wage. A graph similar to the one on the right accompanied the advertisements.

The advertisement says: Last year alone the gold mines made a total profit of R7 billion. The cost of the NUM's wage demand for 1989 is only R1.3 billion.

Our wage demand is for a national minimum wage of R600 per month for underground workers. For surface workers we want a minimum of R543 per month.

"The miners produce the wealth of South Africa. We do a dangerous job. We deserve a living wage."

The chamber calculates that Num's demands would mean a 118% increase in minimum wage. Mr. Liebenberg calls the demands irresponsible, and says they show that the union has not taken economic realities into account. He says wages for semi skilled and unskilled workers have jumped by

more than 500% in real terms since 1972.

Anglo American industrial relations consultant Bobby Godsell says these increases were absolutely necessary to do away with the wage differential but that the industry can no longer afford to grant such big pay rises.

He maintains that the challenge now is to enhance the efficiency of the industry as a whole because SA must be competitive with the rest of the world if it is to stay alive.

The rationale behind Num's demands is a goal set by Mr. Ramaphosa to achieve a living wage in the industry by 1991. It is, however, difficult to determine what a living wage is because the figures given by various institutions which calculate it differ widely.

The University of SA's Bureau for Market Research says the supplement

ed living level for a family of five is R647.11 a month. If one takes this figure as the average living wage, then 88% of all black mineworkers earn less.

The chamber's minimum wages range from R278 for surface gold workers to R306 for underground gold miners and R280 and R278 for surface and underground coal miners.

The chamber's award of a 13.5% pay increase to the Council of Mining Unions last week is an indication of what it is willing to offer to Num.

For many years Num has been awarded higher percentage increases than CMTU which received a lift of 12% last year. Num got 13% to 15.5%, and the final agreement this year could be about that figure.

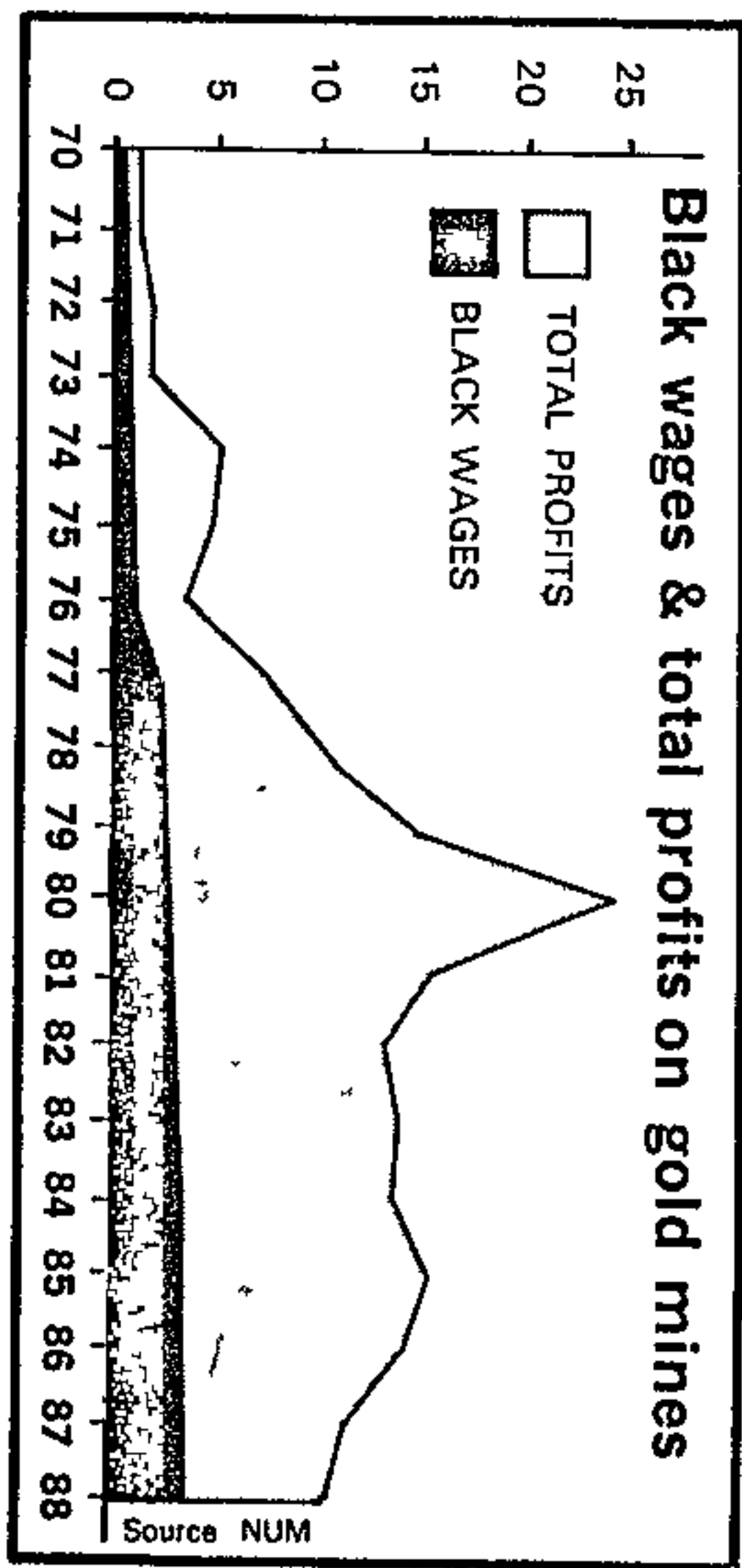
The negotiations are likely to be

lengthy and difficult, possibly even going to dispute as happened in 1988. Num insists on wage increases in monetary, not percentage terms.

Why Num is doing this is puzzling. Mr. Ramaphosa says members are poorly educated and do not understand percentages. But Num has an extremely bright economist working for it who could easily explain the facts and figures.

On the one hand, SA has 18 marginal gold mines, employing 300 000 workers, a shaky gold price and accelerating working costs.

On the other, workers have to contend with rocketing inflation. The negotiations are likely to prove as interesting and important as ever — the Num is armed with a strong mandate given at this year's annual congress and the chamber will be watching its profits which are slowly being eroded.



Source: NUM

Price revival will not rescue marginal mines

REINIE BOOYSEN (214)

THE brief revival of the gold price last week to around \$378 had no effect on negotiations between Rand Mines and government to save marginal mines ERPM and Durban Roodepoort Deep, director Clive Knobbs said yesterday. "One really has to watch the rand gold price, which has been fluctuating between R32 200 and R33 200 a kilogram," he said. This range was lower than the R34 000 average gold price assumed in the ERPM rescue plan announced in February.

Knobbs said a gold price revival was usually associated with a strengthening of the rand, which tended to negate the dollar gold price improvement.

He said the brief revival of the gold price was an anomaly associated with the troubles in China. "It was really quite ephemeral. The fundamentals for gold are still not good, although I am more optimistic than three months ago. But we could see the gold price knocking at around \$400 before the end of the year."

"There are indications that gold production in Australia and the USA may not meet forecasts. Some estimates are that US gold production this year may fall as much as 25% short of the forecast 200 tons. This could have quite a lively effect on the gold price, although other factors like real interest rates and the strength of the dollar must be considered."

Another mining house official said the brief revival in New York was provoked by speculators who "rode the gold price up, and then bailed out when they realised that the gold price would not go much higher."

He said the market was vulnerable because it had recently relied heavily on demand from Japan, Taiwan and Hong Kong, which offset divestment in the West. But demand from the Far East was declining.

The Chinese troubles had not sparked a significant increase in gold buying in Hong Kong, and tightening of border controls could restrict the illegal trafficking of gold to the mainland.

□ Rand Mines was hoping to hear early this week whether government would provide financial assistance to prolong the life of ERPM and Durban Roodepoort Deep, said Knobbs.

1-11-89

in Cape Town because of technical prob-

Business Day

DAY, JUNE 12 1989

and CAPE 80c (71c + 9c tax)

60c (53c + 7c tax)

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ConsGold rallies on speculation of bid by Hanson Trust

LONDON — Consolidated Gold Fields (ConsGold) shares rallied briefly at the close of last week on speculation of a bid by the Hanson Trust conglomerate.

The shares put on 48p to £12.58 before edging back slightly to £12.53. Shorting up the speculation was the news that Hanson was cash-flush after the disposal of its 5.2% stake in Midland Bank and was on the acquisition trail.

ConsGold was being touted as a likely target as it only narrowly foiled a successful takeover bid by SA-controlled Minorco last month and is still looking vulnerable. The City speculation machine did not

ROBERT GENTLE

stop at ConsGold. The giant tobacco and food giant BAT Industries was also cited as a likely Hanson target and its shares shot ahead. Brisk business was also registered in BAT traded options.

As Hanson often engages in break-up bids that leave the target company in small pieces, ConsGold and BAT could see the sale of their SA interests if either company fell into the Hanson orbit.

Hanson made headlines in SA earlier this year when it became a player in the bitter takeover battle for Thomson T-Line,

the industrial holding company controlled by former South African Hugo Biermann.

It bought a "spoiling" 5% stake, then proceeded to watch the battle from the sidelines before selling out to hotel and leisure group Ladbroke 8/12/16/84.

Meanwhile, ConsGold chairman Rudolph Agnew will publish details this week of the three-year 400p-a-share earnings target announced as part of its fight against Minorco.

The target, equivalent to 20% compound growth, will be contained in a letter to shareholders. It will be put to a vote at a special meeting in two or three weeks.

The target has been an important element in supporting the ConsGold share price after the failure of the £15.50-a-share Minorco offer.

It enabled analysts to predict that ConsGold could have a break-up value of as much as £20 a share.

Market talk has it that while institutions are pleased with the 400p-a-share earnings forecast, they are less interested in the clause promising a special dividend if the company fails to deliver. This would mean ConsGold having to break up the company to come up with the money.

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Consgold share price rallies

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LONDON — Speculation of a renewed bid for Consolidated Gold Fields pushed up the share price of the UK mining giant by about 45p in hectic trading on Friday

Consgold's shares closed at £12.53 on market talk that a bid by the Hanson Trust for the group was imminent

Tobacco and food giant BAT Industries was also said to be a possible target for Hanson, which is cash-flush after the sale of its five percent stake in Midland Bank.

In the meantime Consgold had a mixed reception from major institutional shareholders it has sounded out about its "performance pledge" scheme. The pledge was made during its successful defence against the £3.5 billion bid by Minorco.

It is not clear yet whether the Consgold board will recommend acceptance when the proposal is put to shareholders.

Minorco, which still has 29 percent of Consgold, said that although it had not thought highly of the scheme when first mooted, it would not decide which way to vote until there had been time to study the proposals in detail.

Consgold promised to submit the scheme to shareholders for approval "as soon as practicable", but a meeting is unlikely before mid-July.

If the scheme is approved, Consgold will issue special preference shares which will guarantee that cumulative earnings per share will total 400p (before sales of operations) over the next three years, implying an average annual compound growth of more than 20 percent.

If that target is not met, and most observers believe it will be, the directors would "take whatever steps were necessary" to pay a special cash dividend of six sterling gross per share. This would cost £1.3 billion.

At the same time, all future executive incentive arrangements for Consgold's management would be tied to the achievement of the earnings per share target.

The attitude of some major shareholders against the scheme has been echoed by Mr Christopher Spreckley, analyst with CL-Alexanders Laing and Cruickshank, who said "If the scheme is to be invoked, something most unpleasant will have occurred."

12/6/89

Blyvoor passes final 214

Rand Mines gold producer Blyvooruitzicht has passed its final dividend, leaving its distribution for the year ending June 30, 1989, at 35 cents, representing the interim payment *Stw 13/6 189*.

Mr Clive Knobbs, chairman of Blyvooruitzicht and head of the Gold and Platinum Division of Rand Mines, said that three factors had led to the decision to pass the dividend.

"While there has been no drop in the tonnages being milled at Blyvoor, the grade has been lower due to the increased proportion of lower grade main reef being mined and the increased tonnage from surface sources. The prevailing low level of the gold price had also had its continuing impact on the mine's revenue.

"The third factor affecting profits is the payment of the 10 per cent loan levy imposed in the budget last march" — Sapa.

Strong dollar boosts Minorco's LSE price

Bidder 14/6/89 *(214)*
LONDON — The strong dollar and falling pound yesterday pushed Minorco's share price on the LSE to a new year's high of £8.87. This compares with £6.90 about a month ago when the ConsGold take-over battle was reaching a climax.

Minorco shares are dollar denominated. The pound/dollar exchange rate directly affects conversions into sterling which is at its lowest in two-and-a-half years. A Minorco spokesman admitted the ex-

ROBERT GENTLE

change rate was boosting the share price but the stock was strong in dollar terms.

"A lot of investors thought we were paying too much for ConsGold during the bid and that drove our own share price down," he said.

The Minorco spokesman, on rumours the Hanson Trust was considering a bid for ConsGold, said it was not inconceivable

because Hanson was "clearing the decks in anticipation of something important".

□ AP-DJ reports ConsGold directors have decided against recommending that shareholders should adopt a board proposal to pay a special cash dividend if the company failed to reach earnings targets.

The scheme was unveiled on April 4 as part of ConsGold attempts to defeat the Minorco's £3.5bn bid. ConsGold shares closed at £12.45 on Monday on the LSE.

ROBERT GREIG

GOVERNMENT has still not taken a decision on an urgent request three weeks ago to help Rand Mines's marginal ERPm and Durban Roodepoort Deep Rand Mines asked for what amounts to a bridging loan to continue developing the Far East Vertical Shaft (FEVS) to prolong the life of the 80-year-old ERPm.

The company added that failure to get assistance meant the mines would close.

ERPm is Boksburg's largest employer with 8 000 workers and Durban Deep, in Roodepoort, employs 11 444. Most of ERPm's workers are from Malawi and Mozambique.

Rand Mines director and gold division head Clive Knobbs, suspending Durban Deep and ERPm shares, made it clear help was needed quickly.

Government's interdepartmental committee, representing Finance and Mineral and Energy Affairs, has considered Rand Mines's proposals and policy options raised by it.

At times the matter is handled by Economic Affairs and Technology Deputy Minister George Bartlett and at others by Treasury spokesmen or Deputy Finance Minister Org Marais.

Suspicion is growing that government will let this hot potato slip by buying time to



• KNOBBS

Rand Mines still waiting for decision on ailing marginals

BIDW 14/6/89 214

consider what gold mining executives believe is an arguable case based on a poor example. In the meantime government has asked the Chamber of Mines to examine the wider issues surrounding marginal gold mines.

Rand Mines's request comes when the gold price is declining, the country is short of foreign reserves, and gold mining is in transition with its future vesting in new developments in the Free State, Potchefstroom and the West Wits line.

At the current gold price, which gold executives see, at best, as holding in the short term, about 17 mines are marginal. They produce about 15% of SA's gold.

No formal policy for state assistance to marginal mines has existed since 1985 and now such a policy could be regarded as anomalous, retrogressive or simply beyond the country's means.

Such a policy, unless carefully conceived, could be politically sensitive for a government facing September's general election in which most Transvaal seats could be regarded as hostages to the right. It could look unnerveingly like a tilt towards the randlords. The truth now is that, coming from Rand

Mines, the request is embarrassing for sections of the gold mining industry and state.

The embarrassment is that Rand Mines is already beholden to the state on the ERPm vertical shaft project. In essence, Rand Mines is asking the state to bear interest payments on R88m of ERPm's R318m borrowings. Government has guaranteed R220m of ERPm's loans. Rand Mines is not asking for leeway. It is asking for more leeway.

Executives

Two problems arise

The first is Rand Mines's track record in predicting the gold price and managing FEVS's development to meet production and tonnage targets. For whatever reasons — and some are understandable — Rand Mines has, in the recent past, got both wrong. This is hardly reassuring to a potential lender. Two rights issues — the last in 1988 — and a financial restructuring have not removed the need for state help.

The second problem is estimating what the cost and term of a further subsidy would be. Again, the variables are rising interest rates

and a strong dollar and past delays in getting FEVS on its feet.

But, however good or bad the case, the mood in the industry seems to be these are relatively insignificant. The mood in parts of the gold mining sector is that ERPm and Durban Deep are yesterday's news. An unusually high proportion of ERPm shareholders (about 66%) are foreigners and so represent no potential loss of votes to government.

Mining executives are too gentlemanly to knock Rand Mines publicly, but their sympathy is qualified by the knowledge SA produces just less than half the world's gold, the market responsiveness of SA's production is less than, for example, foreign producers mining nearer the surface, and that mining is a business so, if it is haemorrhaging, close it or get it right.

That sounds simpler than it is. Apart from the practical difficulties of closing mines the social cost of losing ERPm and Durban Deep would be high.

The message sent to operators of other marginal mines, which together employ about 20% of the gold mining workforce, would be alarming.

(12)

BUSINESS

Anglo's stronger than ever, but the gold sheen fades

SOUTH AFRICA INC is looking stronger than ever, but the need to diversify away from its South African home base is becoming more and more apparent, especially for Anglo American's traditional bastion of power, its gold division.

Anglo's R800-million earnings leap in the year to end-March boosted equity accounted income to R2,65-billion and pushed the corporation into the ranks of the 20 most profitable companies — worldwide that is.

But Anglo is facing some very real pressures, not least how to develop an international business in a hostile world.

It began with the huge advantage of being based in one of the world's richest mining areas, which enabled it to grow into the gold, platinum and diamond industries.

A few years ago Anglo would have towered over the likes of RTZ and Consolidated Gold Fields, but it is now slipping behind.

Anglo's international record is littered with false starts and abrupt changes of strategy — the recent failed bid by its international investment arm, Minorco, for Consgold is the most prominent example.

At first this did not matter, but as South Africa has become a high-cost gold producer, Anglo's efforts to es-

percent in the 1989 financial year. In real terms earnings for the gold and uranium division actually dropped by R1-million to R391-million.

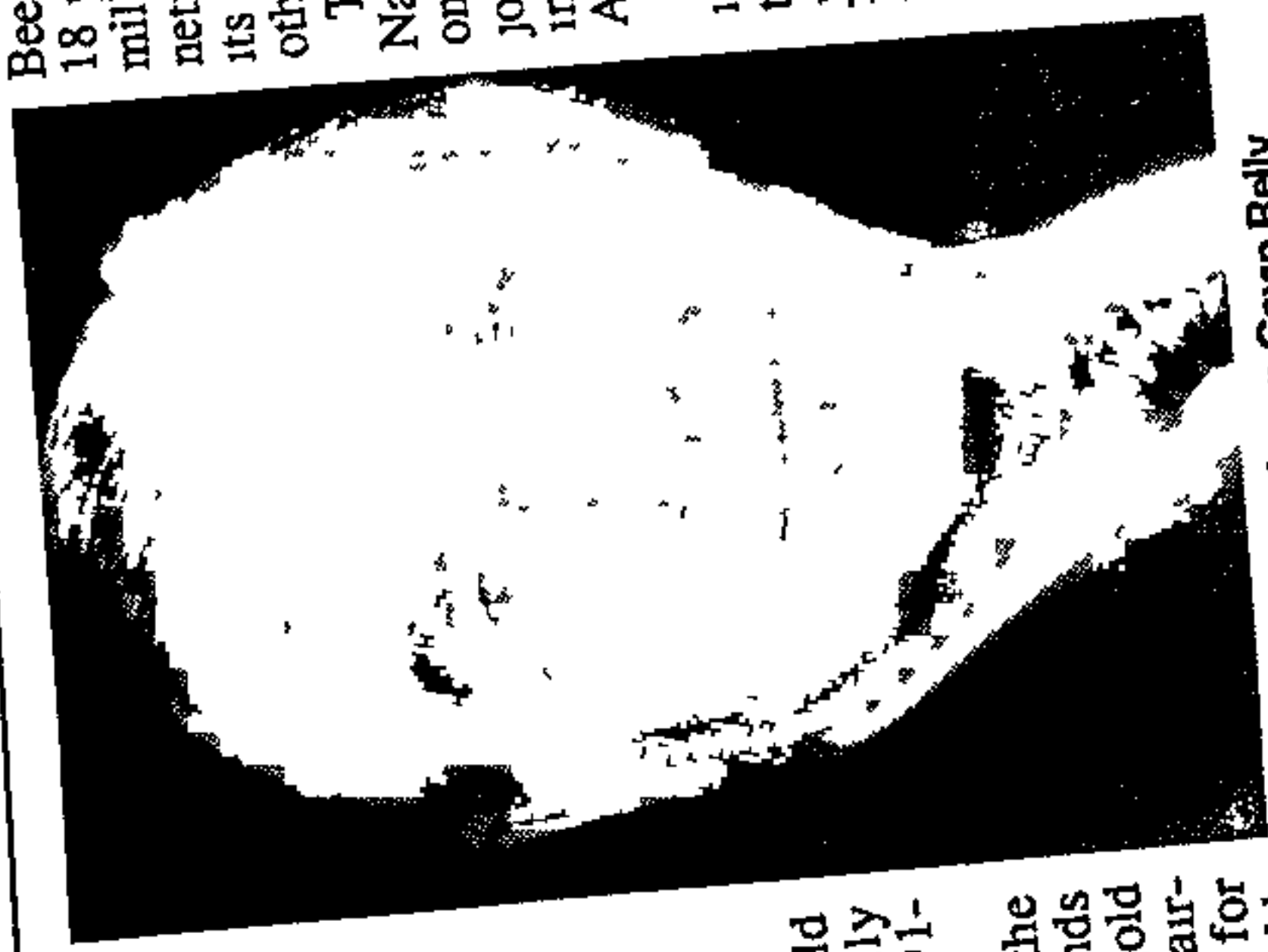
And Anglo is pulling out all the stops to develop the sector. It intends to spend up to R180-million on gold exploration and according to chairman Gavin Relly the prospects for the discovery of a major new goldfield in the so-called "Potchefstroom Gap" are good.

"We know there is still a lot of gold under the ground. We will just have to be more courageous and imaginative in getting it out," Relly added.

But unless its international gold operations can be expanded into the low cost areas of Australasia and North America, there is little prospect of a substantial turnaround in the gold division's prospects.

Anglo has moved into the ranks of the world's 20 most profitable companies. But its traditional mainstay, the gold division, seems to be slipping.

By KURT JENSEN



Anglo chairman Gavin Relly

Diamonds are very much showing the way. Not only did the contribution to earnings from the monopolistic De Beers increase from 19,3 percent of the total to 25,7 percent — in real terms they were up by 94 percent to R679-million — its dependence on its South African operations is declining steadily.

From 1987 to 1988 alone the contribution from South Africa to De

Beers' after-tax profits fell from 26 to 18 percent and, apart from a R800-million planned investment in the Veneta mine in the Northern Transvaal, its expansion is mainly focused on other African countries.

Two new mines are planned for Namibia over the next two years and only last week De Beers signed a major \$180-million prospecting, marketing and mining agreement with the Angolan government.

Very much the same trend is evident in Anglo's platinum division and there is a lot of speculation that a major acquisition by the world's largest platinum refining and marketing organisation, Johnson Matthey, is in the offing.

Anglo also operates a virtual monopoly in the platinum market through a strategic network which includes the world's largest platinum mine, Rustenburg, and US group Engelhard, which handles most of the metal from the world's second largest mine, Impala.

Johnson Matthey is controlled through Minorco and Charter Consolidated and the appointment of Sir Michael Edwardes to run both groups is an indication that further international acquisitions are on the cards.

Other Anglo companies are stepping up their profit retentions in order to finance expansion projects and new ventures.

Among these AECI is spending a substantial sum on its Botswana soda ash project and Highveld Steel is planning a large stainless steel development with Samancor. Anglo itself is evaluating a nickel mining venture in the Eastern Transvaal.

Despite the large sums held back for future capital expenditure, all the other divisions raised their contribution to Anglo's earnings substantially.

The contribution of the platinum and other mining interests rose from R140-million to R200-million, the industrial division's contribution was up from R193-million to R498-million and banking, insurance and property added R139-million (R116-million last year).

Hard times hit ²¹⁴ Gold Fields group ^{5/21/14/16/18/19}

By Derek Tommey

The hard times in the gold mining industry are highlighted by the disappointing dividends declared today by gold mines in the Gold Fields group

Only Deelkraal is paying more than it paid last year Driefontein Cons has maintained its payment But Doornfontein, Kloof, Libanon and Venterspost have cut theirs (some sharply) and the other, Vlakfontein, has passed its dividend

Deelkraal is paying a final of 50c against 45c last year making a total of 80c (70c) for the year

Driefontein is paying an unchanged 80c making an

unchanged 200c for the year

Doornfontein's final has dropped by 80 percent from 25c to 5c This brings the total payment for the year to 15c, one third of last year's 45c

Libanon's final is also down sharply, by 60 percent from 50c last year to 20c The mine is paying 40c for the year — less than half last year's 85c.

Kloof is paying a final dividend of 65c against 80c last year making a total of 125c (140c) for the year

Venterspost has trimmed its final from 50c to 35c to make a payment of 60c for the year — 25 percent less than the 80c paid last year

214

Knights making good on the dumps

Southgo's Knights operation has been surprisingly neglected by investors, according to a leading stockbroker. It has been suggested that a dividend of 15 cents will be paid this year which places the share, priced at 88 cents, on a prospective dividend yield of 17 percent.

Sharespot
LYNNE PEACH

This is particularly attractive when compared with similar gold operations which are trading on historic dividend yields ranging between 7,5 percent and 9,5 percent.

MD Glen Laing confirms that Knights is not only making ends meet this quarter but is doing much better than originally expected. It has been suggested that Knights is looking for a profit of R1,5 million in the three months to June.

This very low-cost producer acquired the right to treat certain sand and slimes dumps in Germiston at the start of 1988.

From then on it was all systems go and the first gold was poured in December. In the first month of operation 210 000 tons of slime were treated as planned.

In January this year, for the first time, Knights reached its full planned throughput of 250 000 tons a month — a throughput that makes it the fourth largest plant for the recovery of gold in the country.

Knights has sufficient dump material to last it at least 20 years and expects to achieve a recovery grade of at least 0,43 g/t. Mr Laing says that for the first eight years the grade could be 25 percent higher than this.

In the first quarter of 1989, Knights disclosed an operating loss of R342 000 owing to low-grade slimes treated and the commissioning costs of the sands milling section. During the period 847 000 tons of slime were treated and, later in the quarter, the ball mill treated 28 000 tons of sand.

The slimes material had a grade of 0,15 g/t, reflecting the treatment of the upper area of the dump

which was found to have a lower grade. The grade of sands treated was 0,36 g/t which also reflects the initial start-up of the sands-treatment operation.

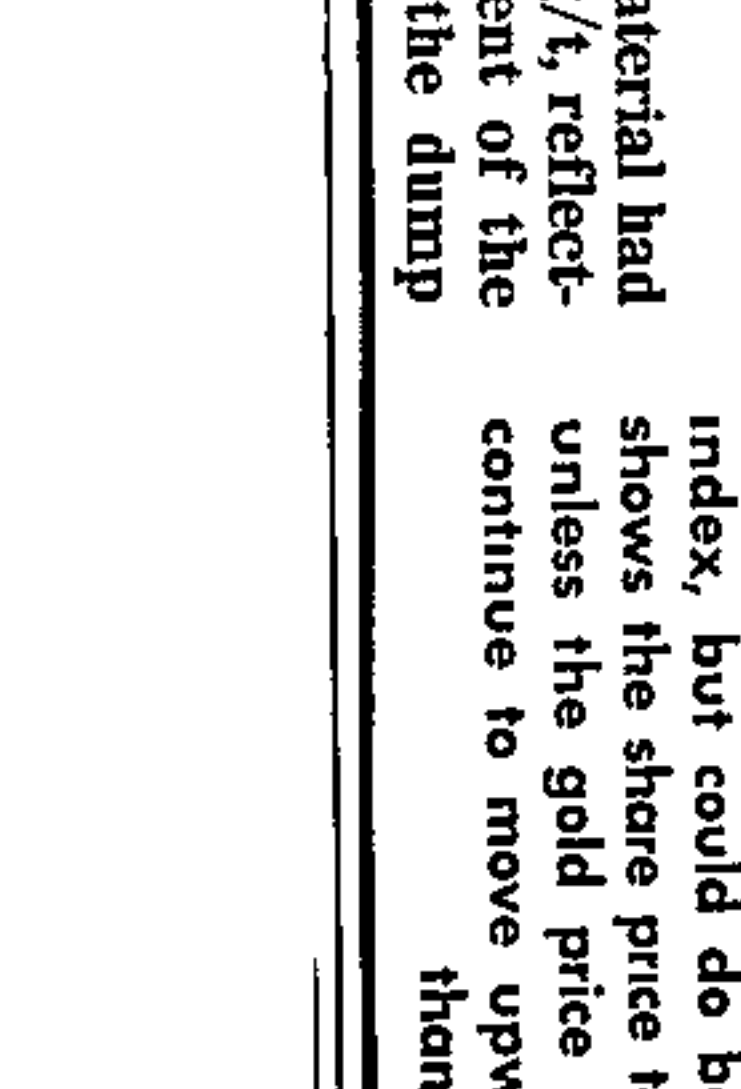
According to Mr Laing, grades have now risen on the back of a greater throughput of sand which has a higher grade than slimes material.

Knights has spent most of this year trading in the 85-95 cents range. At the same time, the share has performed only moderately better than the JSE gold index, but could do better in the future. The chart shows the share price to be in an upward trend and, unless the gold price takes another dive, it should continue to move upwards, probably more strongly than it has been

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ANGLOVAAL/CONSOL/GOODYEAR

Assessing funding options

214 F. O. X. *Final 16/6/89*

A rights issue for Consol may be on the cards, following its R178m cash acquisition of Goodyear. But if there is an issue it is unlikely to be very large, and almost certainly will not be the sole means of funding the deal.

A major funding exercise for Anglovaal may also be in prospect. In both cases, any rights issues would need to be planned against the background of the tight lines of control in the Anglovaal group. The Hersov and Menell families jointly hold just over 51% of top holding company, Anglovaal Holdings.

The Consol acquisition would certainly present no funding difficulties. At last balance sheet of June 30, it held net cash of some R33.3m with shareholders' funds of R178m. MD Piet Neethling says the cash balance has increased considerably, and shareholders' funds now total R260m at book value. So much of the price could be funded from internal resources and debt.

Still, the deal is sizeable for Consol — the price represents about 27% of its own market capitalisation. Any significant use of borrowings will mean that the balance sheet would be relatively highly geared for a while. Neethling points out that Consol is 56%-held by Anglovaal Industries (AVI), and AVI would thus have to take up 56% of any rights issue. AVI has itself been on an acquisition spree, and would presumably want to consider cash outlays carefully, given the other spending needs in the group.

"A rights issue is an alternative but at the end of the day the solution could be a permutation of the options," says Neethling, who adds that the cost of borrowing would have an important influence on EPS after the deal.

Clive Menell, chairman of Anglovaal Holdings and of Consol, confirms that the mining house will need to assess its own funding, particularly in view of its potential gold mining prospects in the Bothaville area of the Free State. Analysts believe a new mine could cost some R1.5bn.

Menell says that it is "a bit premature" to be talking about the funding for a mine. "Whereas an initial assessment of the viability of the mine in the Sun area is in progress, no firm decision can be taken on the establishment and funding of such a mine ahead of the detailed feasibility study," he says.

However, that stage may not be far off. In his 1988 review, Anglovaal Limited chairman Basil Hersov said that shareholders would be told of the results of the detailed feasibility study, and any resulting decisions, as soon as possible after its completion. This was scheduled for the second calendar quar-

ter of 1989.

Menell says that "we have no intention of giving up control," and adds that the board is happy with the present shareholding structure of Anglovaal. As with Consol, he says, a rights issue would only be one option. "When we've had worthwhile projects in the past we've always found ways of funding them," he says. "That hasn't stumped us and I don't think it will this time."

An option for development of the Bothaville mine could be to bring in a major partner. Gencor, for example, holds about 22% of Anglovaal Holdings, though this is simply an investment, they do not have a seat on the board.

Many of the more recent acquisitions could soon become self-funding. Neethling says that Goodyear is a cash generator which will have no difficulty funding its own capital requirements and should improve overall liquidity in Consol. Not that significant capex will necessarily be needed in Goodyear. Until recently, says Neethling, the company was working only a five-day week but market expansion encouraged a decision to move onto a seven-day week.

"That was a major step forward," he says. "It creates the opportunity of attaining 40% more capacity without additional spending." Neethling adds that the plant appears to be running well and has not been kept short of capital investment. Goodyear is not a company that needs to be turned around, it is profitable and has a dominant market share in both new vehicle and replacement markets, with an overall penetration of 25-30%. Goodyear's current dividend, which includes some distributable earnings from 1988 and those for January-June 1989, is to be paid to the US parent in addition to the purchase price. It will be funded from Goodyear's earnings.

The management are South African and are expected to stay, and technical agreements have been negotiated with the US parent for 10 years with renewal options. Neethling says that about 80% of turnover is from tyres, 15% from other rubber goods such as conveyor belting and 5% from plastic packaging. The local tyre companies, including Goodyear, are believed to be significant exporters.

Neethling says that, after the deal was announced, the National Union of Metalworkers of SA tabled a list of demands. Consol has said that all union agreements and working practices will remain unchanged, and it has extended to staff a 12-month guarantee of full employment.

The circular to shareholders will give more details of the effects. With the share bid at

1 200c following the 10-for-1 split this week, it seems the market took an initially favourable stance.

Andrew McNulty

Bartlett yields on ERPM, but cautions against optimism 214

The mining industry has much to ponder in the remarks made by George Bartlett, deputy Minister of Economic Affairs and Technology, when he opened the Knights gold recovery plant yesterday.

Although announcing that a survival plan for ERPM, the threatened large marginal mine on the East Rand, would probably be made public next Thursday, he made it clear that the Government was reluctant to come to the assistance of troubled gold mines.

One good reason is that with gold production from underground mines possibly decreasing by as much as 30 percent in the next 20 to 25 years, the Government foresees a flock of lame ducks seeking costly aid.

Mr Bartlett said the possibility of a number of mines closing had led to many people looking to the Government for assistance to keep them open, which would mean subsidies.

He said the Government had already provided tens of millions of rands annually in response to such appeals in order to keep mines open and to preserve jobs.

Assistance provided to ERPM in the form of interest rate subsidies, pumping expenses and other help was already costing R40 mil-

Star 16/6/89
Diagonal Street

DEREK TOMMEY



lion a year

He said the problem had to be looked at afresh and this raised the question of whether the gold mining industry was giving enough attention to the matter — not necessarily individual gold mining companies, but rather the industry as a whole.

Mr Bartlett did not elaborate on this aspect.

But the industry is not likely to take kindly to the inference that all mines should help finance aid for struggling ones.

He said that perhaps more attention should be paid to longer-term planning for future difficult economic times.

A more pragmatic approach should be taken to the problems of declining grades and rising costs.

“More attention should be paid earlier in the life of a mine to the eventuality of “old age”. After all, it is that not what is expected of every responsible private individ-

ual when planning his or her own life programme

“Surely, this is a basic principle of the free enterprise system and a principle which must be applied when planning the optimal utilisation of a national asset such as our mineral resources”

Mr Bartlett questioned the morality of asking and, in some cases, telling the Government it must accept responsibility for the cost of keeping marginal mines open for socio-economic reasons.

“The question must be asked why the taxpayer should have to carry this heavy burden, especially in these difficult times when the Government has to address many other enormous socio-economic problems, and especially after these formerly wealthy and prosperous mines have reaped the benefit of the good times”

However, it appears that the Government is not to leave marginal mines completely to their fate, for Mr Bartlett said the Government had recently instituted an investigation into the whole concept of assistance to marginal mines.

The mining men in the Mr Bartlett's audience showed little change of expression during the Minister's speech

Own Correspondents

JOHANNESBURG — A "survival package" would be arranged in a week's time to keep Rand Mines operation, ERPM, from closure, according to Deputy Minister of Economic Affairs, George Bartlett.

Bartlett told Business Day yesterday he was "cautiously optimistic" that a method of "strengthening ERPM, bringing the new shaft to production and satisfying creditors" would have been agreed upon.

The 80-year-old mine has pleaded for "short-term" government bridging assistance to keep it operative until the Far East Vertical Shaft (FEVS) section becomes profitable.

The FEVS forms an underground extension to ERPM, but is a totally new operation and could be classed as a separate mine.

Bartlett: 'Survival package' for ERPM

Management is pinning its hopes for the mine's future on the FEVS, which has grades of between 4.5g/ton and 5.0g/ton.

Aid packages offered so far have not generated much enthusiasm among mine officials or analysts. The state recently guaranteed R220m of ERPM's R318m borrowings, and offered to subsidise interest on the loan until the end of 1992.

The subsidy operates on interest payments of more than 7%, but does not go higher than 17%. So at current interest rates the state effectively pays 10% of the loan, or R22m a year.

Acting as guarantor for the loan,

government has reserved the right to mortgage the ERPM property in the event of liquidation.

In addition, Bartlett announced government's offer of an annual R8m pumping subsidy and a R10m pumping loan to finance pumping of water from underground work areas.

The pumping loan and subsidy were granted more for the benefit of other underground mines in the area. Neighbouring mines in the East Rand basin would be flooded if pumping at ERPM were allowed to halt.

However, the government package so far offered to ERPM was not sufficient to cover the mine

through to the middle of next year, when the FEVS is planned to reach full profitability, said one analyst.

"ERPM needs an additional R30m a quarter for a full year, to finance operational losses on their older underground sections. After that, the Far East Vertical section will be profitable, and the mine will be able to pay back its loans," he said.

At "reasonable" gold prices, this would take between four and five years, he said.

The best thing ERPM could do at this stage would be to close the old underground section entirely, and rely on sand treatment until the FEVS became profitable, he said.

Rand Mines chairman Clive Knobb could not be contacted for comment last night, and other Rand Mines officials could offer no comment.

At the opening of the gold recovery plant at the Knights Gold Mining Company in the Germiston area, Bartlett yesterday spoke out strongly against state-aid for marginal mines under threat of closure from the low gold price.

Bartlett questioned the morality of assisting the marginal mines at the expense of the tax-payer and said the tax-payer should not be expected to carry the burden after these mines had reaped the benefits in the good times.

'Cautious optimism' over ERPM

(214)
Stew
17/1/89

THE Deputy Minister of Economic Affairs and Technology, Mr George Bartlett, said yesterday he was "cautiously optimistic" that the government would be able to grant state aid to the troubled East Rand Proprietary Mine (ERPM)

He said ERPM was a special case because of the considerable investment that had been made in a new shaft that might render the mine profitable.

Mr Bartlett said he hoped the government would be able to conclude a package with the mine's management by the end of next week to assist ERPM in surviving

Government was concerned about the plight of ERPM's 10 500 employees, but it should "assess its exact role in these matters"

Mine managements, he said, should rethink their planning on the life of gold mines

"This is a rather complicated matter," said Mr Bartlett "Government policy is to ensure that we get optimal utilisation



George Bartlett

of our mineral resources, especially gold"

He hoped a deal could be struck that would enable ERPM to continue

Roodepoort Deep had also applied for assistance, but there had not been official government reaction to the application yet There were also other mines that could be considered marginal and which could claim government assistance

Mr Bartlett said it was well known that government had guaranteed R220 million on loans for a new shaft at ERPM, in addition to 10 percent subsidies on interest — Sapa

11
17/1/89

Writing on the wall for gold

214

S/Times 18/6/89

IN the next few weeks and months, the leaders of South Africa's gold-mining industry will be turning to their bookshelves for titles with names like *Management in Turbulent Times*

The gold price is delicately poised. Last week's run to \$375 caused a flutter of excitement and raised hopes that the price had bottomed. But disillusion soon set in again.

It seems gold cannot live with the present strength of the dollar. If that strength is sustained, there must be a risk that the Far Eastern investors who have so far mopped up all the gold thrown at them, at ever-increasing paper losses, will decide to jump aboard the dollar bandwagon.

WEALTH

Suggestions that gold would find a bottom about \$350 to \$360 — made authoritatively by Consolidated Gold Fields in its recent annual review of the world market — are all predicated on the Far East continuing to absorb gold.

Part of the reason for this belief — or hope — is that rising wealth in the region has enabled its people — particularly expatriate Chinese — to indulge their traditional lust for gold.

Also, Chinese visiting relatives in the People's Republic often take gold with them as a present.

In conditions of economic or political chaos, a few bars of gold may make all the difference between death and survival.

If Far Easterners do reduce their commitment to gold, the price will doubtless drop further, perhaps fulfilling the \$100 scenario some of

the gloomier soothsayers predict.

So drastic a fall would spark off cheap buying at some point, causing a rally, if not a full recovery.

In SA, it could be handled. The rand would have to be wound down a notch or two. The effects would be serious — more inflation, less government revenue, a reduction of confidence — but not disastrous.

More worrying for the men who head SA's mining industry is the thought that gold might not recover for several years.

Many mines would continue to do reasonably well. But a large part of the industry would face agonising decisions over mining policy and ultimately whether to close individual sections or even whole mines.

Genmin has already bitten the bullet and declared that it will run its mines so as to ensure a profit, even if it means shortening their lives.

When I was in Johannesburg recently, there did not seem to be much prospect of the Government — correctly, in my view — coming to the aid of ERPM and Durban Deep.

MARGINALS

The writing will be on the wall for all the marginals if gold falls much more. In fact, it will be on the wall even if gold stays where it is and inflation continues to rise at its current rates.

The toughest decisions of all, however, will not be about existing mines. They will be about the mega-mining projects on which action will be required in the next year or two if SA is to maintain a substantial gold industry in the next century.

As a matter of fact, they are mega only in terms of devalued rands. A mine which cost, say, R30-million

25 years ago is now likely to cost upwards of R3-billion.

That is, if it can be launched at all. The mining houses say that because of the way the Government applies the tax rules, only a high-grade project can realistically go ahead — and there aren't many of them around.

But Pretoria seems to think it is doing enough. If a mining house decides to develop a R3-billion gold mine, it recoups 110% of the capital expenditure as profits are made.

So unless the house has fallen down dismally in its analysis of the orebody and the technical aspects of its exploitation, the element of risk is greatly reduced.

DIVIDENDS

Once the mine is in production, the Government profits from the foreign-currency earnings and, ultimately, from tax and lease payments.

The house will make some money out of fee income and dividends. But for the big payoff, both the Government and the mining groups assume that at some point in the mine's life, the gold price will deliver a profit bonanza.

Nobody can say that won't happen. But it is a dubious justification for the investment of State-cum-mining house capital in a R3-billion project which given current parameters — depth, inflation, labour problems — may be marginal from birth.

Are there not better, more productive ways for South Africa Inc to invest its hard-won capital? I do not believe anyone has done any serious thinking on this subject since the days of the pioneers.

SA is bewitched by gold and the assumption is that if it is in the ground, a way must be found — technically and financially — to dig it out.

With all due respect to the

conventional wisdom, it is surely time to think about a different routine.

BACK in the UK, one of SA's exiled entrepreneurs, Philippe le Roux, has taken a major step forward with Norton Group, the motorcycle manufacturer he rescued from certain failure two years ago.

Mr Le Roux was literally exiled, leaving the country on an exit visa after infringement of a banning order for student political activities, and an ensuing jail sentence, 15 years ago.

After several deals in the past two years, he has achieved grand success with Norton motor-cycles and development of Norton rotary engines for a variety of military and civil uses.

Listed on London's third market, Norton is valued at £15.8-million and is to merge with the much larger Minty, a UK furniture and upholstery manufacturer.

In effect, the deal is a reverse takeover by Norton because Mr Le Roux will be

chief executive of the combined group and his finance director SA-born David Gnodde, will have the same function on the new board.

The deal wins Norton a listing on the London primary stock market and will enable Mr Le Roux and Mr Gnodde to pursue bigger targets once the dust has settled.

Mr Le Roux believes Norton will continue to develop as a conglomerate and that there are plenty of opportunities. It is his ambition to build Norton into a £100-million concern.

That is no longer looking as far fetched an aim as it once did.

Mines fighting on two fronts

Stimes 18/6/89
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GARTE BLANCHE



By David Carte, BUSINESS TIMES Editor

Andy Andrews, respected dean of the Wits Business School, has resigned to pursue his own interests

"For years," he told me this week, "I have taught the Robert Townsend principle that you shouldn't stay in a job so long that you get comfortable and stop learning"

"The 12 years I have been here — seven as dean — have been a fantastic learning experience. But I think the school needs new leadership. As hard as it is to do so, I must leave my comfort zone and look for a new challenge"

Although he denies it, his departure will be keenly felt. Under his stewardship, the school has grown enormously in size and stature. One businessman calls him the "Iacocca of business schools"

Professor Andrews, 44, has long believed that SA business schools should stop being cheap copies of Harvard and that they should address problems here. His preoccupation has been integrating blacks into management across the economy.

The school's interest in the human aspect of business attracted several luminaries, such as Idasa head Van Zyl Slabbert, Natal sociologist Laurie Schlemmer, head of the Urban Foundation Robin Lee and former head of the FCI Johan van Zyl. Full-time staff members, such as Keith Yeomans, Colin Fährer, Allen Zimber, Loet Douwes Dekker and Grant Robinson, have also achieved prominence.

Professor Andrews developed specialist units around the core MBA and executive education programmes. The centre for policy studies examines such macro issues as the effect of urbanisation on the economy and conscription on the brain drain.

A new centre for community leadership addresses the need for management in the broader community. The centre for developing business teaches the rudiments to small businessmen, and the centre for business studies prepares SA case studies for use in the school. It also publishes the school's research. Centres for health and education management are planned.

Professor Andrews likes to make the school's assets and people work. He cannot bear to see empty classrooms. As a result, the business school has become "a railway station through which 10 000 people pass every year". The 25 full-time and 25 part-time academic staff members run hard. They are required to consult as well.

Before he took over as dean, Wits Business School received 60 applications for its MBA course and enrolled 20. Now it receives 480 applications and admits 40 a year. There are 120 MBA students, of whom 90 are expected to graduate.

The six-week executive programmes are twice oversubscribed in spite of a fee of R9 000. More than 6 000 managers attend shorter courses every year and 4 000 standard nine children of all races across the country take part in the school's junior achievement programme for budding entrepreneurs.

"I have been given too much credit," says Professor Andrews. "I am flattered — but nobody knows what support I have had from

Black belt Andrews moves on

colleagues such as deputy director Len Pink, former Air Vice-Marshal of the Rhodesian Air Force, and Neil Duffy, deputy dean.

Professor Andrews will take a year's sabbatical in which he will research management education needs in SA.

Depending on his findings, he may start a private management institute to address the problem of black advancement in management.

"In the US, there is one manager to every seven employees. Here the ratio is one to 50. In 1995 the ratio will be 1:110."

Professor Andrews has thought about establishing his management development school in the Magaliesberg. He has considered approaching a hotel group to establish a residence which he would fill. He thinks it might be possible to get funding abroad and in SA.

"If I could get a couple of big multinationals still in SA to put up a million pounds — that's R7-million through the financial rand — and the top 30 SA companies would be prepared to match that, we might have something."

Professor Andrews has high praise for Wits, its chancellor Mike Rosholt and the vice chancellors he served — Sonny du Plessis, Karl Tober and Robert Charlton. They permitted him to shape the school his way.

"I took the view sometimes that it was easier to ask for forgiveness than permission. The university trusted me and let me have my head."

Professor Andrews calls the MBA the "black belt of management" because it takes a special person to go through the rigorous process of getting it.

"The MBAs are masochistic. They want to be punished and challenged. They want to be fit. They know you can't run a four-minute mile without suffering. For them, there is no second prize."

The departure of Professor Andrews brings to an end something of an era in SA business schools. Professor Nic Wiehahn has stepped down at Unisa and Professor Paul Sulcas at UCT. Professor Tienie van Vuuren has taken up the reins at Pretoria.

Professor Andrews' resignation takes effect on July 24 and the university is expected to announce his successor before then.

THE embattled gold-mining industry might yet face a strike — and the Government appears to have washed its hands of marginal mines.

The Chamber of Mines declared a dispute with the National Union of Mineworkers this week.

Deputy Minister of Economic Affairs George Bartlett attacked the concept of State aid to mines.

His speech, together with an unyielding attitude to "ring fencing mines for tax, has been interpreted as a get-tough policy by the Government, for years an intimate partner of the mining industry.

Confusion

Mr Bartlett caused confusion in a separate statement to Business Day that a life-line would be extended to East Rand Proprietary Mines Rand Mines, controller of threatened ERPM and Durban Deep, has heard of no such offer. It refuses to say more.

Tom Maine, head of the Chamber of Mines, says some mining houses favour State aid, but others oppose it.

Analysts say the houses with rich mines, such as Gold Fields of SA, are against subsidies.

Brian Gilbertson, deputy chairman of Genmin and head of its gold section, says his company has assumed that State aid is over. It has closed low grade workings and laid off thousands of miners.

Another mining man says Mr Bartlett's conflicting statements indicate that the Government does not know what to do. He says the bottom line is that however desirable it might be to save ERPM and Durban Deep, the State does not have the money "because it is feeding a hungry public service".

Prosperous

Eighteen mines employing 100 000 persons are marginal at the present gold price.

Mr Bartlett questions why the State should aid marginals to the tune of tens of millions of rands annually when "formerly wealthy and prosperous mines have reaped the benefits of the good times".

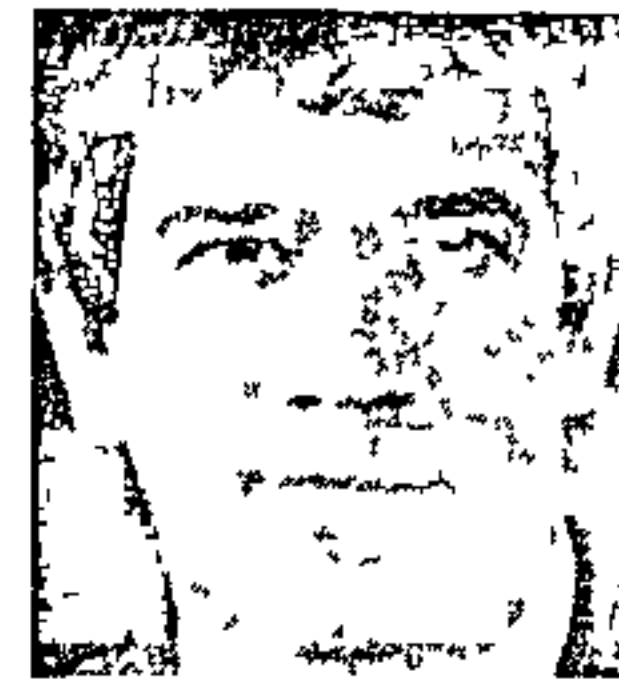
A mining analyst has produced figures which crystallise the issue of State aid. He shows that in the 20 years from 1968 — when State aid was introduced — to 1988 ERPM sold gold worth R2 297-million. Dividends to shareholders were only R35-million.

State aid totalled R173-million, but ERPM paid tax of R26-million for a net cost to the State of R147-million.

Capital spending and working costs in that time came to R2 284-million.

Opponents of State aid would say the numbers illustrate the futility of keeping the mines going because total costs were only R34-million.

By David Carte and Robyn Chalmers



BRIAN GILBERTSON

less than total revenue and taxpayers were out of pocket on the exercise.

They question the wisdom of a capital investment of R2,3-billion that yields virtually no return and argue that it would have been better employed in other export industries.

But proponents say SA desperately needed the sanctions proof gold export revenue of R2,3 billion. Before the debt standstill there was no shortage of capital for industrial development.

Weight

In addition, the State took tax of at least R160 million on wages, plus tax on mine supply companies' profits. They say the mine has carried its weight. Companies supplying the mine — and their employees — benefited. The multiplier effect of spending by miners and the mines has been enormous.

Had the rand gold price been higher all the numbers would have been better. Nobody could know the gold price in advance.

Durban Deep's 20-year numbers show a similar pattern to ERPM's — total revenue of R1 681 million, State assistance R60-million, tax paid R20-million, dividends R31-million, capex and working costs R1 738-million.

From Mr Bartlett's statements, mining men have inferred that ERPM will receive help because its Far East Vertical Shaft, still being sunk, should give it a new lease on life. Hopes for Durban Deep are less bright.

Lame

The arguments against State aid are capital is needed in industry, taxpayers should not help lame ducks and closure of mines might help the world gold price.

In favour, it is argued that SA needs the sanctions-proof foreign currency and the jobs on marginal mines. If farmers and public servants can be subsidised, why not mines? It would be folly to close mines and allow them to be flooded, only to see the gold price rise.

Finally, closure of mines would make little impact on the world price while there was 100 000 tons of gold in private hoards and central bank vaults.

On the labour front, the Chamber and NUM say they will do all they can to avoid a repeat of the bloody 1987 strike. A conciliation board is

expected to be appointed by Acting Minister of Manpower Druw de Villiers next week.

Press officer Peter Bunkell says the chamber will continue to negotiate within the conciliation proceedings, and hopes that settlement will be reached amicably.

The chamber declared a dispute when the NUM rejected a second wage increase offer put to it in rand terms. The offer ranged from R33 a month for employees in lower job categories to R117 for more senior workers.

The union's pre conditions are that any offer be presented in cash and not percentage terms and that agreement be reached on a national uniform minimum wage for the mining industry.

Discretion

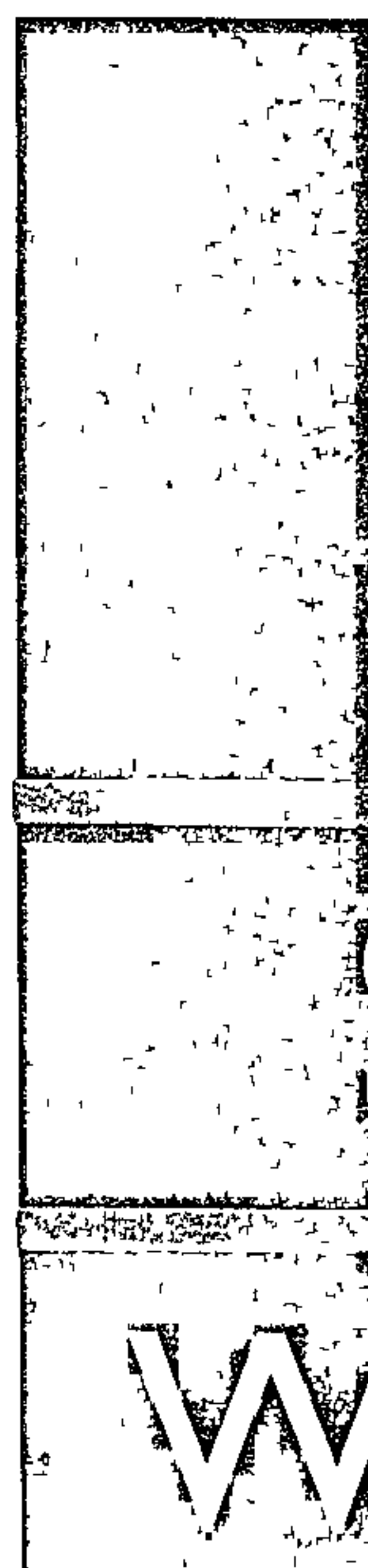
Mr Bunkell says the chamber conceded the first point, but is not prepared to agree to the second condition.

It is difficult to reach a national minimum wage because the different mining houses use their discretion when granting increases.

"We hoped to come to some compromise. However, NUM general secretary Cyril

• To Page 3

P.T.O.



● From Page 1

Mine threat

Ramaphosa rejected our second wage offer. We made it clear that this was not our final offer."

NUM says the offer is ridiculously low and does not lift pay to what it considers to be a living wage. Its original demands were for wage increases and other improvements totalling 118%.

NUM says the chamber has not addressed other demands, including those that

June 16 and March 21 be paid public holidays. ~~RIS~~

It says: "Excluding board and lodging, the chamber's minimum wage for a surface worker is R260 a month in collieries and R278 in the gold industry. Adding a R33 increase would be a far cry from national minimum wage of R550 suggested by NUM."

5/7/1969

214

New techniques sought to salvage gold

METALLURGISTS were researching new techniques to enable the gold mining industry to salvage still more lower grades from sand dumps and mines, deputy Economic Affairs and Technology Minister George Bartlett said last week

Opening the Knights Gold Mining Company's recovery plant, he stressed that this was of vital importance to the economy because of the gold-bearing potential of the 100 sand dumps and 250 slimes dams

BIDAY 19/6/87 (214)

GERALD REILLY

between Randfontein and Nigel
The dumps held enough gold to generate millions of dollars in foreign exchange, Bartlett said

The foreign exchange earned by the 100kg of gold recovered at Knights every month amounted to about US1m a month

On operating costs, Bartlett said on some large mines the average was R104 a

ton of ore milled during the year end September last year

Plants treating surface tailing, such as Knights, operated at a cost of R10 a ton

A further advantage was that land cleared of mine dumps could become available for industrial and residential development

At full capacity the Knights plant would produce 1 300kg of gold a year, ensuring a substantial income for the company

214 (18)

Minorco said to favour BP Coal purchase

BIDON 19/6/87

ROBERT GENTLE

LONDON — Minorco has been tipped as a likely buyer for BP Coal, the worldwide coal operation of oil giant BP, estimated to be worth about £750m

BP announced on Thursday that it was putting its coal arm on the market because it wanted to concentrate on its core business of oil, gas and chemicals

BP Coal has an 88.5% stake in the Middelburg coal mine, and owns operations in the US and Australia. It made pre-tax profits of £20m last year

Certain UK analysts said a Minorco purchase of BP Coal made commercial sense and was in line with its strategic objective of becoming a worldwide natural resources and mining group.

"They could certainly afford it," said one, referring to the £3.5bn Minorco had put on the table during the failed bid for Consolidated Gold Fields (ConsGold)

Scepticism

A New York analyst from Merrill Lynch, quoted in the Wall Street Journal, called a Minorco purchase "logical", especially in view of the reluctance of potential US buyers to invest in a company with SA connections. He said that the SA connection would not matter in Minorco's case because of its SA parents Anglo American and De Beers

However, there is scepticism that the Luxembourg-based company would want to be seen to be investing in SA

Minorco set great store by the fact that unlike ConsGold — which owns 38% of Gold Fields of SA — it was not "tainted" by SA investments. It drew the distinction between a company owned by SA interests and one owning SA interests. Minorco could get round the problem of BP Coal's SA interests by making a purchase conditional upon the disposal of the Middelburg mine

Other names tipped as possible buyers are Broken Hill of Australia, Amax in the US and RTZ of Britain

□ Minorco has announced the appointment of Nicholas Oppenheimer as a non-executive director

Japan buying less SA gold and platinum, says official

TOKYO — Responding to charges that large Japanese purchases of SA metals were being disguised, a Foreign Ministry official said at the weekend that Japan was definitely buying less gold and platinum from SA

Anti-apartheid activists alleged that Japanese companies were importing gold and platinum indirectly through non-producing nations, allowing Japanese trade figures to show lower imports from SA

The Foreign Ministry spokesman said it had been found that "gold and platinum are imported with certificates of the country of origin, and

we are able to identify how much platinum and gold is imported from South Africa even through third countries"

Imports of SA gold decreased from \$231m in 1987 to \$65m in 1988, and imports of SA platinum decreased from \$479m to \$279m, he said

Finance Ministry statistics for trade with SA, however, showed 1987 gold imports at \$221m and 1988 imports at \$35m, down 84,3%, while platinum imports decreased 40,7% from \$554m to \$329m

There was no explanation of the discrepancy

in the figures

Earlier, Foreign Ministry officials said there was no legal way to prevent Japanese companies from using third countries as conduits for SA products

In 1987, Japan was SA's largest trading partner, surpassing the US and West Germany

This led to international criticism that Japan was giving economic support to Pretoria's apartheid system, but 1988 trade figures showed that Japan had fallen behind West Germany in trade with SA — AP-DJ

(214)
B/Dmy 19/6/87

Miners angry over hospital integration

CAT Times 19/6/89

214

Own Correspondent

JOHANNESBURG — White miners have warned of "serious repercussions" if the Chamber of Mines continues with efforts to forcibly integrate hospital and other medical services in the industry

This follows an announcement by the chamber of a decision to close its whites-only, 155-bed, Cottesloe Hospital and merge it with the presently black 650-bed Rand Mutual Hospital

The chamber said the move was based on the under-utilisation of both hospitals

Chamber senior general manager of health care services Mr Daniel Pollnow said neither the country nor the mining industry could afford the waste of under-utilised hospital and medical facilities

The merging of the hospitals was also in keeping with the commitment of the mining industry to remove all vestiges of racialism, he added

But Council of Mining Unions (CMU) chairman Mr Ben Nicholson warned at the weekend there would be widespread unhappiness at the decision

He said it followed two years of employers' efforts to tempt the CMU,

which represents 27 000 artisans and qualified miners, into accepting the deracialisation of the industry's medical benefit fund

"Mixed hospitalisation is one the most sensitive of areas," he said He added that not only mine employees, but also their families, would have to share these facilities with blacks

"They took the hospital decision without first consulting us We will definitely raise the issue next time we meet the chamber, and I can only foresee trouble," said Mr Nicholson

He said the chamber was trying to introduce a medical benefit system based on "comfort levels" whereby whites would have to pay more for better service, and for segregation

The chamber described the Rand Mutual Hospital here as "one of the most modern and best appointed referral hospitals in the country, providing round the clock specialist services in general surgery, orthopaedics, anaesthetics, neurosurgery, thoracic surgery, radiology, ear, nose and throat surgery, and ophthalmology and psychiatry, as well as internal medicine"

No decision has yet been made on the future of the Cottesloe Hospital building

Declining gold price threatens more mines

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Star 2/6/89

By Magnus Heystek,
Finance Editor

About half of South Africa's gold mines could come under pressure in the next year or two if the gold price does not improve

The warning was voiced by Mr Colin Fenton in his presidential address to the annual meeting of the Chamber of Mines yesterday

"This nation's dependence on gold makes its continuing dollar decline a matter of concern for all

"Already two of the oldest mines, employing nearly 25 000 people, are facing possible closure," he said

Mr Fenton highlighted the sharp escalation in production costs on South African gold mines

While the fall of the rand had countered the impact of weak dollar prices, he said, it also carried adverse implications for the economy as a whole

It fuelled inflation and production costs at a time when the industry was having to mine poorer ore grades at deeper levels.

The average cost of gold produced, at R695 per ounce for the first quarter of 1989, was more than double the cost in 1985

Further increases couldn't be effectively be contained as long as the inflationary spiral continued, he warned

Mr Fenton said that whereas

until 1985 South Africa was the lowest-cost producer among the five major gold-producing countries, in 1987 it had become the highest. The situation continued in 1988

Government policies had a major role to play in the inflation rate, he said

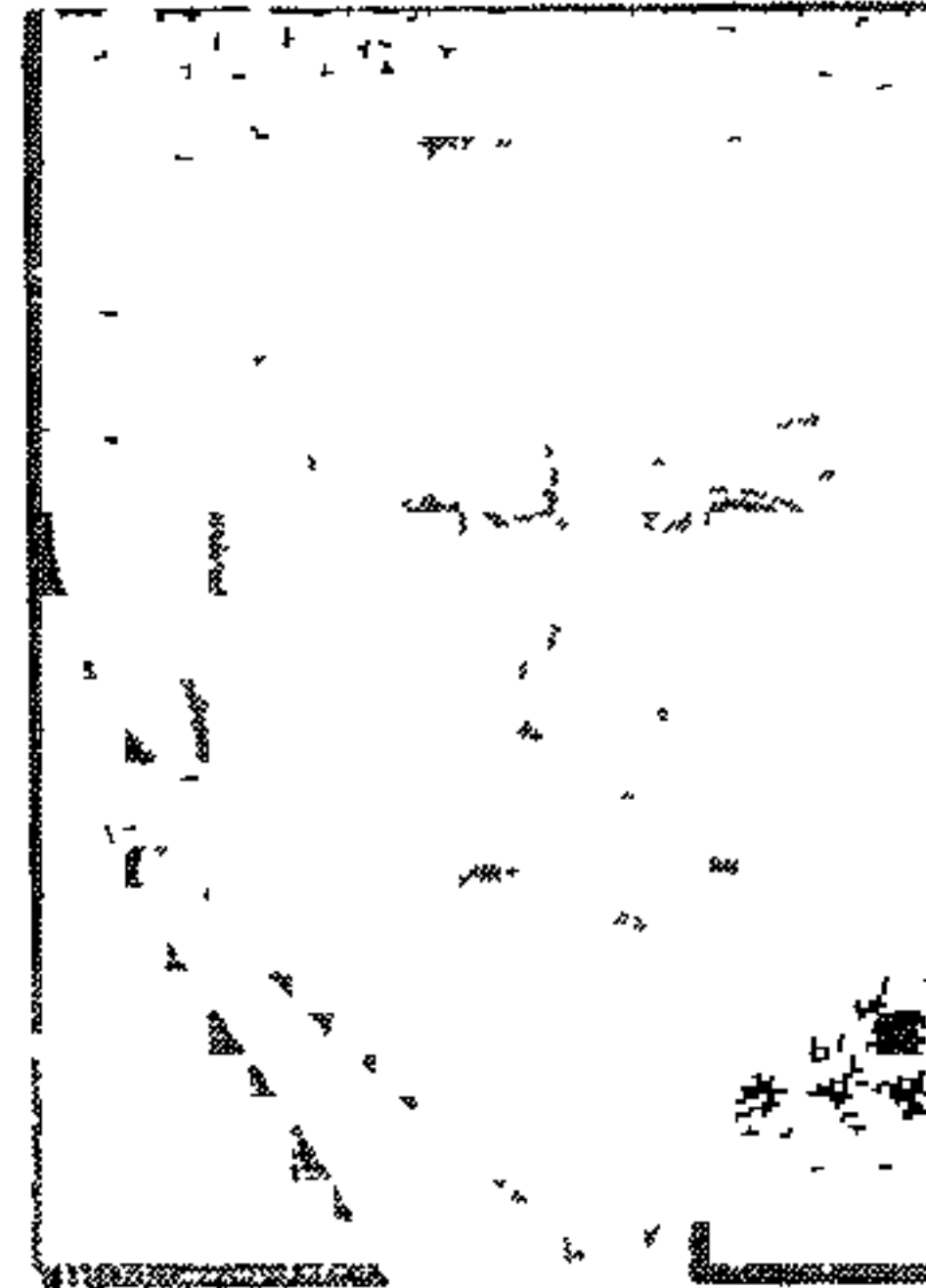
"The vital contribution of this industry to the economy of the sub-continent will be retarded unless the Government shows greater resolve than it has done so far to bring inflation under control and more in line with the rates of our trading partners

"It is common cause that the economy demands tighter budget control and management of the money supply and of unproductive public-sector spending and deficit financing, especially on a bureaucracy we cannot afford

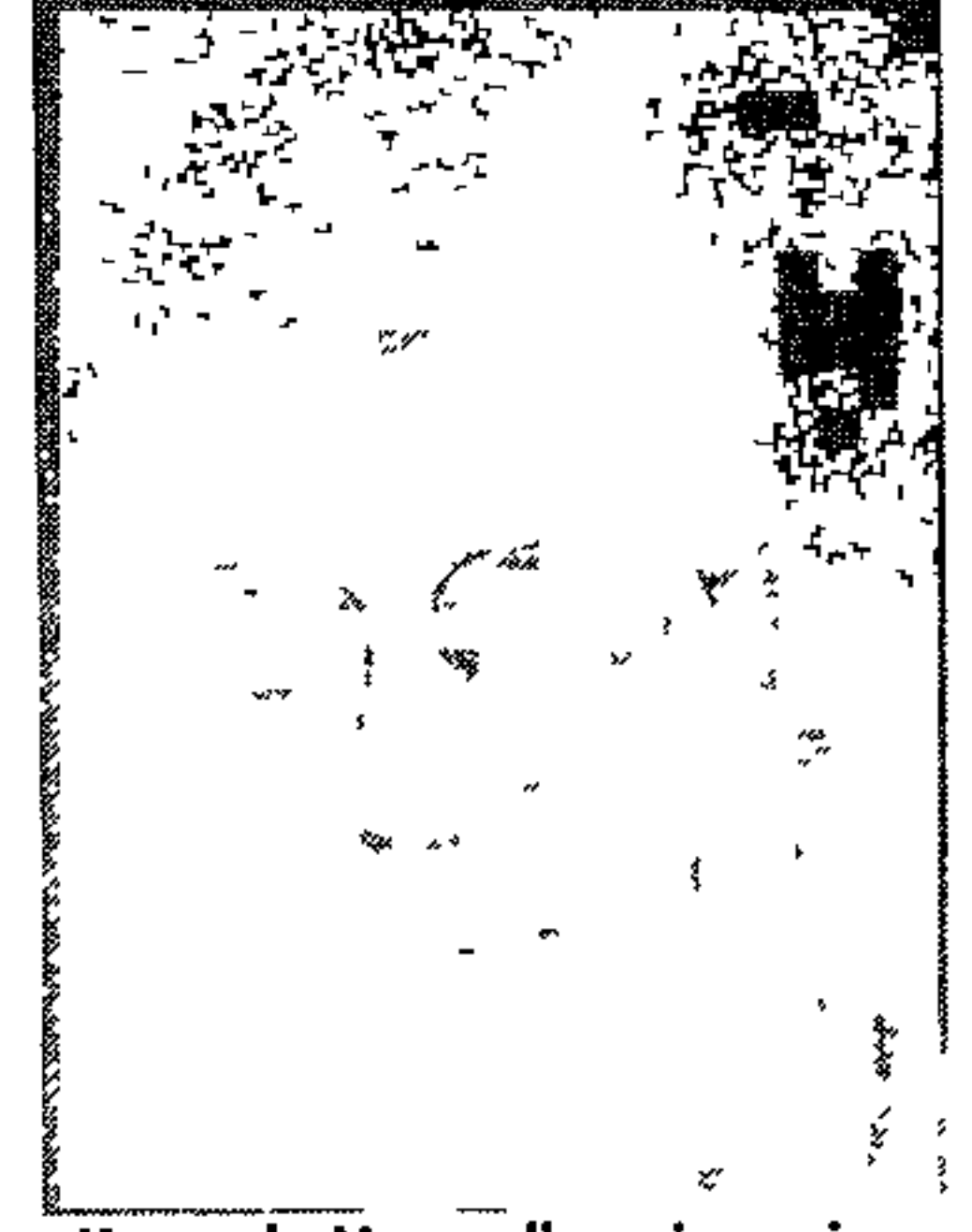
"The tax burden, which even the Finance Minister says is too high, should be eased as an incentive to private sector investment, wealth creation and employment"

Gold sales in 1988 rose by 12,5 percent to R19,7 billion, while total mineral sales rose to a record R33,4 billion

The recovery was boosted by the strong performance of the coal sector where earnings reached a record of R5,7 billion, despite sanctions



Colin Fenton . . . outgoing



Kennedy Maxwell . . . incoming

Capital expenditure rose by 17 percent to R5,8 billion, which Mr Fenton considered a mark of confidence in the future of mining

On the gold price, Mr Fenton said it was clearly locked in a bear market as a result of "the unexpected continued strength of the dollar, combined with universally high real interest rates", which had weakened investment demand

But, he said, the continued growth in demand for fabrication purposes, particularly in the East, showed that fundamentals were secure

Moreover, there were signs that investor sentiment could alter

quite quickly

Budget deficits and trade imbalances remained problematical, despite recent corrections, while inflation was rising in many major industrial countries, Mr Fenton said

"These factors encourage me to believe in the long-term strength of gold, despite current short-term problems"

Mr Fenton's successor as president of the Chamber will be Johannesburg Consolidated Investment's executive director Kennedy Maxwell, who has already served two years as vice-president of the Chamber of Mines

Minorco to petition US Supreme Court

214
Star 2/16/89

Star Bureau

LONDON — Minorco is leaving nothing to chance in its attempts to end the US litigation which prevented it taking over Consolidated Gold Fields

It has now petitioned the US Supreme Court to consider whether a US court should have jurisdiction over a private civil action brought by Consgold.

The Supreme Court will review the case in its next session, beginning in October

The issue is separate from the anti-trust case brought by Consgold and its associate Newmont Mining which Minorco is contesting but for which no timetable has yet been fixed.

As a result of the injunction granted by the US court, Minorco's offer for Consgold lapsed, despite a 55 percent acceptance of

the £3.5 billion bid by Consgold shareholders and the clearance of the deal by the UK Monopolies Commission, the EEC Commission, the US Department of Justice and other regulatory bodies.

According to UK takeover law, Minorco can only make a renewed bid for Consgold early next year

The settlement of cases in the US courts is an essential prerequisite to a new offer.

In a wider sense it would also clear Anglo American should it wish to consider major expansion in the US

Minorco said it decided to petition the Supreme Court because there were substantial issues of public interest in which the court might be concerned.

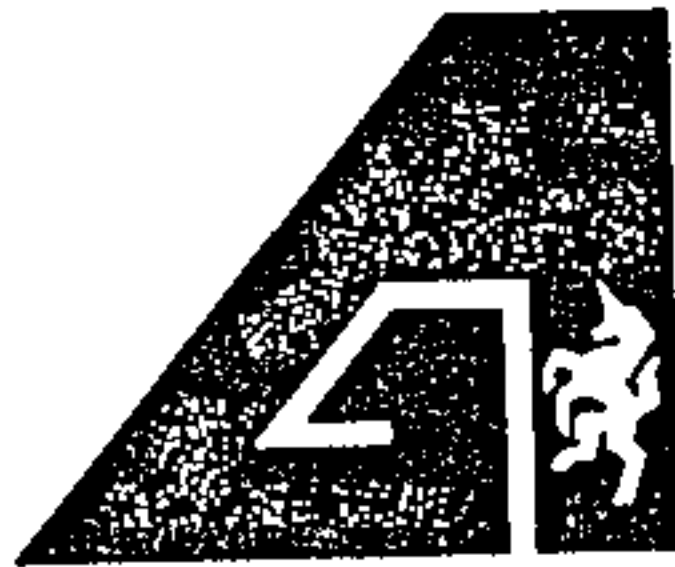
It has requested the court to address three questions

The first is to consider whether the target of a hostile takeover bid, such as Consgold, has standing to challenge the bid under US anti-trust laws, given that the management of the target is generally not motivated by concern for competition

The second issue is whether a plaintiff must present evidence, rather than mere allegations of "injury of the type the anti-trust laws were intended to prevent" in order to have standing to enjoin an acquisition

Finally, the court will be asked to consider whether US courts must, for reasons of international courtesy, exercise restraint before enjoining an acquisition of one foreign company by another on US anti-trust grounds, where the anti-trust authorities in all relevant jurisdictions have cleared the acquisitions

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Anglo American Corporation Limited
(with Africa)

Cashworths has pile of cash

Star 2/16/89

By Lynne Peach

DCM-listed Cashworths could be taking on a whole new direction as far as the nature of its business is concerned

Having sold its non-profitable operations and fixed properties, the group has a pile of cash looking for a new home

Chairman Harry Spain confirms that Cashworths is on the lookout for new investments, probably not in the fashion industry.

It has been suggested that the group could move as far away from fashion as banking. Mr Spain re-

sponded that the banking area is one possibility

Cashworths is already a shadow of its former self as far as its level of activity in the fashion game is concerned. All that remains is its cut-and-trim and tie-making businesses which Mr Spain says are trading profitably but the group would also consider selling these if the price was right

An informed source says that the cash holdings of Cashworths represent 60c to 70c a share

The net asset value is estimated to lie between 70c and 80c

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East Dagga well placed to survive

(214)

gold crunch

Star 22/6/89

East Daggafontein is well positioned to survive the declining gold prices, rapidly escalating costs and falling grades that are facing the South African gold mining industry, says East Dagga chairman Adolf Lundin

In his annual statement to shareholders he said East Dagga's low-cost income derived from the Daggafontein plant and its exposure to a high-quality, well-spread portfolio of exploration interests with strong partners "should enable it to participate in the future benefits of new gold mines so crucial to the South African economy."

Mr Lundin said the improved results followed "another highly satisfactory operating performance at the Daggafontein plant."

The plant is operating at a cost equivalent of approximately \$150 per ounce, which makes it one of the lowest cost producers in the world.— Sapa

New takeover bid: Con Gold shares up

AK645 22/6/89 (52) (210) (220)
By TOM HOOD, Business Editor

A NEW takeover bid for British mining giant Consolidated Gold Fields boosted the share price by R9,30 to R89,30 on the Johannesburg Stock Exchange today

Minorco, whose long takeover battle by South African-controlled Minorco was blocked by a court action in the United States, announced it had made a deal with the British conglomerate Hanson PLC

Hanson is offering R13,4-billion to take over Con Gold and Minorco, which has 55 percent of Con Gold's shares, will sell its entire shareholding to Hanson

Sir Michael Edwardes, Minorco's chief executive, said today. "We're delighted to accept Hanson's offer. This is a very satisfactory outcome for Minorco and our shareholders"

COMPANIES

Charter meets forecast

The Argus Foreign Service

LONDON — Charter Consolidated, the UK industrial holding group which is part of a world-wide network of companies under the influence of the Anglo-American Corporation of South Africa, has reported a 23 percent increase to £67.71-million (R291.1-million) in taxable profits for the year to March 31

Earnings a share rose 20 percent to 43.1p (R1.84) and the dividend is lifted 19 percent to 17.25p (R0.74) against 14.5p (R0.62) last year via a proposed final of 12.5p (R0.53)

Sir Michael Edwardes, who moved in as chairman last November when the Charter board was reconstituted, said "We are confident about the prospects for realising Charter's potential and for achieving continued earnings growth for our shareholders"

He reported that the strategic review started at the time he joined would be finished soon but would take another year to implement. Already a more aggressive, hands-on management approach was being taken to improve group profitability

He gave little away about future possible relationships between Minorco, its sister company De Beers Consolidated Mines and Charter, or between Charter and Johnson Matthey, the precious metals marketing and refining company

Minorco, where Sir Michael is chief executive, owns 36 percent of Charter. Charter owns 38.9 percent of JM. Some experts expect Anglo to reshuffle those interests shortly

However, Sir Michael said the board saw Charter "as having a long-term life of its own"

Mr David Davies, a former joint chairman of the Hill Samuel merchant bank who joined Charter as deputy chairman in December and subsequently became a JM director, said the relationship between Charter and JM was being examined as part of the review

Mr Davies pointed out that the JM shareholding represented half of Charter's current market capitalisation of about £530-million and said Charter was taking a "close interest" in both JM's short-term profit performance and its long-term strategy

Agnew
looking
relaxed

Star 23/6/89
Star Bureau

LONDON — For a man who finds himself — yet again — on the wrong end of a £3 billion-plus hostile bid, Consolidated Gold Fields' chairman Mr Rudolph Agnew is looking remarkably relaxed

By the time the Minorco bid had ended in the middle of last month, he had seemed tense and exhausted Thursday, he appeared positively sunny about the prospect of a fight with Lord Hanson.

"He came round to see us on Wednesday night, and was very civilised — in stark contrast to the previous lot," explained Mr Agnew "It's a totally different situation from the Minorco offer

"That bid was in our view underhand, and it raises all kinds of concerns — the shareholders' interests, the public issues, the long-term needs of the company and the employees — all of which were pulling in different directions," Mr Agnew said

"Unlike Minorco, Hanson is a serious company and any approach from it has to be carefully considered"

Whereas Hanson's cash offer revolved around the straight-forward question of price, Minorco had been fought in a variety of different areas

"With Minorco you had to go out fighting on every front and emotion was a great help," Mr Agnew added. "On this occasion, what you need is sound financial arguments"

Mr Agnew, 55, has worked all his life for Consgold He has been chairman since 1983

Minorco could benefit if Hanson strips Consgold

shw 23/6/89

214

By Neil Behrman

LONDON — All eyes are on Minorco following Hanson's £3.1 billion (£13.3 billion) cash bid for Consolidated Gold Fields

But the British conglomerate is tight-lipped about any possible deal with Minorco which was thwarted by a US court earlier this year in its Consgold bid

"We have not made arrangements to sell Minorco any of Consgold's assets," said Martin Taylor, vice chairman of Hanson "We must first send out the offer document and win the bid So far there are no plans to sell any of Consgold's businesses

"Only once we meet the management of individual Consgold companies and we evaluate their worth, we will make a decision," he said

Despite Hanson's public pronouncements, analyst David Ridley of Williams de Broe Hill Chaplin believe that the company is likely to sell Gold Fields of South Africa, Rensson Gold Fields and perhaps Newmont Mining and Gold Fields Mining in the US

Of these Consgold investments the most likely candidate for Minorco is Gold Fields Mining Corp Asteroid, the South African company

controlled by GFSA and Driefontein, owns around 7.8 percent of Consgold shares It is very possible that this company could sell its stake in Consgold to Hanson

Minorco is unlikely to take up the GFSA stake as a South African asset could possibly hurt future overseas deals

Hanson is making a cash offer of £14.30 a share and Minorco has accepted the offer

Delighted with offer

The offer is the result of talks between Hanson and Minorco which took place just over a week ago and lasted two days, said Mr Taylor

The deal includes the unusual provision that, if the offer is increased, Minorco would still receive only £14.30 for each of its shares Also, if a competitive offer is successful, Minorco must pay Hanson half of any price above £14 per share

"We are delighted to accept Hanson's offer," said Sir Michael Edwards, the chief executive of Minorco, which owns 29.9 percent of Consgold's shares

But Rudolf Agnew, chairman of Consgold told other shareholders not to accept Hanson's "opening offer"

Indicating that the Consgold board

would accept if the price was right, Mr Agnew said he would meet Lord Hanson to impress upon him the true worth of the company

"The board will ultimately accept, they are just arguing about price," says James Capel analyst Robert Weinberg

The market, Minorco's board and several city analysts believe that Hanson will succeed with the first offer

Consgold's shares traded at £14.50, a small premium over the cash bid and Hanson needs only just over 20 percent of the remaining shares to win control

Minorco executives also appeared relatively confident that it would be able to buy some Consgold gems

The company's shares soared by 13 percent to \$15.80 on publication of Hanson's offer It will receive almost £1 billion in cash from the sale, adding to its existing cash hoard of £1.3 billion

"Minorco will have nearly \$14 in cash out of a net worth of \$22 a share," estimates Mr Weinberg of James Capel "It is in a very strong position"

There was consequently a sharp increase in the share prices of Charter Consolidated and Johnson Matthey, companies within the Minorco orbit

"We have no doubt that the offer will

succeed and we will then deploy the cash received, together with our existing cash resources, to develop Minorco as a major international resources group," Sir Michael Edwards said

Executive chairman Lord Hanson believes in holding on to assets which generate cash

The prime example in the Consgold stable is the UK and US aggregates business ARC which generated 32 percent of Consgold's trading profits last year

There is excellent synergy with Hanson companies Kaiser Cement and Hanson Building Products

Mr Mark Wellesley-Wood, head of the mining team at Kleinwort Benson Securities, estimated that Hanson could raise £2.8 billion from asset sales, leaving ARC in for £1.1 billion compared with its true value of £1.5 billion

On the other hand Hanson could well follow Minorco's original aims and sell off low income earners such as Rensson and Newmont

Since it began operations, Hanson has achieved 25 years of unbroken growth.

In the past decade turnover has risen to £7.4 billion from £708 million Pre-tax profits have risen to £380 million from £26 million in the same period

New goldfield opening in OFS?

CMT. Trnfs 23/6/89
214

By BRUCE WILLAN

THE possibility of a new goldfield being opened in the Bothaville area in the Northern Orange Free State is a reality, according to a report published by stockbrokers Kaplan & Stewart

Consulting geologist John Handley said in his report that since drilling activities were reported some five years ago very little has come through in terms of results, but activities in the area indicate there are positive signs of a new goldfield being developed there

Anglovaal has control of most of the area, which lies just north of Anglovaal's Loraine mine

Chairman Basil Hersov has made frequent references to the Bothaville Gap in his annual reports

Anglovaal has two subsidiary companies, Sun Prospecting and Oribi Prospecting, operating in the area

Until June 30, 1988 Oribi had spent some R14m on its 33 000 ha option with a further R8,5m budgeted for the current year, while Sun has spent R90m on its 37 000 ha with a further R37m budgeted for this year

Work in the area has progressed to such an advanced stage that a pre-feasibility study is under way, and as Hersov said in an interview yesterday, there is certainly a good chance that a new goldfield will be opened in the area

Hersov said geologists were optimistic about the tonnage but declined to reveal any figures

Also, Escom has purchased land from farmers in the area for a servitude, providing for a powerline from

the Grootkopsub-station north-east of Loraine to within the Mariasdal farm

This said Handley is the most revealing factor, "Escom does not undertake such developments unless specifically requested by a potential client"

Hersov indicated that while it is generally accepted the developments at the Potchefstroom Gap were more advanced than the Bothaville Gap, this may not be the case and an announcement can be expected before the end of July

He said Anglovaal has not been publishing results of the findings at drill sites because this information is sensitive especially where land options and rights still have to be negotiated and settled

Another indicator that the new goldfield is about to be exploited is that Loraine has been building up ore reserves

Why this has been done is unknown particularly as it has about R50m in cash on hand This equates to about 300c a share, just under half the ruling price of the share on the JSE

Handley suggests that this may be used as a tax shield to develop Loraine's own mineral rights and link these with a new shaft on Mariasdal

He also said Loraine could contribute as much as R400m to the development of a new mine over a five-year period

With this sort of evidence and the fact that Anglovaal has made continued reference to it, this may just be the first new goldfield to be opened up in 35 years, since the discovery of the Free State goldfields

THE WEEK ON THE JSE

By Julie Walker (214)

THE Cons Gold bandwagon rolled again this week on the news that Minorco has sold its 30% stake to a company which is launching a bid for control

Cons Gold shares jumped from R80 to R91 on strong foreign interest, which spilled over into many of the Anglo-American-related counters

Minorco picked up 550c to 6 300c The potential price rise was depressed by the forced sale of a big line of shares held by an American state's trust The shares came back onto the market on Thursday when the price began to climb, so scrip was available

Charter Cons announced good results, and attracted interest on the grounds that it could be Minorco's only operating company The price added 215c to 3 390c

Anglo American notched up 125c to 8 775c, but was eclipsed by the performance of Gencor

Ahead of its rights issue, favourably pitched at R75, Gencor picked up R10 to R95 Dealers says they won't be surprised if it breaches R100 The shares are to be split 10-for-one after the rights offer

Gold added \$7 or so to \$370 an ounce, and helped shares up a little ET Cons featured with a R9 rise to R72, Elsburg put on 25c to 280c and operating company Western Areas added 35c to 425c

Platinum shares were underpinned by the buoyant market Barplats put on 200c to 1 950c and Lefkochrysos 30c to 775c Rusplats and Impala edged up to 6 150c and 5 225c respectively

GEFCO

Asbestos producer Gefco jumped by 95c to a new high of 375c The shares cost only 63c in August Msauli gained 25c to 825c — it was 155c 10 months ago

Botrest gained 15c to 190c, but Zambia Copper shed 57c to 155c

The financial rand strengthened sharply on foreign demand for SA equities, from 413c to the dollar to 396c after going as firm as 384c midweek The commercial rand firmed from 280c to around 276c

Barlows surged to a new high of 4 450c also on the back of overseas purchases Foreigners had recently been selling the stock at about R40, and some dealers believe they were scrambling to cover short positions

Cons Gold on a roll



Premier added 200c to R49 It is to raise R280-million and list its stake in SA Breweries through a separate company SAB eased 50c to 2 350c

SAB will have 88% of Amalgamated Beverage Industries, the dominant soft drink company in SA

The outstanding 12% will be held by 7 000 dealers and staff members, 60% of them black The great growth of the past is expected to continue South Africans drink only a quarter as many soft drinks per capita as Americans

Sanlic added 13c to 70c but retreated to 65c after being taken over by Elcentre in a R26-million deal Elcentre peaked at 430c before closing unchanged at 400c, while Elgro added 10c to 210c

Property trust Fedfund put on 30c to 255c on higher expectations for property

Midas issued a cautionary announcement and added a quarter to 1 325c Fleishmans was the one to run, adding 20c to 80c It was 55c on June 12 The market clearly expects a takeover by Midas

GFS A is up for grabs yet again

214 S/Times 25/6/89

CARTE BLANCHE



By David Carte, BUSINESS TIMES, Editor

Premier's proposed restructure has added R500-million to the value of the company

The Premier share price leapt from R41 to R49 after announcement of the capital reduction placing Premier's 34% of SA Breweries into a separate company to be owned pro rata by Premier shareholders plus a R230-million rights issue

Together with hindsight, the transaction reveals multi-million rand mistakes by corporate power players since Associated British Foods disinvested in 1983

First, it highlights that JCI, Anglo and Liberty paid far too much for Premier in the 1983 transaction

They paid R25 a share for Gary Western's shares, then swapped SAB shares for more Premier, valuing SAB at about R8 and Premier at R25

At that price, Premier without SAB was valued at R645-million There was a rights issue of R100-million in 1985

In the restructure announced this week, Premier without SAB is shown to have earned R92,3-million

Let us assume that Premier today, without its SAB stake and before the rights issue, is worth ten times latest earnings of R92,3-million (compared to Tiger's forward PE of about 12)

Then Premier, less its SAB stake, is worth R923-million — only 24% more than the R745-million at which the original deal plus the 1985 rights issue valued the company

Meantime the industrial index has virtually trebled from 887 to more than 2 500.

So Liberty, JCI and Anglo boomed in valuing Premier too highly — and SAB too conservatively

They valued SAB shares for the purposes of the 1983 transaction and for the subsequent Southern Sun/Sun International split, at R8 odd

Now the SAB shares are worth R24,25 Liberty, Anglo and JCI's loss was Premier's gain The latter made a capital gain of R1,5-billion on its SAB shares, which are now worth R2,3 billion

Minority shareholders in Premier at the time were advised by the Premier board against accepting the R25 a share Those who listened must regret it

The numbers now published reveal that the traditional interests of Premier performed appallingly from 1985-1988

In 1985, taxed profit of the non-SAB interests were a meagre R7,9 million on sales of R2,3 billion and total assets of R1,3-billion That gave earnings a share of 14c and put the R25 purchase price on a terrifying PE of 178

SAB's great performance masked a multitude of sins in Premier and its subsidiaries, which were over-gearred and producing minuscule returns

I remember asking Tony Bloom how the non-SAB interests performed and he was always evasive, saying you could not strip out the SAB contribution to earnings, because of the interest cost in the holding company.

He said it was pointless to try to arrive at the underlying numbers for Premier because when a shareholder bought Premier,

Premier moving at last

he got the SAB shares as well. But had Premier shareholders seen the sorry picture in food, perhaps they might have made more fuss about margins in the tightly regulated milling and baking industries

The numbers published for the first time this week may explain Mr Bloom's reticence They raise the question whether he was not a better corporate politician than businessman

There was a glaring inconsistency in the 1983 deal JCI, Liberty and Anglo were prepared to affront the SAB board in doing the original deal without their knowledge — but they stopped short of letting Premier exercise its effective control Perhaps just as well — but the reason was never given

This week's transaction suggests that personalities got in the way of financial sense Since separation of Premier and its SAB stake so obviously adds to the value of the group, it seems clear that this week's transaction should have been done years ago

This transaction also brings to mind how SAB boomed in effectively swapping Sun International for Holiday Inn That, and the indifferent track record of OK Bazaars in recent years, are blights on great performances in beer, Edgars, soft drinks and furniture

There are two consolations for Premier holders One is the capital gain on SAB The other is that Peter Wrighton, Gordon Utian and team appear to be pursuing shareholder interests all the way They have rationalised the group impressively and the rights issue will reduce gearing at last

The rerating of Premier has come not a minute too soon for Liberty, whose investment performance has been impaired by the poor track record of Premier

Old Mutual looked a loser back in 1983 It is still miffed at having been overtaken as the single biggest holder of SAB shares and thus being excluded from the power play

But Mutual's consolation is that with great chunks of Safren and Kersaf in its portfolio, rather than piles of Premier, its investment performance actually benefited by the transactions of 1983

THE future of Gold Fields of SA is back in the melting pot as a result of Hanson's bid for Consolidated Gold Fields

As the world's leading break-up specialist, Hanson is almost certain to strip Cons Gold mercilessly

In addition to the GFS A stake, out will go Cons Gold's interests in Renison in Australia and Newmont in the US

The Cons Gold head office will be sold lock, stock and barrel

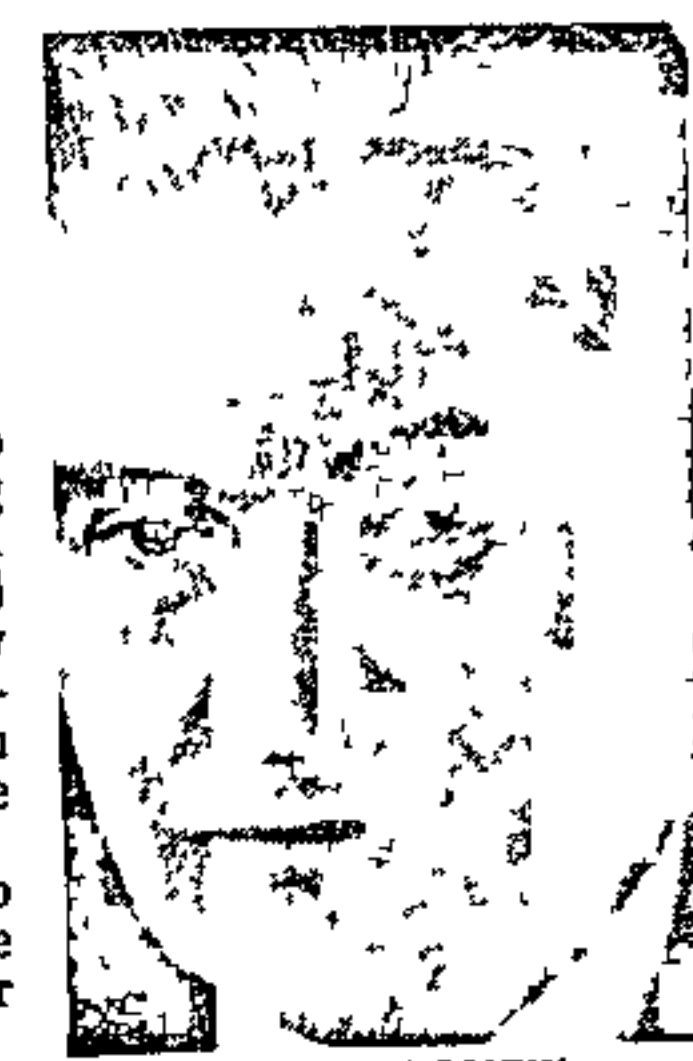
Hanson is likely to offer GFS A to Rembrandt, which bought 10% of the company from Cons Gold two years ago and has pre-emptive rights over the balance

However, Genmin has also indicated it will be bidding strongly for control of GFS A

An intriguing additional possibility is that in the new situation created by the Hanson bid, Anglo American might feel free to enter the contest for GFS A

In the earlier bid, Minorco committed itself to sell the GFS A stake to parties other than Anglo or associates.

By RICHARD ROLFE in London



RUDOLPH AGNEW No Parachute?

Gold is not in any shape to go the distance with a fresh for-the fray Hanson

Cons Gold cannot appeal against Hanson on anti SA grounds, or attempt to drum up anti-trust opposition in the US or Europe

Mr Agnew will try to preserve Cons Gold in its existing shape, but Hanson is unlikely to be swayed by sentiment

Hanson also has a reputation for disregarding golden parachute contracts of employment such as those signed by Cons Gold directors

One close observer of the bid said this week 'If Hanson gets Cons Gold, he'll close down Charles II Street (the Cons Gold HQ) All the directors and staff will be out on their ears

The difference between Minorco and Hanson is that Minorco actually needed a lot of the Cons Gold head office staff, to establish a presence in Europe Hanson already has a presence and he'll just throw them all out'

Minorco would not be drawn this week on its next move However with \$1,5 billion in cash from Hanson for its Cons Gold stake added to its existing cash it now has total cash of \$2,3 billion, equivalent to \$14 a share

The current share price is \$15 with the shares rising \$1 60 on news of the bid Minorco also has unused borrowing facilities of \$2,2-billion

The company confirmed it is to go ahead with its petition to the US Supreme Court despite the sale of its Cons Gold shares to Hanson

Defenceless

With impeccable timing, Britain's master predator, Lord Hanson, has swooped on a virtually defenceless Cons Gold in an all-cash, £3,1-billion bid

The terms value Cons Gold at £14,30 per share compared with the £15,50 cash and share offer from Minorco, which was frustrated by the US courts despite obtaining acceptances from holders of 55% of Cons Gold's shares

Lord Hanson, 65, and his partner Sir Gordon White paid a surprise visit to Cons Gold's elegant headquarters in London's West End on Wednesday night

A spokesman for Rudolph Agnew, Cons Gold's abrasive chairman, indicated that "courteous" discussions took place with a view to achieving recommendations by the Cons Gold board for the bid.

Minorco

Cons Gold says that the price is too low and that it will only recommend improved terms "There is no chance of a recommendation for the current bid," a Cons Gold spokesman said "But at least this one is clean, all cash and with no monopoly problems"

Minorco sources said Hanson had approached them "in the last couple of weeks — but it has all come to a head in the last 48 hours"

Minorco has undertaken irrevocably to accept the Hanson terms for its 30% of Cons Gold Even if the bid is increased, Minorco will receive only £14,30 a share

In the event of a successful bid by a third party Minorco must pay Hanson half the difference of any amount over £14 a share Minorco said there were "no side deals on any of Cons Gold's assets

Hanson is involved in a wide spread of activities, including extensive brick interests which have led analysts to suppose its main aim is to win control of Cons Gold's ARC aggregates subsidiary, the jewel in the Cons Gold crown

Hanson is probably the

world's leading break-up specialist The £8 billion group has completed two major deals since 1985, the acquisitions of Imperial Tobacco in the UK and SCM in the US In both cases Hanson was able to retain the parts it wanted at a low cost and sell the rest for an enormous profit

Hanson vice-chairman Martin Taylor told me that if the bid was successful Hanson would "review all the businesses with their managers"

The group did not have any preconceived ideas of what it would sell off Mr Taylor said Asked about the possible sale of Cons Gold's stake in GFS A, he said "Our view will be to explore and examine it and come to a considered conclusion"

Hanson has minor existing interests in SA, including the local subsidiary of the Lveready battery company

Despite the serious and probably fatal threat to Cons Gold posed by the Hanson bid, Mr Agnew appeared more concerned to continue his war of words with Minorco

He told British TV viewers 'Unlike Minorco, Hanson is a serious company' As 'two great British companies Hanson and Cons Gold should be able to work something out, Mr Agnew suggested

Studied

Lord Hanson has a reputation for taking no prisoners He is unlikely to heed Mr Agnew's offer of a recommended bid at a higher price

With Minorco's stake under his belt, Lord Hanson is not expected to foresee any difficulty mopping up enough acceptances from disgruntled Cons Gold shareholders to carry the bid past the 50% mark

He has studied the defence arguments put forward by Cons Gold — including the lack of any asset value — and sees no reason to save Mr Agnew's face by offering more

After the seven month battle with Minorco Cons

Express
ED
COUR
The official...
Since its acquisition South Africa This used This has...
INTERNATIONAL
Business...
Project...
Even...
Sat...

Minorco and
Hanson had
talks in May

Star Bureau

LONDON — Minorco's chief executive, Sir Michael Edwardes, admitted Monday that on May 17 Minorco initiated talks with Hanson about its 29.9 percent stake in Consolidated Gold Fields

"When it became clear last September that ConsGold was frustrating our offer, we kept our eyes open," he said

Hanson and Consgold meet in London today to talk further about Hanson's £14.30 a share takeover bid for Consgold.

According to the Wall Street Journal, Consgold is looking for an offer of about £15.50 and Hanson, shying away from a bruising battle, has indicated its willingness to negotiate.

In anticipation of a higher offer Consgold's share price closed higher yesterday at £14.60

ERPMM rescue package approved

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S for 29/6/89

By Derek Tommey

ERPMM, the 250 000 tons a month 100-year-old marginal gold mine on the East Rand which is well on the way to being rejuvenated is not to close, or to curtail current operations

Four weeks ago ERPMM and another Rand Mines' producer, Durban Deep, announced that they were both making substantial losses at the prevailing gold price and that financial assistance would be needed from the Government if they were to remain in operation

ERPMM made a loss of almost R30 million in the March quarter and at Durban Deep about R3,7 million

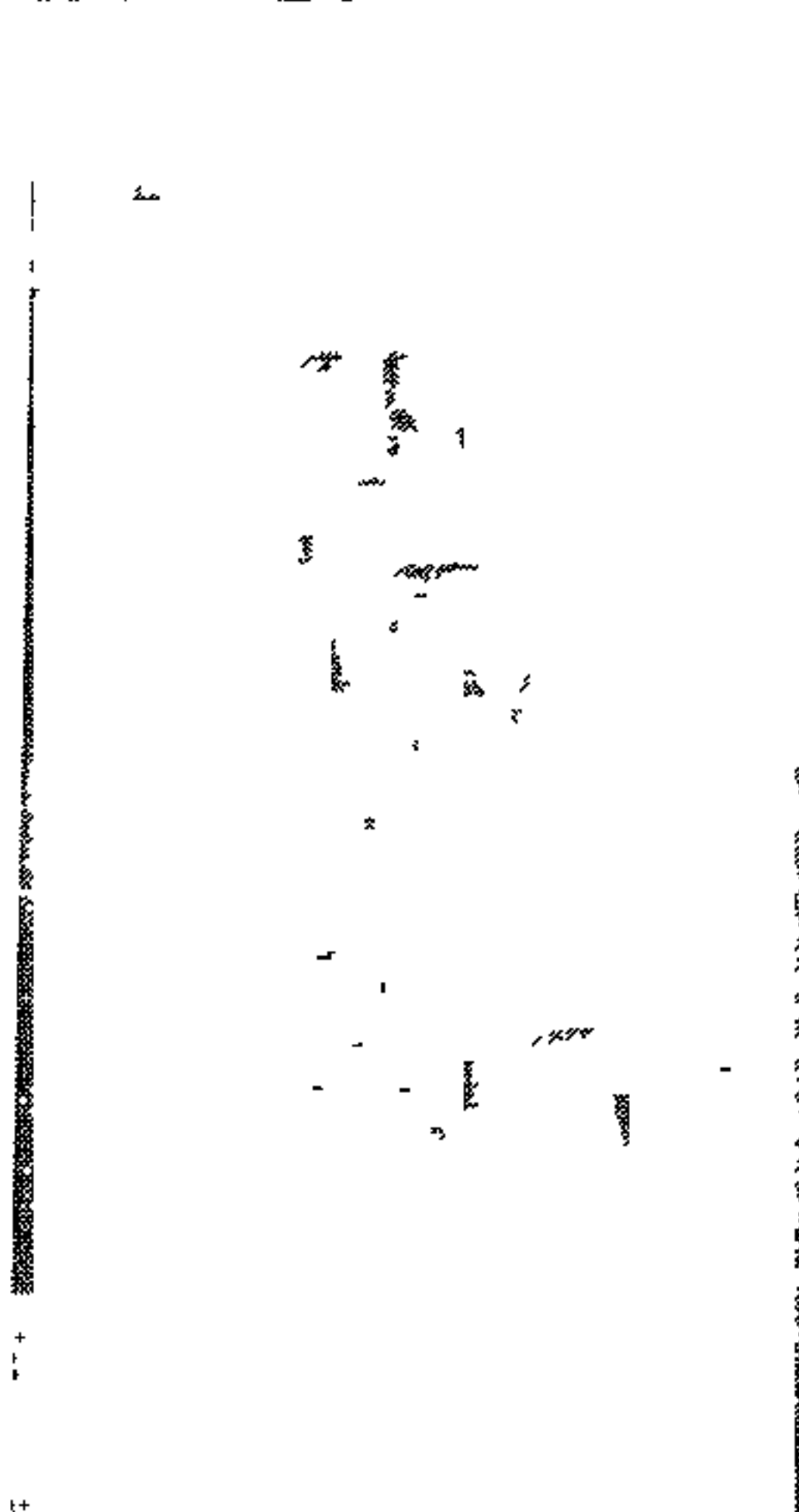
Mr Clive Knobbs, who is chairman of both mines, announced last night that following hard bargaining with the mine's banks and the Government, a life-line had been extended to the ERPMM. This together with the recent improvement in the rand gold price, should help to keep the mine afloat.

If conditions remained favourable the mine could even make a working profit in the December quarter

He said ERPMM's shares will be relisted today ERPMM's shares were 1475c when they were suspended four weeks ago

He said negotiations on state aid for Durban Deep were continuing, but there was no assurance that this aid would be forthcoming

Operations were being severely curtailed to limit further losses, and this would require a cut in the mine's labour force from 8 000 to 3 600. But it was possible the reduced level of operations would still not be viable and would have to be



Clive Knobbs at yesterday's press briefing

discontinued

Mr Knobbs announced that Rand Mines Properties (RMP), which is also in the Rand Mines group, planned to make a bid to acquire a substantial part of Durban Deep's extensive property interests and might even bid for the company

As the proposed bid could affect RMP's share price he called on RMP's shareholders to exercise caution in dealing in their shares

In view of RMP's planned bid, he said it was felt it would be in the best interests of Durban Deep's

shareholders if the suspension of Durban Deep's shares continued

Mr Knobbs also said that it was planned to reduce by 4 200 the 33 000 strong labour force at the group's marginal Free State mine, Harmony. This will save the mine about R42 million a year without any sacrifice in tonnage milled or gold produced

Mr Knobbs said the assistance package for ERPMM provided for

- The deferral and capitalising until 1992 of interest payments on a R220 million soft loan at 10 percent and a R60 million "hard" loan at 20 percent. This will save the mine about R37 million a year in interest.
- The conversion by Rand Mines of a R40 million loan into preference shares resulting in a further saving on interest payments.
- The provision by the Government of a R8 million pumping subsidy and a further loan of R10 million a year for pumping. This loan will be interest-free if it is repaid in five years.

Mr Knobbs said "We're still confident that we can make a go of it at ERPMM."

Should the tonnage treated and recovery grades in the new Far East Vertical Shaft area be as predicted, and the gold price recovers to R35 500 a kilogram and grows steadily thereafter, ERPMM would return to profitability (Last night the gold price reached R35 500 a kilogram — up R3000 a kilogram from a month ago when the call for Government assistance was first made)

ERPMM has recently spent R260 million opening the FEV area which it says is equal to a new mine

Anglo steps up world-wide hunt for new gold deposits

The giant mining house, Anglo American, built its greatness on gold and gold will continue to be its mainspring, the group's annual report issued today indicates

It shows that Anglo American is engaged in a huge world-wide search for new gold deposits — while using the somewhat depressed state of the gold share market to do a little bargain-hunting and add to its already enormous holdings of gold shares.

Although the gold price has been under pressure recently, the group's directors are reasonably sanguine about the metal's prospects.

Gold failed to respond to all the negative forecasts that were made about its future and which were based on the increased production of the metal and the continued use of gold loans, they say.

Physical demand

Instead, the present price is being supported by real physical demand for the metal, both in the Far East and in the jewellery markets of the world where substantial growth was seen last year

They say that gold loans added some 200 tons of the metal to the market last year. These loans have to be repaid, though this could take several years.

However, helping to offset the effect of the gold loans, was the importation by Taiwan of 350 tons — and possibly 500 tons of gold — last year against 57 tons in 1987.

Japanese imports exceeded 300 tons, up from 240 tons in 1987.

Against this background of rising Far Eastern demand for the metal, Anglo American increased its expenditure on prospecting by 28,7 percent to R139 mil-

Diagonal Street

DEREK TOMMEY



lion — equal to 5,2 percent of its equity accounted earnings.

The directors report that drilling to the north of Buffelsfontein's Beatrix mine had been sufficiently encouraging to warrant a feasibility study.

To the south of Beatrix encouraging results have been obtained on the Beatrix Reefs at depths of less than 2 500 metres. A feasibility study is being made into the results of the drilling in the Moab area to the south of Vaal Reefs. Extensive drilling operations are being conducted in the "Potchefstroom Gap" where attention is being focused on three prime target areas.

Encouraging results have been obtained at Kalbasfontein (South Deep) but technological problems of mining at depths of 2 800 metres will have to be overcome

The group's new opencast gold mine in Namibia at Navachab, which will mine 750 000 tons of ore a year, should be commissioned in October.

At the same time the group is looking for gold in Chile, Brazil, Argentina, Spain, Italy and Turkey.

Meanwhile, Anglo American bought 35 500 Randfontein shares last year, increased its holdings of Vaal Reefs and took up shares in the unlimited Beisa Oryx. An interesting non-mining investment was the acquisition of 264 000 shares worth R27 million in Allied Technologies.

QMC Times 29/6/89.

Rand Mines to retrench 8 600 men

Own Correspondent

JOHANNESBURG — Rand Mines (RM) is to retrench at least 8 600 workers in major rationalisations at marginal gold mines Durban Roodepoort Deep (DRD) and Harmony

Loss-making DRD is to discontinue most of its underground operations and about 4 400 workers (of a total workforce of 8 000) are to be retrenched while the government decides whether to offer financial assistance

About 4 200 workers (of 33 000) are to be retrenched at Harmony for an annual cost saving of about R48m

RM's other beleaguered gold mine — East Rand Proprietary Mines (ERPM) — has, however, extracted a life-saving financial package from the government, its bankers and Rand Mines, after protracted negotiations

But ERPM has already implemented large-scale rationalisations and its workforce has been reduced by half, from about 18 000 this time last year to about 9 000

RM gold and platinum division head Mr Clive Knobbs says it is possible that underground operations at DRD will have to be discontinued completely if the government declines to give financial assistance

Well-placed observers say tension within the government over policy on marginal mines led to the delay on a decision on DRD — possibly in the hope that the movement of the gold price would clarify its position

But RM has decided to limit further losses at DRD as it does not foresee "a spectacular rise in the gold price". The only underground operations which will continue are those in high-grade, low-cost areas which are able to produce profit

RM says it is possible that even these areas may in time become uneconomic without government assistance

The mining house's property interest — Rand Mines Properties — has expressed an interest in acquiring either the company's entire share capital or a major part of its assets which include extensive property with development potential

News

Aussies restamp SA gold

3016189
An Australian company has been accused of breaching international standards by importing South African gold, melting it down and restamping it as sourced in Australia, Radio 702 reported yesterday

According to a correspondent of the independent radio station, the whistle on the saga was blown by a report in an Australian newspaper which also named two former Johannesburg businessmen, Don Mackay-Coghill and Brian Bath, who were recruited to head Australian gold com operations

The company involved, Perth Mint, is managed by the Australian Gold Corporation — an important player in Australia's sanctions campaign against South Africa

"The South African ship-

gold valued at more than R42 million was imported via Switzerland. A spokesman for the mint said the origin of the gold was not known till it arrived."

However, all the gold was used, being melted down and restamped in contravention of worldwide standards, the newspaper alleged

"The London Bullion Market Association requires that bullion with an improved refinery marking must be refined and assayed at that refinery. This rule prohibits restamping," the report added

The Perth Mint is supposed to use Australian gold in the production of gold coins and bars, which have become popular since Krugerrands were banned

● The London Bullion Market Association is to publish a London Interbank Offered Rate for gold, to be known as Gold

Libor The new figure will be calculated on similar lines to the London Interbank Offered Rate (214)

Although London's gold market has to date provided much of this funding it has been unwilling to offer fixed rates. — Sapa

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Two gentlemen at the door' . . .

■ Hanson's return on capital formula will dictate major local disposals



Consolidated Gold Fields (CGF) is back in check again. And checkmate by the undisputed world champion predator and maximiser of return on capital, the Hanson group, is probably

only a few pence away

CGF's share price of £14.61 early this week suggests the London market is not expecting much more than the £14.30 all-cash offer — worth £3.1bn — tabled by Hanson just 42 days after Minorco's £15.50 cash-equity mix bid was frustrated by US litigation and the timetable rules of the London Takeover Panel

Not only does Lord Hanson have Minorco's irrevocable acceptance for its 29.9% of CGF in his pocket, he also faces none of the hurdles its CE Sir Michael Edwardes and his team had to clear during the nine-month marathon. In addition CGF chairman Rudolph Agnew accorded Hanson and his partner of the last prodigious 25 years, Sir Gordon White, an almost cordial reception when their two Bentleys arrived outside his St James headquarters in London

He will put up a fight for better terms. £14.30 is well below CGF's (as yet unquantified) own estimate of its worth, as was emphasised time and again in the rejection of the Minorco offers. That said, however, Agnew strongly contrasted the telephone call from Edwardes (they never did meet) with the old-fashioned courtesy of a personal visit from Hanson and White and an invitation to



Lord Hanson ... white knight with a sharp lance?

talk — which they were doing as the *FM* went to press

Even though Hanson, on past form and criteria, will do precisely what Minorco intended, and possibly more, in breaking up CGF in its 102nd year — and carried a big stick in the shape of nearly 30% before calling on Agnew — the embattled and exhausted chairman of CGF described it as "a serious approach from a proper company — in stark contrast to the other lot." There was none of the denunciation of asset strippers or appeals for the continued independence of a "great British mining house" which peppered his attacks on Minorco

That may be because Hanson, unlike Minorco, was not virtually forced by monopoly and anti-trust considerations as well as the Anglo/De Beers ownership to declare a programme of disposals in advance

Hanson certainly is a "proper company" net assets estimated at £12bn (including £2bn cash) and a market capitalisation of £8.4bn which puts the transatlantic conglomerate in the UK's Top 5 companies

Its US operation, Hanson Industries, run by White for the last 16 years, stands 55th in the American corporate league. However, Hanson had seemed to be slowing down. Without an acquisition for 18 months, its market price discount of 30% to underlying worth also rated the group on an unexceptional historic earnings multiple of 11.2 while the dividend yield of 5.3% was nearly 1.5 points higher than that for the *Financial Times*-Actuaries industrial average.

Indeed, the arch-takeover specialists — the CGF bid is Hanson's biggest ever — were becoming the subject of bid speculation themselves. Hanson claimed it was too big, but the accumulation of cash, plus another £10bn in credit lines, pointed to the inevitability of another big deal by the group's two architects to get growth moving again and to dispel any notions which the leveraged buyout fraternity in the US might be entertaining

CGF as an entity was not, until the Minorco adventure was stopped, on anyone's list of Hanson targets. But the Amey Roadstone (ARC) subsidiary of CGF, its non-gold jewel and cash flow milch cow, has been the subject of constant speculation. So with CGF shareholder disenchantment growing (after

all Minorco did hold acceptance for 54.8%, including its own stake) as their investment lingered some £3 below the final bid value, and would have been lower but for takeover speculation, Hanson made its move

In terms of Hanson's oft-stated approach to business, the only question is what will it keep. The Hanson model is simple: the maximisation of shareholder value. This means the highest sustainable return on capital employed (Rocce) because Hanson does not like gearing, even though in good times it pays off in terms of EPS and market price. The basic formula is that any investment must be profitable within 12 months and that acquisitions should pay for themselves in four years that is, for a Rocce of at least 25%. In many

cases Hanson has done a lot better — spectacularly so in the case of Smith Corona in the US

If any other company wants to bid up a Hanson interest to a level at which it is considered expensive under the Rocce requirement, it is for sale. Hence last year's string of US and British disposals on multiples of 25 times earnings which realised £1bn for assets which

cost Hanson under £400m

This means that none of CGF's portfolio investments, from Newmont Mining (on a p e of 37) to GFSa or any of the SA shares to Renison in Australia can possibly measure up. Hanson limited itself to saying it will "review" all aspects of CGF if it wins control — but there is no doubt they will go

In addition, while the wholly owned Gold Fields Mining Corporation (GIMC) might make the grade on cost, the swollen ratings accorded North American gold stocks as well as the unstable history of the bullion price also make it a candidate for the auction block

Minorco might yet get this one asset it intended to keep in addition to ARC. Speculation that the terms of its acceptance of Hanson's price concealed a hidden agenda of preferential pecking order in the break-up has been vigorously denied by both sides. Yet they are curious. Minorco will get its £14.30 (producing £927m and boosting the cash holding to £1.5bn, worth £210m/year in interest income) but no more, should Hanson up its offer. And should a counterbid materialise and Hanson's bid fail so that the CGF stake reverts to Minorco, half the difference

CGF'S ALLURE

Value (£bn)

Newmont Mining	1.70
GFMC	1.10
GFSa	0.35
Other SA shares	0.10
Renison	0.30
ARC	1.50
Net debt	(0.64)
Total	4.41†

† Before tax liabilities

Sources: Average of CGF and stockbroker estimates

between the final price and £14 will be paid to Hanson ARC is thus Hanson's main interest and the last shot in CGF's defence locker During its fight with Minorco, Agnew had his board put values (market and estimated) on everything but the aggregates and concrete operation in the UK and North America



Agnew

They produced figures totalling more than £3bn for these and left investors to work out what ARC, on projected trading profits of £158m this year (up 55%) and its 5bn t of reserves, was worth Depending on the applied multiple, which includes a premium for irreplaceable reserves, market estimates capitalise it as high as £2bn At the low end, on a rating similar to the p e of 9,2 commanded by ARC's main competitor, Tarmac, the figure is closer to £1bn



Plumbridge

On market values of the portfolio and for unquoted GFMC, net of tax and debt, Hanson should be able to realise £2.5bn to take ARC (assuming no higher price) for £600m on which this year's trading profit produces a gross return of over 25% The talks this week were aimed at persuading the CGF board to recommend an offer "We believe we are a white knight effectively We don't want to get into a hostile slanging match," said White



White

Just how white Hanson is, as seen by CGF, may well depend on a side deal Agnew and his board used leveraged buyout experts Kohlberg Kravis Roberts (KKR) of New York as advisers during the Minorco saga And KKR, which topped its achievements with the US\$25bn geared acquisition of RJR-Nabisco earlier this year, is still being consulted, generating speculation that Agnew's alternative line of defence will be an LBO unless Hanson pays more

White, however, was in a confident mood at the weekend on the subject of a counterbid "I think every dog has sniffed at this particular lamppost and moved on" But the sums must look just as attractive to others and even more so to those with less demanding investment criteria

The UK press, meanwhile, has enjoyed reporting what is being called "Oppenheimer's revenge" for the way in which CGF conducted its defence, particularly the way it played the Anglo-De Beers connection

In addition to the slurs cast on both sides of the Atlantic (Minorco is pursuing Newmont's anti-trust suit in the US), this aspect means that both groups are now under scru-

tiny Anglo for the way in which the platinum market operates in the European Community, while De Beers has to explain the workings of the Central Selling Organisation cartel

Minorco, however, is happy enough at prospects of a speedy redeployment of the funds tied up in CGF and to take a profit of £384m on the book value of the stake dating back to the 1981 dawn raid Added to the £1.4bn three-year bank credit facility arranged for the CGF bid (but not tied to it), it has cash of nearly £3bn "The world is our oyster," said Edwardes

Which pearls will emerge are awaited but 36%-held Charter Consolidated and, in turn, that group's 38%-owned Johnson Matthey remain the market favourites — though the latter would require disposal of Minorco's investment in the Engelhard platinum marketing and fabrication business in the US

On the JSE, share prices of most of the companies involved — or potentially involved — firmed on news of the bid, including CGF,

Minorco, Anglo American, De Beers and GFSA

Last week it seemed that 44 Main Street's hopes for expansion of its international interests were fading for the present It now looks possible that the group could be in an even better position than if the Minorco bid had succeeded From Minorco's standpoint, by agreeing to sell its stake in CGF to Hanson, the Luxembourg company has moved a step closer to its objective of relinquishing passive investments and gaining control over cash flow If this can be followed by acquiring selected parts of CGF from Hanson then matters will be even further advanced without any more contested bids at this stage

And the Hanson move has made the sale of CGF's interests in SA look more likely than ever Hanson, too, has a history of avoiding passive investments The SA interests in this category include not only CGF's stake of 38%-odd in GFSA, but the significant direct interests in certain group gold mines such as Kloof and Deelkraal, and in Northam Platinum (7%)

Unlike the stake in GFSA, there are not known to be any rights of first refusal or other sales agreements on these direct interests and they could be up for grabs by any local buyer And if the stake in GFSA should be sold by Hanson rather than Minorco, then Anglo and its associates could well enter the fray as potential buyers

That, of course, would assume that the Competition Board would not exclude Anglo from taking a significantly larger stake in GFSA Some of the more recent acquisitions taken by 44 Main Street, such as First National and Palabora, have been spread between Anglo and one or more of its associates Given Hanson's hard-nosed attitude, the price offered will probably determine a buyer for the GFSA shares Anglo has tended to treat many of its acquisitions as investments, but this may be a case when it would like to get more than that, the differences of personality and policy rankle

The ultimate intentions of Remgro and Gencor are likely to determine their attitudes too In both cases a passive holding would be of limited value, while a rationalisation between GFSA and Genmin could have a big impact on Gencor — as well as on the income which Rembrandt receives from its 30%-odd stake in Gencor Either way, big changes could now be facing GFSA and chairman Robin Plumbridge's management team

John Cavill

THE FINAL RETURN

By focusing single-mindedly on profitability of assets, chairman Lord Hanson and the chairman of the US subsidiary, Sir Gordon White, have built Hanson Plc into one of the world's major conglomerates

The success of the group's US arm, Hanson Industries, chaired by White, has been as spectacular as that of the UK operations led by Lord Hanson

A report by Hoare Govett shows that since 1973 Hanson Industries has spent over US\$3.6bn on acquisitions — but disposals have recouped nearly \$2.7bn or 75% of the original outlay For a net \$941m, Hanson Industries has a portfolio which in 1989 is expected to generate trading profits of \$588m

Targets are pinpointed not so much by the type of activity but a range of criteria "Watch the downside" is a maxim of White's which traces a common theme — basic under-performance — and is the starting point "One looks for a company which has fallen by the wayside, with assets which don't produce the sort of return that I can produce for them," he says. Targets should be mature, asset-backed, making basic products not over-exposed to fashion and away from the arena of high-technology, "people businesses" or financial services

Return on capital employed (Roce) is the key Hanson financial target, both in assessing group performance and as the yardstick for managerial bonuses The overall group has achieved formidable success in driving up Roce — a level of 33.5% was attained in 1987, rising to 35.9% last year



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MARGINAL GOLD MINES

More than the bottom line

■ Should marginals be left to sink or swim? Views in the industry differ

As the Chamber of Mines prepares to defend its marginal gold producers, there is dissent within its member mining houses on whether the State should be petitioned for financial help. A growing body of opinion from industry observers is that it's "sink or swim" for these mines.

Outgoing chamber president Colin Fenton sounded the warning in his address last week that about half the chamber's 33 producing member gold mines could be threatened in the next year or two unless the gold price improves or other factors come into play.

The reason for his forecast is easy to find. At the current gold price of R1 017/oz (R32 690/kg) five chamber mines lost money during the March quarter. Hold the gold price unchanged and escalate working costs for the next 12 months by, say, 17% and that number rises to 14.

The 16 highest-cost gold mines — based on rand/kg of gold produced — affiliated to the chamber (with 1988 gold production) are ERPM (9 058 kg), WR Cons (3 662 kg), Durban Deep (7 081 kg), Western Areas (12 677 kg), Bracken (2 411 kg), Leshe (3 269 kg), Grootvlei (4 266 kg), Harmony (27 343 kg), Loraine (8 431 kg), Venterspost (5 913 kg), Doornfontein (7 579 kg), Libanon (7 352 kg), Stilfontein (4 299 kg), Blyvoor (10 204 kg), Marievale (798 kg) and Buffelsfontein (15 490 kg).

Sixteen mines in trouble is a worrying prospect given the importance of the gold industry to the economy. But let's put that initial picture in perspective. Combined production for 1988 from these mines, of 129,8 t of gold, was equivalent to 21,9% of total production by chamber members of 591 t, and to 20,9% of total SA gold output last year of 619 t. Not all gold producers are members of the chamber.

It's not quite the 80/20 rule, but half the chamber's gold mines account for 20% of the country's total gold production. And seven

chamber mines — Freegold, Vaal Reefs, Driefontein, Kloof, Randfontein, Western Deep Levels and Hartebeestfontein — last year produced 375,6 t of gold or 60% of total SA output.

Next, 10 of those marginal mines are run by Gencor or GFSA which, by their policies and actions, have generally shown themselves to be committed to the "sink or swim" approach.

GFSA has long had the policy for its mines of retaining funds in the good years to help ease the hard years. That has drawn criticism from analysts at dividend declaration time but the group's marginals are financially the best-placed in the industry at present.

Precious metals director Alan Wright tells me "Doornfontein will show a loss after capital expenditure for the year to June but the mine has the financial resources to keep going for another year after which the new shaft system will kick in. Venterspost and Libanon are at breakeven now but have the resources to survive the current trough in the gold price even if it lasts another 24 months. That assumes the current gold price of about R32 000/kg is the floor price."

Gencor's gold division, under chairman Brian Gilbertson, has taken the hardest line of all. Its policy has been to restore profitability through cutting production and costs, and, according to the public statements, the bottom line is that if the mine cannot make a profit it will be closed.

Two important marginal producers are Harmony and Western Areas. The fundamental position facing each of these is such that salvation lies in the hands of the controlling mining houses rather than State aid.

JCI went for mechanised mining as the solution to Western Areas' problems, but the results to date have been disappointing. Trackless mining was supposed to cut costs and make the mining of lower-grade ore viable. In reality the grade has dropped un-

acceptably while costs have continued to rise. The mine was forced during the March quarter to close a number of unpay mechanised mining sections and increase conventional mining while mechanised operations were relocated. Western Areas placed R100m of preference shares last October to bolster its weak financial position.

Harmony is a huge mine milling more than 9 Mt of ore annually, following a management policy to increase tonnage throughput to compensate for falling recovery grade. Whether it can continue in this way depends on strategic planning concerning further economies of scale.

Willo Stear, MD of mining consultants firm Venmyn Rand and a former Rand Mines consulting geologist, points out that Harmony, like the other older Free State mines, is running out of the uniform and continuously payable Basal Reef that has been the mainstay of the industry until now.

The replacement Leader and "A" reefs are not as consistent in structure and payability and require a different, more selective mining approach. The good news is that this can be done successfully as shown by the experience at another Rand Mines marginal producer, Blyvooruitzicht.

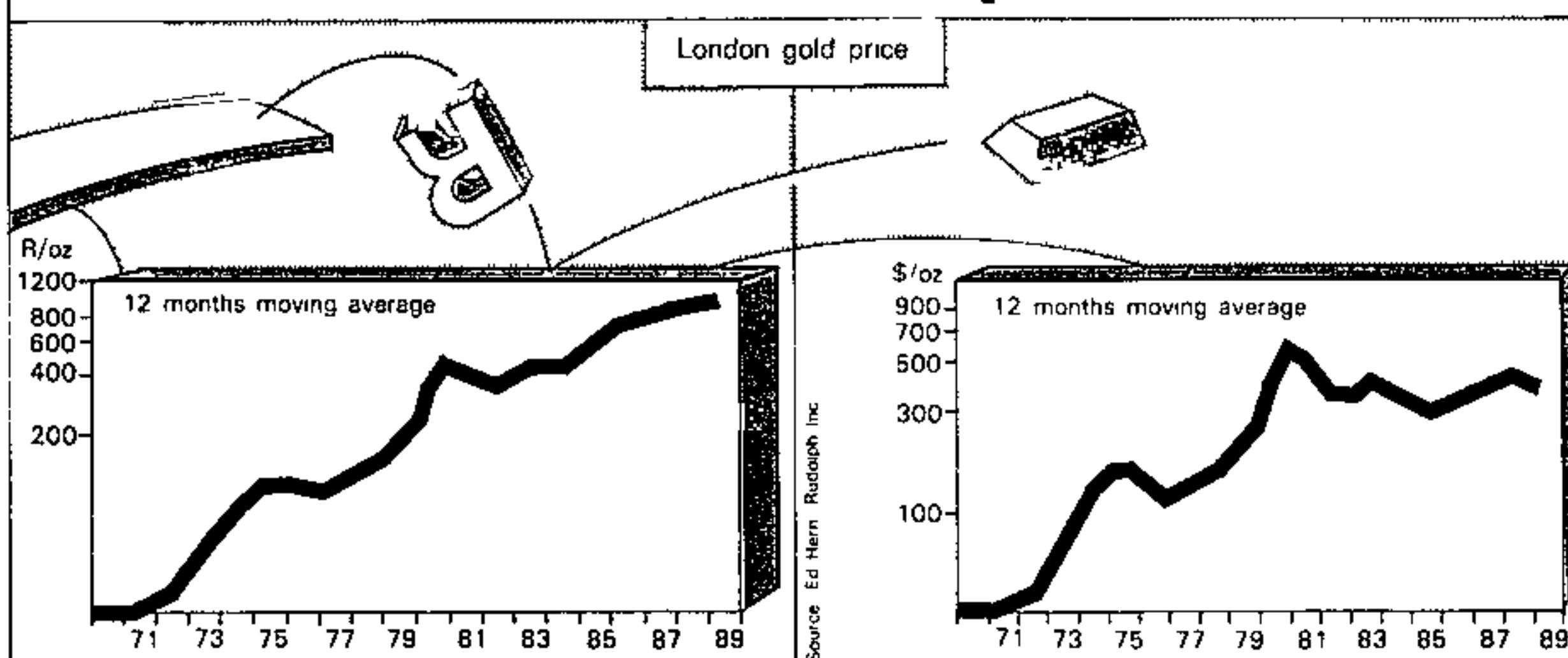
The mine's life was considered limited in the early Eighties, as it began to run out of Carbon Leader reef, but it was extended because replacement reserves were found on the patchy Main Reef through computerised grade prediction programmes. Stear says this work, based on the way the gold had originally been deposited in the reefs, targeted eight Main Reef zones which are now providing supplementary ore reserves at a lower grade. However, the mine will probably close in about 1994 because it is surrounded by other mines and cannot extend its lease area.

The marginals problem involves macro issues such as mine taxation, cost structures and the importance of the gold mines to the economy as earners of foreign exchange, providers of employment and generators of economic activity through the multiplier effect.

Losing gold production from marginal mines which close will have a serious effect. But some analysts say government should put the emphasis on developing new gold mines rather than committing money to keeping old mines going which have had their useful economic lives. The argument is that a new mine like Oryx, producing about 21 t of gold annually, is preferable to keeping Grootvlei, Leslie, Bracken, WR Cons and Durban Deep going, which between them produced 20,6 t of gold last year.

The key topic here is the ringfencing of

How the rand compensated



2117 Funder 30/6/89

mines for tax purposes, which is blocking the development of a number of new projects in the pipeline. Getting ringfencing lifted will require a complete change in government tax policy which is overwhelmingly centred on short-term revenue receipts and pays little attention to the long-term tax benefits of new mining developments. It could also require some sacrifices from the gold mining industry on the immediate 100% allowance of capital expenditure for tax purposes. Margo proposed a three-year 50/30/20 phased allowance rate which GFSA and Anglovaal accepted, with the provision that ringfencing went, but the rest of the industry insisted the immediate 100% redemption be kept. A policy of promoting new mines could



Fenton

mine is viable then it will protect it and carry it over difficult periods using its own resources. If the house is not prepared to do that the government should really not be in there bailing them out."

result in a drop in gold production over a number of years as some marginals close down before the new mines get going. Against that could be placed the current shortage of skilled labour plaguing all the operating mines. Fenton says the industry is short of about 760 blasting certificate holders.

Relocating staff from closed marginal mines to the more viable producers would boost output from the operating mines. Further, some of the marginals may simply be past redemption. Says one mining executive "If a mining house believes a

Then there's the issue of cost control on the mines. Several analysts believe that, as a result of the steady rise in the rand gold price since 1970 (see graph) because of the depreciation of the rand when required, the mining houses have allowed management hierarchies and bureaucracies to develop which are not justified and can be chopped back. There's been no incentive to chop back until now, when the authorities appear to have realised that only limited breathing space can be gained by letting the rand depreciate. It adds to the inflationary pressures on working costs and does nothing to solve the industry's basic problems. One guessimate is that 20% could be lopped off the average cost per ton milled figure for the industry through cutting out the fat that has been allowed to build up — but it's an impossible figure to pin down. After all, personal empires, power and prestige are at stake should a management purge actually take place.

Brendan Ryan

The smell of cordite ~~creeps~~ ^{W mail} into the civilities ²¹⁴ 30/6-6/7/89

By KURT JENSEN

IN contrast to the fierce and sometimes dirty battle between Minorco and Consolidated Gold Fields, the latest £3,1-billion (R13-billion) bid for UK-based Consgold by industrial conglomerate Hanson has been described as "extremely civilised".

"Hanson's approach was perfectly correct and civilised: two great British companies meeting to discuss."

This is how Consgold chairman Rudolph Agnew described the visit by Hanson chairman, Lord Hanson, to inform him about the latest offer for his beleaguered mining conglomerate.

But a whiff of gunpowder is already creeping into the still cordial talks between the two parties, as Consgold is hoping to force Hanson to raise its current £14,30 per share offer.

A sticking point of £15,75 to £16 per share is now emerging. Below this Consgold may be ready for a long fight.

Lord Hanson met Agnew on Tuesday and further talks are planned, but Consgold supporters argue its assets are worth £20 and no buyer should get them at a discount of more than 20 percent.

In London, the city certainly expects a higher offer — Consgold's share price has been rising steadily since the bid was announced last week — but if that is not forthcoming Lord Hanson will have a bruising fight on his hands.

Hanson only needs another 20 percent of shareholders' acceptances to win control, as Luxembourg-based Minorco, which holds 30 percent of Consgold shares, has already accepted the offer.

Consgold last month finally won a bitter eight-month bid battle with Minorco when a New York court injunction prevented Minorco from taking control in the UK's largest takeover attempt. This was despite the fact that the Luxembourg-based company had acceptances for 55 percent of the Consgold shares.

Agnew makes no bones about his delight in defeating Minorco and its chief executive Sir Michael Edwardes.

By accepting Hanson's offer, Minorco will make a tidy £400-million profit on the book value of its Consgold stake. It will collect about £1-billion to add to its existing cash hoard of £1,3-billion, enough to launch an aggressive expansion drive.

There are plenty of opportunities in the mining world which could boost Minorco's aim of establishing a major natural resources conglomerate, under the auspices of parent companies Anglo American and De Beers.

A renewed cash bid to gain complete control of mining group Charter Consolidated or platinum refiner Johnson Matthey looks on the cards.

But more importantly, Minorco could pick up a few gems once Hanson starts, as expected, to sell off Consgold's various mining subsidiaries.

The jewel in Consgold's crown — denied to Minorco — is the ARC aggregate operations on both sides of the Atlantic. These Hanson is likely to keep.

But its four major mining operations are expected to be up for sale.

Edwardes has his eyes on US-based Gold Fields Mining Corporation (GFMC), which owns lucrative reserves in Nevada and California and has a price tag of around £1-billion. It is one of Consgold's most profitable operations.

City analysts also speculated that Minorco could bid for Renison Consolidated of Australia but was unlikely to aim at either Newmont Gold, America's largest gold producer, or Consgold's 38 percent interest in Gold Fields of South Africa.

Minorco wants to keep its hands clean of the South African connection, which caused the eventual downfall of its own £1,3-billion bid for Consgold, and the GFSA stake is likely to go to either the Rembrandt Group or Gencor.

Minorco decided earlier this month to continue its legal battle in the New York court to have the injunction against it lifted — a clear indication that GFMC is the gem it most desperately wants.

GFMC is expected to produce about 400 000 ounces of gold this year at a cash cost of \$111 an ounce, offsetting somewhat the ever-rising costs Anglo American is facing at its own South African gold mines.

Even if Anglo, through Minorco, ends up with GFMC after a successful Hanson bid, the result will be a second-best outcome for it.

Its attempts to embark on a major diversification out of South Africa have been foiled for the time being and a Hanson victory would be only small consolation.

RICHARD ROLFE

in LONDON

Genmin golden rule pays

AT a time when fund managers and stock-brokers tend to cold-shoulder SA gold shares, it is pleasant to report that some have done extremely well in the past 12 months in the world league

London broker Laing & Cruickshank part of the Credit Lyonnais group, ranks all the world's major gold shares according to their

price performance over four, 13 and 52 weeks

On a year's view, L&C's top 100 golds show many more losers than winners — 28 up and 72 down

The best price performer overall is American Barrick, with a 42% rise The worst is

a speculative Canadian counter, Noramco, which is down 80% since the end of July 1988

No fewer than six SA mines appear in the top 10 of L&C's list — Kinross (up 32%), Harties (28%), Unisel (27%), Leslie (27%), Elands-

was the effect on the gold price, once the news filters through to the market, will be extremely positive

At the moment, the international gold market assumes that Pretoria will keep the losers going, perpetuating the oversupply of gold

Genmin's restructuring, combined with the Laing & Cruickshank survey, demonstrates that resolute action by management leads to re-rating of the shares

THE global bull market in equities staggers on, stocks hitting post-crash highs in New York, London and other centres The average gain for this cycle, according to investment adviser David Fuller, is 75%

SA industrials, with a gain of 93%, are ahead of the average, but the golds index is depressed and, says Mr Fuller, "base building"

Falling interest rates have been the driving force behind the markets' latest surge The world economy is being managed skilfully as central bankers, headed by Alan Greenspan at the US Federal Reserve, change tack between avoiding recession and inflation

What they will do if confronted simultaneously with both inflation and recession remains to be seen

Commodity prices have continued to fall Oil, agricultural produce and base metals are all off the boil Thus policymakers, except in countries like the UK with its wage-push problems, are relaxed about inflation, which helps interest rates to ease

But, warns Mr Fuller, the bull market cannot be treated as a permanent part of the landscape

Uncharacteristically hedging his bets — for Mr Fuller is a straight from the shoulder commentator — he is looking out for "eventual end-signalling changes" in the markets

"These will either be a loss of upward momentum or an

acceleration prior to a collapse"

In other words, if shares do not keep going up, it could be bearish, whereas if they do go up, it could be — er, bearish

Mr Fuller says "Ageing uptrends, like old prize fighters, can lose stamina fast Both are easily decked by an unexpected blow"

A REMINDER of the shoals beneath the surface came this week from the UK's biggest banks, NatWest and Lloyds Both had to provide hundreds of millions of pounds to cover their dud loans to Argentina, Brazil and the rest of the gaucho community

So frequent have these write-offs become that they are a yawn It is part of the great double standard the

A losing mine amounts to a tough decision shirked It is much easier to call for Government subsidies and try and get someone else to shoulder the blame

Genmin executives have told me they retrenched only with great reluctance because of the bad effect on mine labour forces and on the community But it is clear that in some cases, a mine would have been lost in its entirety unless operations were scaled down to what is profitable

However, the argument for retrenchment goes beyond the need to make individual mines profitable One of the reasons why the gold price is more depressed than it should be is that the rest of the world believes the rand will be devalued, as it always has been in the past, to keep the gold-mining hulks afloat

DILEMMA

Shearson Lehman's latest commentary is typical After noting that 20% of SA gold mines are unprofitable and recapping the old State assistance scheme, it says "Faced with this dilemma, it is really not surprising that the Government is expected to assist high-cost mines to stay open"

My view is that Pretoria is much more sceptical about the merits of propping up losers than Shearson realises

But it is expectations that count If the SA Government takes a hard line and lets

dollar terms so they may differ from the comparable rand numbers

It is interesting that Genmin mines Kinross, Unisel Leslie and Beatrix are four of the best in the world on this rating and also lead the field in SA terms

There is little doubt that this reflects Genmin's policy of optimising profits The group has retrenched labour and revised its mine plans to ensure that unpayable ore is not mined — an intelligent market-related response, but a bit radical in the SA context

REMARKABLE

The June quarterlies showed that all Genmin's golds were operating at a profit, although some had previously been heavy losers The turnarounds were remarkable in cases such as Leslie

By contrast, groups such as Rand Mines and Gold Fields ran several mines at a loss The Genmin attitude is that a mine, by definition, should not run at a loss If a mine is losing money, its operations should be cut back to the point where it is profitable

All too often, SA mines have pursued a policy of hacking out rock to fill the mill even though they were mining 30% to 40% unpayable ore in some cases

Typically, the mining groups would refuse to restructure their losers, preferring to call on the Govern-

Miners with no other place to find

THE miner has long been regarded as the stalwart of the gold industry yet recent events are jeopardising his position

Widespread retrenchments have hit workers on many marginal mines in the wake of a falling gold price. Declining gold output, rapidly rising working costs and automation have become a feature of the industry

Gold mines remain the source of more than 50% of South Africa's foreign currency and directly employ about 422 000 people. But since 1972 when the Bretton Woods system no longer controlled the price of gold the industry's profile has changed dramatically

High grade ore reserves have been largely depleted because the fixed gold price under Bretton Woods made it necessary to mine only the richest

areas at lowest cost. Between 1984 and 1987 SA output declined from 683 tons a year to 605 tons

In contrast average working costs a kilogram of gold rose in that time from R3 861 to R17 294. The result has been a squeezing of profit margins, a small but detectable swing to automation and of course retrenchments

Rand Mines announced in June that it would retrench 8 600 workers at marginals Durban Roodepoort Deep and Harmony in an effort to save the beleaguered mines

After the retrenchment plan was announced there was speculation that thousands more faced the loss of their jobs. Towards the end of June about 18 mines employing more than 100 000 workers were marginal and retrenchments were seen as inevitable

A rally in the gold price warded off this possibility, but mining spokesmen do not believe that SA is over the worst. On a visit to Anglo American's President Brand mine in Welkom I asked what an unskilled or semi-skilled mineworker was equipped to do if he was retrenched not forgetting that many of them are recruited from outside SA

A section manager says the one area a miner could move into is construction — but generally only in the informal sector because the industry is well staffed in the unskilled and semi-skilled job categories

There is also the prospect of new mines but there will be a big time lag. Deputy Finance Minister Org Marais said in December last year that there was potential for up to 15 new mines

He was referring to the Marais Committee's report on mining taxation. The

report estimated that with these new mines, gold production should continue at least until 2030 and operating costs would tend to be between \$100 and \$200 an ounce

Although this is good news for future miners those whose job is on the line have little to comfort them. Because labour constitutes about 55% of working costs one would assume that the workforce would be the first target for cuts in hard times

Not so say managers at President Brand. The argument is that much time and money are invested in training miners and other costs will be reduced before labour

If retrenchment is an absolute necessity the LIFO principle is applied — last in first out. But given that it takes eight years to train a supervisor and

three months for an unskilled worker, this may be a little impractical

The National Union of Mineworkers (NUM) has little say about retrenchments because it has no mandate to oppose reductions in the workforce. Apart from calling for a strike at great cost to both the mine and labourers there is little it can do

My mine visit coincided with the two accidents at Kloof and Hartbeestfontein gold mines where 11 miners were killed and three injured. In addition an inquest on seven mineworkers who died in a fire last year at Western Deep Levels gold mine had cleared the mine of blame

With the Kamross incident where 177 miners died three years ago still vivid in the minds of most associated with the mining industry safety has become a major issue at both board meetings



Few other jobs for miners

and union negotiations. President Brand has a highly sophisticated computer system which monitors all underground events — from shifts worked to fires. In the event of a fire an alarm will go off the area will be sealed and rescue teams will be on the scene within 10 minutes

NUM has concluded what it terms satisfactory wage increases for its members ranging from 13.5% to 21.3%. It says it will continue with its demands for increased minimum wages next year

But the 1990 negotiations could be markedly different to this year's. Traditional industry-wide bargaining through the Chamber of Mines is being questioned in the light of the different views of the mining houses and their difficulty in reaching consensus

Hanson likely to sell mining stake

Consgold bid: SA facing R2-bn outflow

By Sven Lünsche and
Neil Behrmann

South Africa could be facing its biggest disinvestment now that a majority of shareholders of UK mining giant Consolidated Gold Fields have accepted an offer by transatlantic conglomerate Hanson Plc.

Analysts in London and Johannesburg believe it is only a matter of time before Hanson sells off part of Consgold's assets, and first on the list could be the interest of the mining house in southern Africa

This stake includes a 38 percent holding in Gold Fields of South Africa (GFSA), which controls numerous gold and base metal mines in both South Africa and Namibia, and a direct share in three of seven GFSA gold mines

These interests are conservatively valued at R2 billion, and if Hanson sells Consgold's SA interests, which is likely, this money could leave the country

GFSA is South Africa's third largest mining house, after Anglo-American and Gencor, and is currently valued on the JSE at over R7 billion

Joint acquisition

Apart from GFSA, Hanson could also sell Remson Gold Fields in Australia, and two US mining groups, Newmont Mining Corporation and Gold Fields Mining Corp

Of these Consgold investments, the most likely candidate for Minorco is Gold Fields Mining Corp if Minorco eventually succeeds in turning over the US court injunction

● See Page 17.

A number of local buyers have lined up for Consgold's local interests, foremost among them is Anton Rupert's Rembrandt Group, which already owns 10 percent of GFSA and has a pre-emptive right over the balance

However, analysts questioned Rembrandt's ability to finance such a transaction, which could well turn out to be the biggest deal in South African commercial history

They suggest that Rembrandt might approach cash-flush Gencor for a joint acquisition of GFSA

GFSA itself has not yet cashed in its 7,5 percent interest in Consgold, which could earn it a whopping R1,5 billion and help fund essential and major new development programmes in South Africa

In London, Hanson has remained tight-lipped about its plans for GFSA and Consgold's other South African interests

Talk that the Rupert dynasty met with Hanson at their London offices was met with a stony silence

"We are not prepared to talk about market rumours," said Mr Martin Taylor, a director at Hanson "We must first study Consgold's businesses"

The acceptance by shareholders of the Hanson bid, which valued Consgold at a massive £3,5 billion (about R15,5 billion), ended a protracted battle for control of the West's second-largest gold mining company

Political opponents

Consgold, founded by British empire-builder Cecil Rhodes, became a take-over target last September when Minorco, Anglo American's international investment arm, launched its original bid of £2,9 billion (R13 billion)

Minorco's bid, which could have created the West's biggest mining concern, was denounced by political opponents who saw it as a South African exercise to extend interests abroad

It finally collapsed in May after a US federal judge dismissed a request by Minorco to lift an injunction blocking its bid for Consgold

Minorco, which controls 29,9 percent of Consgold, eventually accepted Hanson's original offer of £14,30 a share leaving it with a tidy £1 billion (R4,4 billion) in cash

This cash mountain makes Minorco a prime contender for some of Consgold's other major mining companies, which analysts believe Hanson will sell, despite its public pronouncements

Consgold shares seized

LONDON — Over 165 000 shares Consolidated Gold Fields (Consgold) have been frozen by officials investigating suspected insider trading

The Department of Trade and Industry yesterday banned all trading in the frozen shares, held by nominee companies in numbered accounts, until the owners were traced. The shares are worth about £2.4 million at current London market values.

State inspectors are investigating to see whether there were illegal share deals using confidential company information shortly before Minorco launched a £2.9 billion for Consgold in October.

The hostile Minorco bid was later raised to £3.5 billion — then the biggest in British financial history. A sharp rise in Consgold shares in the two weeks before the initial offer was announced aroused suspicions of insider trading among some dealers.

Earlier this month, Consgold agreed to a £3.5 billion takeover bid by British industrial conglomerate Hanson — Reuter.

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Stitched up

Hanson's £3.5bn bid for Consolidated Gold Fields (ConsGold) was duly stitched up with acceptances for 57.3%, including Minorco's 29.9%, announced this week. The offer goes unconditional, three Hanson executives have been appointed to the CGF board, and shareholders, such as Gold Fields of SA (GFSA), who did not rush to meet last Friday's deadline are expected to take their money in the next few days. With the passing of control there is no point in holding on.

ConsGold thus disappears as a constituent of the *Financial Times*-Stock Exchange index of the top 100 shares (replaced by engineering group GKN, formerly Guest Keen Nettlefold). And, ironically, Hanson now tops the hit list of the disinvestment lobby. The anti-apartheid monitors of UK interests in SA have always put ConsGold first, because of the 102 000 blacks employed by GFSA.

That situation is not expected to last long. Hanson borrowed the cash element of the bid (£3.3bn) without dipping into its own hoard of liquidity, now estimated at £4.5bn.

While on equity-accounted (but not cash) earnings ConsGold may cover the interest bill, dismemberment should be fairly rapid. The only question is whether Hanson will

(214) (scribble) mail
11/8/89

attempt to take a view on the gold price in deciding the timing of the sale of 38% of GFSA, the other SA mining interests, Newmont and the rest of ConsGold's portfolio of minority stakes.

And, of course, the market waits with bated breath for frustrated Minorco to begin its redeployment of its cash (£1.5bn) and assets. At £9.73 (only 39p off the record peak), Minorco stands 55% above its 1989 low. The share price has performed well — now for the management.

John Cavill

CARTE BLANCHE



By David
Carte,
BUSINESS
TIMES
Editor

LORD Hanson's ruthless dissection of Consolidated Gold Fields is important to SA for reasons other than the impending sale of Cons Gold's 38% of GFSA.

In selling most of the assets, Lord Hanson is demonstrating that Britain's most venerable old mining house was worth more dead than alive.

Insofar as Cons Gold was long valued at tens of millions of pounds less than its underlying assets, the dignified old head office and the cultivated chaps around Rudolf Agnew actually had a decidedly negative value.

The question mining houses, institutions and the plethora of financial and industrial holding companies and conglomerates in SA need to ask in light of the Con Gold evisceration is "What is head office adding to value?"

Because of exchange control, which has trapped the investment funds of mining houses and institutions in SA, six organisations dominate the private sector. There are few countries in the world with so many holding companies among spider webs — cobwebs? — of control.

Sanlam has more holding companies than anyone. First, there is Sankorp. Under that are Tradegro, Bankorp and Fedmyn. Under Fedmyn there is Gencor. Under that, apart from Sappi and Samancor, we have Gemm and Malbak. Other conglomerates in the Sanlam camp are Federale Volksbeleggings and Murray & Roberts.

All these holding companies are multi-billion-rand operations. Most have slimmed down drastically since the hard times of 1984 and the arrival of Derek Keys and Grant Thomas in Gencor and David Brink in M&R. In fact, one, Darling & Hodgson, has been eliminated.

But even though they are run more economically today, most trade at a significant discount to underlying assets. They are all housed in splendour and populated by expensive Mercedes-driving personnel.

Anglo American trades at a 30% discount to asset value. That is several billions. It

The butcher's lesson for SA

has its share of holding companies, starting with Amgold, Amcoal, Anamint and Amic. Inside the conglomerate Amic is another large conglomerate, Tongaat-Hulett.

In JCI we have SA Breweries. SAB is an outstanding company and trades at a premium to stated asset value. But if the beer division were valued at market value, it would also be at a discount.

In the Old Mutual camp there are Barlows, also at a discount to assets, and Safren, in which, given the value of Kersaf, one picks up Safmarine for peanuts.

Anglovaal trades at a discount of only 9% to stated assets, even though it is pyramided to the sky and contains holding companies in Anglovaal Industries and South Atlantic.

Liberty and Rembrandt Group are the only Big Six players not suffering from holding-company-itis. In hiving off their foreign interests into Richmond and First Investment Trust respectively, they have gone the unbundling route advocated by Hanson. Remgro has also got rid of Volkskas's industrial

interests, shoved the Stewarts & Lloyds head office into Dorbyl and merged Lifegro with Momentum.

In Japan and Germany where economic health depends on production of things more than financial engineering, engineers dominate business life. Here, partly because of the labyrinthine structure of our corporate sector, accountants rule.

The normal justifications for head office are that it acts as a group bank, deploying cash flows in the most profitable areas, that it keeps group personnel and other policies consistent, that it is the research and development centre and the think tank.

So perhaps some of them do serve a function. But the time has surely come for annual reports to provide a cost-benefit analysis of the head office function.

● CANCER struck down Reserve Bank Governor Gerhard de Kock at the peak of his powers. In memory of an outstanding South African, please join me in sending R50 to the National Cancer Association.

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GFSAs takeover paves way for acquisitions

By TOM HOOD,
Business Editor

THE new shareholding structure of Gold Fields of South Africa would allow the mining group to adopt a more aggressive approach to new investment opportunities, said chairman Mr Robin Plumbridge

"We can now move ahead and develop the group far more rapidly," he said after announcing the deal by which GFSAs and Rembrandt Group acquired Consolidated Gold Fields' stake in GFSAs for £368-million (R1 619-million)

The financial constraints imposed by having a large block of foreign shareholding had prevented it from making major investments in the past, he added

However, Johannesburg analysts believe Dr Anton Rupert's Rembrandt Group is paying a hefty premium for its acquisition of a further 10 percent of GFSAs

They said Rembrandt, which is putting up £120-million (R528-million) for a 10 percent stake in GFSAs, is paying too much for the shares

At current financial rand rates, its payment values GFSAs shares at R96, a 17 percent premium on GFSAs's current price of R82

SENTIMENT

The JSE reflected this sentiment yesterday Rembrandt Group ended 15c easier at R12,10 after soaring to R13,50 in early trading, while Rembrandt Controlling closed 20c lower at 880c after jumping to 950c

The sale comes after last week's completion by Hanson Plc of its R15-billion acquisition of Con Gold The complex deal, announced by Mr Plumbridge yesterday, was arranged hastily after Hanson's bid for Con Gold went unconditional

It could precede the sale of three other valuable mining assets controlled by Con Gold US-based Newmont Gold and Gold Fields Mining Corporation, as well as Renison Gold Fields of Australia

EQUAL CONTROL

In terms of the deal, GFSAs and Rembrandt will have equal control of GFSAs Holdings, which in turn owns 40 percent of GFSAs

Both groups will therefore have an indirect 20 percent stake in GFSAs

Rembrandt's 50 percent stake in GFSAs Holdings comprises the 10 percent it acquired in July 1987 and the 10 percent interest it took up in terms of an agreement giving it a pre-emptive right over 30 percent of GFSAs shares

NO DIFFICULTIES

In spite of paying a substantial premium for its stake, analysts suggested Rembrandt would have no difficulties raising the R800-million it would have to pay Con Gold through the financial rand

They said Rembrandt could finance the deal through a combination of internal funds and loan financing, although the group recently followed its rights in HLH, Gencor/Fedmyn and Sage to the tune of R330-million

CASH RESOURCES

Its cash resources at end-June totalled R350-million

GFSAs's acquisition of 50 percent in GFSAs Holdings has been financed via a share swap

Through Asteroid, a local company owned jointly by GFSAs and Driefontein, GFSAs's major gold mine, GFSAs controls an effective 7,5 percent of Con Gold

The purchase sum includes the final dividend to be declared by GFSAs for the year to June

The 7,5 percent stake is valued at £240-million in terms of Han-

son's offer of just over £15 a share

But Mr Plumbridge said a share swap was the preferred option used because a gains tax would have had to be paid if the shares were sold

Con Gold will retain an 8 percent stake in GFSAs and will, for the time being, hold onto its other interests in South Africa 5 percent of Driefontein, 13 percent of Kloof, 15 percent of Deelkraal and 13 percent of the Northam platinum mine

Sapa-Reuter reports from London that Con Gold chairman, Mr Rudolf Agnew, welcomed the sale of GFSAs, and said "I am very pleased we have achieved full and fair value, which represents a premium of 23 percent over the current market price"

Dealers in Johannesburg said the Rembrandt Con Gold transaction was unlikely to have much effect on the finrand market

PURCHASED

They felt Rembrandt had probably completed its purchases of finrands last week

The finrand rate rose 5c last Friday morning and has remained firm since then

The cost of Rembrandt's purchase in commercial rands is about R516-million

But, if Rembrandt has to buy its foreign currency at the finrand rate, as most analysts assume, the cost could be R800-million

WORRIED

The Argus Bureau in London reported yesterday the City was worried that the purchase of GFSAs shares by Rembrandt and anybody else would put unprecedented pressure on the finrand

However, the subsequent disclosure that GFSAs and Driefontein were swapping Con Gold shares for GFSAs shares should eliminate any need for finrands

Gold Fields set ²¹⁴ for SA expansion ^{15/8/89}

GOLD Fields of SA (GFSA) is expected to expand its local interests more actively after it finally unleashed itself from the financial constraints of foreign control yesterday.

GFSA chairman Robin Plumbridge yesterday explained to Business Day that foreign control — by Consolidated Goldfields (ConsGold) — imposed financial constraints on the SA mining house which prevented it, on occasions, from making strategic acquisitions.

"The British government has had a voluntary restraint agreement with the financial community in terms of which companies will not increase their investments in SA," said Plumbridge. "It would therefore have been difficult for ConsGold to exercise a rights issue for GFSA to fund expansions."

Plumbridge said Palabora Mining — the eastern Transvaal copper producer — was one example of an investment opportunity

REINIE BOOYSEN

which had to be overlooked because of limited funding facilities.

When Newmont disinvested from SA, GFSA acquired its interests in O'okiep Copper, Tsumeb and Gamsberg Zinc — but it was unable to make an offer for a stake in the plum of Newmont's SA holdings, Palabora. In the event Anglo American and De Beers ended up with a 28,6% stake, and Rio Tinto-Zinc with 38,9%.

Plumbridge said yesterday's deal gave GFSA the "financial flexibility to adopt a more aggressive approach to new opportunities."

He would not be drawn on the possibility of a rights issue to fund the continued development of GFSA's Northam platinum mine, among other things, but conceded that future funding requirements would

□ To Page 2

Gold Fields ^{(Siv) 15/8/89}

□ From Page 1

"exercise management's attention" now that the ConsGold issue had been resolved.

After 102 years of existence, the mining house created by Cecil John Rhodes will now be controlled by an SA consortium, including the Rembrandt Group (Remgro) and GFSA itself.

In effect, Remgro will lift its GFSA stake from 10% to 20%, while a company controlled by GFSA, called Asteroid, has acquired an effective 20% holding in GFSA. ConsGold's holding will effectively be reduced from 38% to 8%.

The mechanism of the deal is that Remgro and Asteroid will be equal partners in GFSA Holdings — the company through which ConsGold and Remgro previously held 30% of GFSA's equity.

While ConsGold had a two-thirds stake in GFSA Holdings, it also had a separate 18% holding in GFSA.

Remgro had a pre-emptive right over a further 30% in GFSA held by ConsGold. The total purchase consideration for this 30% stake by Remgro and Asteroid is about £368m, which includes the final dividend to be declared by GFSA today.

Remgro will pay ConsGold about £120m (R498,6m at yesterday's financial rand exchange rate — compared to their worth on the JSE yesterday of about R670m). Asteroid, however, will swap a 7,5% stake in ConsGold, and about £500 000 in cash, for its 20% holding in GFSA.

While the Asteroid stake in ConsGold (which will go to Hanson, ConsGold's new controlling shareholder) was worth about R1,593bn at (pre-transaction) share prices, 20% of GFSA's shares were worth about R1,34bn.

GFSA financial director Bernard van Rooyen yesterday pointed out that the Asteroid stake in ConsGold was originally purchased for about R250m.

Market reaction to the deal was reserved. On the JSE, the GFSA share price was unchanged in mild trade, at R82, and Remgro shares declined 10c to R12,10, although trade was fairly brisk, with 188 800 shares changing hands in 111 deals. On the foreign exchange markets the finrand was unchanged at R4,155/\$1.

● See Page 11

GFSA reports disappointing results from gold mines

Finance Staff (214) ^{Star 16/8/89}
Hard on the heels of Consgold's sale of 30 percent in GFSA, GFSA reported that earnings rose a mere 7 percent to 403c a share in the year to end-June.

The total dividend was raised by 10c to 200c, adding R32 million to the payment to Consgold by GFSA for the 20 percent it acquired yesterday.

Analysts suspect that in-

vestment income from its gold mining operations, which accounts for about 80 percent of GFSA's income, actually declined over the period.

However, this was offset

by better earnings from base metal producers and total income from investments was up by seven percent to R351.4 million, while income from interest, fees and other sources

firmly by R12 million to R132.6 million.

Rembrandt's 10 percent interest, which it acquired yesterday for R800 million, would have earned it about R16 million.

By Sven Lunsche
 Britain's UK mining giant RTZ has sold its 33,55 percent stake in the Unisel gold mine and a 12 percent holding in GF Namibia for a total consideration of R200 million.

RTZ had acquired these interests in June this year when it bought the worldwide mineral assets of British Petroleum, but has indicated that it would limit its Southern African holdings to substantial interests in Namibia's Rossing uranium mine and the Palabora copper operation.

The 33,55 percent stake in Unisel, one of South Africa's more profitable gold mines, has been sold for R185 million. Gencor and its associate Genbel have together bought 5,1 million shares, or 18,2 percent of Unisel, which pushes its total holding to a controlling 55 percent.

Gencor itself is taking 3,35 million shares and Genbel 1,78 million shares of Unisel, which is already managed by the group's mining and mineral arm, Genmin.

Anglo American has acquired RTZ's remaining 4,4 million Unisel shares for R84,8 million.

Commenting on the acquisition Gencor executive director Tom de Beer said that the purchase of Unisel was viewed as significant

RTZ sells interests in Unisel and GF Namibia

Unisel is located in the mineral-rich area of Welkom and in addition to the mine lease owns the mineral rights over the farms Jurgenshof, Tarka and Adamsonville."

Mr de Beer added that the group's stake in Unisel was in line with Gencor's holdings in other long-life mines, namely Oryx and Beatrix.

RTZ's stake in GF Namibia has been sold for R15,5 million. GFSA controls about 80 percent of the stake, but a spokesman for the group could not disclose the buyer of RTZ's interest this morning.

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Gefco and Msauli turn in good interims

Both Gefco and Msauli have produced a good set of interim results for the period to June.

Gefco increased net profit for the half-year to R11,6 million (R3,5 million for the comparable period in 1988) and raised turnover by 41 percent to R47,7 million

This was attributable to a continuing increase in the sale of crocidolite fibre, which picked up last year after a seven-year decline, and to the further weakening of the rand. An interim dividend of 7,5c a share was declared

The interim dividend was passed last year

Msauli boosted net profit to R8,1 million (R2,8 million) while turnover increased by 31 per cent to R31,2 million

This was due to increased US dollar prices for chrysotile fibre and to the weakening of the rand. An interim dividend of 25c was declared. Msauli also passed its interim dividend last year

The directors say that barring unforeseen circumstances, both Gefco and Msauli should equal their first half performances in the last six months of the year

As far as Gefco is concerned, total crocidolite sales are expected to top those of 1988, but amosite sales are likely to remain static. Msauli's chrysotile sales tonnages should approximate those of the previous year — Sapa

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GOLD FIELDS OF SA

Independence upheld

A number of winners appear to have emerged from the unexpected control structure for Gold Fields of SA (GFSAs) announced this week. It has yet to be shown whether the ultimate winners will include minority shareholders in GFSAs, or those in Driefontein Consolidated (Drie Cons).

The most obvious beneficiaries are GFSAs's top management. While a few weeks ago, some were speculating that a merger of GFSAs with Gencor would make sense, this way GFSAs chairman Robin Plumbridge's independence seems assured until further notice.

As the illustration shows, nobody now has a holding in GFSAs larger than the combined stake held by GFSAs itself and the group company, Drie Cons. In effect, GFSAs and Remgro each have equal stakes in GFSAs. Remgro already had a 10% interest and has simply opted to take up a further effective stake of 10%. At this stage, Remgro has chosen the "partnership" arrangement it has historically preferred.

Remgro's original 10% represented a third of the equity in the holding company, GFSAs Holdings, which in turn had 30% in GFSAs Consolidated Gold Fields (ConsGold), now being dismembered by its new owner, Hanson Plc, held the balance of GFSAs Holdings as well as a direct 18% in GFSAs. When Remgro bought its 10% of GFSAs, it also secured first refusal on the rest of GFSAs Holdings and 10% of the direct 18%. Acting swiftly after the Hanson bid was sealed, Remgro has taken up that 10%, which it is injecting into GFSAs Holdings. The stake which Remgro did not already own in GFSAs Holdings is going to Asteroid, held 50/50 by GFSAs and Drie Cons.

Though GFSAs is, in effect, buying an interest in itself, executive director Bernard van Rooyen says there would be no legal problems with this arrangement. He points out that while the Companies Act restricts a subsidiary from voting shares held in its own holding company, that does not apply here.

The combined holding in Asteroid is 50% and GFSAs holds only 32% of Drie Cons.

Remgro will pay £120m cash for its additional 10% in GFSAs, equivalent to £14.68 a share, compared with the effective price of slightly more than £15/share being offered. ConsGold minorities by Hanson. For its 20%, Asteroid will swap the existing 7.5% stake it holds in ConsGold, plus pay £0.5m cash.

The swap saves tax which would be incurred had the respective shares been sold at a profit on book values. Hanson, via ConsGold, receives an effective £368m for the 30% stake in GFSAs. This way there will be much less pressure on the financial rand than if 30% of GFSAs had been bought outright.

Hanson moved quickly to do the deal now, because it did not want to be seen in the US as holding the controlling stake in a major SA group. Portfolio investments are apparently less important and can be dealt with later.

The announcement casts some light on GFSAs's tight-lipped stance throughout the Minorco and Hanson siege on ConsGold. When GFSAs bought its stake in ConsGold, Minorco already held 29%. Under British takeover rules Asteroid could not make an agreement with any bidder before the offer became unconditional, with over 50% approval obtained. Asteroid never accepted or rejected the Minorco offer. But GFSAs's 7.5% stake was vital for Hanson to achieve the 90% required to make acceptance by 100% compulsory, which is needed for asset stripping. GFSAs was thus in a strong position in negotiations after Hanson's offer became unconditional on July 31.

The agreement on joint control of GFSAs Holdings provides for reciprocal rights between Remgro and Asteroid. One Rembrandt representative, Gys Steyn, sits on the GFSAs board. Plumbridge says there will be no changes in management.

But the arrangement begs the question of accountability. Circular lines of control are

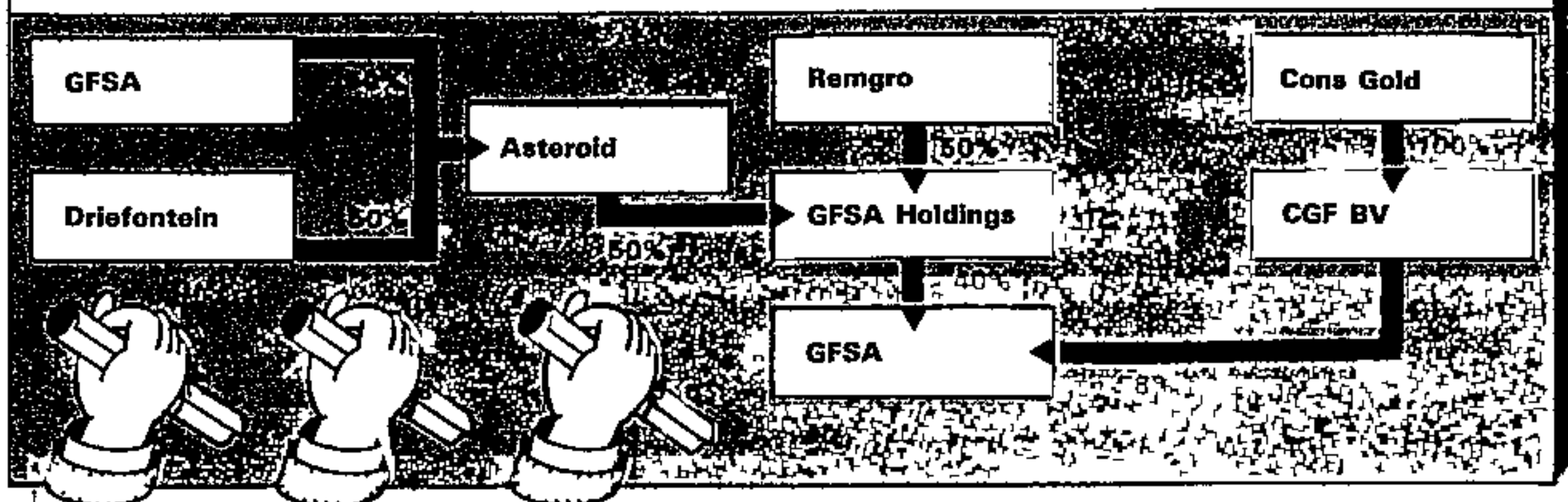
not unprecedented — the Anglo/De Beers arrangement is an outstanding example. That does not mean another one would be a good thing. In this case, it appears GFSAs management will be accountable to nobody but itself, and management is not a significant shareholder.

Of course, the game may not be over yet — Remgro may yet acquire more shares. But, for now, it's difficult to see who except management will call the shots and if other blocks of shareholders do not have an effective voice then minorities could ultimately lose. For his part, Van Rooyen says it should be remembered that "there are a lot of institutional shareholders who are not without influence" and that Remgro would be unlikely to sit back if it was unhappy with the performance. He adds that an operating consensus would have to be reached to make the holding through GFSAs Holdings work and that would be a powerful discipline.

According to Van Rooyen, foreign control of GFSAs over the years "has been a constraint and a problem." This, he says, has placed restraints on raising funds rather than business strategy. Not explained yet is how Asteroid will follow its rights in a GFSAs rights offer — Plumbridge says a "suite of options" would be available but does not detail them. In the short term, there could be major calls for funds for Northam and Venterspost. The adroitness which the group shows in raising and using funds — ostensibly a key function of a mining house — will offer a test for the newly independent management.

Andrew McNulty and Teigue Payne

GFSAs's major shareholders



Now meet the real Goldfingers

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Star 19/8/89

CENTRAL banks are starting to manage their massive holdings of gold more actively. The impact on the gold market could be dramatic.

WITHOUT news, the gold market is a dull place. Gold pundits reckon they can forecast mine production and jewellery fabrication accurately enough for the next year or two, and their fears about inflation and dollar volatility have subsided since the early 1980s.

What the market likes in order to perk it up is either a good war, or news that central banks are in the market, either buying or selling.

There are an estimated 100,000 tons of already mined gold lying around. Over one-third of it is locked away with the world's central banks and the International Monetary Fund.

More adventurous central bankers (they do exist) have often asked whether such a large holding of an asset that is expensive to store and earns no interest are justified.

In the late 1970s, the Carter administration and the IMF sold over 3,000 tons of gold in an attempt to wean central bankers off the metal and on to SDRs (Special Drawing Rights). But old habits die hard. The inflationary surge of 1979-81 made central bankers seek refuge in the traditional haven of gold.

Even though inflation and gold prices have since fallen, the buying goes on. In seven of the past nine years central banks have been net buyers of gold, adding 983 tons to their holdings at a time when mine production expanded from 959 tons in 1980 to 1,538 tons in 1988.

These aggregate figures hide a more interesting pattern, which Mr Andrew Smith at London's UBS Phillips & Drew, has had a go at uncovering.

He divides central banks with significant holdings of gold into four groups (See chart). The median share of gold in the banks' total reserves was 28 percent at the end of last year. Any bank with less is deemed to be underweight in gold and hence a potential buyer. And vice versa.

The vertical axis is set at a debt-service ratio (ie, the proportion of a country's export earnings needed to service its external debt) of 70 percent. Above

that figure, reckons Mr Smith, a country is in acute difficulties and may be forced to sell gold.

These crude yardsticks highlight one thing: potential sales of gold by central banks are huge. But many of the countries in the top-left of the chart are perfectly happy to be overweight in gold.

The Swiss National Bank, for example, knows that if it were to reduce its holdings of 2,590 tons of gold (or 57 percent of its total foreign reserves) the effect on the country's reputation as a safe haven for gold deposits would be severe. Others might like to sell, but do not know how to without depressing the gold price.

Different tactics

Canada and Belgium have tried two different tactics. In 1980 four-fifths of Canada's reserves were held in gold.

Through sales in the open market Canada has now reduced this proportion to under a third. Traders complain about the damage to confidence caused by a gold producer and marketer of gold coins selling off its own reserves.

Belgium chose a subtler route. At the beginning of this year it owned 1,047 tons of gold, accounting for 58 percent of its reserves. It admits to having sold 127 tons between December 1988 and last March.

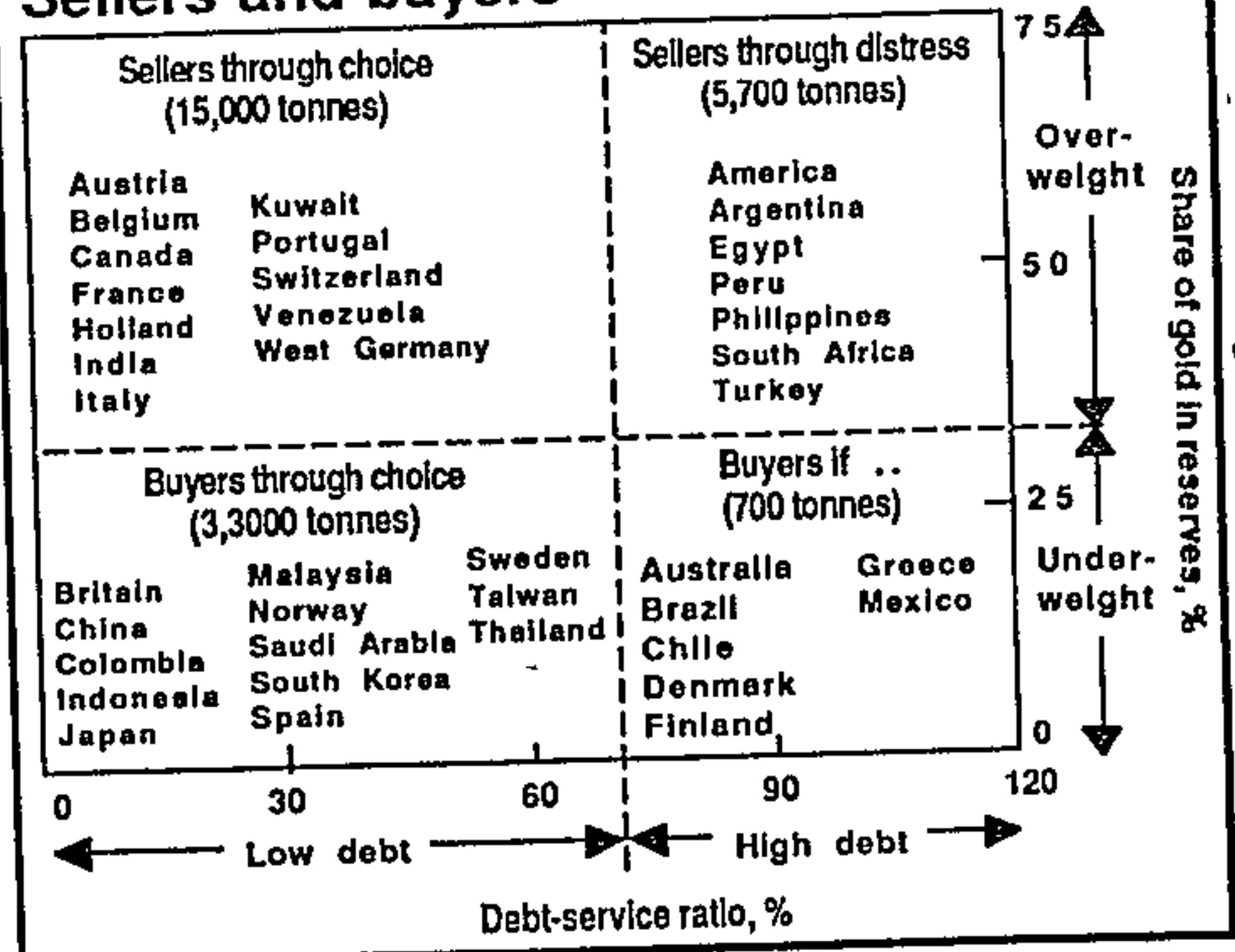
At around the same time, Spain's gold holdings rose by 65 tons. What odds that the Bank for International Settlements in Basle arranged for Spain to buy the gold from Belgium?

It would take the nose of Hercule Poirot to discover what happened to the other 62 tons. Some dealers reckon that a portion of it ended up on the open market. If so, prices were remarkably stable during the sales.

The problem for debtors has been how to make use of their gold without selling it. Most keep their gold at home so that it cannot be seized if the country defaults on its debts.

But this has its disadvantages. Each

Sellers and buyers



time trucks leave the central bank, the rumour starts that the asset-of-last-resort is being sold. And banks are not happy to accept gold stored in Lima or Buenos Aires as collateral. They prefer the Bank of England or the New York Fed.

Earlier this year, Venezuela moved a portion of its 356 tons from Caracas to the Bank of England to serve as collateral for a \$600 million loan. As yet, this has not affected the price of gold in the market, but will Venezuela be able to pay back the loan at maturity or will it be forced to sell the gold to do so?

A more tantalising question is whether America, the world's biggest debtor, will start to use the 8,145 tons of gold it has tucked away in Fort Knox to help finance its current-account deficit.

Japan and Taiwan both have less than 10 percent of their reserves in gold and most of the rest in dollars. Both are keen to cut their massive exposure to the dollar and now would be a good time to do so — the dollar is strong, the gold price weak. Wouldn't offering sovereign investors in Treasury bonds convertibility into gold soothe Asian nerves?

Certainly, but it would also cause

panic among private investors not eligible for such treatment. And it would require the American government to do an embarrassing U-turn.

Between September 1987 and June 1988 Taiwan bought 246 tons of gold, mostly through the New York market. The Americans saw this as an artificial means of cutting the trade imbalance between the two, they told the Taiwanese to stop buying gold and to start buying American food and goods.

In May the Taiwanese central bank came back to the gold market for the first time since then and bought a measly (for it) 15 tons. It is said to be scouting Europe for a central bank keen to do a deal like the one between Belgium and Spain.

This could depress the price of gold, since a shuffling of gold from one central bank to another does not take any gold off the open market.

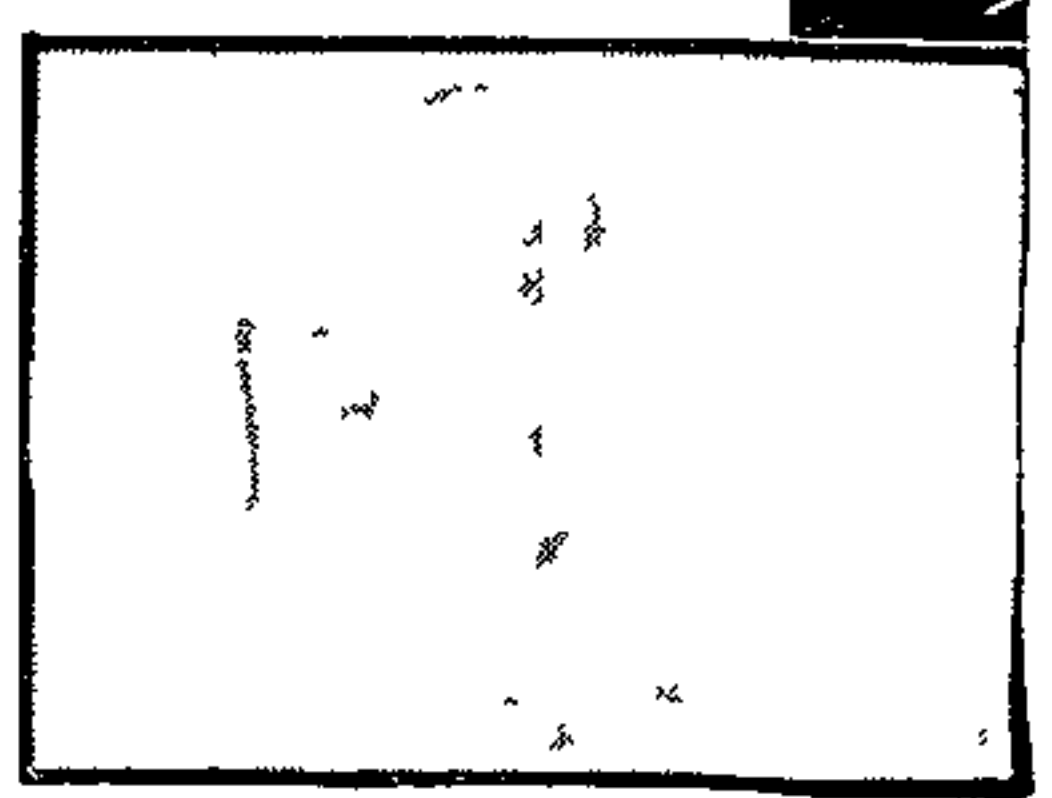
Taiwan will therefore have to keep any off-market deal secret, for otherwise it will be buying against itself. At least bored traders will have something to speculate about over lunch. — The Economist

De Beers builds war chest for bad times

Sunday Times 8/day

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20/08/89



JUDGING by its interim results and Central Selling Organisation sales trends, De Beers is headed for a record profit this year

But the jury is still out on whether these are the last of the good times before the downturn

The latest half-year figures incorporate the 15.5% price increase in gem diamonds only for March to June. So the benefits of this increase will probably more than offset any weakness in the global market in the second half

DIVIDENDS

The strength of Wall Street and of most other major stock markets augurs well for the current reporting period. CSO sales are headed for about \$4.6-billion after \$2.3-billion for the first half

The momentum in the business is such that earnings should reach about 650c for the year and dividends 240c — if not more

The Far East, dominated by Japan, remains prosperous. Cumulatively, the region accounts for a higher proportion of diamond sales than the US

But the US is still the key

to the health of the diamond market. This is partly on its own account and partly through the relationship of the Far Eastern economies to the US

When the US coughs, the Far East gets measles. What impresses with De Beers is its financial strength. It is generating cash at the rate of about R3-billion a year on current form. That gives the group an unparalleled degree of strength when hard times return

De Beers is determined not to lose control of the diamond market — as it nearly did in the early 1980s — after the end of the current upswing. When the world, led by the US, might swing into recession again remains as hard as ever to predict. The level of debate in Washington has intensified, Bush administration staffers now openly critical of the Federal Reserve's interest-rate policy

The White House believes the Fed is courting recession on the excuse of fighting a phantom inflationary threat

VULNERABLE

What is certain is that there is far more recession sentiment around now than there was even a few weeks ago

The precious metals market is looking vulnerable once again and so are most base metals, with the exception of copper

Aside from the risks in the US, several other countries, including Canada, Australia and the UK are delicately poised between recession and renewed growth from an unacceptably high inflationary threshold

A fascinating time lies ahead as policymakers grapple with the problems and markets try to second-guess what is happening

THE deal struck between Hanson, Rembrandt and Gold Fields of SA has something for everyone, but mostly for GFSA management. Robin Plumbidge and his colleagues have been entrenched as monarchs of all they survey. GFSA has long been in actual or potential conflict with Cons Gold, its nominal controlling shareholder

Cons Gold latterly wanted maximum dividends. The robust response from the GFSA men was to say no — London would only waste the money on oil rigs and other loss-incurring ventures. Instead, GFSA retained

maximum funds down the line in the gold-mining companies as well as in the house

Equally cynically, London said this was so that the South Africans could waste the money on buying coal interests from Liberty at the top of the market and on developing a marginal deep-level platinum mine

So there was a lack of identity of interest. It was the failure to resolve this conflict that was, I believe, the beginning of the end for Cons Gold chairman Rudolph Agnew and for Cons Gold as an independent entity

In the event, GFSA has neatly tied up control of itself by swapping its hugely profitable 7.5% Cons Gold stake — which it could have refused to assent to the Hanson offer — for part of Cons Gold's GFSA stake

MASTER

It is a deal which bears the hallmarks of GFSA master strategist, Bernard van Rooyen. It was struck in a late-night bargaining session at Schiphol Airport, Amsterdam

In effect, GFSA has used its shareholders' money to pay a fat premium to Hanson for a deal which ensures the continued future of GFSA management

It is true that Rembrandt is part of the controlling consortium. But Rembrandt has got a thousand other things to do, lacks any form of deep-level mining expertise, and will have no option but to let GFSA management get on with the job

Rembrandt has paid heavily for its stake in SA's best gold-mining assets. How well the deal turns out now depends on factors outside its control — the gold price, GFSA's success in grappling with cost and labour problems and the long-term future of gold mining in SA

The interesting deal in SA mining, however, is always the deal that has not been done yet

Rembrandt now has passive stakes in Gencor-Gemmin through Fedmyn as well as in GFSA

The real coup for Johann Rupert would be to bring the GFSA and Gemmin camps together to make SA's biggest mining group. It will take time, patience and a lot of persuasion

WITH Hanson selling Cons Gold's GFSA stake, Cons Gold by definition is no longer the biggest foreign investor in SA

That honour now passes to RTZ, the world's biggest mining group, which increased its SA presence this year

To its existing controlling stake in Palabora, RTZ added the mining assets of BP when it bought out the oil giant earlier this year. Now it has sold the old BP stake in Unisel to Gemmin and Anglo American. The Oryx stake is likely to be next to go

On the face of it, this is disinvestment. In fact, RTZ is merely selling interests where it is only a portfolio investor

By retaining BP's stake in the Richards Bay Minerals complex, where it does have management control, RTZ has actually become a much bigger player in SA minerals

ROTHMANS International, the holding company for the foreign tobacco, luxury goods and financial services interests of Richemont-Rembrandt, has been attracting increasing attention in London. Its shares stand near their all-time high of 668p

Good results from its publicly-quoted associates in Malaysia and Australia have helped. There is growing awareness that its luxury brands, such as Cartier and Dunhill, are undervalued

CARTE BLANCHE



By David
Carte,
BUSINESS
TIMES
Editor

5 Times 20/8/89

Back seat for GFSA minority

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WHY have Rembrandt and Asteroid, new effective controllers of GFSA, not made an offer to the GFSA minority?

Before 1987, Cons Gold had 48% of GFSA. That was effective control. In 1987, Remgro acquired 10% and a preemptive right to the remaining 38%.

Remgro and a new company called Asteroid (set up by GFSA and Driefontein from the proceeds of the sale of their 7.5% of Cons Gold to Hanson) are now acquiring 30% between them.

Through their 50-50 stake in GFSA Holding, which has 40% of GFSA, they now have effective control. Effective control appears to have changed. Why no offer?

Doug Gair, head of the JSE listings committee, says "The question was considered on the facts presented. The JSE decided that joint control was established in 1987 and that control had not been affected now."

JSE rule 36 says there is no change of control where there are "shuffles" in a consortium.

But rule 37 says "Where control is exercised by any technique whatever, changes in the control, whether outright or by the addition of other elements (for instance Asteroid?), which involved purchase of shares will not be permitted unless a similar offer is extended to all shareholders."

Pick your rule, but if you are a GFSA minority keen to have R97 for your shares instead of the market price of R85, you will no doubt prefer 37. An offer to the minority would cost Remgro-Asteroid an additional R5.6-billion, so their preference is clear. Precedent is on their side.

Rembrandt did not want an auction over GFSA, but judging by the price paid, Lord Hanson forced it to do

so Rembrandt and Asteroid paid dearly to secure the independence of GFSA management.

The inference is that Anglo American and Gencor were waiting in the wings and Lord Hanson extracted every penny.

The price works out at roughly R97 a share — giving a dividend yield of 2% and a PE of 25. The price is an 18% premium to a market price that had already risen too high because of the impending deal.

GFSA chairman Robin Plumbridge and team are masters of their destiny, but GFSA and Driefontein parted with lots of lovely offshore lolly to ensure it

Rembrandt's cash balances are likely to disappear after this deal. They were down to R357-million last balance sheet from R612-million in 1986. The £120-million Remgro paid for its second tranche of 10% cost about R780-million.

A leading "Remgrologist" has calculated that the deal will dilute Remgro's earnings by 7%.

GFSA needs a large capital injection to go ahead with platinum, gold, coal, copper and base metal projects. It has complained that Cons Gold hampered development because of its reluctance to plough back GFSA, could soon be looking for as much as R2-billion.

It will be difficult to hold a

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GFSAs

Control shuffled

As the dust settles on the ConsGold/Hanson/GFSA saga, analysts are unanimous that GFSA management played their cards brilliantly to keep the house independent. But they are split on whether or not there should have been an offer to minorities. Several are amazed that there has been no offer.

However, JSE president Tony Norton and GFSA executive director Bernard van Rooyen are adamant the rules were observed and no offer to minorities was necessary. They say there was no change of control, but instead a shuffle of interests within a controlling consortium took place.

Premium paid

If the terminology sounds familiar, it's because that is what Joe Berardo claimed happened when Johannesburg Mining & Finance (JMF) took over Witwatersrand Nigel in 1987. Nearly eight months after the deal, the JSE ruled against him and decided that there had, in fact, been a change of control.

On the face of it, there seems a strong case that there has been a change of control at GFSA. Previously, ConsGold was the major shareholder in GFSA, now the mining house is controlled by Remgro and Asteroid, which is owned 50/50 by Driefontein and GFSA. Further, the price paid by Remgro of nearly R100 a GFSA share compares with market levels that ruled of R80-R82, and reflected a premium paid to acquire a controlling interest. Minorities should be entitled to be offered that price too.

Norton says the GFSA situation is different. "We went into this one very carefully and the committee unanimously decided there had not been a change of control," he says. "The key factor is the deal struck in 1987 when Remgro bought its 10% in GFSA from Cons Gold."

"We are satisfied that control of GFSA from that point vested in a consortium of Remgro and ConsGold. These major shareholders were obliged to consult each other on the running of GFSA. Our rules allow for movements within controlling consortiums. I do not have a problem with this deal."

Even so, it appears to be yet another example of the grey area concerning takeovers that will only be settled when the awaited Takeover Panel is in place. At some point, there has surely been a change of control. Norton's comments suggest control effectively changed in 1987, no offer was made then to minorities because, on the face of it, control had not changed. Remgro had bought 10% of GFSA as an investment. Expectations were that this was a first move towards eventual control, when an offer to minorities would be made. Remgro now has joint control but there is no such offer.

The accountability of GFSA management under the new structure remains an open

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question. However, Van Rooyen points out the 50/50 shareholding between Remgro and Asteroid in GFSA Holdings gives Remgro an effective veto because consensus must be reached between the two.

But it seems unlikely that the present structure will be final. It could be changed in due course depending, on other things, on how GFSA raises funds needed for several new projects. Among those watching developments closely is the Liberty group, which has about 6%-7% of GFSA. Chairman Donald Gordon notes that "various options" are open to Liberty.

Brendan Ryan

Liblife gets in on GFSA deal

Star 2/9/89

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DONALD GORDON's giant Liberty Life empire is likely to gain a major stake in Gold Fields of South Africa (GFSA)

This emerged yesterday after GFSA announced a R1 billion rights issue, the second largest in the history of the Johannesburg Stock Exchange

Liberty Life will be a member of the consortium to underwrite the issue and could emerge with a 20 percent interest in GFSA Holdings, which in turn controls 40 percent of GFSA.

GFSA Holdings is currently owned jointly by the Rembrandt Group and Asteroid, a local company controlled by GFSA and its major gold mine Driefontein

GFSA Holdings was formed when Consolidated Gold Fields last month sold a 30 percent holding in GFSA, after Consgold was taken over by UK industrial conglomerate Hanson Plc

Rembrandt and Asteroid are likely to cede all of their rights or a major part of them to Liberty — the insurance giant will then have to pick up the bill of about R400 million, but in turn will gain an indirect stake of around eight percent in GFSA

This would push Liberty's interest to just over 10 percent, as it already holds 2,5 million ordinary shares and 2,7 million preference shares in GFSA

Final terms awaited

Liberty Life director Farell Sher said yesterday that the group was awaiting the final terms of the rights offer, and if they were agreeable would join the underwriting consortium

"It is likely thereafter that we could emerge with a 20 percent holding in GFSA Holdings," he said

Analysts expect that Liberty will use the funds made available through last year's R475 million rights offer by the group's international investment arm, First Investment Trust, to finance the transaction

There was intense speculation at the time of the rights offer that Liberty would use the money to gain a major stake in a mining group, but this was denied at the time by Liberty executives

SVEN LUNSCHÉ

Behind Liberty's involvement in the transaction is a very close and friendly relationship between Donald Gordon and Anton Rupert, the founder of the Rembrandt tobacco empire

There has been continual speculation over the years that they would eventually embark on joint financial ventures and the GFSA deal could not have come at a more opportune time for Rembrandt

Analysts point out that the group has been on a spending spree recently and that a partnership was essential in order to prevent borrowings from rising too steeply

No problems

This is denied by sources close to Rembrandt, who argue that the group for a long time had absolutely no borrowings and that it would have no problems raising the required amount through a combination of internal funding and bank borrowings

Analysts point out, however, that apart from the R800 million Rembrandt paid last month to Consgold for an additional 10 percent stake in GFSA, it also recently followed its rights in HLH, Gencor/Fedmyn and Sage to the tune of about R300 million

A question mark hangs over Consgold's remaining eight percent stake in GFSA. Martin Taylor, a director of Hanson Plc, would not comment on the deal, but it is unlikely that Hanson would want to increase its interests in South Africa

If Hanson decides to let the offer lapse, Liberty could further raise its holdings in GFSA

GFSA director Alan Wright said proceeds of the offer would be used, in the main, to finance existing capital projects at Northam platinum mine and Ventersdorp gold mine

But he added that the funds would also allow the group to further develop the new gold mining prospects in the Free State, as well as taking advantage of new base metal and coal opportunities.

Details of the offer will be announced towards the end of next week.



DONALD GORDON — Another coup.

S/Times 3/19/89

~~203A~~

RECENTLY listed hotel chain Karos has clinched pole position in the race to exploit the expected tourism boom in post-independence Namibia.

In partnership with Windhoek-based business interests Karos has assembled land holdings suitable for hotels in three of Namibia's game areas

The R30-million project includes provision for a 400-bed international standard hotel 3km from the main entrance to Etosha game park

Work will start on the Etosha hotel in January and it should be completed for the Christmas season

Environment

Planning will start next July for the other hotels — on the Zambezi River 16km from Katimo Mulilo in the Caprivi Strip and at Sesriem, next to the popular Namib Naukluft park and near the Sossus Vlei and the Namib dunes in southern Namibia

The hotels will be designed to ensure that they do not adversely affect the bush environment. Natural vegetation will be left in place and Karos has hired a former Natal Parks Board official to ensure that the game viewing drives do not disturb the wildlife

"We are conservationists at heart," says Karos chairman and joint managing director Selwin Hurwitz.

The new development and the construction of the R17-million Karos Kruger Hotel near the main entrance to the Kruger National Park, due for completion in March, leaves the group well placed to capitalise on the rapidly growing market in Europe and the US for bush-experi-

Karos steals a march in tourism bid

By Ian Smith

ence holidays

A major asset is the land on which the hotels will be built. The Etosha hotel will go on 20 000ha of former cattle farms. The site has a 14km border with the national park

The Sesriem hotel will be built on a 40 000ha site next to the park, and the Caprivi hotel has 300ha of land.

Joint managing director Stan Hoffmann says "The big sites will ensure that the effect on the environment is kept to a minimum. It is in our own interests to preserve the wildlife and its natural habitat"

"A conservation programme is being designed in line with specifications laid

down by the Namibian authorities"

The development will be done by a Namibian company, Netgro, in which Karos has an important stake

Waterhole

The major Namibian partner is businessman Wilhe du Toit, who is chairman and major shareholder of Industrial Transport & Commercial Holdings

The Etosha hotel will have a 2,5km landing strip and a game lodge with its own waterhole

The site for the Caprivi hotel was bought from the SA Defence Force, which had a club on the banks of the Zambezi. The facilities are on a short lease to another hotel operator

From Page 1

may also be developed in time. S/Times 3/19/89

GFSAs cash flow is about R200-million a year after dividends. Cash flow is a function of gold revenue and costs. He hopes that gold at \$358 this week is at a nadir

"Physical demand is good. This year we haven't seen the gold and forward loans that inflated supply last year. Gold's weakness is a function of currency markets"

GFSAs has not asked its

Liberty deal

shareholders for money since 1971 (214)

The company is reluctant to borrow to fund mining ventures. Not only are interest rates too high, but mining companies cannot claim interest costs off tax until mines earn revenue. That can take five years

GFSAs policy is to borrow only to fund working capital. Northam will have to carry a heavy inventory of products

LIBERTY Life is to join the Rembrandt-Asteroid partnership controlling Gold Fields of SA — at a discount to the price paid by its partners.

Although Remgro and Asteroid paid effectively R97 a share for their GFSA holdings, Liberty is likely to put "a couple of hundred million rands" into the top company at considerably less a share.

Liberty chairman Donald Gordon told Business Times "The terms of the issue have still not been settled, but we will not pay the control premium that Rembrandt and Asteroid did. We don't regard ourselves as part of the control picture."

Liberty is entering the control partnership by partially underwriting GFSA's R1-billion rights issue, announced obscurely this week in an advertisement under the Free State racing results in Business Day. The rights issue is the second biggest in JSE history.

After the issue, Liberty will have 20% of unlisted GFSA Holdings, and Remgro and Asteroid will be diluted to 40% each.

Asteroid was formed from the proceeds of Cons Gold shares held by GFSA and Driefontein sold to Hanson Trust. Asteroid implies that GFSA holds shares in itself. It is the vehicle by which GFSA management exerts its influence.

Power

The post-rights-issue arrangement could mean that Robin Plumbridge and his GFSA management team will have to take orders in future. While there was a 50-50 partnership, nobody could tell them what to do.

Now, unless there is an agreement to the contrary, Rembrandt and Liberty together can call the shots. Because it has the casting vote, Liberty appears to be the power broker.

"We have made it clear that we do not wish to have any part in the management or control of the company," says Mr Gordon. "GFSA will be run by the initial partners, Asteroid and Rembrandt, so it was not appropriate for us to pay the control premium. Liberty regards the control line clearly between Rembrandt and GFSA."

These are delicate points because it is still not clear that the GFSA minority is not entitled to an equivalent offer from the new effective controllers.

By David Carte

Before the rights issue, Liberty held 6% to 7% of GFSA directly. It appears that some of its directly held GFSA shares will be swapped for shares in GFSA Holdings.

"It is not a simple transaction," says Mr Gordon.

An analyst says that judging by the Gencor issue, the GFSA rights issue would have to take place at a discount to the present market price of at least 10%. With the share down from R86 before the Remgro-Asteroid deal to R81,50, a price of R70 to R75 is suggested.

Prospects

But Liberty would have to pay a bit more — R5 or R10 — to acquire letters of entitlement to new shares in GFSA.

GFSA director Bernard van Rooyen says Liberty is one of several institutions underwriting the issue, but the only one that will participate in the top company.

He says the money will be used for new mining ventures. The Northam platinum mine, due to open at the end of 1991, will take R600-million and the Gemspost extension to the south of Venterspost gold mine will require R180-million.

There are further gold prospects in the Southern Free State and west of the West Wits line and a zinc prospect at Gamsberg.

Mr Van Rooyen says coal and base mineral prospects

● To Page 3

Liberty gets GFSA stake at a discount

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S/Times 3/9/89

Liberty, Rembrandt set for GFSA driver's seat

Star 4/9/89 214

By Sven Lunsche

Liberty Life and Rembrandt are set to call the shots at Gold Fields of SA (GFSA) when the mining group's R1 billion rights offer is concluded

The issue, announced last week, is the second-biggest in JSE history and will ensure that Liberty gets a major stake in one of South Africa's more profitable gold mining operations

Liberty Life will be a member of the consortium to underwrite the issue and could emerge with a 20 percent stake in GFSA Holdings which, in turn, controls 40 percent of GFSA

GFSA Holdings is owned jointly by Rembrandt and Asteroid, a company controlled by GFSA and its gold mine, Driefontein

Rembrandt and Asteroid are likely to cede all of their rights, or a major part of them, to Liberty. The insurance giant will then have pay about R400 million, but will gain an indirect stake of eight percent in GFSA

Liberty already holds 2,5 mil-

lion ordinary shares and 2,7 million preference shares, but is likely to swop some of these for the 20 percent that will be allocated to it in GFSA Holdings

Liberty chairman Donald Gordon denied in a weekend newspaper that he wanted anything to do with control of GFSA

He said Rembrandt and Asteroid would remain in control because his group was not paying the control premium

But with equal control currently exercised by both GFSA management and Rembrandt, Liberty could emerge as the power broker, and more than likely in favour of Rembrandt, given the close relationship between them

Mr Gordon also reportedly said that the investment would be used to protect GFSA's 10 percent holding in the Standard Bank Group (Stanbic) from moving to "unfriendly third parties"

Liberty holds about 30 percent of Stanbic — the largest stake

— and through an interest in GFSA ensures that it would be more difficult for an outside partner to take up GFSA's stake in Stanbic

Stanbic controls about 50 percent of Liberty Life's ultimate controlling company, Liberty Life Controlling Corporation

GFSA Holdings was formed when Consolidated Gold Fields last month sold a 30 percent holding in GFSA after ConsGold was taken over by UK industrial conglomerate Hanson Plc

Both Rembrandt and Asteroid paid an effective R97 per share to Hanson at the time, but Liberty will enlarge its holding in GFSA at a considerable discount to the current JSE price

Since the time of the divestment GFSA's share price has fallen from R87 to about R81 and the rights offer is likely to be placed at a further discount of around 10 percent to the present share price, putting a price tag of around R72 per share to the rights offer.

No change in control claims GFSA

Star 5/19/89
The announcement last week that Liberty Life is to join the Remgro-Asteroid partnership controlling Gold Fields of SA, will in no way effect the partnership's effective control of GFSA, says GFSA executive director Bernard van Rooyen

Mr van Rooyen was reacting to press reports, that with Liberty Life joining the Rembrandt-Asteroid partnership, it could mean that GFSA management will have to take orders in future

Reports added that unless there was an agreement to the contrary, Remgro and Liberty together "could call the shots" Because Liberty Life has the casting vote, it appears to be the power broker

Mr van Rooyen told Sapa that the new arrangement would in no way impinge on the Remgro Asteroid partnership Asteroid is controlled by companies within GFSA.

Liberty Life chairman Donny Gordon confirmed that his company would not be involved in the

management of GFSA

"GFSA will be run by the initial partners, Asteroid and Rembrandt so it was not necessary for us to pay the control premium Liberty regards the control line clearly between Rembrandt and GFSA"

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Liberty, according to reports, which is to put "couple of hundred million rand" into GFSA at considerably less than the R97 a share paid by Remgro-Asteroid, is entering the control partnership by partially underwriting

GFSA's R1 billion rights issue announced last week

After the issue, Liberty will have 20 percent of unlisted GFSA Holdings, while Remgro and Asteroid will each hold 40 percent — Sapa

Amgold's interim results contradict performance

B/Day 7/9/89.

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ANGLO American Gold Investment Corporation (Amgold) has announced interim results which appear to run counter to the weakening profits of mines under its umbrella

The company's taxed profit for the six months to end August increased 6% to R164m from the R155m earned in the comparable period last year

The small profit increase represents something of an anomaly, since it comes on the back of a decline in total profits of its gold mining operations

A company spokesman said the apparent contradiction could be traced to the way its investments were structured. Larger holdings in mines which performed well overshadowed the drop in earnings from its smaller holdings, he said

Dividend income from its listed mining investments rose 6% to R176m (1988 R166m)

ANDREW BUDDEN

The company declared an unchanged interim dividend of 650c a share

Listed and unlisted investments increased in value by 33% over the corresponding period last year to R6,88bn. Net asset value per share, after accounting for the dividend, increased 32% from R238 to R315

Amgold prospecting expenditure on group mining operations continued to increase, rising 39% to R17,2m (1988 R12,4m)

Directors say the continued slide of the dollar/gold price remains a primary cause of concern to the group

While revenue was bolstered by the relatively weaker rand over the period this was generally more than offset by rising working costs they say

Over the period under review dollar/gold prices fell below the \$400 mark in January and have not recovered to that level since

During the first six months of calendar 1989 — in which the company's dividends were earned — gold plunged to \$360 an ounce at the beginning of June before a short rally took it to \$375 in June

A weakening rand maintained rand/gold prices during the period to within a very narrow range around R1 000 an ounce, but continually rising working costs reduced margins

Directors did not try to forecast movements in the gold price for the next six months but indications are that other mining groups are not convinced that the price has bottomed

One SA mining group which has successfully hedged its gold production for the past 24 months has already sold forward part of its anticipated December quarter gold production

Exposure to gold hits Genbel growth

Genbel's heavy exposure to gold is reflected in the pedestrian expectations for the investment group's earnings growth in financial 1990.

A recent report by Pat Geoghegan of stockbrokers Davis Borkum Hare, which advises investors to hold the share, looks to earnings growth of eight percent to 280c a share in the 12 months to June 1990.

Referring to the group's proposed R300 million rights offer, Ms Geoghegan says the rights have been attractively priced and advises shareholders to follow their rights.

The offer price has been pitched at R53, which represents a discount of 24 percent on net worth at end-August.

Issue price

Since the announcement of the issue, the share has slipped from R61 to R59 at which level it is 11 percent higher than the issue price.

The purpose of the offer is to enable Genbel to follow its rights in certain of its gold and platinum investments, particularly Oryx, Impala and Northam.

In addition, as Ms Geoghegan says: "Capital may be required by Randex, both for ongoing expenditure and to follow its participation entitlement in new projects."

There is also the matter of Genbel's 10 percent participation in Gencor's energy prospects as and when these become available. Ms Geoghegan believes a rights offer at Mobil could be imminent.

Across sectors

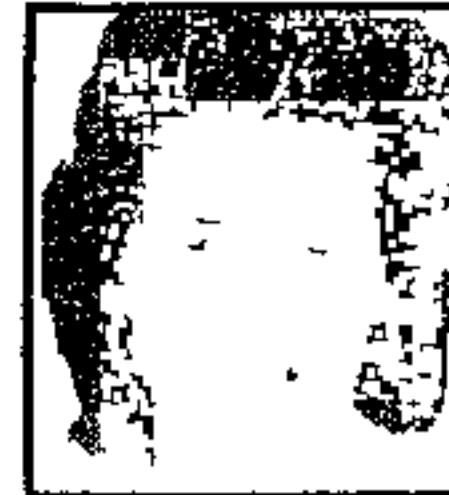
Reviewing the financial 1989 performance, she refers to the substantial changes that were made to Genbel's portfolio in the first half of that year. "This appears to be part of a strategy to focus the portfolio within sectors, while maintaining the diversification across sectors necessary to eliminate the effects of specific risk."

Among the acquisitions was an additional 1,78 million shares in Unisel (as a consequence of a deal between Gencor and RTZ) for R35 million, or R19,66c per share.

Genbel also acquired 1,5 million shares in Samancor for R33 million, or R22 per share

Diagonal Street

ANN CROTTY



But, as the Davis Borkum Hare analyst points out, despite major changes to its portfolio Genbel has managed to avoid any onerous tax implications which would have resulted in an erosion of its asset value.

"Its theoretical tax liability is the difference between book and market value. By applying Section 24 (a) of the Tax Act, Genbel has been able to structure its sales on the basis of share swaps."

Reflecting the weak condition of the gold sector, dividend income from investments in financial 1989 was down 3,3 percent, despite R3 million in dividends from Unisen — no dividend income was obtained from this source in the previous financial year.

With effect from July 1989, Genbel increased its holding in Unisen from 49 percent to 100 percent for R23 million.

Dividend yield

Ms Geoghegan says. "Based on income from Unisen, this price rates Unisen on a 6,1 P/E, or 12,7 percent dividend yield, which compares with 21,8 times and 4,6 percent respectively for Genbel itself."

Looking to financial 1990, she expects a small rise in gold income, provided the price of gold averages R1 000 in real terms.

"However, overall we expect gold to continue to diminish in percentage terms until there is a major sustained rise in the price."

An improvement is expected from its investment in mining financials.

On the platinum front: "Strongly improved results for Impala will be reflected in financial 1990. In addition to its holding in Impala, Genbel has diversified its interests in platinum with the acquisition of holdings in Rusplats and Northam."

And Genbel will benefit from the strong returns expected from Samancor. But the overall impact will be a hardly perceptible growth in earnings.

Joel up and running after some teething problems

214

Star 21/9/89

By Magnus Heystek,
Finance Editor
Shareholders in HJ Joel
— the super gold mine
in Johannesburg Consoli-
dated Investments stable
— will be heartened by
its annual report

Teething problems, in-
cluding the degree and
magnitude of the faulting
affecting the VS5/Beatrix
Composite Reef, were not
as severe as believed
early in 1988

Grades currently en-
countered are consider-
ably better than those in-
itially obtained Current

results are again in line
with estimates in the ini-
tial geological assess-
ment

Chairman K Maxwell
says the mine will not
produce profits until at
least the beginning of
next year, but does not
see the need for further
capital by way of a rights
issue Any shortfall will
be met by means of
short-term capital

The mine treated
269 000 tons of ore and
produced 785 kg of gold

The average recovery
grade was 2.9 grams per

ton The mine put R117,6
million (R172 million)
into capital expenditure,
bringing the cumulative
total to R566 million

In the process of build-
ing up production, work-
ing costs exceeded pro-
duction costs by R20,9
million

The average price re-
ceived for gold was
R31 634/kg

While geological diffi-
culties prevented the
mine from reaching its
production target of
360 000 tons of ore for the
1988/89 financial year, it
has embarked upon a
comprehensive develop-
ment network that will
ensure the availability of
a sufficient number of
stopping panels to enable
a consistent level of pro-

duction to be established

The production target
for the current financial
year has been set at
645 000 tons of ore The
full Phase 1 production
target of 960 000 tons per
annum should be reached
in the 1990/91 financial
year

Mr Maxwell refers to
previous positive state-
ments concerning mining
conditions

"With hindsight this op-
timism was fully justified
as improved conditions in
terms of wider reef
widths, lesser faulting
and shallower dips
became evident during
the year The current sys-
tem of mining is already
showing evidence of im-
proved productivity," he
says

Referring to the gold
price, he says "It ap-
pears that there could be
a slowdown in the major
economies of the world
and we will have to be
prepared for a possible
further weakening in the
dollar price of gold in the
months to come

However, I am san-
guine that the price will
revive, particularly in
view of the strong de-
mand for gold jewellery
and for investment bars
in the Middle East and
Far East

"Once the investment
opportunities in Europe
and America start to look
less attractive, there
could well be a change in
sentiment towards the
long-standing status of
gold as an investment
medium," he says

Broking firm criticised over Consgold deals

Department of Trade and Industry inspectors have had some harsh words to say about the behaviour of London security house, James Capel in their report on the build-up, late in 1986, of a substantial shareholding in Consolidated Gold Fields (Consgold)

Capel, part of the Hongkong & Shanghai Banking Corporation, was at that time acting as broker for American Barrick Resources, a Canadian gold mining company, which was secretly considering a bid for Consgold. Capel also had responsibility for buying Consgold shares in the market on American Barrick's behalf.

The inspectors say their investigation identified some significant dealings in Consgold shares by Capel on its own account. *Stw 719189*

"Given Capel's role as broker and adviser to American Barrick, we find it surprising that Capel dealt in the company's (Consgold) shares in the manner described," the inspectors say.

However, the inspectors found no evidence of any infringements of the concert-party provisions of the 1985 Companies Act. These involve agreements, legally binding or not, to acquire interests in shares in a particular target company.

— Financial Times

MINING

ARRES 7/9/89 (214) 208

Rising mining costs hit Amgold's profits

By TOM HOOD,
Business Editor

HIGHER working costs lowered gold mining profits in the half-year to June, reports Anglo American Gold Investment Company (Amgold) today

Gold production also dropped although working revenue increased from the higher rand price received for gold

The industry's working costs however rose at a higher rate so that working profits and total profits, including uranium profits, fell

The bad news for shareholders is that dividends are not being increased — the interim will be kept at last year's 650c payout

The average dollar price of gold was \$384 an ounce, 15,2 percent lower than the average of \$453 for the first half of 1988

Reflecting a weaker rand, the rand price rose only 2,1 percent from R965

to R985 an ounce

The gold price fell below \$400 in late January and has not recovered since. On a monthly average basis, the price fell from \$390 in March to \$368 in June. It recovered modestly to \$375 in July, but fell again to \$365 in August.

In rand terms, the price has remained below R1 000 an ounce for most of the period, the lowest monthly average being R954 in February.

The results of the second half of the financial year will depend largely on the prevailing rand gold price and the containment of working costs during the period, say Amgold's directors.

Earnings were 5,7 percent higher as income from investments rose by 6,2 percent to R175,9-million.

The value of investments increased by 32,5 percent to R6 880-million and boosted the net asset value from R238,04c to R315,06c a share.

GFSA (214) **offer set at R75 a share**

GOLD FIELDS of SA has announced that a rights offer of new ordinary shares at R75 a new share will be made to holders of ordinary shares and compulsorily convertible redeemable preference shares registered on September 15 *Stev 9/19/89*

The offer will raise R1026 million net after issue expenses estimated at R11,1 million.

GFSA chairman Robin Plumbridge says that the issue will substantially increase Gold Fields' liquidity and enable the company to finance commitments to existing projects and new opportunities in the mining and mineral beneficiation sectors.

He adds that existing commitments will absorb about half of the amount raised. These include rights issues by Northam Platinum to finance the final pre-production phase of its new platinum mining and metallurgical complex, and by Venterspost Gold Mining company to finance the Gemspost extension of its mine.

"More importantly, this issue marks the end of a long-standing financial constraint on Gold Fields' growth.

"These new funds will enable Gold Fields to pursue both new projects developed within the group and opportunities to make external acquisitions much more aggressively in future," Mr Plumbridge said — Sapa.

Amic acquires Karl Schmidt

FINANCE STAFF

ANGLO American Industrial Cor-

Being dumped on is no joy to thousands

FOR the thousands of people living close to mine dumps on the Witwatersrand, beware it is that windy time of year again — bringing with it gusts of sand from the aged dumps, an aggravating factor to the already polluted air we breathe

During August and September, the level of dust particles from the mine dumps rises dramatically, particularly from those that are being reprocessed by the mines to extract lucrative gold deposits and which are left relatively unprotected from the wind

Mine dumps — an eyesore Johannesburgers have learnt to live with, and some even grown to love — are normally grassed to prevent dust leaving the dumps

Recycled

Dumps being recycled for gold are identifiable by the absence of grass covering. These dumps will eventually disappear from the city's skyline altogether and the land will be used for development

In the meantime, residents and people working in the area endure periods where dust flies into their eyes and sand sweeps under their front doors

One victim of the dust is businessman Mr Jeff Goldberg, whose company in Amalgam is situated close to a Rand Mines dump which is being recycled

"The dust is very visible, and on windy days it blows into our showroom and on to our cars parked outside, leaving them caked with white dust. It makes us wonder what is being blown into our lungs

"The mines are reaping a large profit from the gold, and the environment is suffering, we are suffering and I wonder how the city is suffering," Mr Goldberg said this week

Dr T Davies, an occupational therapist from the Department of Community Health at Wits University, said the dust generated from the dumps was a nuisance factor, not a health hazard

Rand Mines is at present recycling four mines on the Reef. Last year two of them, located at Crown Mines and City Deep, accounted for an operating profit of R30.9 million

9/9/87
Stev
JANET HEARD
214

Rand Mines has confronted the problem of dust by introducing sophisticated techniques to minimise dust leaving the surface

Mr Arthur Horne, a senior technician at the Schonland Research Centre, attached to Wits University's Nuclear Physics Department, said the centre had been working closely with Rand Mines to study the impact of dust on the surrounding area

He said dust levels were carefully monitored every month

"It is a nuisance, not a health hazard," he said, adding that the ceilings of buildings were centimetres deep in dust. Other nuisance factors included eventual damage to machinery and computers from accumulated dust

Mines do not pay out any compensation for possible damage to equipment

Rand Mines Milling and Mining Company manager Mr Ulrich Herrmann said that, working in the heart of a mine dump himself, he appreciated the nuisance factor the dust created

However, he said, the dust levels recorded reached above-acceptable proportions only during the six-week spring period when the wind frequently rose to more than 15 km/h

Coating dumps

Apart from recording dust levels, Rand Mines also utilises 400 000 l of water per hour to reduce the amount of sand leaving the dump. Water pumps operate continuously for 10 hours a day, which costs the company about R75 000 a month

Between R20 000 and R30 000 a month is spent on a plasticiser, which coats the dumps with a film to prevent sand movement

Mr Herrmann said the entire project would be complete in 18 to 20 years. The recycling of the Crown Mines dump, which began eight years ago, should be complete in about 18 months

In the meantime, the dust problems arising from these dumps are unlikely to blow away

RICHARD ROLFE in LONDON

Golden bait for the US piranhas

A DEFINITION of a perennial optimist must be someone who tries to sell bars of gold to US institutions

The genial piranha-toothed gimme-gimme types who run the mighty money institutions there are not best known for an emotional commitment to gold, such as characterises lesser breeds like the French and Taiwanese

France has been invaded three times in the past century, usually by goose-steppers from across the border. To this day, there are regions which are not sure whether they are part of the Third Reich or the land of pate de foie gras

Their rational response has been to stick a few bars of gold under the brass bed, a manoeuvre which also helps to keep the taxman groping in the dark

CYCLICAL

Such considerations do not apply in the US of A. The Sioux and the Cherokee are no longer a problem and the Yanks believe they have wrestled the Soviets to the ground

So why buy gold? Because, says Richard Scott-Ram, the long-term cyclical setting for gold is beginning to look favourable. Also, "the world is entering a period of more profound economic and political change than any since World War II. At the same time the global financial structure is considered fragile"

Mr Scott-Ram is chief

portfolio strategist and economist for the World Gold Council, the successor organisation to Intergold, with responsibility for promoting gold throughout the world

In New York last week, Mr Scott-Ram told me that with the price of gold at a nine-year low and world stock markets hitting new highs, he would advise portfolio managers that the resulting disparity presented an ideal opportunity to diversify

Investment success, in his view, is not achieved through stock-picking or precise timing of market movements. The key, on the contrary, is strategic allocation of funds among various classes of assets, and that is where gold comes in

THOUGHT

"By itself, gold is a high-risk investment with characteristics similar to aggressive stocks and venture capital," says Mr Scott-Ram. "But it is a very good asset to combine with other assets"

He admits that the US institutions bought little gold in the past in spite of Intergold campaigns, and are not inclined at present to accumulate on any serious scale

But he finds he is getting their attention. The fact that gold has fallen in dollar terms for nine years gives money managers ample pause for thought

Most other assets have been going up for nine years. So the piranha-toothed brigade have to consider whether gold is the market they have overlooked

Combined with other assets, urges Mr Scott-Ram,

gold can improve your portfolio performance. But don't take it neat, is his pitch. Like gin and tonic, you must mix it to get the flavour

Finally, he says, the cyclical trends may be turning favourable

"The history of the past three decades has been one of speculation — labour speculation (wage inflation) in the 1960s, commodity speculation in the 1970s and financial speculation in the 1980s

"During each of the five times that such a pattern of speculation has occurred since the early 18th century, the years following the peaking of financial speculation have been accompanied by a rise in gold prices"

Financial speculation has now spread to the US airlines — cyclical, capital intensive and labour-intensive stocks which a few months ago were worth in some cases a third of present market values

That is the latest sign that stocks are becoming overheated. The hot money is desperate for new avenues, but they are becoming fewer and fewer

What is the significance of Mr Scott-Ram's cycles of speculation?

"When you start speculating, you take money out of gold," he argues. "When the speculation unwinds, money flows back into gold"

At current prices, the value of gold produced each year is less than the cost of one big leveraged buyout — a

measure of the decline of gold relative to other assets in recent years

THE World Gold Council is funded by the world's major producers and specifically does not forecast prices. Other pundits, however, are less reticent

Chartist and investment adviser David Fuller has usually been positive about gold and other precious metals. But his current view is bearish

He sees gold, platinum and silver "pressuring their lows once again" and expects "another downward break soon". Platinum is the most vulnerable because of its price differential over gold

But analyst Ian Lamont at Yorkton Natural Resources believes that all of the major gold-share indices — Australian, Canadian and South African — have touched bottom. He hints that the shares may be set to lead the gold price higher

CAUTIOUS

Mr Lamont is cautious, noting that "at this stage, it is still impossible to discern a bottom in the gold price". But even if gold does fall again before bottoming out, "it is highly unlikely that the gold-share indices will make new lows"

On his analysis of the charts, he particularly likes Freegold, Kloof, Libanon, St

Helena, Vaal Reefs and Western Deep

"ERP and Harmony look decidedly bearish," says Mr Lamont

Colleague Peter Miller remains a sharp watcher of De Beers and does not like what he sees

Referring to the recent De Beers half-yearly statement, Mr Miller observes that when a company declares results which exceed expectations, it is normally the trigger for a sharp improvement in the share price

"When the exact opposite occurs, some degree of caution would seem to be advisable," he says

BROKEN

In marked contrast to all the bulls of De Beers, he predicts that Central Selling Organisation sales may not exceed \$1.8-billion for the second half of 1989 after \$2.4-billion in the first

He thinks recent dollar strength and the 15.5% diamond price increase in March have hit the quality end of the market

He expects impressive earnings and a record dividend of about \$1 a share, putting De Beers on a yield of 6.9% abroad. But the price may now pull back to about \$11 for a yield of almost 10%, Mr Miller argues

"Technically speaking, the recent uptrend has been broken." That could mean the end of a four-year bull market in De Beers shares, Mr Miller concludes

B/Paw 42/9/89



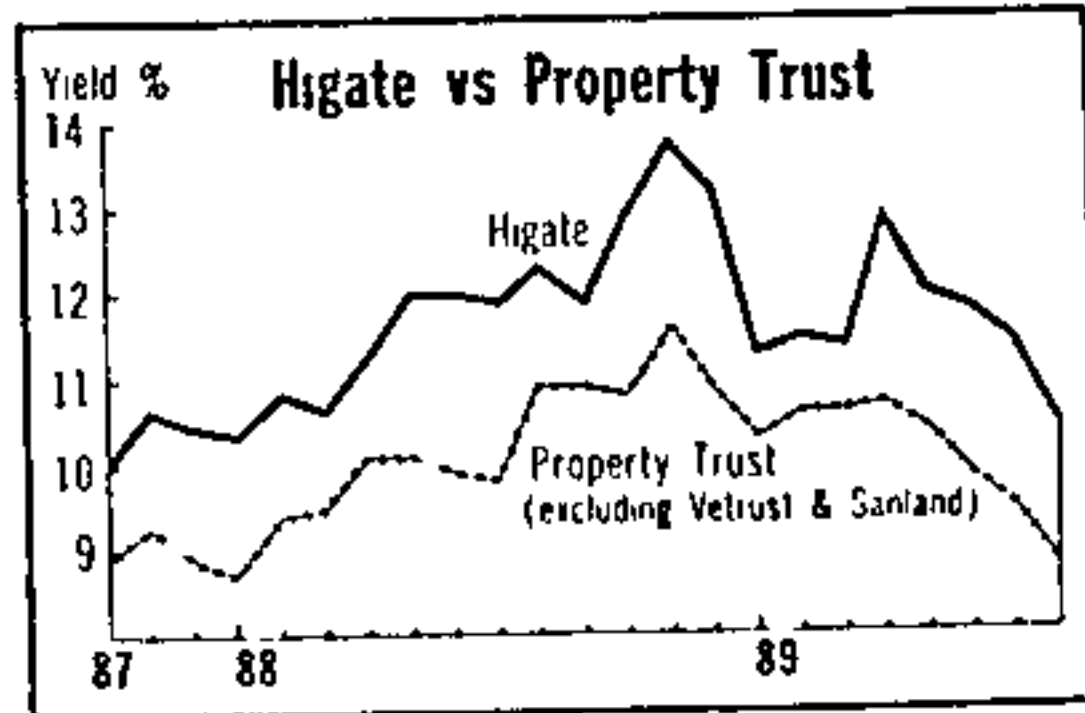
214 B/Paw 12/9/89

Hiprop to convert and make R30m rights offer

INSTITUTIONAL demand has driven Higate Properties to convert from a variable rate debenture (VRD) company to a property unit trust, which will be managed by a newly formed management company, Cornerstone Property Fund Managers

Mick Hyatt, MD of the promoters of the new venture, Russel Marriot & Boyd Trust, said he believed the market's perception justified the conversion

He explained that financial institutions' preference for property unit trusts had



Graphic from AFRECH Sec. & Cornerstone Property Fund Managers

been clearly shown in recent times with the large differential rating which has continued to range between 1% and 1.5% over the past year

He said the decision had been taken to convert notwithstanding that VRD companies would be quoted separately on the JSE from November this year

The varying structures of VRDs quoted on the JSE, which made comparisons difficult was given as a reason motivating the move

Although it had been decided VRDs and property unit trusts could be included in institutional property portfolios in the new prudential investment guidelines, which

KAY TURVEY

have replaced the old prescribed asset requirements, Hyatt said they had still been determined to go-ahead with this "innovative move"

The increased limit on property portfolios of up to 30% coupled with the abolition of the hefty requirement to invest in government stock had increased institutional interest in property

This could be seen in the decline in yields of property trusts and the increase in prices since the announcement of the intention to abolish the part 1 asset requirements in the March Budget

Hyatt said the newly formed Higate Property Fund planned a R30m rights offer in November of which R20m had been earmarked to complete two projects. The balance would be used to further the investment programme in the Transvaal

Based on market value, 61% of Higate's property portfolio is in Natal. Plans are to reduce this to 50% by favouring investment in the greater Johannesburg and Pretoria areas

Russel Marriot & Boyd director Kevin Moore said the decision had not been taken lightly as share capital had to be increased from the existing R100 000 to R2m to meet unit trust requirements

Cornerstone Property Fund Managers had been established with the approval of the Registrar of Financial Institutions. NBS has a 30% stake and Russel Marriot & Boyd Trust are the principal shareholder in concert with First National Bank Pension Fund, the Grincor and McCarthy group

Investors await ruling on bid to take over BAT

ROBERT GENTLE

LONDON — Former Premier chairman Tony Bloom is just one of the many investors who will be awaiting the ruling of the Takeover Panel this week on the controversial £13.5bn bid for BAT

Bloom has pledged £2m towards the bid, which has developed timetable problems similar to those which dogged the Minorco bid for ConsGold

The Takeover Panel is set to decide whether or not to grant the Hoylake consortium — which is mounting the bid — an extension to sort out a series of US court actions

These have arisen because of the potential change of control at BAT's US insurance subsidiary Farmers Hoylake has already been stymied in Texas and Washington, and hearings are pending in several other US states

Although there is no indication whether or not the panel will accede to Hoylake's request for extra time, analysts expect BAT may go ahead and announce an alternative restructuring as part of its defence

BAT has a number of important operations in SA which are likely to be affected by the on-going bid hostilities —

They include food and tobacco group Utico, snack food manufacturer Willards, and short-term insurer SA Eagle



BLOOM

REINIE BOOYSEN

HARMONY Gold Mine has passed its interim dividend for the year to June 1990

Last year, to June 1989, the company paid a 85c interim, and a final of 60c

In a statement yesterday chairman Clive Knobbs said "the sluggish gold price and the cost of retrenchment at the mine" prevented it from paying a dividend at this stage

He said "However, things at the mine have begun to look up"

In June Harmony announced its intention to retrench 4 200 workers, out of 33 000, in a rational-

Harmony skips its interim dividend

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mining operations, and that production tonnages would be maintained on the reduced labour force In the year to June 1989 the company made a profit of R67,1m

Yesterday Harmony's share stood still at R18,75 on the JSE, without trade Since the beginning of the year it has declined by 15,3%

Yesterday the share stood on a dividend yield of 7,7% compared to the sector average dividend yield of 8,6%

isation of its underground operations This would save the mine about R48m in costs annually

There was also to be a reduction in the capital programme, changes to the management structure, closure and completion of the clean-up of uranium operations, and rationalisation of manning levels, as the new R250m Harmony No 4 Shaft system was fully operational

At the time Knobbs emphasised that Harmony would not be closing any aspect of its underground

HARMONY

Blyvoors expects profitability hassles

RAND Mines' Blyvooruitzicht gold mine will be hard-pressed to maintain its profitability at current production levels if the gold price does not average R35 400/kg, says chairman Clive Knobbs in the latest 1989 annual report

At the same gold price, however, Harmony gold mine should show a turnover of R1bn and improved profit performance

Knobbs says the year ahead should see Harmony's grade hold steady at an average of 3,0g/ton, while capex of R32,6m is planned

He says all the recently announced retrenchments of 4 500 people will be completed this month, with many people being transferred to other mines in the Rand Mines group or in the industry

"In line with this general reduction of labour, the mine has rationalised its organisational structure by reducing the number of managerial positions

"This should lead to more effective communications, enhanced motivation, and better development of middle management, with concomitant advances in the mine's production performance," says Knobbs

At another point Knobbs says "Now that the Harmony 4 Shaft stoping sections

Business Day Reporter

are fully established and judicious manning in other areas and disciplines of the mine has been achieved, it is expected that the present level of production will be maintained"

(214)

He says Harmony will also be concentrating on certain technological innovations to increase its profitability



● KNOBBS

Knobbs says Blyvooruitzicht's profit margins have been severely eroded over the past few years as a result of declining recovery grades, high inflation rates and subdued gold prices

"For the coming year the tonnage treated and the recovery grade is expected to remain at

the present levels

"Capital expenditure is estimated at R14m and will be incurred principally on development and exploration of the Main Reef"

Rand Mines chief sees brighter prospects for the gold price

Star 13/9/89

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The prospects for the gold price in the next 12 months look brighter than for some time, says Clive Knobbs, chairman of Rand Mines gold and platinum division, in his annual statements for Harmony and Blyvooruitzicht

Overviewing the gold market, Mr Knobbs says that gold loans to finance new ventures, so fashionable a few months ago, are abating and the increase in newly mined gold is expected to be lower than that achieved last year and

lower than originally forecast

"Demand for gold from the Far East, although price sensitive, is likely to persist. Inflation seems to have peaked in many of the major industrialised countries, suggesting lower interest rates, which will stimulate sustained economic activity and growth, albeit at a slower pace, with the dollar likely to show some weakness."

Taking these factors into account, Mr Knobbs expects to see a modest improvement

in the dollar gold price in the next 12 months

"For the last two years the rand price has lagged the SA inflation rate, causing severe pressure on profit margins

There has been a further decrease in gold produced in South Africa of nearly six tons for the first six months this year, compared with the same period last year"

He says there is a limit to the extent that mines can upgrade and improve labour efficiencies to mitigate the squeeze on profit margins

without closing large sections of their operations

"Another year of languishing gold prices will shrink the industry even further, add to the list of marginal mines and cause some closures

"Given the inflation differentials, and accepting the important role that gold mining still plays in the South African economy, a further weakening of the rand against the dollar seems inevitable," he says. — Sapa

MINING

Arkus 14/9/89
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100-year-old mine reopens

By TOM HOOD,
Business Editor

ONE of the country's oldest gold mines, Village Main Reef, is to restart small-scale underground working, says the chairman, Mr Rob Wilson, in his annual review

The mine began in 1889 and mining stopped about 12 years ago

After a feasibility study, it was decided to renovate underground installations down to the 12 level and to undertake limited development and stoping operations in order to increase confidence in

the indicated ore reserves and firmly establish the viability of mining the gold-bearing pyritic quartzites, says Mr Wilson

This programme is expected to take up to two years

The mine plans to treat about 794 000 tons of sands with an average grade of about 1,1 g/t, as well as 28 000 tons of underground development ore grading about 4 g/t

Recoveries are expected to run at about 72 per cent, operating costs are estimated at R23,10/ton

Underground mining resumes at Village Main

Finance Staff
Anglovaal's Village Main gold mine is to resume small-scale underground mining operations, chairman Rob Wilson says in the annual review

"Arising from the feasibility study, it was decided to renovate underground installations down to the 12 level and to undertake limited development and stoping operations in order to increase confidence in the indicated ore reserves and firmly establish the viability of mining the gold-bearing pyritic quartzites," he says.

It is expected that this programme will take up to two years

During the current financial year, the mine plans to treat about 794 000 tons of sand with an average grade of 1,1 g/t, as well as 28 000 tons of underground development ore grading at four g/t.

CAPEX *(214)*

Recoveries are expected to run at about 72 percent, operating costs are estimated at R23,10/ton and capex is expected to decrease to R2,1 million (R3 million).

Of this, about R1 million will be spent on the investigation into the underground ore reserves.

Average rand gold prices received in the year to June rose by seven percent.

Output was 4,4 percent higher.

These factors were more than offset by higher working costs, with the result that pre-tax profit fell to R5,3 million (R5,7 million).

However, the reduction, combined with higher capex — R3 million against R2,7 million previously — and the new tax formula for mines, led to a lower tax liability of R0,4 million (R1,3 million).

Earnings were boosted by 17 percent as a result of hedging transactions, rising to R1,9 million (R1,7 million) — equivalent to 31c (28c) a share

DECREASE

Dividends were lifted to 30,5c (25,1c) a share.

There was a small decrease in the tonnage of sands treated, brought about by poor material encountered in the Wolhuter and Hippo dumps

This, combined with cost escalations, had an adverse effect on operating expenditure.

Metallurgical test work on the Robinson Deep dump material has shown its average grade to be lower than that of the dumps now being treated

This, coupled with the high cost of providing disposal facilities for residues, makes the treatment of the dump's material uneconomic at current gold prices

Nigel Gold Mining Holdings rights offer now 94% subscribed

THE Nigel Gold Mining Holdings' (Nigel) R15m rights offer, underwritten by South East Rand Gold Holdings (Southgo), is now 94.4% subscribed

The high level of acceptance is most satisfactory in the current market climate and a feather in the cap of Southgo. The purpose of the offer of nearly 38,5-

LIZ ROUSE

1579189 million shares at 39c a share was to enlarge Nigel's capital base to reduce its borrowings, and to provide for increased working capital to take full advantage of growth opportunities

214) Nigel produced excellent June quarter results with taxed profit up 116% to R1,24m from the March quarter's R576 000. There was an 87% increase in underground milled tonnage as a result of the tributing arrangement with Witwatersrand Nigel and grade improved to 3,63g/t

**PGA's results are
far from exciting**

N. Pan
15/9/89 REINIE BOOYSEN 214

POTCHEFSTROOM Gold Areas' (PGA) interim report for the six months to June, which includes more results of drilling at the company's Droogespruit Venture, contains little to enthuse shareholders.

While the 1988 annual report published some encouraging results of intersections of the Vaal Reef by borehole 1962, today's report contains the results of intersections of the shallower Gold Estates Reef

The Vaal Reef intersections (3 500m below collar) revealed values as high as 1 908cm.g/t, but the Estates Reef intersections (about 3 250m below collar) are less interesting — with the highest value at 1 288cm g/t, and the rest below 800cm g/t

Hedging boosts ET Cons

Stw 15/19/8 i (214)
The earnings of Eastern Transvaal Consolidated Mines — the Anglovaal Group company operating three gold mines in the Barberton area — were lifted by about 18 percent as a result of gold hedging transactions during the year ended 30 June, chairman R A D Wilson reports to shareholders in his annual review

Attributable profits after deducting capex rose to R18,2 million from R13,8 million in the year-ago period, equivalent to 420,6 cents (1988 320,8 Cents a share) and total dividends were raised to 415 cents (310 cents) a share

The average gold price received by the mines in rand terms was eight percent higher than in the previous financial year. However, this factor, combined with higher gold production and non-mining income, was largely offset by higher working costs and prospecting expenditure

There was a rise in mill throughput which more than offset a small decrease in average recovery grade with the result that gold production rose to 3 582 kg (3 535 kg) and this was sold at an average price of R33 467 (R31 036)/kg

Marginal rises are expected in the total mill throughput and recovery grade in the current year, but working costs will continue to rise. Therefore the rand receipts of gold sold will be the main factor in determining the level of the company's earnings and dividends

The Board points out that despite the bearish outlook for the dollar gold price over the next 12 months, it is unlikely that hedging operations will have the same positive results as those seen in the year under review — Sapa

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Bank's monthly statement of assets and liabilities under "other liabilities" which fell R1bn to R6,7bn

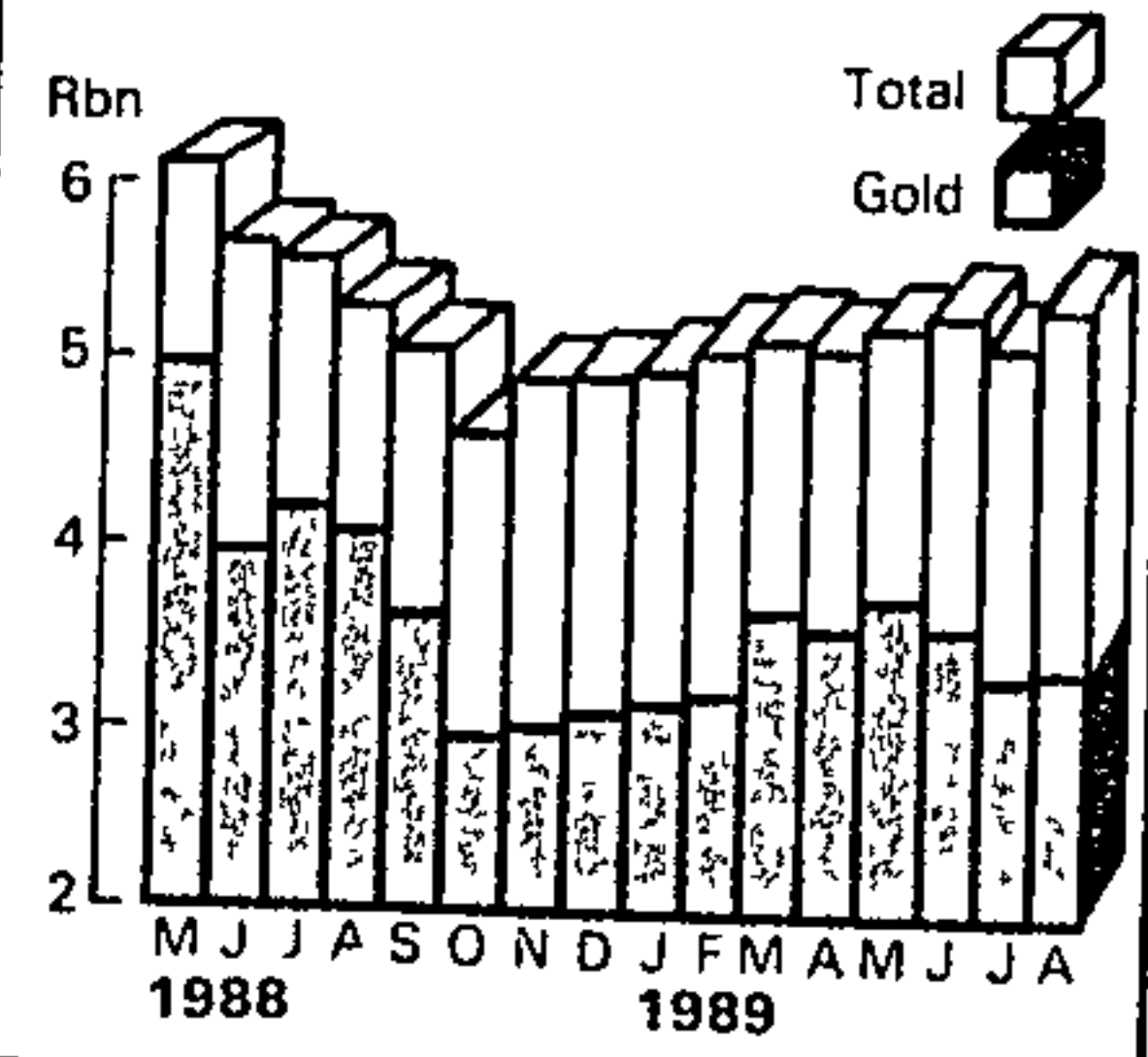
Despite the repayments, foreign reserves rose by R242m (US\$59m) to R2bn (\$726m) — mostly as a result of the lower dollar value of the rand. Foreign asset reserves include deposits and call money at foreign financial institutions, investment in Treasury bills and securities of foreign governments and other relatively liquid investments in foreign currencies.

Gold reserves were virtually unchanged by value from July at R3,4bn (\$1,2bn) though the volume dipped 58 000/oz to 3,74m/oz. Though the dollar price of gold fell, the rand gold valuation rose to R899,94 (July R886,11)

The Bank says "nothing significant hap-

Is the worst over?

Value of gold and forex reserves



pened in August to alter the state of reserves," though an interest payment to creditors of US\$150m-\$200m in mid-September could affect this month's reserves.

But pressure is obviously off, indicating an easing on BoP. The current account surplus has topped R1bn for two months in a row.

Even so, based on July imports of R4,1bn (August figures are due this week), foreign asset reserves cover only 1,3 months' imports. "But the current account surplus could widen in the next few months to accommodate debt repayments and other capital outflows," says Rand Merchant Bank economist Rudolf Gouws.

"This goes hand in hand with the tapering off in the economy and reduced demand for imports," says Osborn. "Though July imports were disappointingly high, they may have been distorted by Untag imports and high Botswana imports. We expect a noticeable decline in the second half-year and reserves are likely to improve further for the rest of the year if gold holds."

But Barnardt fears an improved reserve situation will not lead to a relaxation in monetary policy. "A markedly strengthening dollar together with a falling gold price could cause a two percentage point rise in interest rates," he says.

15/9/89

RESERVES

Still going up

August blew in better news for the gold and forex reserves, showing SA is in a slightly better position to honour foreign obligations. Despite a lower gold price, the value of total reserves rose — by R242m to R5,4bn. According to Nedbank chief economist Edward Osborn, this represents a US\$59m increase.

Though loan repayments are deliberately concealed by the Reserve Bank in foreign liabilities, Trust Bank economist Nick Barnardt believes "the rise would have been much larger had the Bank not reduced foreign liabilities by R1bn in August, following a substantial reduction in July." He says the better fundamental position of the balance of payments (BoP) in the second half of the year enabled the Bank "to repay short-term facilities in the past two months which had been used in the previous six months to shore up gross reserves."

These payments are reflected on the

ET Cons a hit with gold hedge deals

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ANDREW BUDDEN

ANGLOVAAL's Eastern Transvaal Consolidated Mines (ET Cons) scored a hit with its gold hedging transactions for the year to June

The company, which operates three small mines in the Eastern Transvaal, lifted attributable earnings for the year to June by 31% from R13,8m to R18,2m.

Reporting in the company's annual review, however, chairman Rob Wilson said 18% of the increase was attributable to successful gold hedging transactions which effectively boosted the gold price received

ET Cons and other mines within the Anglovaal group consistently out-performed other SA mines in the gold price they received over the year.

The hedging programme brought in an estimated additional revenue (before hedging transaction costs) of R4,2m on a relatively small gold output of 3 581kg

Wilson said the average rand gold price received over the year was 8% higher than the previous year.

This and marginally higher gold output was largely off-set by a 16% increase in working costs per kilogram of gold produced, however.

Over the year milling grades stubbornly continued to decline, sliding from 10,2g/t in the September quarter last year to 9,7g/t in the final (June) quarter.

The fall was more than off-set by a 21% increase in milled throughput — of which most of the increase was attributable to development tonnages

Sto 19/9/89

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Hedging helps Harties

Higher average rand gold prices received, lower taxation and hedging transactions all contributed to a 14 percent rise in the Hartbeestfontein Gold Mine's earnings of R201,9 million (R177,1 million) for the year ended June 30.

The earnings were equivalent to 180,3c (158,2c) a share and the dividend is up at 180c (153c).

In his annual review, chairman Basil Hersov says that although the average rand gold prices received were nine percent higher, the mine's pre-tax profit decreased by R19 million to R588 million — mainly because of lower gold production from underground sources, higher costs and losses on uranium oxide sales.

With Capex and loan repayments rising to R62 million (R58 million), taxation and state's share of profit — which was calculated on the new formula — was reduced to R324 million (R373 million), leaving an after-tax profit that was 12 percent

higher at R264 million (R235 million)

Mr Hersov adds that the earnings were enhanced by about 12 percent as a result of hedging transactions.

The average recovery grade for the current year is expected to ease a little further to about 9,1 g/t.

Production of uranium oxide, sulphuric acid and pyrite led, as expected, to a loss of R4,9 million.

The Capex bill of R60,5 million (R57,3 million) was mainly devoted to completion of the low-grade plant, and the on-going recommissioning of No.8 Shaft.

Capex during the year is planned at R41 million and includes the purchase of surface and underground equipment, further

upgrading of employee accommodation, the completion of the mine training centre and further work on the recommissioning of the No.8 Shaft.

Mr Hersov concludes: "Development for the current year is planned at higher levels than those achieved for 1989. This, together with general cost escalations and the additional expenditure associated with operating No.8 Shaft, will have an adverse impact on operating costs. Earnings, and hence dividends — which will be affected by lower gold recoveries from underground ore sources and nominal uranium losses — will be determined principally by the gold price in rand terms."

Time to look at gold shares again

Star 19/9/89 (214)

A couple of months ago, Mike Brown, economist at stock-broking firm Frankel Kruger Vinerne Inc, suggested that investors should start to take a heightened interest in gold shares.

He predicted much improved sentiment towards gold shares by the end of 1989, followed by improved gold mining earnings in 1990. He added: "Only low cost/low risk shares should be considered, although a few medium cost mines could offer potential."

On industrial shares, he had this to say: "Further increases in the industrial index should be limited and portfolios should focus on non-cyclical stocks towards year end. Accumulation of stocks in the second half of 1990 might be prudent to take advantage of an upswing in 1991."

He further recommended that any upsurge in industrials might be used to lighten holdings in this area in favour of gold shares.

So far (almost) so good. Industrial shares have certainly been showing signs of weakness, while gold shares, though by no means buoyant, have been showing signs of relinquishing the also-ran role that they've been playing for so long.

Given that background, it is well worth taking careful note of Mr Brown's recommended portfolio mix by the end of 1989.

Gold shares, he believes, should make up some 15 percent of a balanced portfolio, with preference being given to ET Cons, Southvaal, Dries, Deelkraal, Kinross, Dries, Kloof, Beatrix, Harties and Western Deep Levels.

Industrial shares should be brought down to 20 percent and

Diagonal Street

JOHN SPIRA



the favoured shares here are Amic, AECI, Remgro, CG Smith, Malbak, Richemont, FSI, Hudaco, Powertech, Anglo Alpha, HLH, Pick 'n Pay, SAB and Kersaf.

Mining financials were set at 13 percent and the recommended shares in this category are Anglo, Gencor, Amgold, Minorco and Genbel.

Mr Brown had an "other" sub-division in which his suggested holdings were Rusplat, De Beers, Samancor, Hiveld, Amcoal and Palamin.

Property was given a 10 percent segment, with Cenprop, Sycom, Hyprop, Tambotie, Pioneer and Boardprop, while financial at 5 percent included Libhold and Stanbic.

Of the balance of the portfolio, 15 percent should go into the capital market (Eskom 168 and 169 and RSA 124 and 144) and 10 percent into liquid assets.

The small investor looking at such a portfolio structure would understandably assume that it is targeted mainly at the institutional investor. He'd be substantially correct in doing so.

At the same time, he should acknowledge that the JSE is so institutionally dominated for the present that shadowing the course being followed by the institutions is to be placing oneself at the forefront of the Diagonal Street action.

Comparing your portfolio mix with that recommended by Mr Brown might not, therefore, be such a bad idea.

Zandpan's profits rise

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Zandpan Gold Mining Company - the Anglovaal Group's investment company which holds 19,6 per cent of Hartebeestfontein Gold Mine's equity - received dividends totalling R39,6 million from these shares during the year to June 30 last, compared with R33,7 million in the previous financial year.

The annual report shows that other income comprised interest of R335 000 (1988: R125 000) and share-dealing profit of R205 000 (R341 000). After expenses of R711 000 (R581 000), the

profit for the year (no taxation) rose to R39,4 million (R33,5 million)

(R) 214

This was equivalent to earnings of 30,3c a share (25,8c) and the company lifted its dividend payments to 30,3c. The book value of the company's quoted shares was little changed at R21,6 million (R21,3 million), but their market value at the year end rose to R618,2 million (R467,2 million). However, this figure had decreased to R579,1 million (R463,7 million) by September 8

Gold production up

South African gold production increased by 84 099 ounces to 1 702 136 ounces for August against the July figure of 1 618 037 ounces, the Chamber of Mines announced yesterday. *Spv 17/9/89* (214)

This figure is also higher than the gold output for August 1988 when 1 656 200 ounces were produced.

However, the output for January to August of 12 946 373 ounces recorded a drop compared with the 13 033 295 ounces produced for the comparative period in 1988 — Sapa.

Northam considers listing in London

Star 20/9/89

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By Derek Tommey

Northam Platinum, GFSA's newest mine, may seek a listing on the London stock exchange. The mine's chairman, Mr Alan J Wright, says the company has received various enquiries from overseas from existing shareholders and from persons wishing to invest in Northam.

As a London listing would improve the marketability of Northam shares the possibility of a listing there was being investigated.

Mr Wright says that Northam needs to make another rights issue to raise more capital.

The company spent R142 million in 1988-89 on opening the mine and plans to spend a further R282 million this year. Against this the balance sheet shows that at June 30 Northam had net current assets of R176 million.

To ensure that Northam has sufficient unissued shares to fund future financing requirements it is increasing its authorised capital from 50 million shares, of which 28,8 million have been issued, to 60 million shares.

Reviewing the mine's operations Mr Wright says a pleasing feature was the intersection in the No 2 Shaft-Z of Merensky Reef and, later on 8 Level, of both Merensky and UG2 Reefs with high values.

So far refrigeration facilities have not been needed. It has been found that rock temperatures, although in line with expectations, cool quickly. But he expects these



Mr Alan J Wright

facilities will be needed when development starts.

No 2 Shaft-Z should reach its final depth of 1 820 metres by the end of this month and should be completed by June, next year. No 1 Shaft-Z is expected to reach its final depth of 2 080 metres by June, 1991.

Chairmen's statements from gold mines in the GFSA group contain no surprises and little to cheer shareholders.

West Wits gold mine Venter-spost, which needs money to enable it to open up a major extension, also has a rights issue

on its mind.

The chairman, Mr MJ Tagg, said that the company expects to make a rights issue within the next six months and it is considering raising all the capital needed in a single share issue.

For this reason it is planned to increase the authorised share capital by 40 million deferred shares.

The mine has spent R22 million on the No 4 Shaft project in the extension area and will spend a further R33 million this year.

The mine's milling rate and grade is not expected to show much change this year. So the gold price will dictate the level of dividends, says Mr Tagg.

The profits of Driefontein, which had a pre-taxed profit of R1,26 billion in the year to June, will also be closely tied to the price that gold commands in the market place, says its chairman, Mr RA Plumbridge.

He reports that both divisions — East and West Driefontein — show substantially reduced ore reserve balances, but at higher pay limits.

Both divisions should maintain current milling rates and gold production should be unchanged. Reduced income from uranium and acid should be offset by profits from the surface reclamation project.

Mr Plumbridge says that Asteroid (Proprietary) in which Driefontein has a 50 percent stake, has exchanged its interest in ConsGold for a 50 percent stake in GFSA Holdings which holds

about 40 percent of GFSA Driefontein, therefore, indirectly holds about 10 percent of GFSA.

Doornfontein is operating under extremely difficult conditions, says the chairman, Mr AJ Wright, and its profits too, are entirely dependent upon the gold price.

Production is expected to be maintained at 130 000 tons a month, and development on 38 Level should make substantial additional tonnages available from early 1991.

Deelkraal expects to maintain tonnage but grade is likely to fall, reports Mr Wright. He has bad news for shareholders for the mine will become liable for mining tax and profits available for dividends will suffer.

Behind schedule

Opening up the new Leeudoorn division at Kloof has fallen behind schedule, says the chairman, Mr CT Fenton. But an alternative plan has been adopted which will enable this division to reach production by September, 1990.

The Kloof division will spend R103 million on capital works this year and the Leeudoorn division R241 million.

Libanon's ore reserves showed a marked decrease but are more than adequate for the planned rate of mining, says Mr MJ Tagg, the chairman. Profits in 1989-90, as in previous years, will depend on the price of gold and the extent to which escalating costs can be maintained.

Diagonal
Street

DEREK TOMMEY



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Cash-rich Minorco excels once again

Minorco, Anglo American's offshore investment arm which made an unsuccessful bid earlier this year for ConsGold, has good news for its shareholders.

For the second year running it has increased its earnings from operations by more than 50 percent.

It is paying a final dividend of 28 US cents (20 cents) for the year ended June, making a total payment for the year of 42c which is a 40 percent increase on last year's 30 cents.

Because of the depreciation of the rand against the dollar, South African holders of Minorco shares can expect a final dividend of around 78c a share, which is some 59 percent more than they received a year ago.

Minorco reports that it sold its ConsGold shares after the year end for \$1,6 billion resulting in it holding \$2,6 billion in cash, equal to \$14,68 a share.

The net asset value of Minorco at September 19 was \$3,7 billion equal to \$21,65 a share - or R87,43 at the latest financial rand rate. Minorco shares were quoted at R63,75 on the Johannesburg Stock Exchange yesterday.

At June 30, this year, the net asset value of Minorco shares was \$20,68 against \$17,75 a year earlier.

Earnings from operations in the year ended June amounted to \$157,3 million (\$103,9 million) equal to \$0,92 (\$0,61) a share. Earnings before extraordinary items were \$280,0 million (\$262,3 million) equal to \$1,64 (\$1,54) a share.

The profit of \$645 million from the sale of ConsGold shares will be included in the accounts for the six months ending December.

The principal reason for the growth in operational earnings was the increase in interest and other income from \$48,9 million to \$95,6 million.

Minorco received a full year's interest on the proceeds from the sale of its interest in Salomon Inc and Anglo American Investment Trust.

Investment income from ConsGold rose 24 percent and from Charter by 11 percent.

Dividend receipts from Engelhard Corporation increased by 9 percent and from Anglo American Corporation of South America (AMSA) by 10 percent.

No dividends were received from Inspiration Resources Corporation or from Adobe Resources, but Inspiration has started declaring regular quarterly dividends.

Minorco's earnings before extraordinary items were \$280 million (\$262,3 million). Its share of undistributed earnings of companies accounted for by the equity method was \$124,00 million compared with \$159,6 million.

Plumbridge hits out at gold hedging

ANDREW BUDDEN

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GOLD FIELDS of SA (GFSA) chairman Robin Plumbridge has hit out at gold producers who hedge to protect their earnings in a weak gold market

Commenting in the group's 1989 annual report, Plumbridge said the type of hedging used had significantly increased the supply of metal to the market. This inevitably put downward pressure on the gold price.

Among SA producers Anglovaal is most active in gold hedging, although others like Anglo American also currently hedge a smaller proportion of their output.

Hedging is achieved by selling forward a portion of a mine's anticipated gold production at a set (dollar or rand) price.

Alternatively mines enter into futures contracts which give parties the option to exercise a right to buy or sell gold by a set future date at a fixed price.

Both methods have been given the green light by the SA Reserve Bank which is eager to protect forex earnings during periods of weakening gold prices.

However, Reserve Bank GM James Cross added a word of caution when he spoke last year at the International Metals and Minerals Conference.

Weight

"In view of SA's position as a major producer, extreme caution has to be taken at all times in order not to disrupt the bullion markets," he said.

"The gold futures market can only take so much forward selling (since this) adds weight to the supply side," he said.

For this reason the Reserve Bank plays a pivotal role in all gold hedging transactions. The bank acts as agent in all contracts, having the right to examine customers and refuse permission for a transaction.

Despite the control Anglovaal's hedging programme has been very successful over the past 18 months.

The group's four gold mines earned an estimated R20m in additional revenue (before transaction costs) by selling forward and taking futures positions in the year to June.

The Gold Fields group does not get involved in the gold futures market, preferring to sell at the prevailing spot rate.

Boom times foreseen for the minerals and metals industry

Star 25/9/89

214

By Derek Tommey

Mining houses are about to expand operations on a large scale

Reports from Gold Fields of South Africa (GFSA) today and from Rustenburg Platinum Holdings (RPH) on Friday highlight the huge new capital investment that both are about to make in mining in the next few years

However, they will not only open up new mines. There was a slump in demand in the early 1980s

As a result they intend investing heavily in existing mines to ensure that they remain among the lowest-price producers in the world and therefore profitable when prices turn down

If this is not possible, they plan to build up strong cash holdings to enable producers to weather the downturn

Robin Plumbbridge, chairman of GFSA, says in his annual statement to shareholders that "the discovery and development of major new mining and metallurgical projects remains the

major engine for GFSA's growth"

He has no doubt that the company will achieve success in this area. This is reflected in his comment that "in recent years the group's success rate in the egg-laying process has exceeded its ability to finance and develop the resultant projects"

It is the reason for GFSA's R1 billion rights issue — the first since 1981, he says

It "will enable the company to meet its existing commitments and adopt a more aggressive approach to new investment opportunities"

These include nursing a group of marginal producers through the current difficult period for the South African gold mining industry so that they can profitably mine new areas currently under development and moving farther into coal and base metals

"The stage has been reached where metals and minerals, other than gold, will play an increasingly important part in the profitability of the group," says Mr Plumbbridge.

However, because the prices



Robin Plumbbridge

of these products are more volatile than that of gold, it is important that the producing companies maintain a strong financial position

The next phase in GFSA's diversification programme will be the start of production at Northam Platinum in two years' time.

Mr Plumbbridge's remarks come immediately after PF Retief, chairman of RPH, the

world's biggest producer of platinum, announced it was to spend money on reducing the cost of producing platinum and to increase production significantly

Lebowa Platinum Mines, an associate of RPH, is to increase production at its Atok sector from 50 000 tons to 100 000 tons a month and, provided trial milling operations are successful, to open a 200 000 tons a month mine on the Platreef

This would make Lebowa one of the world's lowest-cost platinum producers, said Mr Retief.

The planned new investment helps underpin a statement last week by Dr Aiden Edwards, president of the Council for Mineral Technology, that South Africa's mining sector would experience an unprecedented boom in the 1990s

But this will not be simply the result of the expansion of mining operations. There should also be a great increase in the added value of metals and minerals sold overseas.

Dr Edwards said developments in Europe were providing a growing market for metals and minerals and militating for the

transfer of production to the source of raw materials

The rewards for upgrading exports were high, Dr Edwards said

South Africa possesses over 80 percent of the world's reserves of chromite ore needed in the production of stainless steel

If South Africa were to produce 10 percent of the world's stainless steel, which would be one million tons a year, and convert only 10 percent of that to finished goods for export, the chromium industry would provide as much revenue as the gold mining industry

"In summary," said Dr Edwards, "South Africa will be entering a boom phase in the 1990s and will be drawn closer to Europe through investment

"South Africa's greatest advantage is its undisputed mineral wealth, which will re-enter a major growth phase through the production of added-value products"

"The greatest problem is that the highly qualified manpower needed to undertake the tasks involved will not be readily available"

'Minorco bid was a tragedy'

Robin Plumbridge, chairman of GFSA, says the bid by Minorco for Consgold was a tragic development. (214)

He pays tribute to Consgold in his annual statement, but does not mention Minorco by name.

At the time of the bid Minorco was a major shareholder in Consgold, in turn, was the principal shareholder in GFSA.

Mr Plumbridge says. "For the last 10 years of its existence Consolidated Gold Fields was pursued by an unwelcome suitor which ultimately and tragically launched a no-win hostile bid for the company and finally induced Hanson PLC to deliver the *coup de grace* *Star 25/9/87*"

"Throughout this period, as relationships with its major shareholder deteriorated, Consgold remained substantially supportive of Gold Fields. The fact that GFSA has emerged relatively unscathed from the whole sorry episode is itself tribute to the support it received"

He pays tribute to the independent, non-executive directors whose "wisdom, guidance and support in providing direction to the group at a time of serious conflict of interest was of the highest professional standard"

Hopes for new gold mine's listing

SOUTH Deep — a possible new JCI gold mine south of its Western Areas gold mine — will hopefully be listed separately on the JSE within the current year (to June 1990), says Freddev chairman Vaughan Bray in his 1989 review

He says the project has been delayed following the need to optimise the mining plan, so as to reduce initial capital expenditure requirements and improve the early flow of revenue

But, he says "Studies show that the financial viability of the project has been enhanced as a result of these changes"

The gold deposit which the South Deep project encompasses is possibly the largest in the world — but it presents enormous problems for mining engineers

The biggest problem is depth, the gold reefs — the Ventersdorp Contact Reef and the Massive and Individual Reef units of

REINIE BOOYSEN

the Upper Elsburg Reef zone — are between 3 000m and 3 400m deep, resulting in very high ambient rock temperatures and highly stressed rock conditions (214)

The other technical problem is the sheer width of the main gold reef to be exploited — the Elsburg Massive, which is between 50m and 150m thick. An SA gold mine's reef width is ideally around a metre, and the empty space left behind after ore extraction is supported against rockfalls using timber, steel and concrete pillars

But the Elsburg Massive presents a completely novel situation. Analysts suspect JCI will first mine the Ventersdorp Contact Reef to de-stress the rock structure before tackling the Elsburg Massive underneath

Mandela: govt mum

MIKE ROBERTSON

GOVERNMENT has refused to be drawn into speculation that Nelson Mandela will be released before the weekend

Asked about a report carried in Beeld which said there were rumours that Mandela could be released before the weekend, Constitutional Development Minister Gerit Viljoen said "No comment"

A senior government source told Business Day last week that Mandela's release could be expected in January or early February. The source said Mandela's release would be preceded by the release of other long-term prisoners and would be part of a controlled process for getting serious negotiations off the ground

The rumours also had it that Mandela would be the main speaker at the re-burial of Paramount Chief Sabata Dalindyebo

President F W de Klerk's new Cabinet will meet tomorrow.

Poison spill cuts Nelspruit's water supply

PUMPS supplying water to Nelspruit were shut down yesterday after poison was detected in the Crocodile River following an accidental chemical spill at the Ngodwana Paper Mill belonging to Sappi

A Sappi spokesman confirmed that a "minor spill" of toxic chemicals had taken place on Saturday morning

The chemicals — sodium compounds and hydrolised lignins — were spilt into Ngodwana River from the Ngodwana Paper Mill in the eastern Transvaal

Sappi Kraft Mill GM Barry Melrose said he regretted that the spill into the Ngodwana River had also caused the chemicals

DANIEL SIMON

to enter the Elands River which in turn flows into the Crocodile River

Immediate action had been taken by management and staff at the mill, he said

Strategic points along the river were manned and samples of the water taken at regular intervals. The dilution levels reflected in their samples were "not toxic".

"The outlet valve of the Ngodwana Dam was opened to dilute any chemicals and reduce the possible effects these may have on the river

"We are aware there have been reports of fish dying and we understand that these are mainly Yellow Fish

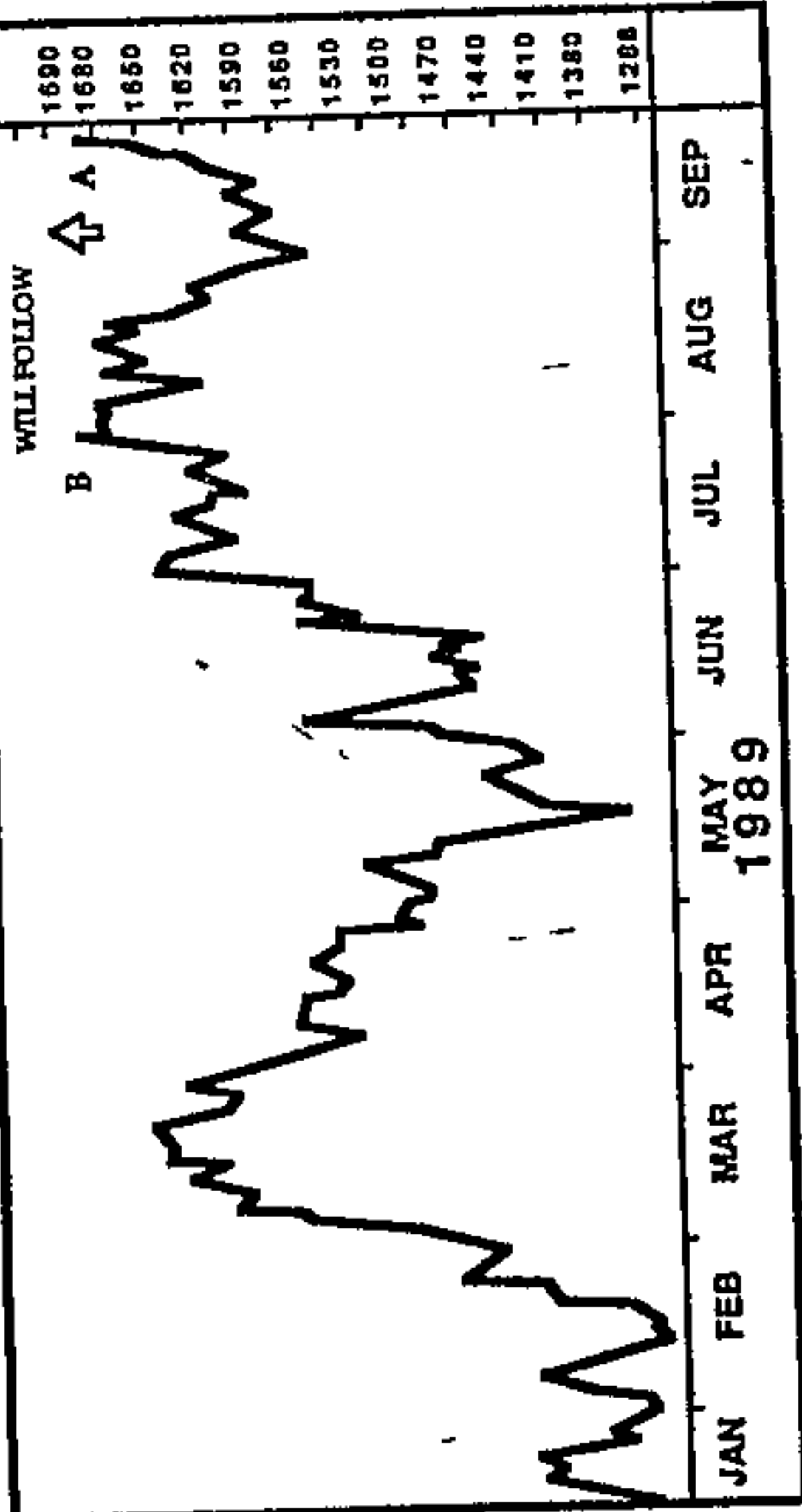
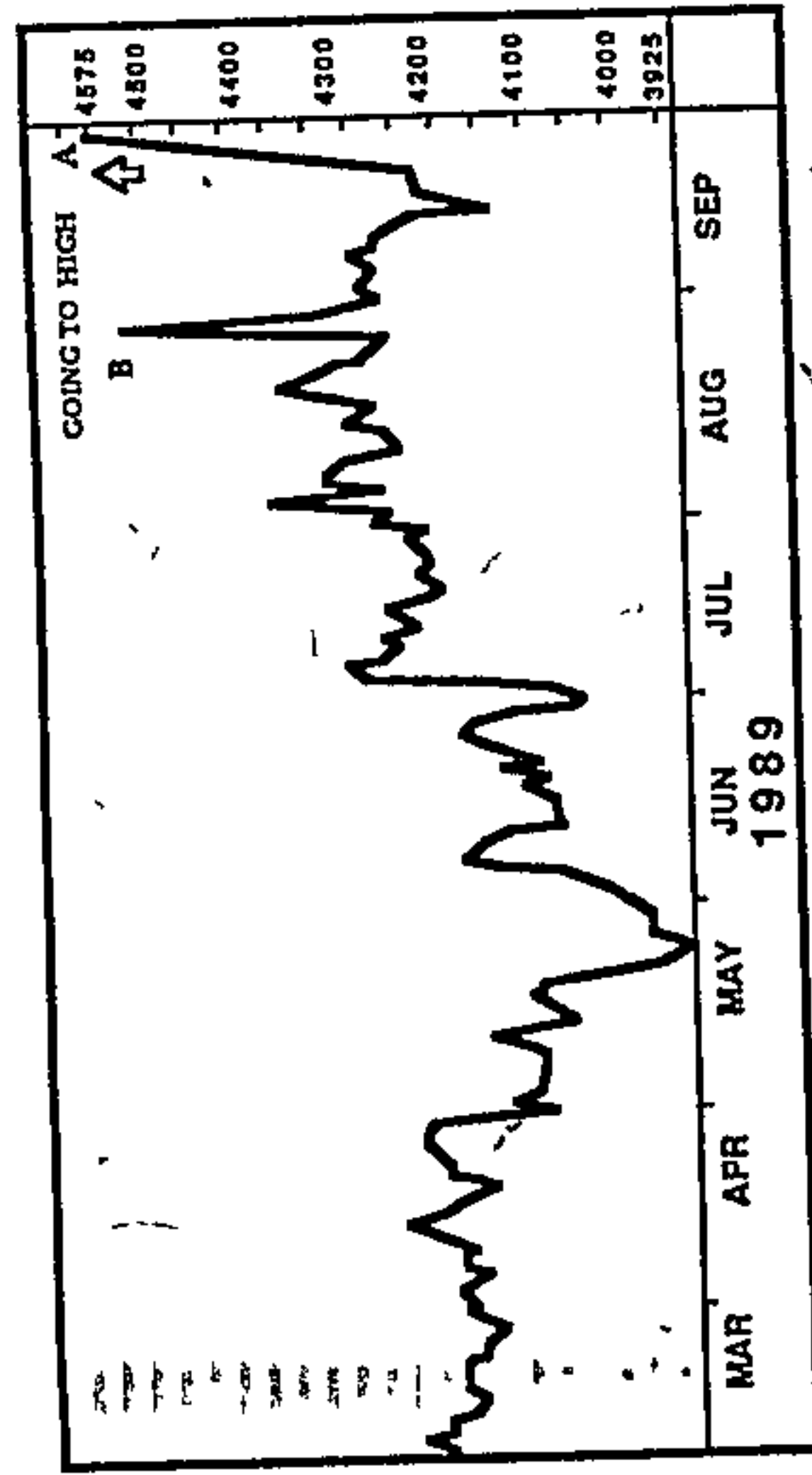
"Studies are being made at this moment, along with other interested bodies, to determine the extent of any impact," he said. Melrose said he believed the affected fish were those from the source of the spillage which washed downstream after the dam discharge valve was opened

He added mill management had been working in close co-operation with Water Affairs, local farmers and the Irrigation Board to ensure "every effort" was being made

Key Market Movements — Sept 22 to Sept 25

Star 27/9/89

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Foreign buying should lift SA gold shares to new highs

By Issy Bacher
ASA is the only stock quoted on the New York Stock Exchange that holds SA gold shares.

Essentially a gold holding company similar to Amgold, 98 percent of its portfolio consists of a mixture of Dries, Kloof, Harties, South Vaal, Vaal Reefs, Western Deeps, Anglos, Gencor, GFSA, De Beers, Rusplats and Implats.

Three North American gold mines make up the remaining two percent.

Its rise on Monday to a 20-month high of \$45.25 is not only bullish for SA gold shares and the gold price, assuming that

gold stocks will lead the gold price as before, but it also implies a political change in the hearts of Americans to South Africa.

The sanctions threat and the Dellums Bill are still a cloud hanging over South African mining shares and a hearing on the subject is scheduled in Washington for late October.

The current strength of ASA implies that the issue will be soft-pedaled.

An improved political climate in South Africa will see Americans rushing for our mining shares again.

Already brokers report that there has been strong buying this week, but the interest is mainly professional.

A higher gold price will bring in the American public.

It is especially encouraging for holders of gold shares that ASA is leading the JSE gold index, almost suggesting that overseas buyers have a more positive view on JSE mining shares than our own institutions.

The two graphs illustrate the point.

One graph is that of ASA. Its rise to a new high of \$46.25 is seen clearly at "A", rising above

its previous top of "B". It is also well above it.

The other graph is of the JSE gold index. It shows that Monday's rise to 1674 is still below the previous top of 1685 at "B".
CONCLUSION: The JSE gold index is highly likely to follow the lead given by ASA and rise decisively to new highs in the near term.

This is supported by the fact that Amgold has already risen to a new high of R332.

The next assumption is that the shares should lead the gold price back to the \$400 level sooner or later.

Cengold posts its fifth loss in 15 months

ANDREW BUDDEN (214)

INDEPENDENT gold producer Cengold has continued in its established financial tradition, posting its fifth successive quarterly loss in the three months to August 31.

The group's small Eastern Transvaal gold operations slid a further R219 000 into the red — exacerbating an already shaky financial standing.

May quarter operations incurred a R196 000 operating loss.

Overall losses in its gold operations increased 60% from R52 000 to R83 000, but of equal importance was a 34% increase in interest payments on borrowings from R87 000 to R117 000. *31 Dec 28/9/89*

The mining results reflect a significant move away from reliance on surface dump treatment. Production from dump material at its Centurion mine plummeted from 11,1kg to 2,8kg — with an associated increase in unit working costs at the mine.

Company directors say surface operations were curtailed for much of the period, but have since recommenced.

The curtailment had an inevitable effect on unit profits. The small profit of R2 564 made on every kilogram of surface gold in the previous quarter slipped into a R14 107 loss per kilogram.

Underground operations at Bonanza and Omaruru fared better. Production was 29% up at 39,6kg (30,6kg) on improved grades and tonnages, but unit losses stubbornly remained

The mines made a R1 125 loss on every kilogram of gold produced from underground sources compared with R2 675/kg in the previous quarter.

GOLD FIELDS OF SA

Base metals lift off

214
Fruail
29/9/89

Activities Mining house with interests in gold, platinum, coal, base metals, mining finance and financial sectors

Control At year end Consolidated Gold Fields Plc held 38% Asteroid (Pty), held 50% by GFSA and 50% by Drie Cons, is acquiring 30% of the Cons Gold stake This, and the 10% already held by Rembrandt, will be held through GFSA Holdings

Chairman: R A Plumbridge, managing director C T Fenton

Capital structure 81,9m ords of 5c, 4,5m conv red cum prefs of 5c Market capitalisation R7,29bn

Share market: Price 8 900c Yields 2,3% on dividend, 4,5% on earnings, PE ratio, 22,1, cover, 2,0 12-month high, 8 950c, low, 5 000c Trading volume last quarter, 823 046 shares

Financial Year to June 30

	'86	'87	'88	'89
Investments				
Book value (Rm)	594	795	928	1 120
Valuation (Rm)	4 486	7 571	5 853	7 549
Performance				
Investment income (Rm)	265 2	304 4	327,7	351,4
Attributable profit (Rm)	260 5	300,9	307,9	329 8
Earnings (c)	319	368	377	403
Dividends (c)	160	185	190	200
Net worth (c)	5 728	9 350	7 301	9 356

Unlike most of SA's large mining houses, Gold Fields of SA (GFSA) has confined its major investments primarily to the precious metals sector As the developing platinum mine, Northam, is not yet producing, the group's income is highly geared to results of its gold mines

Efforts have been made to move more purposefully into other sectors of the mining and metallurgical industries, and the 1989 year marks the period when the diversification bore fruit Though pre-tax profit from gold slipped to R253,3m (R260m), other income increased enough for earnings to rise by 7% Whereas in 1988 gold provided 80% of the total, last year its contribution dropped to 70%, with 15% from other minerals

Chairman Robin Plumbridge draws some satisfaction from the result and notes the stage has been reached when metals and minerals other than gold will play an increasingly important part in the profitability of the group This should flow partly from the major events of the past year, when the major foreign shareholder, Consolidated Gold Fields, with 38%, succumbed to a takeover bid by Hanson

Plumbridge says the need to mount a significant rights issue had long been recog-

SEGMENTAL ANALYSIS

	Pretax profit Rm		Net assets	
	1988	1989	1988	1989
Gold	260,0	253,3	4 442 1	5 393,5
Platinum	(2,7)	2 5	225,5	426,7
Energy	14 5	18,8	221 0	302,8
Base minerals	15,4	36,2	221,1	294,9
Mining finance	16 3	27,9	630,3	941,0
Financial	10,7	15,0	300 1	393,4
Industrial	1 6	1,3	10,8	16,5
Property	3,0	4,5	18,6	18,1
Cash	11,3	7,2	88 2	65,9
Total	330,1	366,7	6 157 7	7 852,8

nised but was rendered impractical by the substantial foreign shareholding With that shareholding being brought onshore the group has announced a rights offer to raise about R1bn The annual report also indicates that rights offers could soon be made by two group companies, Venterspost and Northam Platinum

The GFSA issue, he says, will enable the company to meet existing commitments and adopt a more aggressive approach to new investment opportunities Such opportunities would either be generated in the group or emanate from special situations which arise in respect of companies which operate outside the group in the mining and metallurgical field

Liquidity is being increased also by profit retentions Plumbridge says that, in general, the prices of the non-gold metals and minerals are likely to be more volatile than gold, and the producing companies will therefore need to maintain a strong financial position to withstand periods of low prices for metals The recent surge in metal prices has enabled all of the group's major base metal companies to strengthen their balance sheets

Among beneficiaries of buoyant base metal prices was Black Mountain, which produces copper, lead, zinc and silver in the north-west Cape In the year to end-June its taxed profits rose to R62m (R50m) and the dividend to R48m (R30m) Another unlisted company, 49%-held O'okiep Copper, saw taxed profit rise to R76m (R45m) and the dividend was raised to R32m (R5m) After a phase of minimal capex, O'okiep is spending R77m in June 1988 money on a new mine at Nigramoep, to replace Spektakel, which is nearing the end of its life

Gold Fields Namibia (GFN), in which GFSA's stake has dropped to 61% from 76%, achieved taxed profits of R60m in the 12 months against R21m in the six months to end-June 1988, and paid a dividend of R21m (R8m) This year's results will be affected by

the flooding of GFN's Kombat mine The directors say that world economic growth is beginning to slow and, as stock shortages recede, a balance between supply and demand for commodities is likely to be reached, though at prices considerably above previous levels

Taxed profits reported by 61%-held Gold Fields Coal rose to R25m (R16m) and its dividend was R15m (R13m) It's noted that there has been steady growth in demand for SA steam coal, despite the continued threat of sanctions Local and export prices have shown steady increases, and the fob spot price for steam coal through Richards Bay is currently about US\$30/t

Plumbridge says the next phase of the diversification programme will start in two years when the Zondereinde mine is due to start production Last year Northam absorbed R142m and spending of R282m is envisaged for this year A further rights offer will be needed early in 1990 and the possibility of listing the shares in London is being investigated

In the gold operations spending remains at high levels, though in most cases this is internally funded Drie Cons is budgeting to spend R224m (R211m) this year, while Kloof has earmarked R344m (R330m), with R241m going into the new Leeudoorn section, which is to start production late in 1990

Venterspost has spent about R22m on development of its new section The mine was to have held a rights issue in March to fund the expansion but the issue was deferred because of the state of the stock market. An offer is now being considered for later this year

Though GFSA's major gold mines are low-cost producers, its total gold production last year was lower by 9 054 kg at 117 352 kg, owing to a decline in yield from an average 8,4 g/t to 7,7g/t Working costs were up by 15% and working profits dropped

214 Revised 29/9/89.

by R300m to R1,89bn

If Plumbridge is right in arguing that the recent shuffle of shareholdings in GFSa has provided freedom to obtain needed equity funding, which would not otherwise have been available, then the long-term impact should be favourable. The combined presence of Rembrandt and Liberty on the board of GFSa Holdings could provide an effective spur to management. It remains to be seen whether the short-term effect will be as positive. The stake of 7,8% in Consolidated Gold Fields was a useful offshore investment.

On near-term considerations the share is not cheap at the current price of 8 900c, which stands 10,1% below the present net worth of 9 898c, and offers a dividend yield of 2,3%. It remains a worthwhile hold for those seeking a quality investment in metals and minerals.

Andrew McNulty

MINING — GOLD

1989

OCT. — DEC.

Month	Year	Production (kg)	Value (USD)
Oct	1989		
Nov	1989		
Dec	1989		
Jan	1990		
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RICHARD ROLFE

in LONDON

CASH-RICH Minorco has reported on a traumatic year which, as it says with understatement, was "dominated by the bids for Gold Fields"

Having sold its Gold Fields stake Minorco has accumulated a cash hoard of \$2.5-billion. Most of it is invested in dollars and the interest is stacking up by about \$750 000 a working day

About two-thirds of Minorco's net asset value is represented by cash, leading to mischievous suggestions that because the company has more money than it knows what to do with, it ought to make a special dividend payment

Several cash-rich base-metal companies, headed by nickel group Inco, have done so. But Minorco, of course, has other plans, being committed to develop its natural resources interests by acquir-

sion as rapidly as possible. Six months on from the end of the Gold Fields bid, there is no sign of what Minorco will do. One London financial editor has likened the company to the Flying Dutchman, blasted out of Table Bay and condemned to roam the seas without ever finding a harbour

On this view, Minorco will have a problem investing in the US or Australia for politi-

cal reasons. It has ruled out SA. That does not leave many desirable spots in the mining world

Industrial investment, however, is always a possibility, especially in Europe

Inside Minorco, the thinking is that there is no legal or other reason why US investment should be ruled out. An executive says in referring to the Gold Fields debacle: "The fact that a particular judge

took a particular view doesn't mean we can't pursue other deals there"

Minorco also believes that the campaign stirred up by Gold Fields chairman Rudolph Agnew was instrumental in causing its problems in the US. If it were to achieve a friendly, agreed bid for a different US concern, it is unlikely that Minorco's SA par-

entage would be an issue

some Australian coal mines. I believe Minorco looked at the BP assets and concluded the price asked was too high. Also, it would have involved acquiring SA interests, which Minorco has said it will not do

Even though the BP colonies could probably have been sold on, for Minorco's first major deal to have included SA assets would have sent the wrong signal to the community it is

prices respond quickly to shortages or disruptions of supply, of which there have been several recently

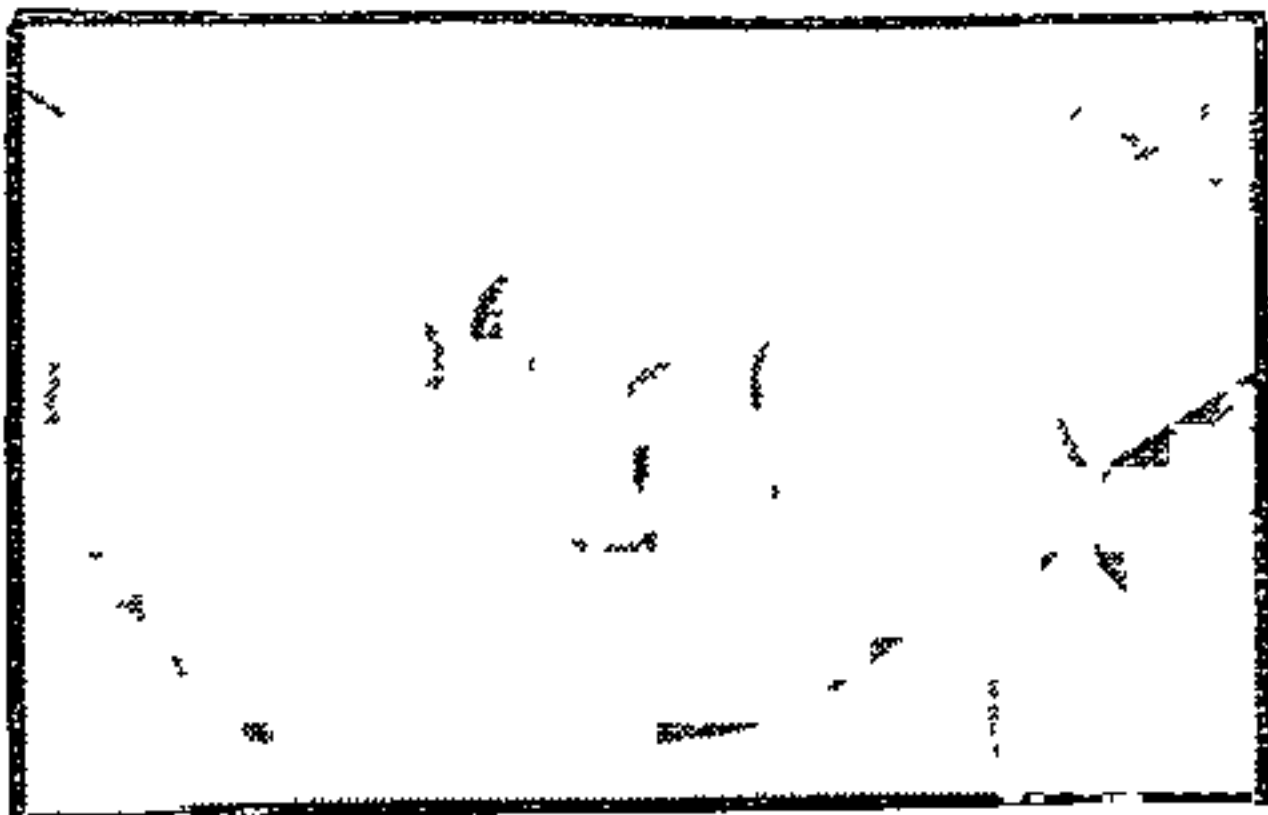
Finally, there has been underinvestment in mines for many years. Although current prices of those such as copper and lead are giving excellent returns to existing miners, they are not sufficient to stimulate investment in greenfields projects

So from Sydney to Toronto, groups have conclud-

a price capitalising the company at about £11-million in anticipation of an auction for control. But Mr Hirsch's bid comes in at less than that - a little more than £8-million

FORTUNES

With associates Allan Chan, Leon Brenner and property developer Stephan Wingate, Mr Hirsch is offering \$500 million for MTS and has obtained irrevocable acceptance from some of the



11/10/89

214

COAL

The first deal will probably be the hardest. Once Minarco has developed some deal-making momentum, and reduced its Anglo-De Beers shareholding, it may well be able to expand rapidly.

It has made one small US acquisition, buying Bond International Gold's stake in Yuba Placer, a 24 000-oz-a-year Californian operation. But it goes without saying that this is not the mega-deal the market is looking for.

One acquisition it will not make is the coal assets of BP, which include SA collieries and mineral rights. BP hopes to raise up to \$700-million from this sale, which includes

trying to impress. Meanwhile, the cash has built up by about \$30 000 more since I sat down in front of my word processor.

LONDON and New York analysts who monitor mining developments think the sector worldwide is entering a time of increased consolidation — meaning that mining groups will be actively merging with and bidding for each other.

The reasoning is that the process has started, with the rival bids in Canada for Falconbridge, the second-biggest nickel producer, and the RTZ acquisition of BP's mining assets other than coal.

Several factors are behind the trend. First, many mining groups are flush with cash after some vintage years for metal prices other than the precious variety.

Second, the betting is that there will be no deep recession of the kind that occurred in 1974. Instead, a gradual slowdown is in prospect, with good implications for base metals.

The high dollar and the prevalence of real interest rates in most industrialised economies, together with advances in information technology, have forced industrial consumers of metal to keep their inventories tight. That means base-metal

ed that their best pouty is to buy other assets with their cash rather than to blow it on new mines.

It is certainly the rational thing to do. Even if mines of attractive grade can be found, rising capital costs, the increasing need to meet environmental objections and generally unattractive returns are a major disincentive.

In the longer term, mines will be developed only at much higher metal prices. But such prices will themselves provoke the recession that everyone is anxious to avoid.

That will be a problem for most industries.

The miners are pursuing a policy of self-interest, whether enlightened or not.

A FEW weeks ago, I reported on the intentions of Cape Town meat-trade supplier Freddy Hirsch, who is involved in a two-way bid for the listed Meat Trade Suppliers group in the UK.

The MTS board is divided about whether to accept Mr Hirsch's bid or a rival one. The shares have been suspended for several months at

board for 24.9% of the shares. Mr Hirsch is chairman of Freddy Hirsch-Bizerba Scales, which he founded in 1956 and which is now a successful group.

It has done business with MTS for 25 years. If the bid is successful, Mr Hirsch will work to restore the fortunes of MTS, which recently announced a small loss, but whose interests — manufacture of sausage casings and butchers' equipment — are close to Bizerba's.

From his side of the partnership, Mr Wingate is interested in developing MTS properties in Smitfield, London's meat market.

Minorco will take its time on cash chest decision

Bloom 4/10/89
BARRY SERGEANT (214)

MINORCO vice-president Keith Irons has pleaded for patience while Minorco decides what to do with its \$2.5bn chest of cash that is earning \$500 000 a day

Irons, responding last night to queries about the huge volumes of Minorco shares traded on the JSE on Monday and Tuesday, said Minorco "would take its time"

Speaking from London, Irons said "We're not going to rush into anything" Irons said Minorco was still settling down after the marathon, failed bid for Consolidated Gold Fields "The cash from our sale of ConsGold shares only arrived in our account about a month ago

"In a way, the bid was a success because we sold at 40% more than we paid. The \$645m gain means we 'earned' about \$3m a day during the attempt to acquire ConsGold"

Irons said that it would not be too long before Minorco moved boldly from being mainly an investment trust to being an operating diversified resources company. Meanwhile, markets across the world perceive a degree of uncertainty until Minorco makes some progress about proving its capabilities

In Johannesburg, 365 000 Minorco shares traded on Monday, and 125 500 on Tuesday. The share shed on both days, losing 50c on Tuesday to close at 6225c. The counter is trading at a 30.8% on its net asset value of

□ To Page 2

Minorco

Bloom 4/10/89
about 9 000c International blue-chip investment trusts usually trade at discounts to NAV

Irons suggested that the selling might be a result of pressure on the share in New York. The main other reason, suggested by dealers in London and Johannesburg, was profit-taking

But, overall, Irons agreed that it was difficult to explain why the share was coming off

Several brokers in Johannesburg, most recently Meades De Klerk Inc, have strongly recommended Minorco. Prosper Portfolio Managers says it is still a buyer of Minorco, as its underlying fundamentals still offer "tremendous value"

Sanlam Unit Trusts, which released excellent results today, said it had increased holdings in Minorco during the year, and regarded it as an "important acquisition". In London, Michael Spriggs of SG Warburg Securities analysed Minorco on Sep-

(214) (B) □ From Page 1

tember 21 and recommended a "hold".

Spriggs said it was yet to be seen whether Minorco could successfully achieve the transformation from a passive investment company to a diversified resources group

ROBERT GENTLE reports from London that Minorco analysts at James Capel and Smith New Court said they had heard nothing concrete that might explain the recent moves in the Minorco share price. Both firms said there was "probably profit-taking"

The firms had heard rumours about a possible Minorco move, but none differed from those on the grapevine for the past month or two. They said the next Minorco move, when it comes, would probably be a small, friendly merger which could be more easily handled

"They will definitely not do another ConsGold," said the analysts

US now self-sufficient in gold

By Ramsay Milne,
The Star Bureau

NEW YORK — Though historically the world's most anti-gold country, the United States, having leaped into second position behind South Africa as the world's largest producer of the precious metal, is set for a massive production of gold in the next few years.

According to a five-year forecast released by The Gold Institute, a Washington-based organization, the US is expected to produce 10.1 million ounces of gold in 1992, up from the 6.6 million mined last year.

The 1992 figure represents a 900 percent increase from 1980, when the US, which was still officially discouraging domestic gold

production, produced less than one million ounces of gold.

But steadily increasing production has moved the United States to the forefront of world gold production, exceeded only by South Africa.

"In 1988, for probably the first time since the gold rush of 1849, the United States is self-sufficient in gold, since mine production now exceeds manufacturing demand," said Mr John Lutley, managing director of the Gold Institute.

"The dramatic increase is a result of a \$6 billion investment in gold exploration and mine development since 1982. The expansion has significantly improved our balance of trade," he said.

As late as 1982, the US imported

82 percent of the gold needed by US manufacturers.

Total Free World gold production last year was 47.2 million ounces and is projected to increase to 57.8 million ounces in 1992.

Soviet and Chinese gold production is also expected to increase, according to the survey, but at lower growth rates than the US.

Their production is needed to meet the world's rising need for gold, both as bullion and for manufacturing purposes, particularly in the Far East.

World demand in 1988 exceeded mine production by 25 million ounces. The balance was filled by gold scrap recycling and Soviet and other sales.

Gold was there ²¹⁴ but few willing to mine it

chamber's communications manager the letter is the subject of an article by him for the organization's special *Mining Survey* magazine on the recruitment of labour

The present chamber descends from the Witwatersrand Chamber of Mines, which held its inaugural meeting in Johannesburg — then a rough and-ready mining camp on October 5 1889. Today will be celebrated as its 100th birthday.

An unexpected knock on the door came when Mr Gordon going through 17 grey files relating to the Witwatersrand Native Labour Association (WNLA) came across Sir Roger's letter.

The letter sent to Sir Roger on July 31 1902 by the chamber pointed out that the WNLA was a non-profit-making company — whose members included almost all mining companies in the Transvaal — with the object of procuring labour which labour would be engaged.

It then listed the following conditions under which labour would be engaged:

- Contracts of service for not less than two years dating from the arrival on the mines
- Housing accommodation and food supplied free
- The cost of transport from homes and feeding en route would be paid
- Facilities for the return home of the natives on the termination of their contracts would be given as far as practicable.

The mines were short of 30 000 workers and there were numerous freelancers chancers and genuinely concerned people who thought they had the solution to the industry's problem.

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Egypt's director of tourism offered strong men on the Nile. So were Moors from Morocco.

Indians were suggested a letter to the WNLA arrived from an agent offering 10 000 to 20 000 Finns. The British consul in Naples wrote to say he had applications from Italians a labour agent from London suggested that Russians working in the Ural gold mines would come. American negroes were contemplated as were Somalis and Abyssinians but in the end none of these came.

So 50 000 Chinese came in 1906 but were repatriated in 1910. That of course is another story.

Denis Gordon, a journalist who is now the Chamber of Mines' communications officer, has been researching historical documents going back to the last century about the struggles to recruit labour for mining the gold on the Reef in the wake of the Anglo-Boer War. **JOE OPENSHAW** reports

A letter on a yellowing parchment written in October 1902 by Irish national hero Sir Roger Casement recalls the major crisis which the gold mining industry in South Africa faced after the Anglo-Boer War — an acute shortage of labour.

Up to that time it had been difficult to attract unskilled labour to the Transvaal goldfields but after the war the mines were even less attractive to blacks who were wary of being caught up in more hostilities.

The future of the mines depended on having ever larger numbers of men to work the reefs. Sir Roger was serving as British consul to the Congo. In response to an inquiry by the (now) Chamber of Mines about possibilities of hiring labour from there he indicated that there were no prospects.

He wrote: "I have to state there is no prospect of the Congo state or I might add of any part of west Africa affording a field for the recruitment of natives for that object (working on the mines)."

Humanitarian

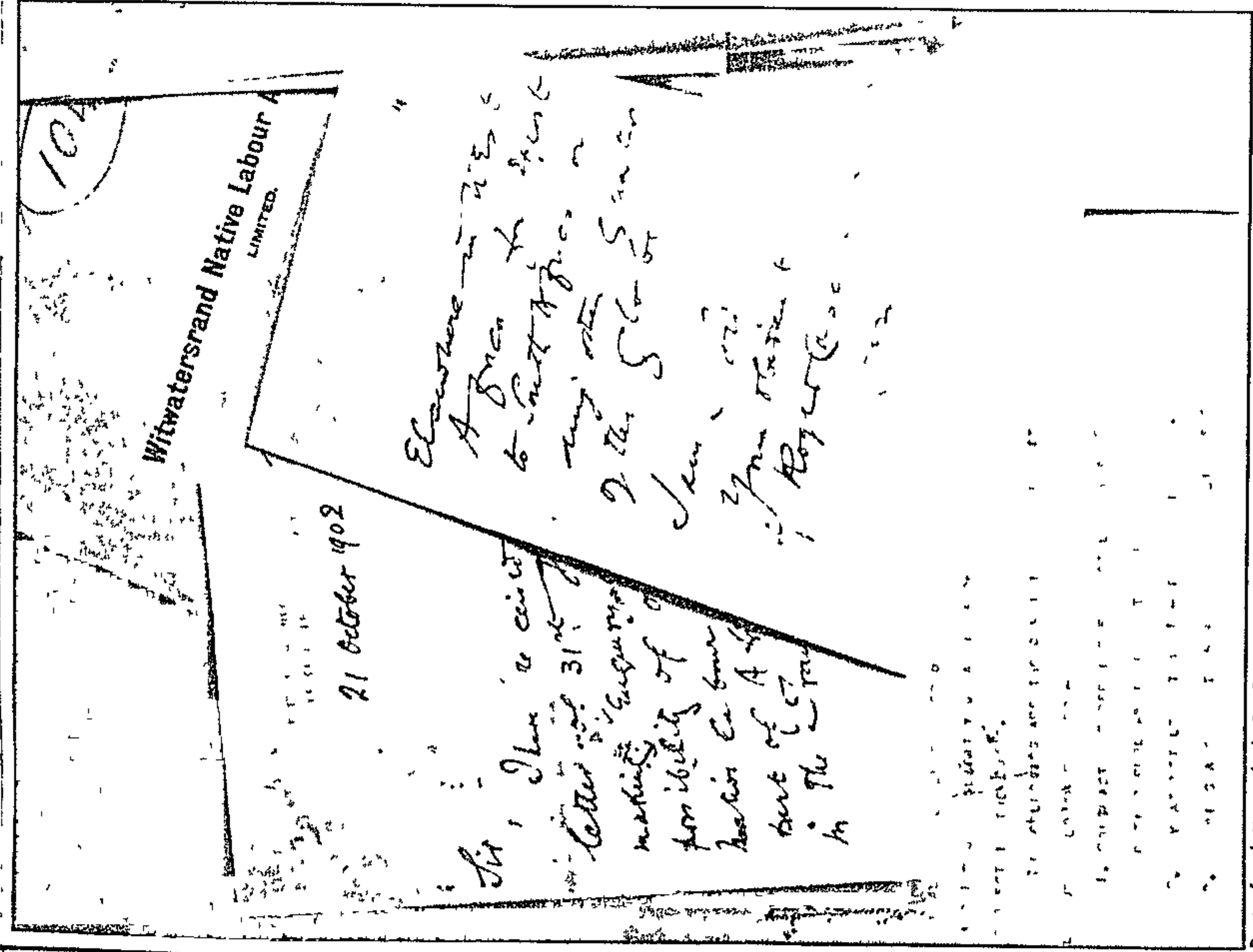
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His death sentence followed his attempt to recruit an army of Irish prisoners of war during World War I in Germany to gain independence for Ireland.

Unearthed as it was during the Chamber of Mines centenary year by Mr Denis Gordon the



Part of a letter which Sir Roger Casement sent the Chamber of Mines in Johannesburg about recruiting Congolese people as much-needed labour on the mines

Lindum could restore faith of investors in gold

The "Gold - Rand and Others" sector of the Johannesburg Stock Exchange is a most depressing area when one starts counting the number of dividend-paying companies there. Of its 29 listed companies a quick count shows that only seven have paid anything to their shareholders in the past 12 months.

However, one company which could join the list of dividend payers in the next 12 months or so and help restore the faith of investors in gold is Lindum Reefs, which is mining part of the old Randfontein mine.

Lindum Reefs is an interesting development. It owes its existence to the fact that although Randfontein stopped mining its old lease area around 1982, it was aware there was gold still in the mine to be recovered.

Randfontein looked at various ways to do this but nothing satisfactory emerged. The gold reserves were extremely scattered and extended considerably down-dip. Much restoration and re-equipping of old access drives would be needed.

Randfontein, accustomed to mining large tonnages, could see no way in which it could mine these reserves profitably. This led to the decision to form a separate, independently managed company with no expensive overheads — Lindum Reefs which was listed on the JSE just over a year ago.

In return for the right to mine Randfontein's old lease area, Lindum Reefs issued 6,1 million shares to Randfontein's shareholders and offered them a further 12,2 million at R2,49 a share, which brought in just over R30 million.

Lindum Reefs was in the fairly enviable position of having reasonably proved reserves of some 12 million tons of ore, most in shallow areas, averaging 4,70 grams a ton with an estimated recovery grade of 2,90 grams a ton. It also had two shafts in fairly good condition and has subsequently acquired a third.

The only major item of equipment

Diagonal Street
214
DEREK TOMMEY



needed was a mill. One has been quickly erected with a capacity of 30 000 to 35 000 tons a month. It began milling on August 18 and poured its first gold on September 14.

Lindum Reefs' shareholders are now waiting for the December quarterly report to see whether their mine will live up to their expectations.

Mine chairman, Mr PWJ van Rensburg was quietly optimistic about the mine's prospects at the company's annual meeting at Randfontein yesterday.

He was confident that the mine would be able to achieve its forecast milling rate of 30 000 tons a month and forecast initial grade of 2,94 grams a ton. The main discrepancy from the pre-listing statement is that working costs are about R80 a ton instead of the R70 to R75 a ton estimated in January, 1988.

Against this, costs have risen 25 percent. Inflation has also helped increase the capital cost of the mine from R20 million to R24,4 million, but more has been achieved in opening the mine than had been forecast, said Mr van Rensburg.

At the current gold price and mining costs, Lindum Reefs could earn about 28c a share next year before tax and capital expenditure. This figure could increase further if the milling rate is raised to 35 000 tons a month and if there is an increase in grade.

Lindum Reefs seems fairly well placed to be able to reward its shareholders, but only if gold recovery forecasts are met and working expenditure kept in check, emphasises Mr van Rensburg.

American mining man pays tribute to chamber

B/Da 5/10/89
THE supply of gold available is not keeping up with the world's population growth, an American mining executive, Harry Conger, said in Johannesburg yesterday

Conger, chairman and CE of the Homestake Mining Company of San Francisco, speaking at a banquet to celebrate the Chamber of Mines's centenary, said he found this a challenge

"There are a lot more people out there in the world who would enjoy gold and can afford it, but they need some tactful stimulation"

Conger credited the chamber with having established the basis for the current strong promotion of gold by the World Gold Council, which now had the backing of a large majority of gold producers in the US, Australia and Canada "We should not lose sight of how small the gold market is in dollar terms," he said

Research (214)

"The total gross revenue of all newly mined gold last year was less than \$25bn — the same amount that an American firm raised in 48 hours to buy a cigarette company"

US mining companies had greatly benefited from SA's research into the problems experienced in deep-level mines, and from other research by the Chamber of Mines Research Organisation, Conger said

"The studies the chamber has supported on rock mechanics and on how to design mines using this data have been of great assistance to our staff at the Homestake Mine

"The research on ventilation in hot, deep mines also has been of great help

"There are many, many other examples of the benefits of your research to the members of the chamber as well as to the rest of us in the mining industry"

Conger said the fact that the chamber had survived and prospered during the political, social and economic turmoil of the past 100 years, was a testimony to its quality and strength

"It is an organisation which we in the industry outside South Africa hold in high esteem". — Sapa

Strikers lobby consul

(circled) Own Correspondent *(circled)*

CAPE TOWN — A delegation of striking National Panasonic workers and representatives of anti-apartheid organisations yesterday met Japanese consular officials in a bid to muster support for the strike

Members of the delegation said that because of the Japanese government's policy of discouraging Japanese companies from trading or investing in SA, they had turned to the consulate for help The workers are all members of the Electrical and Allied Workers Trade Union of SA (Eawtusa) *B/Da 5/10/89*

Vice-consul K Nakajawa undertook to report the meeting to the Japanese embassy in Pretoria, but said diplomatic staff were unable to intervene

About 190 workers at National Panasonic's Parow plant have been on a legal strike in support of wage and other demands since August 24

The union expected a reply by next Thursday, the Eawtusa spokesman said

National Panasonic manufacturing manager M S Tiffin could not be reached for comment

Gold was there ^{Spes Biko's} but few willing to mine it

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JOE OPENSHAW reports

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Up to that time it had been difficult to attract unskilled labour to the Transvaal goldfields, but after the war the mines were even less attractive to blacks, who were wary of being caught up in more hostilities

The future of the mines depended on having ever larger numbers of men to work the reefs

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Unearthed, as it was, during the Chamber of Mines' centenary year by Mr Denis Gordon, the

chamber's communications manager, the letter is the subject of an article by him for the organisation's special *Mining* Surrey magazine on the recruitment of labour

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Witwatersrand Native Labour
LIMITED

21 October 1902

Handwritten notes:
A letter to Sir Roger
to the Chamber of Mines
re: the future of the mines
in the Transvaal
after the war
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part of a letter which Sir Roger Casement sent the Chamber of Mines in Johannesburg about recruiting Congolese people as much-needed labour on the mines.

New Anglovaal gold mine on cards

A NEW gold mine could well be on the horizon in the Bothaville area, where the Anglovaal group has been drilling extensively *6/10/89*

Middle Witwatersrand (Mid Wits) will increase its expenditure to R44m in the current year, with the bulk to be spent on the exploration programme in the northern Free State, says chairman Clive Menell in his annual review

The company's portion of expenditure on this and other prospecting programmes, combined with the cost of minerals rights purchases, rose to R27m in the year ended June 1989 from R12,5m in the previous financial year

Following the results of a detailed feasibility study into the possibility of a mine in the southern portion of the Sun prospecting area, and the drilling programme has been

LIZ ROUSE

directed to find further information on ore bodies and grades

Menell says immediately to the north of that area, the results of an escalated drilling programme have been encouraging enough to warrant the purchase of certain mineral rights

Referring to the Venetia diamond prospect, Menell reports that De Beers is discussing the financing of the infrastructure with government

Recent diamond price increases and new recovery techniques have improved the prospects for an early start to the development of a mine treating 3,3-million tons of ore yielding more than 4-million carats of medium-quality diamonds annually. This would give Venetia a 20-year life span

(214)

Static gold price, tax knock GFS A mines

ANDREW BUDDEN

SEPTEMBER quarter results posted by Gold Fields's gold operations glaringly reflect the combined effects of a static rand gold price and a heftier tax burden.

These factors dragged overall taxed income of the group's mines down 11% to R265,5m from the previous quarter's R298,7m. The stagnant gold market — average gold prices received increased a negligible 0,9% from R32 020/kg to R32 319/kg over the quarter — put mines in a no-win situation.

Group officials yesterday said inevitable cost increases continued to force up pay limits on each mine and relegated more and more ore to unpay status. What was frustrating in itself was that the mines had generally performed well, containing cost increases to an overall 6,6% over the quarter.

Mines had also paid more tax than they could afford. Tax and the state's share of profits for the group as a whole increased almost 16% from R121,4m to R140,6m.

Inland Revenue's insistence on ring-fencing mining operations from other sources of income sometimes meant tax payments could push a mine into losses.

Fire

Libanon, Doornfontein and Venterspost — all running losses after capex — were surviving on reserves kept back from previous years. At the same time, however, they had to pay 50% tax on interest earned from those funds held back.

After an underground fire at Venterspost in the June quarter played havoc with production the mine received a R3,4m insurance payout for loss of profits. A small working profit of R794 000 that resulted was converted into a taxed loss of R1,2m because the mine had to pay almost R2m tax on the insurance payout.

Production at EAST DRIE continued to decline as available Ventersdorp Contact Reef (VCR) was depleted. Gold output fell 7% to 5 760 t.

At WEST DRIE No 7 shaft was developing well and would be fully operational by January, they said.

VLAKFRONTTEIN's Droogebuit section had almost reached its planned throughput level of 20 000 t a month, but low-grade surface operations would probably be halted because of consistent losses.

LIBANON experienced a 12,5% increase in yields to 4,5g/t (4,0g/t), but

GOLD FIELDS OF SA September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Drie Cons									
June	—	—	—	—	—	—	119 522	65 968	32
West Drie									
June	705	10,2	7 191,0	159,31	15 618	32 281	—	—	—
East Drie									
June	720	8,0	5 760,0	134,21	16 776	32 357	—	—	—
Kloof									
June	540	12,8	6 912,0	188,70	14 742	32 356	107 723	27 261	22
Libanon									
June	540	11,9	6 426,1	191,52	16 094	32 102	107 718	28 729	24
Venterspost									
June	435	4,5	1 958,1	134,07	29 786	32 318	6 201	(3 605)	(9)
Doornfontein									
June	435	4,0	1 740,0	127,12	31 780	31 899	1 450	(6 083)	(15)
Deelkraal									
June	405	3,7	1 526,4	119,00	32 120	31 952	151	(11 090)	(55)
Vlaakfontein									
June	405	5,9	2 389,5	121,47	20 588	32 271	30 660	13 428	13
Libanon									
June	405	6,0	2 429,7	105,17	17 530	31 793	36 358	15 142	15
Venterspost									
June	390	5,0	1 967,3	160,33	31 785	32 315	2 305	(7 440)	(19)
Doornfontein									
June	390	5,0	1 949,6	150,60	30 126	32 020	4 607	(8 213)	(21)
Vlaakfontein									
June	210	1,4	295,4	45,28	32 190	32 378	300	95	1
Libanon									
June	210	1,2	257,9	40,50	32 993	31 723	245	68	1

such levels were unlikely to be maintained. DEELKRAAL, baffled top management by posting the highest increase (at 17%) in working costs per kilogram of

gold produced. The only explanation offered was that costs had been so tightly controlled over the past few quarters that essential maintenance work had built up.

VENTERSDORP would have to have a rights issue of unspecified proportions before Christmas to finance development of the new section to the south.

New mines on the cards

From DEREK TOMMEY

JOHANNESBURG — South Africa could soon have one and possibly two new gold mines in the Free State and, what is even more likely, a huge new diamond mine in the Northern Transvaal

These developments are strongly indicated by Clive Menell, chairman of the Anglovaal's exploration and prospecting company, Middle Witwatersrand, in his annual statement to shareholders

He says the results from Mid Wits' Northern Free State gold exploration programme has led the company to an accelerate its search for gold in the area

This year Mid Wits intends spending R44 million on prospecting, mainly in the Northern Free State area. This is a major increase on the R27 million spent in the year to June and the R12.5 million in the previous year

Discussing what seems to be mine number one, Mr Menell says that after a detailed feasibility study into the possibility of a mine in the southern portion of the Sun prospecting area, it was decided that further details of the ore bodies and grades were needed

Results will probably be available in the new year, he says

As for mine number two, he says the results of an escalated drilling programme immediately to the north of the area which is the subject of the feasibility study, are encouraging enough to warrant the purchase of certain mineral rights

Mr Menell's statement that Mid Wits has been buying mineral rights instead of, as is more customary, taking options, suggests it regards the northern area as extremely promising

He says that recent price increases and new recovery techniques have improved prospects of an early start to the development of a diamond mine on the farm Veneta in the Northern Transvaal

This reverses his discouraging report last year that an economic appraisal of the Veneta diamond pipes had shown the return would be inadequate under the then existing parameters, including the tax capital allowance base

Mr Menell says the mine will treat 3.3 million tons of ore a year and yield more than 4 million carats of medium-quality diamonds annually, giving it a 20-year life

He says De Beers is discussing financing the mine's infrastructure with the government

The agreement between De Beers and Mid Wits subsidiary, Saturn (which holds the rights to the precious stones on the Veneta farm), provides for De Beers to raise the capital for the project when this has been recouped, taxed receipts from any mine on the farm will be divided equally between Saturn and De Beers

Mid Wits earned R31 million (R31.7 million) for the year to June, but Mr Menell says the 1987-88 figure included a one-off surplus of R9 million from an adjustment in its long-term investment portfolio

This had a book value of R148.6 million (R63.3 million) at the end of June. The market value of the quoted investments was R617 million (R465 million)

During the year Mid Wits and Anglovaal bought the Lavino SA chrome mine, which has at least a 30-year lifespan. The two companies also bought a 29.9 percent stake in North Sea & General

Mr Menell says it is unlikely that Mid Wits earnings and dividends in the current year will change materially

Venterspost aims to raise R145 million through rights issue

Weekend Argus Correspondent
JOHANNESBURG — Venterspost, the Gold Fields mine on the Far West Rand, is coming to the market next month for funds for the development of its extension area

This was announced by Mr Alan Wright, Gold Fields' executive director, precious metals, in Johannesburg

Full details of the rights issue would be published in a prospectus, he said. The extension area is underlain by the Middelveler Reef at depths ranging from 300 metres to 2000 metres. It is estimated there are 23 million tons of workable ore in the area giving an average yield of 4,3 grams a ton.

The yield is higher than the mine's current 3,7 grams a ton and working costs are expected to be lower owing to the shallow nature of the reefs.

Consequently, the mining of the extension area is expected to improve Venterspost's profitability.

New shaft

Mining in the extension area is to be conducted from a new shaft, No 4, which is to be linked to the Venterspost No 1 Shaft by a connection on 10 Level.

The pre-sink at No 4 Shaft to 87 metres has been completed and the first blasting took place yesterday. The 10 Level haulage was driven 479 metres in the September quarter to a total of 1411 metres.

In July, last year it was estimated that Venterspost would need to raise about R145 million to finance the development of the extension area to June, 1992.

An underground fire affected production at Venterspost in the September quarter and the mine's working loss from gold rose to R3,3 million from R178 000 in the previous quarter. After taking insurance payments into account, the mine had a taxed loss of R1,2 million against a profit of R151 000 in the June quarter.

No 1 Shaft at Northam Platinum, Gold Fields' developing platinum mine, intersected the Merensky Reef in the contact zone in the September quarter at a depth of 1708 metres and found values of 7,34 grams a ton over 90cm equal to 661cmg/t.

Mr Wright said the mine had not planned to work the contact zone which is extremely limited and was

expected to have little value. But it would mine some of it.

The No 2 shaft intersected the UG2 reef at a depth of 1472 metres and found values of 5,81 grams a ton over 142cm equal to 825cmg/t. There were no plans at this stage to mine the UG2 Reef.

Cold commissioning of the metallurgical complex is scheduled for June, next year.

Mr Wright said that it was estimated that Northam would cost R600 million in 1986 money values. But in today's values he expected it to reach R1 billion.

Feature of the Gold Fields' gold mining quarterlies in September was Libanon which increased its milling grade from 4,0 grams to 4,5 pgrams and produced a working profit from gold of R5,1 million against only R308 000 in the June quarter. Taxed profit was R6,2 million against R1,45 million.

A drop in grade at East Driefontein and rising costs at both East Driefontein and West Driefontein resulted in Driefontein's working profit from gold dropping to R210,6 million in the September quarter from R234,2 million in the June quarter. Taxed profit declined to R119,5 million from R148,2 million.

It was not only Dries which experienced higher working costs. Working costs for the group were R541,8 million, an increase of 6 percent from the previous quarter — equal to an annual rate of increase of more than 25 percent.

Tax payments

Kloof's taxed profit in the September quarter was unchanged at R107,7 million. This reflected an increase in the milling grade from 11,9 grams to 12,8 grams a ton. The extra revenue from the higher grade helped offset a jump in tax payments from R2,3 million to R21,5 million.

Kloof is preparing to mine the huge Leeudoorn section and equipping operations were completed at No 1 Shaft-L. The sinking of No 1 Sub-Vertical Shaft-L from surface continued and was sunk 69 metres during the quarter to a depth of 280 metres from the collar.

Doornfontein reported a taxed profit of R2,3 million (R4,6 million) for the quarter and Deelkraal a taxed profit of R30,7 million (R36,4 million) for the quarter.

Reserves show continued improvement

By Sven Lunsche

South Africa's gold and foreign exchange reserves continued their slow but steady improvement in September this year, rising by 0,3 percent to R5,374 billion.

The reserves were registered at R5,372 billion in August, after a 4,6 percent rise from July to August, the Reserve Bank reported on Friday.

Although the reserves had dropped by 1,5 percent in July, this has been the only monthly decrease since October last year, when they fell to about

R4,6 billion.

In dollar terms the reserves also continued to improve, rising by \$50 million to \$2,3 billion, which bodes well for the balance of payments.

The slight improvement in the rand-exchange rate over the last few months has seen the figure climb consistently by about \$130 million since its more recent low in May.

However, against the background of the weaker rand gold price, the gold-holdings by the Reserve Bank have dropped in five successive months

In September they fell by 4,9 percent to R3,2 billion from August's R3,36 billion. At the end of the year they were recorded at just over R3,6 billion.

The Reserve Bank says that gold reserves at the end of September were valued at R889,73 per ounce, compared with the valuation price of R899,94 at the end of the previous month.

Foreign assets, which for the most part are comprised of foreign exchange holdings, rose by 8,3 percent to R2,18 billion compared with a 13,7 percent increase to R2,01 billion in August

STAR (214) 9/10/89

Mixed results from Golden Dumps

Finance Staff
South Roodepoort and
Consolidated Modderfontein, the two mines in the Golden Dumps stable, re-

Star 12/10/84
ported mixed results in the September quarter

South Roodepoort turned around its previous quarter's after-tax loss of R40 000 to a profit of R450 000, after raising ore milled to 96 577 tons from 85 209 tons. The yield improved from 3,07g per ton to 3,12g per ton, while working costs were contained to R29 861 per kg

(R31 845 previously) (214)

Cons Modder's pre-tax profit dropped from R414 000 to R393 000 although no capital spending occurred during the quarter

Associate mining operation Modder B's pre-tax profit also declined from R287 478 to R67 478 as the tonnage of ore milled fell from 14 267 to 11 307.

Triple blow sends share prices tumbling

STAR 12/19/89 214

By Derek Tommey

Share prices tumbled on the Johannesburg Stock Exchange yesterday after experiencing three hammer blows — the drop in the gold price, the stronger financial rand and the one percent increase in bank rate.

The gold index fell 70 points (4,5 percent) to 1488, its lowest level since the end of June, the industrial index fell 46 points (1,7 percent) to 2648 and the overall 66 points (2,5 percent) to 2602, also its lowest level since June.

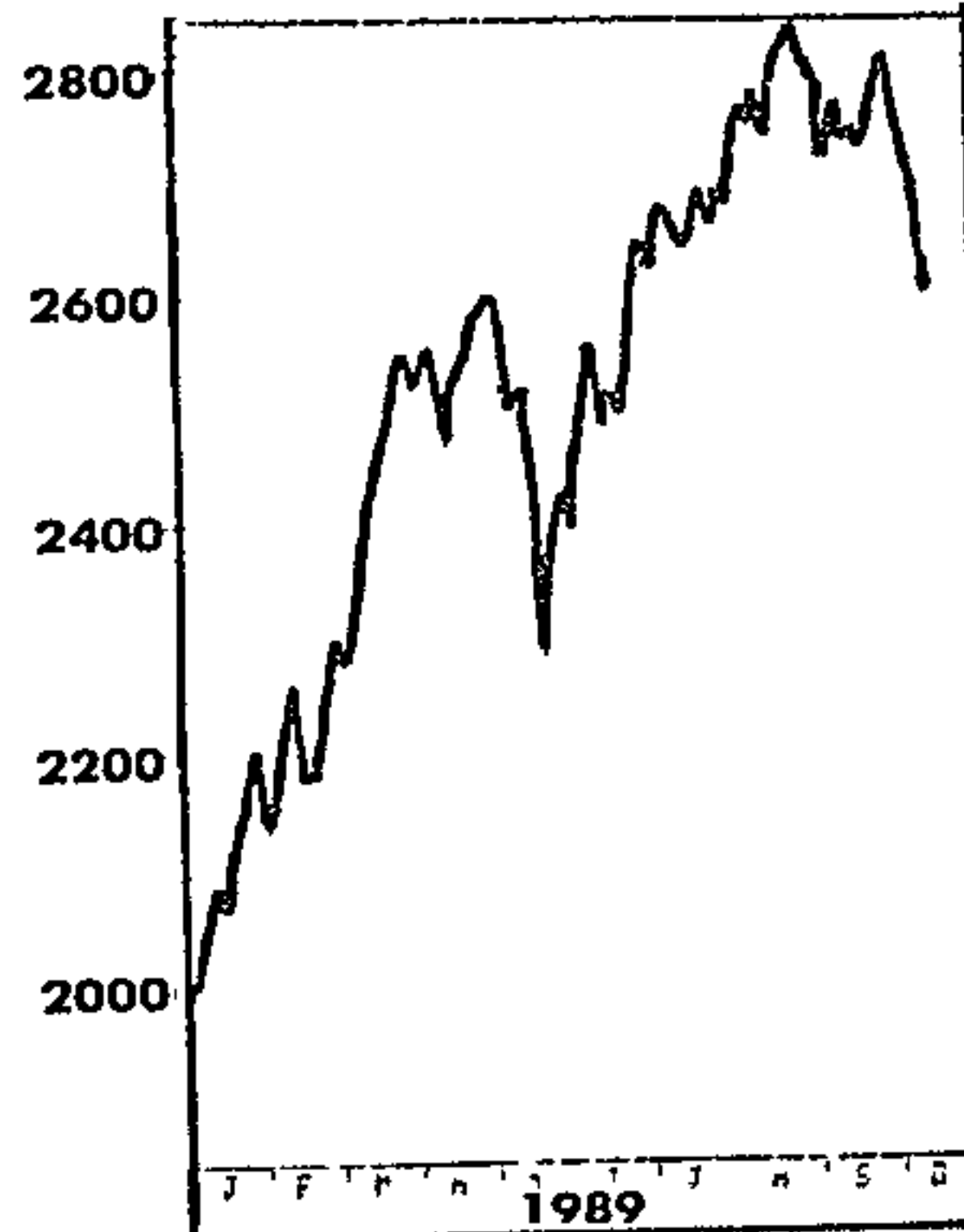
By the close of trading, some R10 billion had been knocked off share values, bringing the loss in the past two trading days to close on R17 billion

Blue chip mining finance shares and the marginal gold mines were worst hit. Southvaal tumbled 800c to R126. Heavy-weight finance houses GFSA, Anglos, Gencor, De Beers, Genbel, Amgold, Vaal Reefs, Dries and Barlows closed lower in fairly active trading

Shares of Liberty were under pressure and shares in UBS closed lower.

However, financial rand hedge share Richemont was a notable exception, remaining steady

Gold and mining financial shares have been easier for some days, mainly as a result of the firmer finrand. Since the end of August, it has firmed from R4,39 to R3,85 to the dollar. This appears to be partly the result of greater foreign confidence in SA and possibly because foreigners have been buying them in order to subscribe for Iscor shares



The Overall index turns down.

This 12 percent improvement in the financial rand has been a heavy blow for the share market, as it has resulted in the prices of most SA mining and mining financials falling by a similar percentage.

Investors are keenly aware that any further improvement in the financial rand would depress prices of mining and mining finance shares even more.

But holders of gold shares are facing more woe.

The gold price, after showing renewed signs of firmness earlier this month, relapsed at the weekend to \$360.

Although it recovered to just \$362 at the fixing, there appears to be increasing nervousness among SA investors.

This nervousness has not been assuaged in any way by Monday night's announcement of a one percent increase in Bank rate.

Although the resultant rise in interest rates will have obvious deleterious effects on the economy, it is the intention signalled by the Bank rate increase that is really unsettling the markets.

The increase is aimed mainly at protecting the exchange rate of the rand and preventing it from depreciating further against other major currencies.

The upshot of this is that the gold mines can no longer rely on a depreciating rand and a steady increase in the rand gold price to keep them out of financial trouble.

It means the mines' only hope of improved profits now is from an increase in the dollar price of gold, which could be some years away.

The Reserve Bank's decision to defend the rand with an increase in Bank rate also has important implications for other sections of the share market.

This must show up in the industrial list of the Johannesburg Stock Exchange and a number of retail shares were notably weaker yesterday

The JSE could be in for even greater changes if investors start believing that the Government is at last determined to crush inflation — for this could require a completely new investment approach

DIAGONAL STREET

by JULIE WALKER

5 Times 15/10/89

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Shares like Minorco make a market

CONFLICTING views on the outlook for Minorco shares come from either side of the equator

From Johannesburg is the thumbs down from stockbroker Kaplan & Stewart's Robert Pegler. At R63.50 he said "Looks fully priced, no better than a hold". So far, so good. The price is now R62, edging higher midweek against the trend on speculation that it would acquire BP's coal interests

From London comes the view of SG Warburg Securities' Michael Spriggs — a visitor to SA. He said "Hold", when the price was \$15.90 — around R63.50 at a finrand rate of 400c to the dollar

Mr Pegler doubts that Minorco will be able to pick up a bargain in a major mining asset. "It is likely that any acquisitions which Minorco makes — whether from Hanson or anyone else — will have to be at a premium over market value — possibly in

the region 20% to 25%"

He says that to assess the effective net asset value in terms of future earnings potential, it would be accurate to discount Minorco's cash at 20% to compensate for a premium of 25% to be paid for assets

On this basis Mr Pegler determines Minorco's effective net asset value at \$18.71 Converted at the then 404c finrand to the dollar, this made 7 560c a share. The then share price was

84% of notional NAV — too high in Mr Pegler's opinion because of the uncertainties

He goes on to say that Minorco's share price should appreciate when the finrand weakens because there is a large foreign ownership. The finrand has risen since the report, and Minorco has dropped

Mr Pegler says there is no particular incentive for an overseas investor to buy Minorco, and local investors would benefit if the finrand

were to fall "If Mr FW De Klerk can follow up his promising start, there may not be so many political scares in the future," he concludes

However, Mr Spriggs says that with interest income of more than half a million dollars a day, Minorco is hardly under pressure to make a move

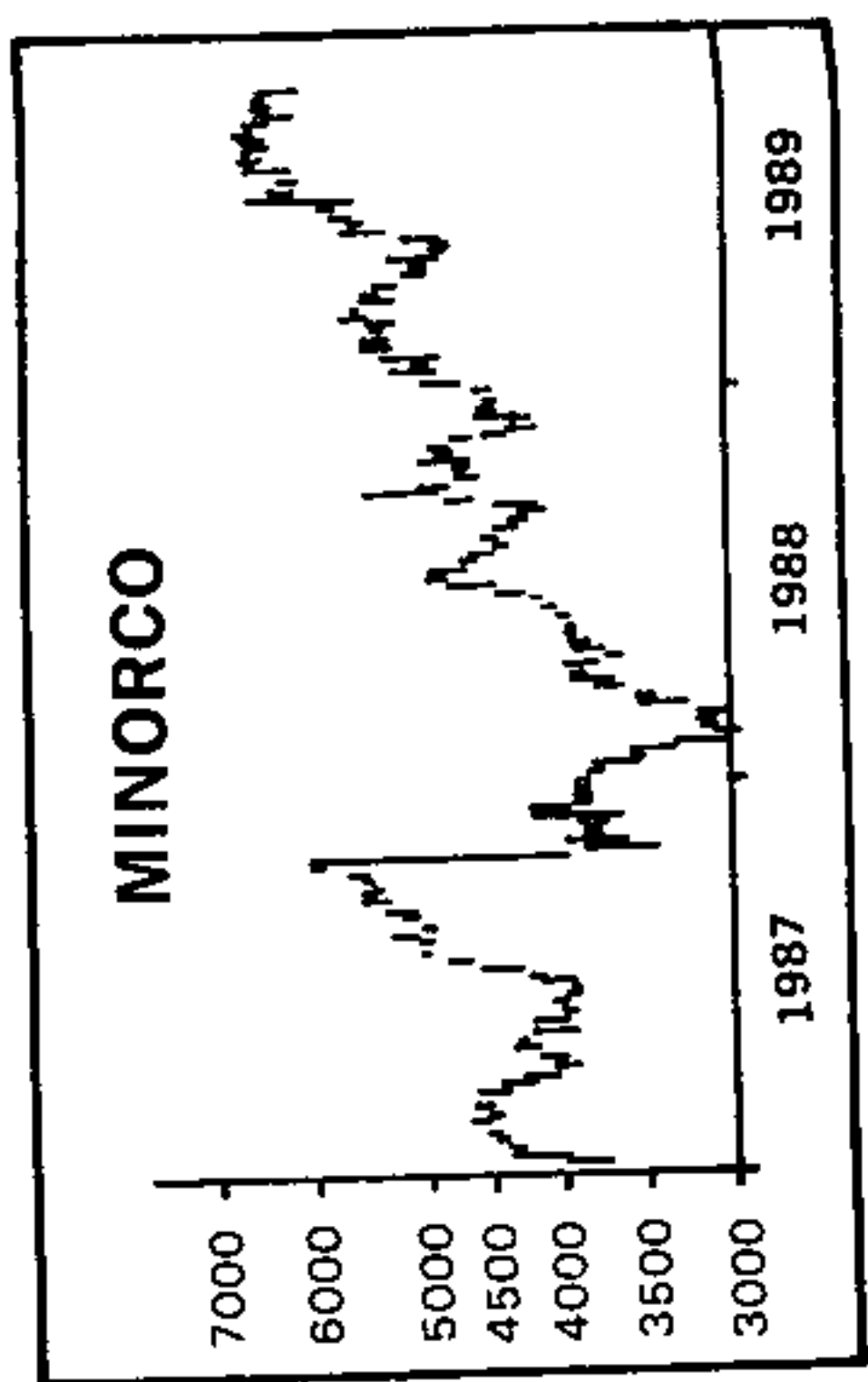
"We believe the group is unlikely to make any early decisions but that it is contemplating acquisitions of

the order of \$0.5-billion over a 2-3 year time frame"

In absolute terms Mr Spriggs calculates that Minorco is at a sizeable 27% discount to NAV of \$3.7-billion. He says 61% of the NAV is cash

He earmarks Newmont Mining — 49%-held by Hanson which successfully took over Cons Gold Fields when Minorco's bid failed "It could represent a target of up to \$1-billion for Minorco"

The other potential target



is GFMC wholly owned by Hanson which could also be a \$1-billion opportunity. Mr Spriggs discounts the notion that Minorco might buy BP Coal for a rumoured \$600-million. BP intends to sell its coal subsidiary as part of a group-wide plan to dispose of non-core businesses.





MINING

Rand Mines turns R20-m loss to R5-m profit

ARCS 17/10/89 (214)

From DEREK TOMMEY
JOHANNESBURG Rand Mines' gold mining division has achieved a major improvement in profitability

After a loss of R20,8 million in the June quarter, the group's four gold mines had a profit of nearly R5 million in the September quarter. This R25 million turnaround was achieved in the face of wage increases for unskilled workers in July and R10 million in retrenchment costs

Rationalisations

Mr Clive Knobbs, chairman of the gold division, says major rationalisations and general belt-tightening — some begun many months ago — are leading to improved costs and recovery grades

Withank Colliery, the 71 per-

cent-owned coal arm was a feature, posting its seventh successive quarterly increase in taxed profit — this time by almost 40 percent to more than R61 million

Problem mine ERPM pulled out all the stops to reduce its working loss to R1,3 million (R12,5 million in the June quarter)

The loss from underground operations dropped from R56,30 to R33,63 a ton, while profit from sand treatment rose from R20,12 to R35,14 a ton. The loss after tax and state share of profits was R4 million (R17,3 million)

Interest payments totalled R6,7 million (R7,8 million) and should drop further once deferment of interest agreements with the government and major creditors has been formalised

The other problem mine, Durban Deep, did well, cutting its loss from R13,9 million in June to R4,5 million. The improvement was the result of a sharp drop in operating costs from R133,22 a ton to R107,67 a ton

Harmony improved taxed profits from R9,1 million to R9,8 million, even though it paid retrenchment benefits of R5,3 million, and had a positive cash flow of R4 million. Tonnage milled rose 181 000 tons to 2,5 million tons and costs a ton dropped from R95,36 to R94,91

The retrenchment programme went off without a hitch, with many of the affected people being placed elsewhere — both in the Rand Mines group and the industry

Blyvooruitzicht had a good quarter, almost trebling its taxed profit from R1,2 million

to R3,6 million and, like Harmony, showing a positive cash flow of R2 million

Tonnage milled rose and costs dropped from R140,36 to R133,18 a ton

Coal mine Withank Colliery boosted its sales from 4,7 million tons in June to 5,2 million tons in September, and its taxed profit from R44,1 million to R61,2 million

The higher profits were the result of increased export sales at higher rand prices and greater domestic sales

Allen Cook, the deputy chairman of the coal division, says that overseas buyers have been displaying a greater interest in South African coal, probably due to our reliability and consistency. Most of the other major exporters have been suffering from a variety of problems

The metallurgical plant at Barbrook, the group's developing gold mine in the Eastern Transvaal, has been commissioned and the mine will produce its first gold shortly, says Mr Knobbs

Capital expenditure in the September quarter was R21,2 million (June R19,1 million). In the year to September 1990, capital expenditure commitments are just under R18 million

RM gold mines turn in R4,85m profit

cont.
17/10/89
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JOHANNESBURG — Rand Mines Ltd said its four gold mines made a net profit of R4,85m in the quarter ended September 30, recovering from a loss of R20,8m in the previous quarter despite a stagnant gold price

The mines improved costs and gold recovery grades to return to profit despite paying R10m in retrenchment costs due to rationalisation at loss-making mines and despite giving black workers a pay rise in July

"But the full benefits (of the rationalisations) will only take effect from the current quarter onwards," gold division chairman Clive Knobbs said

However, he cautioned "Continued gold price inertia — there has been no effective increase over the past year — is causing a great deal of concern"

The total volume of gold-bearing ore milled by the mines rose 6,2% to 3,85mt from 3,63m in the previous quarter while gold production increased 7,5% to 13 438kg (12 503kg)

The average price for gold sales slipped to R32 327 per kg from R32 403 per kg. Costs per tonne of ore mined declined to R126,50 from R138,80

Harmony Gold Mining Co Ltd, the group's biggest producer, posted net profit of R9,8m (R9,1m)

Blyvooruitzicht Gold Mining Co Ltd's after tax profit climbed to R3,6m from R1,2m

Durban Roodepoort Deep Ltd, which was suspended on stock markets from May to August while Rand Mines sought government aid, showed a loss of R4,5m against a R14m loss in the previous quarter

East Rand Proprietary Mines Ltd, cut its loss in the quarter to R4m from R17,3m but increased production from mining and sand treatment still could not cover costs. — Reuter

Anglovaal gold earnings dimmer

ANDREW BUDDEN

HEFTY salary and wage increases which took full effect in the September quarter bore heavily Anglovaal's gold operations over the quarter.

Total taxed earnings of the group's four mines plummeted 45% from R91.6m to R50.6m as wage increments inexorably boosted unit costs by an eighth. At the same time, dramatically lower capital expenditure on all but Lorraine led to an 8.7% increase in the total tax bill.

The group also suffered more than others from the static rand gold price over the quarter. Anglovaal has generally beaten the pack in getting a good price for its gold, actively hedging its production by selling forward at favourable prices or taking up options.

Shrinkage

For the five quarters preceding the September one, other SA mining houses generally trailed Anglovaal by about R1 000/kg in the prices they received for their gold.

This time, however, the margin appears to have shrunk to about R200/kg — although so far only Gold Fields and Rand Mines are available for comparison. The shrinkage represents a 4% reduction in Anglovaal's revenue per kilogram of gold produced — from R33 903 to R32 532.

Overall results on the mining side appear more hopeful.

Average grades were generally maintained, declining marginally over the quarter to 5.6g/ton (previous quarter 5.7g/ton). The fall-off was traceable for the most part to Harties, whose low and high-grade treatment plants both experienced a decline in yields.

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ANGLOVAAL GOLD MINES	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
September Quarter	1 213	6.3	7 615	128	20 342	32 318	42 245	36 641	32.7
Harties	1 171	6.5	7 610	116	17 881	33 623*	69 479*	40 986*	36.6*
June	388	4.9	1 888	169	34 707	33 319	(1 283)	(7 315)	(44.7)
Lorraine	395	5.0	1 975	155	31 075	35 202	7 097	4 197	25.6
June	210	0.80	168	22	26 976	32 440	789	36	0.6
Village Main	211	0.79	167	18	22 641*	32 593*	2 068*	365	6.0
June	94	9.7	910	165	17 069	32 703	8 890	4 401	102.0
E T Cons	90	9.7	872	153	15 736*	33 657*	12 910*	3 399*	78.7*

* Figures have been revised from those published in the previous quarter.

Total milled throughput however, actually improved slightly to 1.91-million tons (1.90-million tons). This offset the overall fall-off in grades and resulted in a marginal increase in gold production — the first increase for more than a year.

A dramatically reduced capex bill for the group's mines has worried some analysts. Their concern that capex might, in future, have to be increased to catch up with mine requirements has been brushed off by an Anglovaal spokesman, however.

The September quarter was the first one of the new financial year for group mines, he said. It was meaningless to compare capital expenditure over the first and last quarters of concurrent years because mines generally tried to incur as much as possible before the end of the year to get the tax break.

Individual results for the June quarter had been revised to show audited figures — and some small changes have taken

place, he said. HARTIEBESFONTEIN's attributable earnings slumped, falling 39% from R69.5m to R42.2m on significantly higher working costs at its high grade plant.

Sore point

Grades continued their anticipated descent as underground operations shifted to the western portion of the mine. Since the beginning of this year grades have fallen about 6% from 9.4g/ton in the March quarter, to 9.0g in the June one and again to 8.8g this quarter.

The low grade plant also came under pressure from ore grades, which fell from 1.49g/ton to 1.40g, but significantly higher mill throughputs without a great increase in costs per ton held margins up.

Uranium continued to be a sore point, totting up a R4m loss for the mine after the previous quarter's uranium losses of R655 000.

LORRAINE turned a R7.1m taxed profit in the June quarter into a R1.3m loss before capex. Again, unit costs which increased 12% to R34 707/kg (R31 075/kg) were the deciding factor.

As in the June quarter, the mine benefited from the highest proportion of hedging cover in the group and received the highest price for its gold (R33 319/kg).

Attributable earnings at the sand treatment operation, VILLAGE MAIN, were less than halved from R2.1m to R789 000. Grades improved marginally to 0.80g/ton (0.79g/ton) but a smaller mill throughput meant production could only increase slightly to 168kg of gold (167kg). The resumption of limited underground development work pushed unit costs up by 19%.

E T CONS posted a 31% decline in taxed profits at R8.9m (R12.9m) in spite of sharply reduced exploration expenditure, which fell from R3.3m to R602 000.

Anglovaal gold mines' profits ^{Capex 7m} slump ^{18/10/89} ₂₁₄

JOHANNESBURG

The full brunt of the higher wage and salary bills arising from the conclusion of the 1989 salary/wage reviews was felt over the entire quarter for the first time and was mainly responsible for the much higher costs incurred by the Anglovaal Group's four gold mines in the September quarter

Anglovaal Ltd said the combined net profit of its four gold mines declined by 44,8% to R50,6m (R91,6m)

Lower capex led to higher tax payments of R64,8m against R59,6m in the previous quarter

Net profit at Hartbeestfontein Gold Mining Company Ltd, the group's flagship producer, slipped to R42,2m (R69,5m), while at Eastern Transvaal Consolidated Mines Ltd profit was R8,9m (R12,9m)

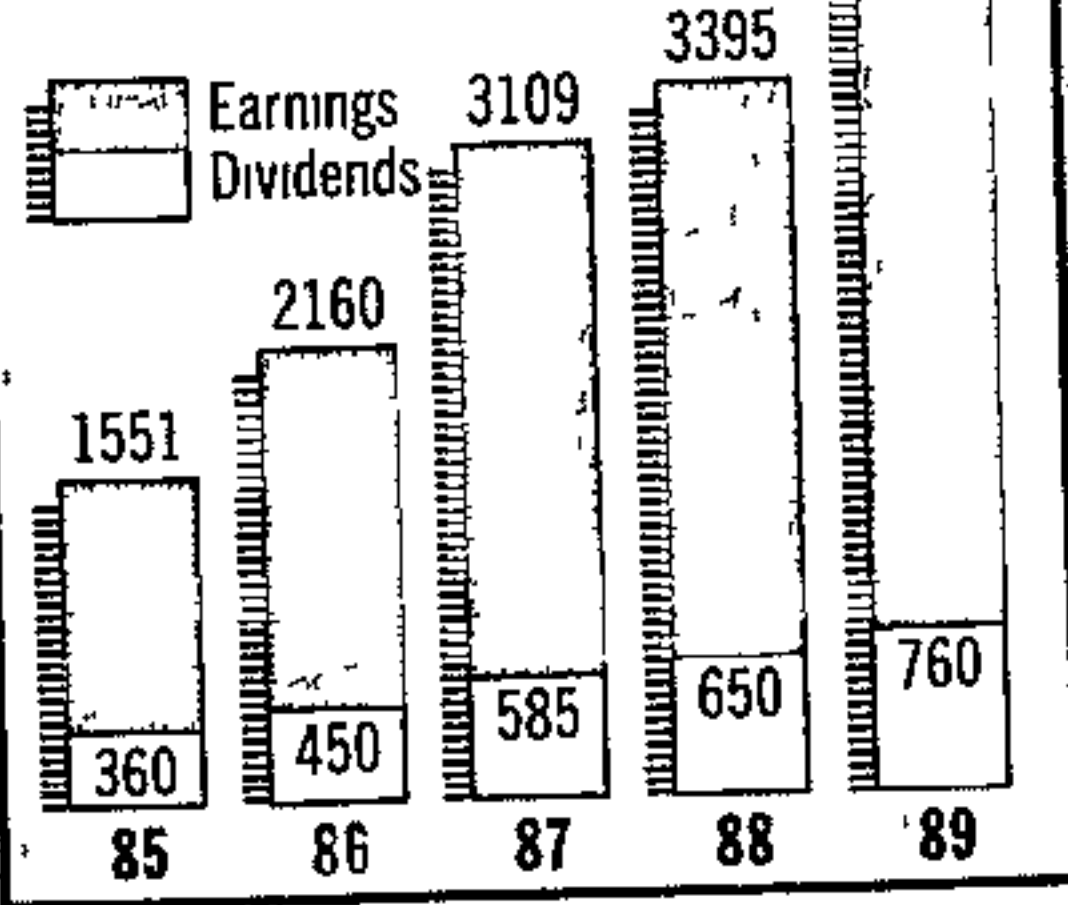
Village Main Reef Gold Mining Company Ltd net profit was cut to R789 000 from R2,1m Loraine Gold Mines Ltd made a loss of R1,3m (R7,1m)

Loraine saw an 87kg reduction in gold production to 1 888kg, which offset slight rises at the other three mines Overall gold production declined by 43kg to 10 581kg from 10 624kg.

— Reuter

Anglovaal

Earnings and dividends per share (cents)



Graphic: FIONA KRISCH Source: ANGLOVAAL

ANGLOVAAL is expected to spend about R125m on exploration in the 1990 financial year, with R60m budgeted for the acquisition of further mineral rights, according to chairman Basil Hersov.

In the year ahead, exploration and other activities in the mining field will set an optimistic tone for the group. Exploration by the group and its partners totalled R80m in 1989, with R38m going to mineral rights.

"As was the case in the previous year, the gold prospecting activities being conducted in the northern Orange Free State through Oribi Prospecting and Sun Prospecting together accounted for the largest portion of the year's total exploration expenditure, including the acquisition of mineral rights."

Hersov says in the past six years R23m has been expended in the Oribi area, with R8m budgeted for the current year. In the Sun area, expenditure so far is R140m, with R93m budgeted to be spent this year. Hersov says the Sun expenditure included an amount for a detailed feasibility study.

The group boosted earnings 26% to R183m in the year to end-June, and hiked dividends 17% to 760c. Hersov expects that earnings will again increase in the year ahead. The highly diversified mining,

Anglovaal to spend R125m on exploring

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B/Dat 20/10/89

BARRY SERGEANT

financial and industrial group pushed turnover up 23% to R4,8bn, and earnings up 26% to R183m to 4 265c a share.

The market value of listed investments increased 40% to R1,7bn, while net worth per ordinary share increased 25% to R408. Dividend cover was 5,6, the highest in at least the past six years, while the return on shareholders' funds was 24,7%. Gearing increased from 14% in 1988 to 27%.

The group's "gold mine" in the current period might just prove to be Anglovaal associate Associated Manganese.

For the interims to end-June, Assmang's earnings increased 387% on the corresponding period a year before to R86,7m. Anglovaal now has 49,5% in Assmang.

Anglovaal's equity accounting earnings from listed companies (which includes Assmang) increased 149,6% to R32,2m for the full year. The interim earnings at Assmang are expected to be matched in the second half.

The group — which includes major companies Mid Wits, Anglovaal Industries, Consol, Avgrin Holdings, AVI Diversified Holdings, National Brands and Irving & Johnson — made a number of major acquisitions.

☐ To Page 2

Anglovaal explores

sitions in the year, including Lavino, North Sea and General Plc, AA Life Assurance, Goodyear Tyre and Rubber, Hewlett Packard, M & PD Electronics and the business of Mooi River Textiles.

The composition of group earnings has changed markedly in the past five years, with gold recording the most significant change, 19% of earnings in 1989 compared with 29% in 1985. Diversified businesses and other minerals and metals contributed 17% in 1989 (-3% and 21%). Packaging and construction and electronics were constant at 16% and 6%, with dry food and beverage at 13% (15%) and frozen food at 13% (10%).

In 1988, other minerals and metals comprised 17% of Anglovaal's interests (by

market value on June 30), but contributed 26% of its income. Assmang falls into this category; during the year, Anglovaal bought another 5% of the ordinary shares of Assmang. Assmang acquired the remaining 31% of the shares it did not own in Ferralloys Limited.

During the year Anglovaal acquired a stake in a company subsequently renamed Anglo Pacific Resources Plc. Hersov says the investment is "of a strategic nature". But it is not expected to make any significant short-term contribution to earnings.

It has cash resources of £19m and has a "current and potential future interest in natural resources".

☐ See Page 3

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☐ From Page 1

B/Dat 20/10/89

Freegold lifts profits by 10,4%

CMT Trial
20/10/89
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JOHANNESBURG. — Free State Consolidated Gold Mines (Freegold) has recorded a 10,4% increase in profit to R92,6m for the quarter ended September 30, 1989.

This is largely the result of a 4,2% increase in revenue from gold sales of R893,0m, arising from both higher gold production and a slightly higher rand gold price received.

Gold production increased by 3,3% to 27 649 kg, reflecting a slight increase in tons milled to 6 573 000 (6 535 000 tons) and in average grade to 4,21 g/t (4,10 g/t).

The rand gold price received was 1% higher at R32 393/kg.

In terms of cost per kilogram, unit costs rose by 4,5% to R26 413/kg (R25 265/kg) in the quarter, resulting in an 11,8% increase over this same six-month period last year.

Capital expenditure was lower at R82,5m (R106,6m).

Freegold's North Region recorded a 5,8% increase in profit to R54,5m. Gold production was 4,8% higher at 12 209 kg as a result of a slight increase in tons milled to 2 670 000 tons (2 648 000 tons) and, in the average grade to 4,57 g/t (4,40 g/t).

Total costs increased by 6,3% to R339,9m and unit costs, in tons milled, by 5,4% to R127,33 a ton.

Capital expenditure was lower at R31,0m (R44,6m)

Freegold's South Region recorded a 2,2% increase in gold produc-

tion to 15 440 kg. Tonnage milled was slightly higher at 3 903 000 tons (3 887 000 tons) which offset a slight decline in the average grade to 3,96 g/t (3,89 g/t).

Profit was lower at R108,2m (R129,2m), while total costs increased by 9,6% to R390,4m and unit costs, in tons milled, by 9,1% to R100,01 a ton. Capital expenditure was lower at R45,2m (R61,9m).

Freegold's Metallurgical Scheme (MS) increased gold production marginally from 600 kg to 603 kg. Uranium oxide production was 16,9% higher at 118 878 kg, while acid production was slightly lower at 106 008 tons (106 401 tons).

MS profit was lower at R5,2m (R7,7m), owing mainly to the phasing of uranium sales. — Sapa

High grades and boosted tonnages from Freegold

B/PCW
20/10/81

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Business Day Reporter

FREE State Consolidated Gold Mines had a remarkably good September quarter in terms of production

Gold production rose 3,3% to 27 649kg thanks to higher grades and tonnages

This, with a higher rand/gold price, contributed to the 10,4% rise in available profit to R92,6m

Unit costs rose by 4,5% to R26 413 kilogram, resulting in an 11,8% increase over this same six-month period last year.

Capex was lower at R82,5m (R106,6m)

The South Region had its best quarter since the inception of Freegold Production rose 2,2% to 15 440kg after increased tonnage milled and a higher average grade of 3,96g/t.

The North Region recorded a 5,8% increase in profit to R54,5m Gold production was 4,8% higher

Freegold's Metallurgical Scheme (MS) increased gold production marginally from 600kg to 603kg Uranium oxide production was 16,9% higher at 118 878 kg, while acid production was slightly lower

Gazgold operating profits up by 8,5%

CHARLOTTE MATHEWS

GAZGOLD pushed up operating profits for the quarter to September by 8,5% to R840 325, against R774 502 for the June quarter on higher gold production

Gold production rose by 12,5% to 81,6kg (72,5kg) due to mining operations where the yield was better at 2,48g/t (2,15g/t) on slightly more ore milled

Gold production from dump reclamation fell slightly to 16,06kg from 17,71kg despite a rise in tons processed since the yield fell to 0,41g/t from 0,49g/t.

Working costs on the mining operations rose to R53,44 per ton milled against the previous R49,86 per ton and on the dump reclamation rose to R8,79 from R7,91

For the group as a whole, working costs rose to R1,8m from R1,6m in June and total capital expenditure for the period fell to R805 807 against the previous R985 515

The directors said underground mining was to begin shortly at Franke section

Anglo quarterlies show output up, costs stable

B/May 20/10/89

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Business Day Reporter

ANGLO American's Transvaal gold mines' September quarter was patently well orchestrated overall gold production rose 5% to 33 098kg and costs were well contained

Vaal Reefs, Western Deep Levels and Elandsrand kept the increase in costs per kilogram down to an average of 3%, but an almost static gold price of R32 379 led to a 2% decline in combined pre-tax profits

Joint capex declined 18% to R166,9m
VAAL REEFS Both tonnage milled and recovery yield improved slightly off last quarter's low base, lifting gold production 6% to 19 102kg However the average yield of 6,82g/t still remains below the 7,15g/t achieved in the March period

The South Lease area had a better quarter and yield improved from 8,11g/t to 8,38g/t. Anglo concentrated on speeding up the development programme in the high grade No 8 Shaft area

In the North Lease area where seismic activity occurred in the previous quarter, grade dropped slightly from 6,11g/t to 6,01g/t. Anglo has since accelerated the backfill programme in areas vulnerable to seismic events.

This should reduce the dilution and enable workers to re-enter affected areas quicker than would normally be possible
Total area mined increased by 8% to 557 000m²

Earnings of 350c were recorded against 363c in June, but the results are not strictly comparable as the previous quarter's earnings reflected the half-yearly dividend from Southvaal Holdings

Elandsrand good

WESTERN DEEP LEVELS had a satisfactory quarter Gold production improved and generally things went well, an Anglo spokesman said yesterday

Increased tonnage offset a marginal decline in recovery yield to 6,31g/t

After appropriation of R71,6m for capex — most of which went towards the costs of the new sub-shaft development — profit of R37 525 was available, R2,4m less than the previous quarter

ELANDSRAND, as expected, had a

good quarter with area mined and tonnage milled increasing 10%

Gold production rose 14% after a 4% rise in grade to 6,76g/t — reflecting the increased tonnage from the higher grade sub-vertical shaft

Mill throughput, which averaged 165 000t a month, will be gradually increased until it reaches an average of 200 000t a month in 1993

SALLIES' estimated life has been halved to 2,5 years after the major supplier of sand gave notice that he would cease supplying Sallies at the end of the year
Anglo says it will look for alternative sources, but does not hold out much hope of success

Operational results were largely unchanged and earnings were lower at 10c (11c)

ERGO'S planned acid plant shutdown at Ergo Division restricted the tonnage of material treated However better results from the Simmergo and Daggafontein divisions enabled gold production to remain static

Ergo has declared a reduced interim dividend of 50c a share (60c last year)

ANGLO GOLD MINES September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Vaal Reefs	2 801	6,82	19 102	141	20 745	32 411	130 313	66 733	350
June	2 643	6,81	17 990	138	20 218	32 057	172 298	69 099	363
Western Deep Levels	1 688	6,31	10 652	124	19 604	32 335	109 093	37 525	137
June	1 666	6,35	10 582	121	18 971	32 068	105 828	39 968	146
Elandsrand	495	6,76	3 344	138	20 376	32 536	38 954	16 270	17
June	452	6,47	2 926	133	20 618	31 945	35 510	19 591	20
SA Lands	658	0,52	343	13	25 945	32 357	967	945	10
June	672	0,51	346	12	24 147	32 047	1 001	1 073	11
ERGO	8 866	0,32	2 881	—	—	32 347	20 126	10 424	23
June	9 207	0,31	2 884	—	—	31 903	19 883	11 707	26
Freegold	6 573	4,21	27 649	111	26 413	32 393	172 112	92 634	79
June	6 535	4,10	26 765	103	25 265	32 072	180 926	83 906	72

AAC gold mines lift output 5%

CAF-TMP 20/10/89 214

JOHANNESBURG — The Transvaal gold mines (Vaal Reefs, Western Deep Levels and Elandsrand) administered by Anglo American Corporation (AAC) had a satisfactory quarter, increasing area mined by 6% to 883 000 m², tons milled by 5% to 4 984 000 tons and average grade by 0,3% to 6,64 g/t. Consequently, overall gold production was 5% higher at 33 098 kg.

Unit costs were well contained to an increase of 3% to R20 340 per kilogram produced but because the gold price rose only by 1% to R32 397 per kilogram, profit before tax declined by 2% to R374,7m.

Provision for taxation increased by 37% to R96,4m largely as a result of an 18% reduction in capital expenditure to R166,9m and, after appropriations, profit available was slightly lower for the quarter at R120,5m.

All operating parameters at Vaal Reefs reflected improvements over the previous quarter's results. Tons milled were 6% higher at 2 801 000 tons. The average yield was marginally higher at 6,82 g/t and overall gold production increased 6% to 19 102 kg.

Gold revenue increased by 7% to R618,5m, while total costs rose 9% to R396,3m leaving gold profit 3% higher at R222,2m. In unit terms, costs were well contained and the cost per kg was 3% higher at R20 745/kg.

Provision for taxation doubled to R61,3m as a result of a substantial drop in capital expenditure to R66,4m (R100,2m). After appropriations profit available declined by 3% to R66,7m.

Gold production in the South Lease Area improved by 5% to 9 592 kg as a result of increases in tonnage milled and average grade. Unit working costs increased by 4% to R18 349/kg.

Western Deep Levels operations were satisfactory with a 1% increase in tonnage milled to 1 688 000 tons, more than offsetting a slight drop in average grade to 6,31 g/t and gold production increased marginally to 10 652 kg.

Working costs were well held and in unit terms cost per kg produced increased by 3% to R19 604/kg.

Profit before tax was slightly lower at R143,3m (R144,7m) and provision for taxation declined by 12% to R34,2m. After appropriations for capital expenditure of R71,6m (R65,9m) profit available was R2,4m lower at R37,5m.

Tonnage milled at Elandsrand increased by 10% to 495 000 tons.

Average grade, too, increased by 4% to 6,76 g/t. Overall gold production was 14% higher at 3 344 kg.

While the Rand gold price increased by 2% to R32 536/kg, unit working costs declined by 1% to R20 376/kg and gold profit was 12% higher at R39,1m.

After appropriating R22,7m for capital expenditure (R15,9m) available profit declined R3,3m to R16,3m.

Ergo's planned bi-ennial acid plant shutdown at Ergo Division restricted overall material throughput by 4% to 8 866 000 tons. However, improved results from the Daggafontein and Simmergo divisions enabled total gold production to remain at the same level at 2 881 kg.

Total revenue remained almost unchanged at R105,1m and cost of sales increased by 4% to R74,3m.

After taking account of net sundry income, a higher royalty at the Simmergo operation of R1,9m and higher cost of slimes purchased at R9,3m, profit before taxation was R5,3m lower at R22,1m.

The lower profit and high capital expenditure at R9,1m resulted in a drop in taxation to R2m and after appropriations, profit available was R1,3m lower than the previous quarter at R10,4m.

Earnings for the half year amounted to R22,1m and an interim dividend of R22,8m or 50c a share has been declared compared with 60c last year — Sapa

(214) STimes 22/10/89

Sallies nears end

By Julie Walker

consider reopening Sallies Management is afraid of gremlins because many East

Rand mines came short after being reopened on highly optimistic forecasts

ONE of the oldest gold mines, SA Lands (Sallies), will close within three years if gold lingers at the current price

The major supplier of dump material to the plant notified Sallies management this week of its intention to discontinue supplying material after December 31

Because this represents about half of current throughput, and if alternative supplies cannot be secured, there is only enough in the dumps to last 2½ years

The supplier is JMC, part of Joe Berardo's Johannesburg Mining & Finance Corporation where control changed a few months ago. Whether the owners intend to transport the material to the Knights processing plant, or open another plant, was not made known

There is almost no prospect of underground operations being resumed at Sallies

Without such assistance it would be uneconomic even to

NCW posts 10% higher earnings

CMT Times 23/10/89 214

JOHANNESBURG — New Central Witwatersrand Areas (NCW) has recorded a 10,1% increase in earnings, to R2,458m or 139,2c a share, for the year ended September 30, 1989

A final dividend of 92c a share has been declared which, together with the interim of 47c, makes a total distribution of 139c a share, a 10,3% increase over the previous year's figure

The full distribution of earnings is in accordance with the company's policy

NCW chairman M W King, in his annual review, reports that the company's investment portfolio yielded a marginal increase in income of R268 000 to R2,707m

While higher dividends were received from investments in the diamond, coal and mining finance sectors, dividends from gold interests were lower, contributing 40,8% to investment income compared with 47,8% the previous year

No changes have been made in the company's portfolio of investments

King says that although the gold mining industry is likely to continue to experience a more rapid increase in costs than in the rand gold price in the near term, in the long term the advantages of investing in gold will become apparent again as the world

grapples with its many political and financial uncertainties

"Strong demand by jewellery manufacturers and other buyers in the Far East have been supportive factors in the recent past, while the likelihood of reduced forward sales and gold loan activity, a declining tempo of discovery and development of new projects and persistent threats to the stability of world financial markets are factors which favour an improved price in the long term

"However, there is a reasonable prospect that inflationary pressures have been contained in the US and elsewhere without bringing about economic recession in the Western nations as a group, and this in itself constitutes a reason for caution about the immediate outlook for the gold price"

Although the rand may weaken at a faster rate in the year ahead as a result of slower growth in non-gold export earnings and substantial foreign debt repayment obligations, the mining industry should not rely on national adversity for relief, King says

"Containment of cost escalation on the mines clearly remains of paramount importance" — Sapa

Greek meets Greek and South Murchison conceived

214 S/Times 29/10/89

A THREE-YEAR safeguard against hasty decisions has been built into the proposed South Murchison gold venture, to be floated by South Wits Exploration

Managing director Nick Stavrakis is a geologist with a string of successes behind him, earned when he worked for mining companies. He looks in line for another one or two

Two years ago, he abandoned comparative security and launched South Wits — an independent exploration company which earned the respect of analysts because of its mineral prospects and its management. It was listed in July 1988 and R5-million was raised

LANDSLIDE

Dr Stavrakis' advantage is that he can explain complicated geological terms in words of fewer than four syllables — that is, to the layman and the average investor

South Murchison is near Gravelotte in the Murchison belt. That is a place where, trillions of years ago, hot granites forced their way up out of the earth's core and settled between the greenstone deposit

That is the kind of place gold likes to sneak into. Nobody found the orebody before because it was hidden by

I can imagine a landslide, whereas the word overburden does exactly that to my brain. Dr S then introduced a new idea — a magnetic survey. South Wits geologists — and a few before them — wander around with magnets looking for funnes, or anomalies

There is an old mine, La France, at one such place, and the well-disguised deposit at another. There is even a third such compass-baffler to be explored within the South Wits block

ANONYMOUS

But the essence of this story revolves around a microcosm in the north-eastern Transvaal where a Greek cafe-owner knew another Greek mining man (who shall be called Anonymous because his real name sort of rhymes with it)

The cafe man took an option on the claims. He also knew Brian Johnson, who worked mines in Zimbabwe and had set up a heap-leaching operation on the old Mervina dumps a few kilometres away from La France

DILEMMA

Dr Stavrakis and Mr Johnson were introduced, and each saw the other's dilemma. South Wits had discovered an ore deposit, but needed time to investigate it, and

ultimately, someone to mine it. Mr Johnson had built an efficient heap-leaching operation to treat the dumps, but was under pressure from high royalty costs and needed capital to get things under way. Two and two came together neatly

The outcome satisfies all parties. South Wits contracts Mr Johnson's Goodsmen Mining to treat the dumps. Income is generated, and time is bought during which the ore deposits at La France can be properly researched

Back to the cafe. There was a "typical Greek argument," according to Dr S, who stepped in where Anonymous left off. Part of the deal allowed for the results of previous work in the area to be made known to South Wits

POTENTIAL

South Murchison was born. South Wits surveyed and assayed the dumps, drilled and found enough water, did feasibility studies and identified the potential of the orebodies

Goodsmen will retreat the dumps at 5 000 tons a month from early next year in a carbon-in-pulp plant. It has been built mainly from reconditioned second-hand parts. Dr S says the recovered grade should top 0.7g/t from an average head grade of just under one gram a ton. South Wits shareholders

will be given the right to acquire four linked units for every 100 shares or options held. A linked unit, which costs 29c, comprises one ordinary share in South Murchison and two options to acquire shares at 50c in 1992. Rand Merchant Bank has underwritten the offer

RISK

A foreign investor has put up the funds for 40% of the equity of South Murchison, which will be listed in the exploration sector of the JSE. The public will hold 17% and South Wits the balance

South Wits will receive R1.2-million to cover most of the historical exploration costs and the cost of exercising the options

Estimates on the value of the project differ, but 43c a share seems a popular figure. Dr S says South Wits wanted to give its shareholders a bit of a bonus. He also defends the choice of granting option-holders the same access as given to fully paid-up members of South Wits

"There is no point in denying them something that they are hoping for in the long term — participation in mining developments." South Murchison shareholders should not expect dividends for a while — the prospect will be partly self-funding while the underground deposits are quantified. This helps to take out some of the financial risk to shareholders

The known deposits are shallow, and indications are that the grade is good. In 1992, R2.5-million will be raised should all the options be exercised

I do not think that is much money to start a mine. Dr S points out that South Murchison has a plant, the shafts at La France have been re-located and there is development there, the exploration will have been done, and open-cast mining will probably be used initially

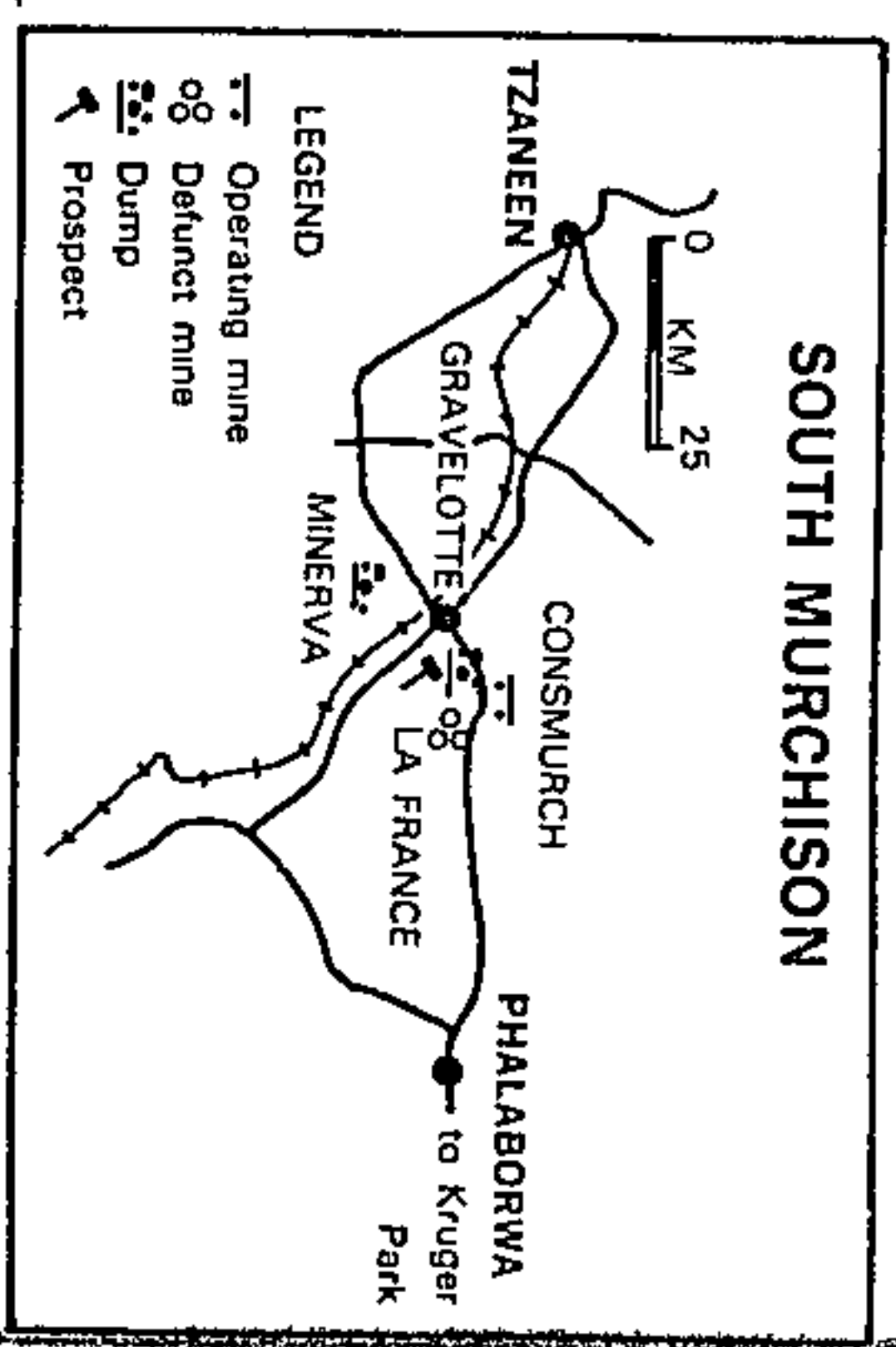
Experience will have been gained and a workforce established. All this is detailed in the prospectus

PATTERN

"Look more at what we've done with R1.5-million (the amount South Wits has spent) at South Murchison than what will need to be done with R2.5-million"

Andy Clay, of independent consultant Venmyn Rand, says South Murchison is to be commended for giving maximum information in the prospectus — a break with the pattern common to mining ventures

He says South Murchison has been approached by the promoters with realistic caution, and urges investors to do the same



IN spite of this week's flutter, most gold shares do not offer value at current gold prices and profit margins.

The JSE gold board is capitalised at nearly R50-billion. This most liquid sector of the JSE should be traded and not held for long-term growth

Why should investors buy golds, and what can they expect from them in the coming year? They should buy them to get rich quickly

If the gold price continues close to R1 000 an ounce, and working costs on the mines grow at about the rate of inflation, one analyst says their combined distributable income would barely touch R1.5-billion

OPTIMISTIC

Investors would be looking at an average forward dividend yield of 3%. The range of views varies, but even the more optimistic suggest that the dividends from golds will be about 10% below the historic figure if the status quo is maintained

Fit for a fast or more risk free. They need to do far better out of equity to make it worth the risk. One analyst says that even if the gold price were 50% higher in rand terms, the distributable income would amount to only about 5% of the current market capitalisation of gold shares

LIMITED

The JSE's all-gold actuarial index puts the average dividend yield below that of 5.4%. The index comprises gold shares which are traded, and which pay dividends. Many do neither. Gold mines are wasting assets with limited lives. Mine approaching the end of its life should yield a higher dividend than one with longer to go. On the other hand, if gold

2

each I bought on speculation, and am prepared to take my

IN spite of this week's flutter, most gold shares do not offer value at current gold prices and profit margins

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OPTIMISTIC

Investors would be looking at an average forward dividend yield of 3%. The range of views varies, but even the more optimistic suggest that the dividends from golds will be about 10% below the historic figure if the status quo is maintained.

At current high interest rates investors can earn 15%

Fit only for a fast buck

or more risk free They need to do far better out of equities to make it worth the risk

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LIMITED

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Gold mines are wasting assets with limited lives. A mine approaching the end of its life should yield a higher dividend than one with longer to go.

On the other hand, if gold

jumps by 50% you can bet your bottom dollar that the price of gold shares will more than double.

Sentiment soars, gold shares are internationally tradeable, and the dividend yields to foreign shareholders are more attractive than to the locals because of the discount of the finrand to the commercial version.

If the finrand — a sort of political barometer — strengthens under SA's new management, foreigners stand to make better gains.

Even if the dividends failed to impress, traders could have been in and out of the market by then. The capital profit would make it all worth while.

As another analyst puts it: "Ya, we South Africans have to be gold bulls."

But we don't have to be stupid about it.

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S/Times

29/10/89

Kennedy bid to hit gold boomerangs

S/Times 29/10/87
FURTHER sanctions directed at the South African gold industry would be extremely difficult to enforce, would hit many Americans and may even result in a price rise that could boost the SA economy, according to a US government study released this weekend

The study, by the General Accounting Office, was commissioned by Senator Edward Kennedy who is looking for evidence to support tighter controls on the import of SA gold

Instead, it could mean the death knell of further Congressional gold sanctions

While it makes no recommendations, the report does analyse the feasibility and likely outcome of three measures that the sanctions lobby

By PATRICIA CHENEY
Washington

has proposed to strike at the heart of South Africa's economy

● Banning imports of jewellery containing South African gold would be both difficult and expensive to enforce

Despite the development of a test (costing R250 to R500 per sample) to pinpoint the origin of gold, metals combined with gold in jewellery could render the tests ineffective

In addition, the report noted that most imported jewellery in the US comes from Italy and is made from gold bought on the world market and refined in Switzerland

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For these manufacturers to provide certification that their jewellery contained no SA gold, the Swiss would have to refine SA-free gold separately, greatly increasing the price

That increased cost would then be passed on to American retailers and consumers

And even if it were possible to effectively impose such an import ban, the report concluded that South Africa could probably find other markets

● Releasing gold from central bank reserves in the US and other countries might increase rather than decrease the price of the mineral because many investors would probably snap up the cheap gold in the hoping of making a killing in the future

● Banning the import of "tainted" jewellery while selling off gold reserves to offset a price rise might not lead to South Africa losing gold sales because countries not participating would be likely to sell their non-SA gold reserves for US export and replenish their supply with new South African gold production

Warning

● Forcing US investors to sell off all their SA goldmining shares might depress the share price of SA mining stocks and "help to chill the business climate in South Africa, "but it would cost the investors nearly R3-billion to divest"

The report also cautioned that even if gold restrictions had a real impact on mining along the Reef, it might lead to the closing of mines that would be impossible to reopen in the post-apartheid era

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3/11/89.

GOLD

Don't run out all the flags

While it's too early to say gold is about to come galloping to our rescue again (see *Markets*), clearly a higher price of gold will do the balance of payments no harm. But now more than ever we must guard against complacency.

The worst out-turn would be to treat a higher gold price as an excuse for not taking (or deferring) the basic structural economic reforms needed to shift the growth rate permanently upwards (see *Cover Story*). Alas, this has happened all too often.

It is a matter of observable fact that our underlying growth rate was at its highest while gold was relatively (or totally) price-stable. Dollar inflation of the gold price, on the other hand, has permitted profligate policies which have impoverished us all — not least, paradoxically, the gold price, as we have this decade moved from one of the world's lowest-cost gold producers into the top end of the range.

It's not necessary to believe there's a direct causal relationship between a high gold price and a low growth rate, what matters is the consequences of this coincidence.

One is the ever-increasing gold resources that are becoming uneconomic to mine. Another is the narrowing margin of profitability, and the associated sharp decline in tax paid by

the industry, increasing the burden on the rest of us.

Though the gold price may move in lengthy cycles, and we may well be on the verge of a new bull phase, there is no reason to think that in the ultra-long term the gold price will increase significantly in real terms.

A depreciating rand (against the dollar) may assist gold mines short-term but it also reflects an excessive inflation rate that, in the long run, damages the gold mining industry — essentially a price-taker rather than a price-setter, as it is — just as much as, if not more, than the rest of us.

The argument that a declining rand/dollar rate benefits all of a gold mine's revenue but affects only part of its costs is, unfortunately, no longer tenable — if it ever were.

We need structural reforms regardless of what happens to the gold price. Looked at in proper perspective, a higher gold price simply gives us breathing space in which to make the necessary adjustments.

And breathing spaces, by definition, are temporary.

So if the gold price is indeed headed upwards for a while, this actually if anything increases the urgency of doing what we must. We've missed the opportunity too often in the past, this could be our last chance. ■

Twilight industry status seen for gold mining

w/E AAGUE 4/11/89 214

By TOM HOOD
Business Editor

ANALYSTS are becoming more and more inclined to regard gold mining in South Africa as a twilight industry, says Old Mutual economist Rian Le Roux in a special report

While there has been a significant revival in exploration to locate new deposits — spending since 1980 is up six-fold to R320 million last year — and potentially promising prospects have been found, the development of new mines will hinge on profitability

However, a study by mining and economic analysts at Old Mutual warned this week that unless steps are taken soon, mines being squeezed by rising costs and a low rand gold price may be forced to shut down with some \$400 million in foreign exchange being forfeited

Foreign debt

This is equivalent to the total annual foreign debt repayments inside the net over the past three years

To encourage the mining industry to expand and help generate much needed foreign exchange, gold mine taxation should be reduced, he says.

Gold remains South Africa's largest earner of foreign exchange and is essentially immune to sanctions. Two marginal gold mines were recently forced to apply for State aid and another three are operating at only break-even levels

While Mr Le Roux believes the authorities should allow in their exchange rate policy for the cost squeeze facing the mines. However, a lower exchange rate in the short term would conflict with the anti-inflation drive

Rather than see the rand weaken further against the dollar and worsen the inflation rate, he argues that a new tax policy to help the industry is preferable

Justifying a new tax strategy for the gold mines he says that South Africa cannot afford to give the same treatment to foreign exchange earning industries such as the gold mines and industries which consume forex

"Unfortunately the present tax environment in many ways is more favourable to industry than to gold mining. The higher marginal tax rate applicable to the gold mines compared to industrial companies and the fact

that in gold mining the tax base of one venture cannot be used to develop another (as with industrial companies) are but two examples of their asymmetry

"The gold mines should be afforded a more favourable dispensation in this respect, particularly where this would encourage the development of new mines"

Short-term loss

The short-term loss of tax revenue would not be significant seen against the potential longer term tax flow to the exchequer emanating from development of new gold mines, he says

In recent years the contribution from the gold mines has fallen from 18,6 percent to 4,5 percent of total central government tax collections

The Marais Commission on mining taxation proposed changes to the present system but government has not made final decisions on a number of the recommendations

The report warns that given present conditions, substantial further declines in South African gold production are likely into the next century

STAT 6/10/89 (214) 1

Venterspost seeks more capital for expansion

By Derek Tommey

Venterspost, the Gold Fields mine on the Far West Rand, is coming to the market next month for funds for the development of its extension area

This was announced by Mr Alan Wright, Gold Fields' executive director, precious metals, in Johannesburg last night

Full details of the rights issue would be published in a prospectus, he said. The extension area is underlain by the Middelveler Reef at depths ranging from 300 metres to 2000 metres. It is estimated there are 23 million tons of workable ore in the area giving an average yield of 4,3 grams a ton.

The yield is higher than the mine's current 3,7 grams a ton and working costs are expected to be lower owing to the shallow nature of the reefs.

Consequently, the mining of the extension area is expected to improve Venterspost's profitability.

Mining in the extension area is to be conducted from a new shaft, No 4, which is to be linked to the Venterspost No 1 Shaft by a connection on 10 Level.

The pre-sink at No 4 Shaft to 87 metres has been completed and the first blasting took place yesterday. The 10 Level haulage was driven 479 metres in the September quarter to a total of 1 411 metres.

In July, last year it was estimated that Venterspost would need to raise about R145 million to finance the development of the extension area to June, 1992. In view of the country's continued high inflation, it seems likely that more than this will now be needed.

An underground fire affected production

at Venterspost in the September quarter and the mine's working loss from gold rose to R3,3 million from R178 000 in the previous quarter. After taking insurance payments into account, the mine had a taxed loss of R1,2 million against a profit of R151 000 in the June quarter.

No 1 Shaft at Northam Platinum, Gold Fields' developing platinum mine, intersected the Merensky Reef in the contact zone in the September quarter at a depth of 1 708 metres and found values of 7,34 grams at ton over 90cm equal to 661cmg/t.

Mr Wright said the mine had not planned to work the contact zone which is extremely limited and was expected to have little value. But it would mine some of it.

The No 2 shaft intersected the UG2 reef at a depth of 1 472 metres and found values of 5,81 grams a ton over 142cm equal to 825cmg/t. There were no plans at this stage to mine the UG2 Reef.

Cold commissioning of the metallurgical complex is scheduled for June, next year.

Mr Wright said that it was estimated that Northam would cost R600 million in 1986 money values. But in today's values he expected it to reach R1 billion.

Feature of the Gold Fields' gold mining quarterlies in September was Libanon which increased its milling grade from 4,0 grams to 4,5 pgrams and produced a working profit from gold of R5,1 million against only R308 000 in the June quarter. Taxed profit was R6,2 million against R1,45 million.

A drop in grade at East Driefontein and rising costs at both East Driefontein

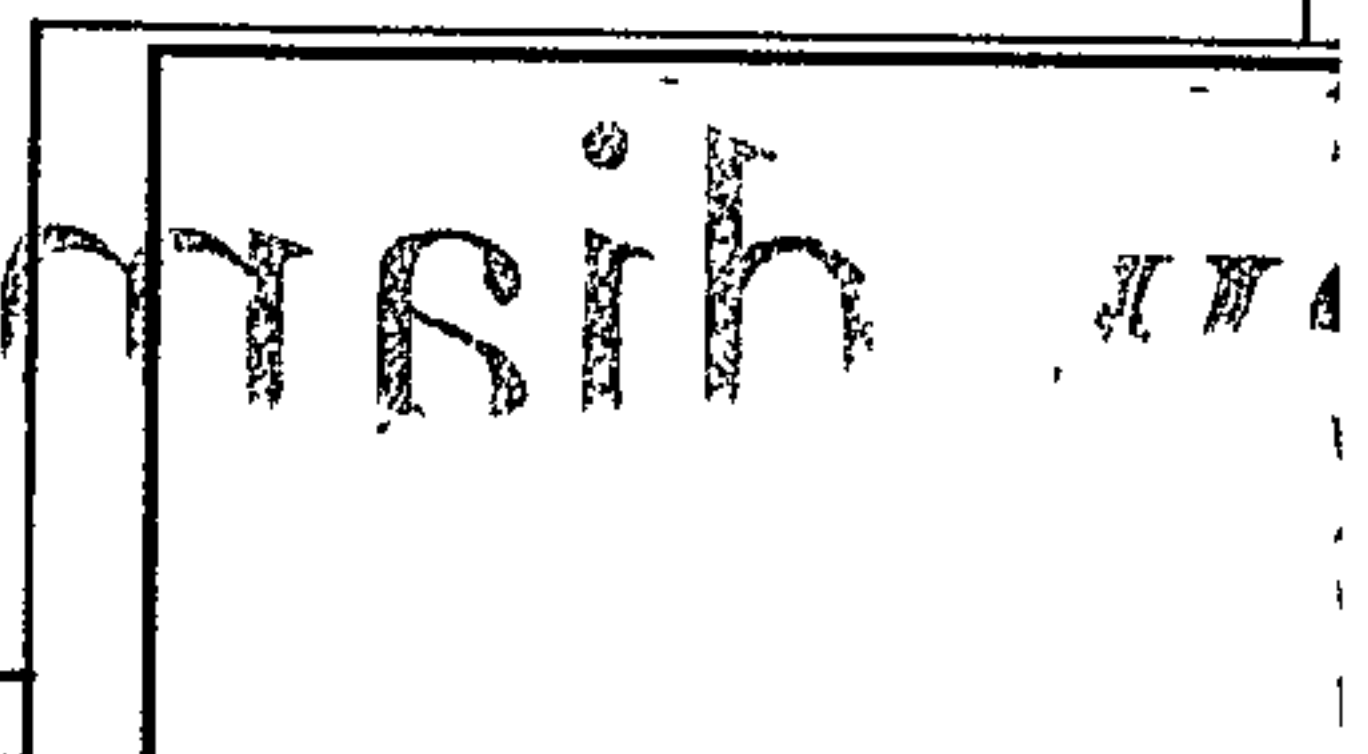
and West Driefontein resulted in Driefontein's working profit from gold dropping to R210,6 million in the September quarter from R234,2 million in the June quarter. Taxed profit declined to R119,5 million from R148,2 million.

It was not only Dries which experienced higher working costs. Working costs for the group were R541,8 million, an increase of 6 percent from the previous quarter — equal to an annual rate of increase of more than 25 percent.

Kloof's taxed profit in the September quarter was unchanged at R107,7 million. This reflected an increase in the milling grade from 11,9 grams to 12,8 grams a ton. The extra revenue from the higher grade helped offset a jump in tax payments from R2,3 million to R21,5 million.

Kloof is preparing to mine the huge Leeudoorn section and equipping operations were completed at No 1 Shaft-L. The sinking of No 1 Sub-Vertical Shaft-L from surface continued and was sunk 69 metres during the quarter to a depth of 280 metres from the collar.

Doornfontein reported a taxed profit of R2,3 million (R4,6 million) for the quarter and Deelkraal a taxed profit of R30,7 million (R36,4 million) for the quarter.



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Heady news

10/11/89

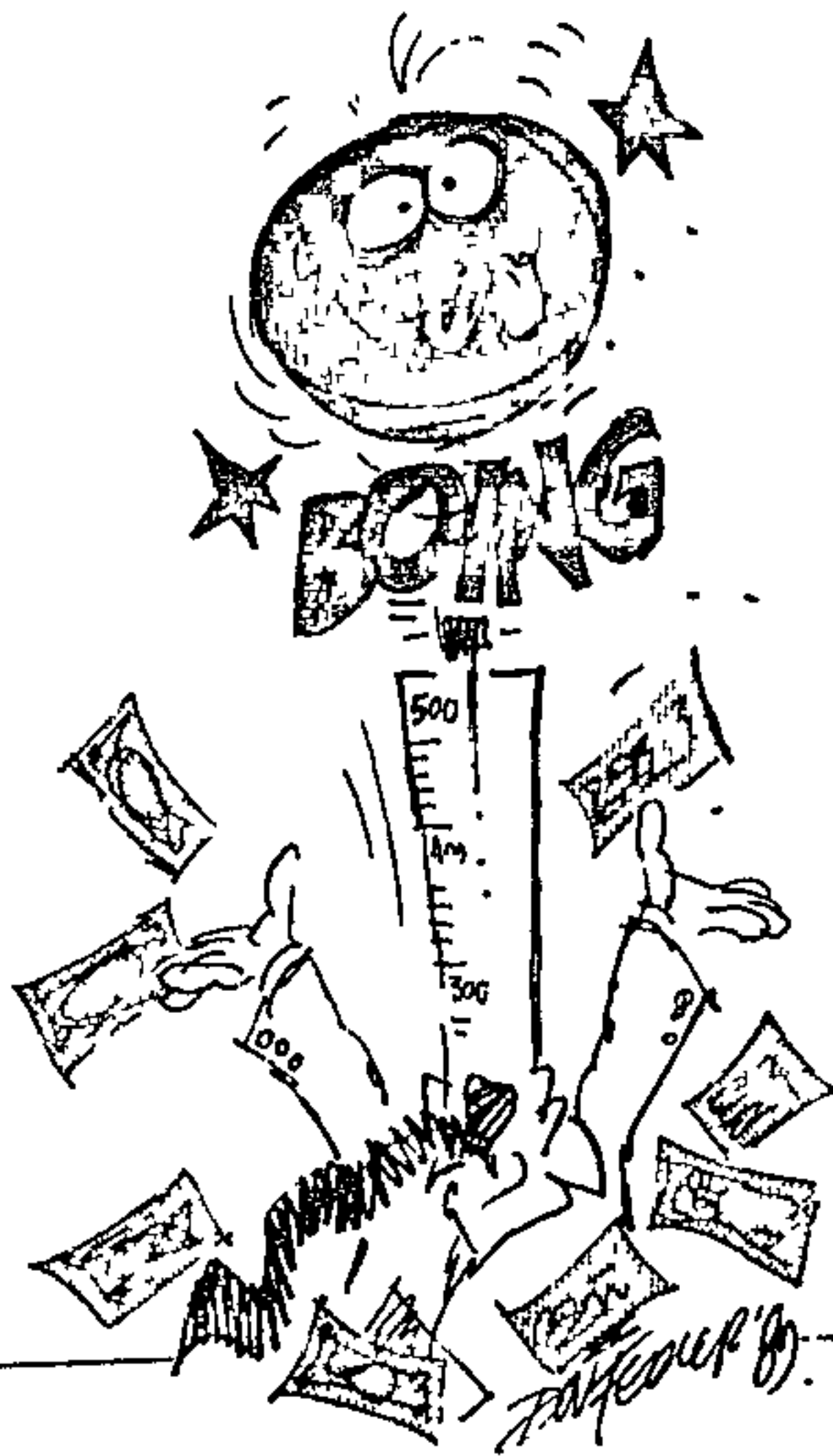
As gold edged over the magic US\$380/oz to reach \$385 on Tuesday, a tremor of optimism ran through the markets. Gold moves are unpredictable, so the response is still tentative

For the first time in many months, anything other than a worst-case scenario is being contemplated. But the prevailing view is that, if our fortunes are meaningfully improved by further increases, we must keep our heads — and stay as cool as possible.

Traditional faith in gold as the remedy for all our ills has been badly dented by the past 21 months, which saw the metal slide from over \$500 in December 1987 to a low of \$355,75 in September.

So the higher price is being treated with caution. If it continues to rise, there will be substantial benefits, among them the opportunity to build reserves to meet foreign debt commitments.

But it is crucial the authorities don't let a higher gold price filter through into money supply increases, says Frankel, Kruger Vinderine economist Mike Brown. Though further improvement will boost confidence and



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materially help the beleaguered gold mining industry, there are dangers, given the need to combat inflation

It is expected the Reserve Bank would buy dollars to build foreign reserves, which would pump rands into markets. However, says Brown "The authorities could mop up liquidity with issues of government stock, which are in short supply"

A rising gold price also has a deflationary impact, says Brown "We would revalue gold and forex reserves, which would reduce losses on the forward book. This in effect reduces the money supply"

He also points out that a stable rand would mean less imported inflation. For much of 1988 and 1989, South Africans suffered from comparatively modest rises in overseas prices and a severe depreciation of the rand. Once the second factor falls away, we are left only with rising prices — probably about 5% — in our major trading partners

Longer-term, the rand should be allowed to appreciate. Once foreign reserves are rebuilt, a shift in relative values of imported and local goods will be constructive. Not only will it reduce costs of industries dependent on foreign inputs, it will open up local markets to healthy offshore competition

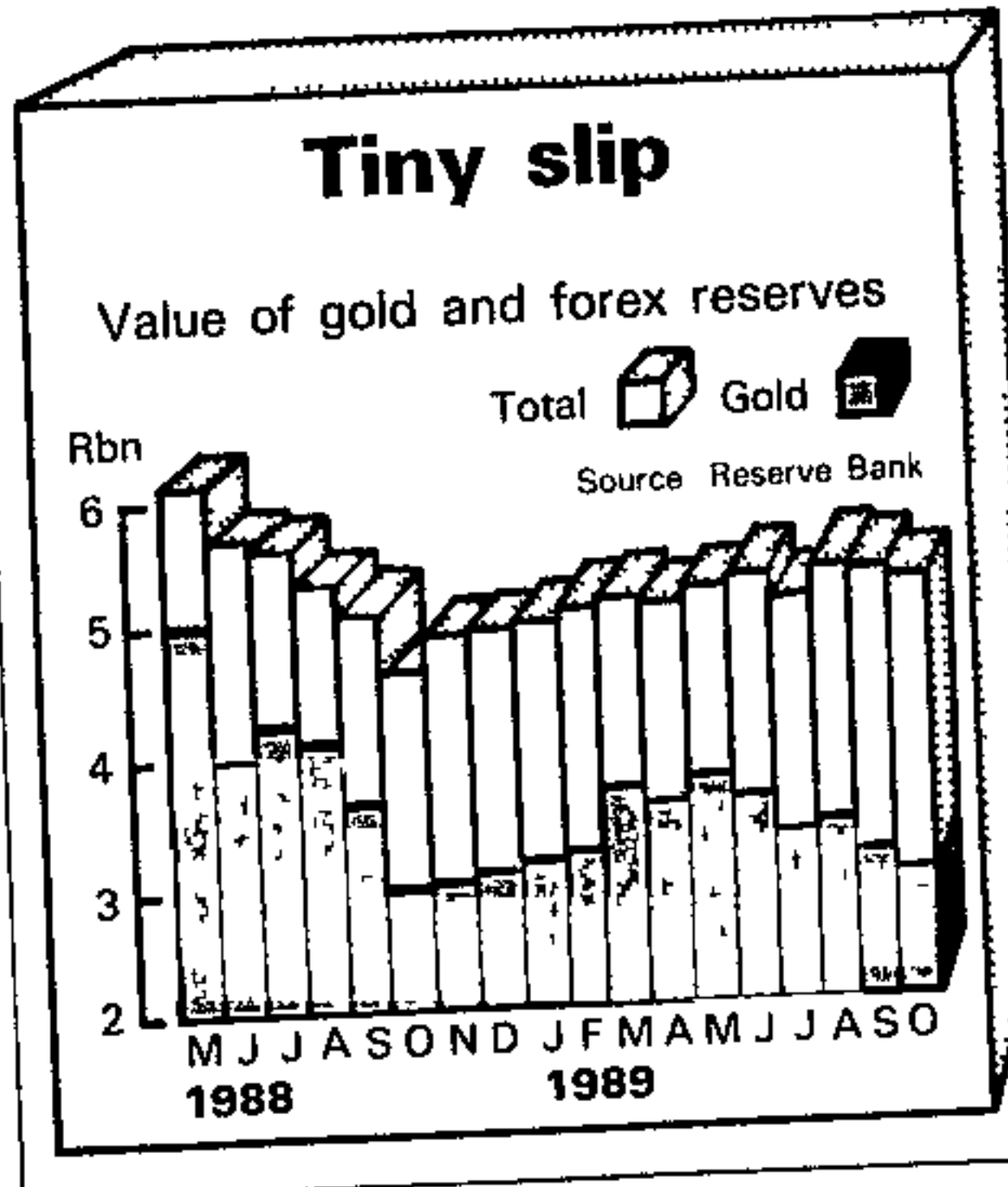
Over-reaction would fuel a vicious boom-bust cycle, as it did in the early Eighties, when both public and private sector went out of control — and remained out of control long after the gold price plunged

RESERVES (214)

Drifting down

Gold and foreign reserves at the end of October showed a negligible decline in rands from September and were virtually static in dollars. They were R5,37bn compared to R5,4bn, largely as a result of a lower valuation of gold holdings, in the light of improved rand-dollar exchange rates. Gold reserves were valued at R883,56/oz, compared with R889,7/oz the previous month.

Gold holdings were down from R3,2bn to R3bn, while foreign assets rose from R2,17bn to R2,28bn. In dollar terms, gold



(214) Final
was worth \$1,2bn, the same as September, while foreign assets were \$866m, up from \$801m. The total remained at \$2bn.

Though the picture is vaguely encouraging, Econometrix economist Tony Twine warns the reserves remain perilously low, given the level of imports.

The reserve situation is analysed in the latest Old Mutual *Economic Monitor*, which says "The number of months' imports covered by gold and foreign exchange fell from an average of 2,8 in 1987 to 1,4 for the first nine months of 1989. This is the lowest in the 29-year period commencing 1960."

Strong export revenues, which, for the first eight months of this year were 8,2% higher than in the previous eight months, were "largely neutralised by an equi-proportional increase in the import bill."

Meanwhile, international prices are coming off

"The Minerals Bureau's recently devised composite price index for major mineral commodities exported (excluding gold), peaked in dollar terms in April and declined by 3% during the next three months."

On the capital account there have been substantial outflows not related to reserves — partly prompted by switching from foreign to domestic trade financing.

This combination of factors has made reserves very vulnerable. For this reason alone, the chances of a more relaxed monetary policy are small.

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Year of acquisitions

Activities: Mining and industrial group
Control: Anglovaal Holdings (Avhold) has 50,2% of the voting ordinary shares, equivalent to 25,1% of the ordinary share capital. The Menell and Hersov families own 51,3% of Avhold

Chairman: B E Hersov, deputy chairman C S Menell

Capital structure: 1,78m ords of 50c, 1,78m "A" non-voting ords of 50c, 373 250 6% cum red prefs of R2, 1m 5% cum red second prefs of R2, R1,60 m 5% part prefs of R2. Market capitalisation R1,44 bn

Share market: Price R405 Yields 1,9% on dividend, 10,5% on earnings, PE ratio, 9,5, cover, 5,6 12-month high, R465, low, R298 Trading volume last quarter, 15 200 shares

Financial. Year to June 30

	'86	'87	'88	'89
Investments				
Book value (Rm)	233	279	338	647
Market value (Rm)	922	1 389	1 188	1 658

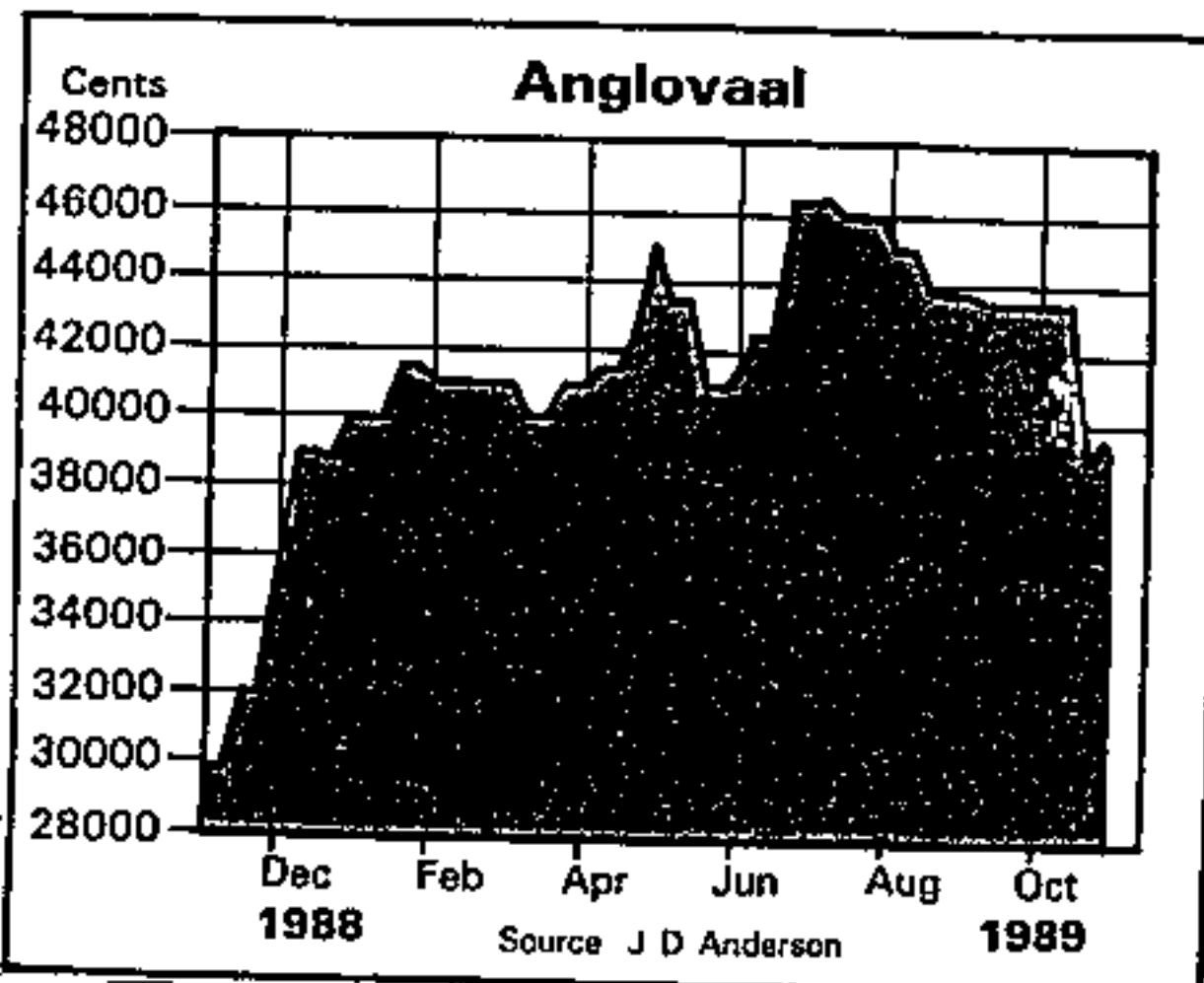
Performance

	'85	'86	'87	'88
Trading income (Rm)	163	258	404	475
Investment income (Rm)	60	64	57	66
Earnings (c)	2 160	3 109	3 395	4 265
Dividends (c)	450	585	650	760
Net worth (R)	240	344	327	408

A year ago chairman Basil Hersov gloomily told shareholders Anglovaal's immediate objective was to "maintain" real earnings and withstand SA's political, industrial and economic uncertainties. His caution appears to have been overdone and, by the time he wrote his 1989 statement to shareholders, he was considerably more optimistic.

Along with most other businessmen, Hersov believes SA's politico-economic environment has changed for the better under the De Klerk presidency. Understandably, he hopes optimism will not prove ill-founded and again warns of possible bottlenecks caused by shortages of skilled manpower. But Anglovaal is entering the Nineties stronger than ever and with considerably more development opportunities than before.

Last year, earnings from mining and metals were transformed principally by far stronger demand and prices for ferro-alloys



Gold's consolidated contribution increased marginally, helped by the managed mines' successful hedging strategies, but Hersov warns hedging is unlikely to be as beneficial this year. The loss-making Klipspruit colliery has been sold and will no longer be a drag on mining income, but Cons Murchison is set for sharply lower profits, if it remains in the black at all, following the recent strike which cost a month's production.

Maintaining metals and mining earnings, then, relies largely on Assmang, whose sales and profits grew sharply last year on strong demand for ferrochrome, ferromanganese and iron and manganese ores. Some deterioration is already apparent. High chrome prices which characterised the first two quarters of calendar 1989 have been reversed as steelmakers draw down stocks and demand slackens. The slackening coincides



Anglovaal's Hersov ... a brighter view

with some hefty investment to increase Assmang's ferrochrome capacity, so maintaining volumes could be crucial even if it means SA's producers cut prices sharply to maintain export market shares.

The group has neatly side-stepped a major financial commitment to the Venetia diamond mine by agreeing that De Beers finance the venture and then recoup its capital outlay before profits are split with Anglovaal. The mine, larger than many analysts had expected, is slated to produce about 4m ct of medium-quality gems a year.

The investment in the proposed Sun mine in the OFS may not be excessive. In round figures, R140m has already been spent on prospecting and a further R93m is budgeted this year. Presumably, Anglovaal will turn to outside investors at an early stage for a large part of establishment costs, particularly as there is no appreciable tax advantage in developing the property as an extension of Loraine. A decision will be taken on developing the mine early in the new year. The green light seems little more than a formality.

No other mine developments are in view, which is fortunate as the group used its normally conservatively structured balance sheet on several acquisitions this past year. Lavino was the most expensive, costing R78m, but has been overshadowed by the purchase of Goodyear's interests for R178m since the financial year-end. Mooi River was less costly at R48,5m and so were North Sea & General (subsequently renamed Anglo Pacific Resources), the 41,6% stake in AA Life, Siltek's acquisition of 76% of Hewlett-Packard and so on.

The rate of acquisitions left some analysts breathless and certainly increased gearing, implying a period of consolidation is needed. Anglovaal may not itself finance new developments; they will be left to subsidiaries such as is happening with the restructuring of the Grinaker/Siltek electronics operations.

SOURCING EARNINGS

	1988		1989	
	Rm	%	Rm	%
Gold mining	34,4	19	32,8	23
Other minerals	31,6	17	14,4	10
Construction/ electronics	10,7	6	7,0	5
Diversified businesses	31,1	17	29,1	20
Dry food/beverages	23,8	13	23,0	16
Frozen foods	24,4	13	19,1	13
Packaging	28,3	16	22,1	15
Other	(1,7)	1	(2,2)	(2)
Total	182,6	100	145,3	100

The structure of non-mining growth altered over the past 12 months. Food and other businesses close to the consumer notched up slower growth than in 1988. Much of this year's industrial growth appears likely to be based on electronics and other capital goods businesses.

Hersov hedges his forecast with caveats about gold and metals prices. Nonetheless, he believes recent acquisitions will contribute to earnings growth. Anglovaal will need that growth as it plans capital spending of R300m on mining developments and R800m on industrial ventures over the next three years, as well as sinking R125m a year or so into exploration.

Jim Jones

Mixed bag

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Results from the independent gold mines for the September quarter are mixed. They underline the borderline nature of many of these operations whose fortunes are affected dramatically by minor swings in grade, gold price and working costs.

In the **Southgo** group, **Nigel** managed to increase grade to 3,86 g/t (June quarter — 3,63 g/t) and drop costs to R104,4/t milled (R113,6/t) pushing working profit from underground operations to R20,99/t milled (R6,55 t). That performance has some analysts hoping MD Glenn Laing has finally got the operation on the right track.

The **Knights** dump retreatment operation achieved the recoveries forecast in the prospectus on its slimes material but not on the sands material, where the yield of 0,51 g/t (0,48 g/t) compares with the forecast of 0,63 g/t. Taxed profit for the quarter nearly doubled to R3,9m (R2m).

Sub Nigel plunged to a taxed loss of R366 000 (R560 000 profit) because the mine's yield fell back to 3,35 g/t (3,67 g/t) putting an end to the steady improvement in operating performance over the past year. The problem lies in the treatment plant, according to chairman Les Holmes, because the stope grade improved during the quarter but the extra gold was locked up in the plant.

Gold lock-up was also a problem at **Consolidated Modderfontein** where the inventory of gold in the recovery circuit went up by 62 kg as once again the benefit of higher underground grades did not come through in the recovered yield. Net profit for the quarter was R393 000 (R414 000).

South Roodepoort showed improvements in throughput and grade and made taxed profits of R450 000 (R40 000 loss).

Modder B's net profit dropped to R67 478 (R287 478), because of lower gold production and the fact that no tribute income was received from Cons Modder as mining operations on the Black Reef in Modder B's lease ran at a loss during the quarter.

There's no quarterly report from **Rogold**, because chairman Cyril Heever says Rogold is now an investment company following the acquisition of Namib Lead and Zinc and will publish six-monthly accounts from now on.

Primrose improved net income to R677 000 (R623 000). The company's accounts for the year to June show a dividend of R595 000 but only R89 000 was paid out in cash as most shareholders accepted the bonus share offer with some 300 000 extra shares being issued.

As expected, the underwriters wound up with the bulk of troubled **Cengold's** rights

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issue. The mine's taxed loss rose to R219 000 (R196 000 loss).

Gazgold showed a positive cash flow for the first time with distributable earnings after capex of R34 518 compared with the June quarter's negative cash flow of R211 013.

Eersteling provided shareholders with a glimmer of hope on things to come, showing some attractive development results — 2 100 cm g/t — on the Maltz reef but made a loss of R1,1m for the quarter. Profits are forecast by the end of the December quarter.

Rand Leases disappointed with a drop in grade to 2,55 g/t (2,78 g/t) because of more problems on the opencast mining side. Full underground production of 40 000 t/month is expected from early next year.

Lindum Reefs started milling reef for the first time during the quarter and has terminated the toll treatment agreement with Randfontein Estates.

West Wits managed to get its working costs down to R38,04/t milled (R40,7/t) which offset lower gold production and gold revenues to increase taxed income to R2,4m (R2m).

Brendan Ryan

SA gold mining industry plans R30bn injection

*CAPE
Times
13/11/89
214*

Own Correspondent

PRETORIA — The SA gold mining industry would spend about R30bn on new projects before the end of the century, Chamber of Mines technical services and safety manager J C Greeff said in Bethlehem at the weekend

Speaking at a OFS development conference, Greeff said capital spending of this magnitude was encouraged by changes in the tax structure announced in the 1989 budget which would contribute to increased profitability of mines

He said development was still in progress in spite of the threat that marginal mines might close temporarily

SA's share in the West's gold production had declined during the past 15 years from 75% to 40% last year

Most new gold production came from mines with limited reserves and with a much shorter lifespan than the SA gold mines

It was expected SA's role would once again increase and a shift to fully integrated mining projects with an emphasis on mechanisation was envisaged

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Gencor picks up R345,2m tab for heavyweight Oryx

UK MINING and construction entity RTZ Corporation Plc announced late yesterday that it had sold its 29,9% stake in heavy-weight developing gold mine Oryx to Gencor for R345,2m cash.

The deal was struck at a price of R7 a share. The share closed on the JSE yesterday at R9,70, after substantial recent gains, in 16 deals with 7 000 shares traded. The market capitalisation of the mine is R1,5bn, placing it in or near the top 10 of about 60 gold mines quoted on the JSE. There were no Gencor spokesmen avail-

able last night to say how or when the cash payment was made. Market sources said the news helped explain why the finrand had not weakened to the extent expected during the past week.

The finrand was notionally subject to pressures from foreign gold equity buyers, but had not moved realistically.

The deal gives Gencor, SA's second-largest mining company, a 90% controlling interest in Oryx. RTZ acquired its Oryx

stake from BP earlier this year as part of a \$4,3bn purchase of its mineral assets. BP is believed to have paid much less than the R7 strike price for its stake in Oryx. RTZ is understood to have made an acceptable return on the Gencor deal.

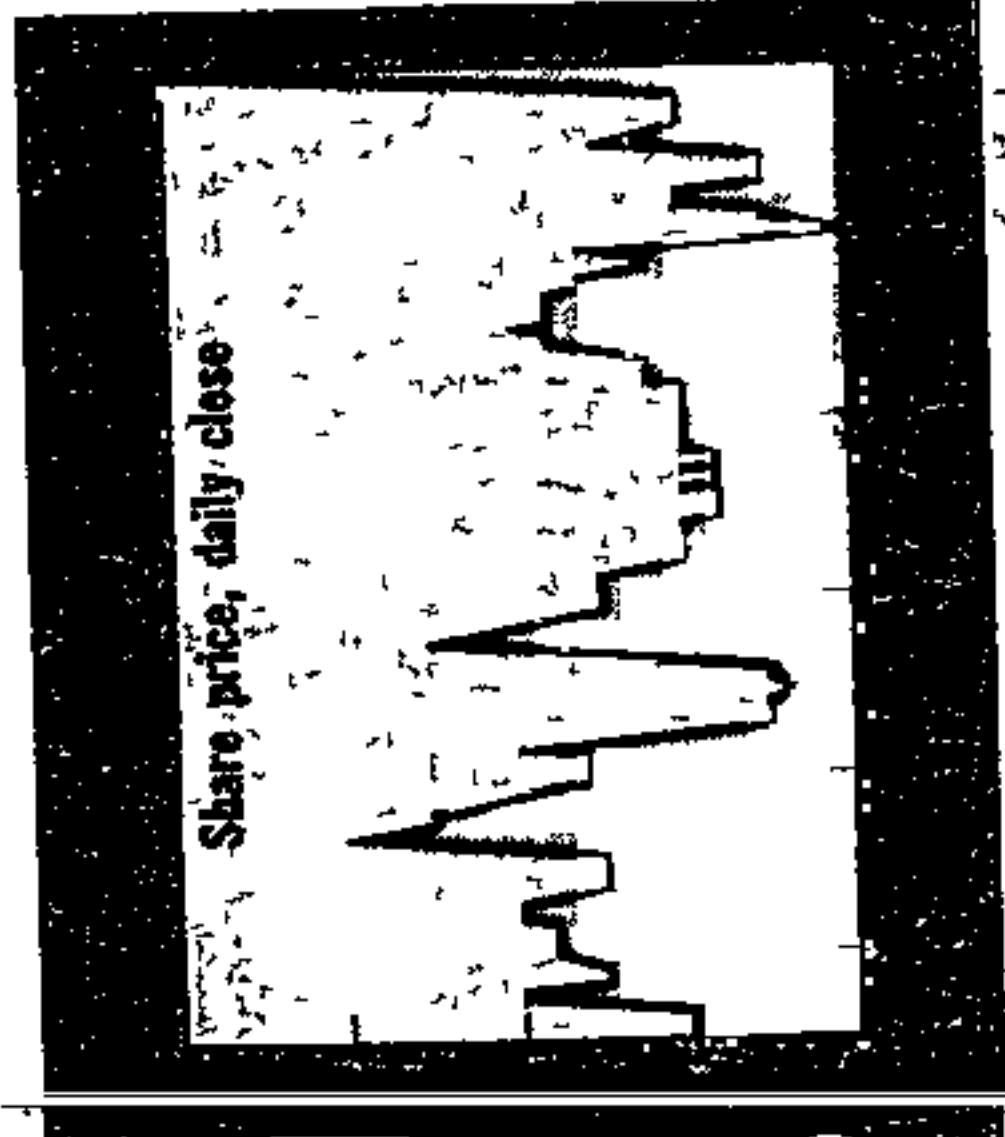
Market sources say the R7 strike price was transacted at an inopportune time, given the distinct bullish features emanating from the gold price and gold equities.

International gold experts say Oryx will need a substantial rights issue of about

R400m-R500m next year, mainly to re-structure its capital and attend to gearing.

A further factor underpinning the rights issue expectation is that the tax shield from St Helena gold mine (managed by Gencor) did not materialise as the gold price remained in a 22-month bear market until very recently.

Oryx Mine, being established on the Kal koenskrans Reef in the southern Orange Free State, will be one of the lowest-cost producers in SA with a capacity of 220 000 tons a month, according to its prospectus.



Source: JSE

B/Dam 16/11/89

Anglovaal seems set to return to its golden roots

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MINING baron Basil Hersov is poised to develop one of the biggest gold prospects in recent SA history

A decision to go ahead would take SA's most diversified mining house, Anglovaal, back to its golden roots

The mining and industrial group is one of several family-controlled business dynasties, like the Oppenheims' Anglo American Corporation, which play a strategic role in the SA economy because of their size and diversity

Many, including Anglovaal, were founded by East European immigrants or their children attracted to SA by the Witwatersrand gold rush of the 1880s. They have grown into politically influential business empires

This year, for the first time, Anglovaal, still controlled by its two founding families, the Hersovs and the Menells, has stepped outside Africa to expand mining operations by buying into Australian gold interests

It is also eyeing opportunities in the Pacific region

But it is the massive Anglovaal deep-level mining prospect in the Free State that stirs most interest among Johannesburg's army of gold analysts

Final test drilling takes place early in 1990 and the decision to go ahead or

shelve the project will be taken after chairman Basil Hersov and deputy chairman Clive Menell have seen the results

"It's potential is enormous (but) you need a lot of courage," Hersov said in an interview. "You probably won't be producing for five, six, seven years and you don't know what the market's going to be like at that time"

To bring just one mine to production would require R2bn because the gold is buried deep, up to 4 400m un-



● HERSOV ... "need courage"

derground, Hersov said. He would not say how many mines the fields would sustain

The 77 000ha development would double the area of the province's gold fields, which already produce 28% of SA's gold output

Hersov said the field would be financed by a mix of equity and loans. Anglovaal would also seek government tax concessions

But Hersov and Menell are also looking overseas for mining opportunities because exploration at home is becoming harder

"SA has been thoroughly explored. We still find new things but they're becoming more difficult to find, and more expensive to find, and deeper to mine," Hersov said

Anglovaal's mining expansion would restore a balance to the group, whose industrial side has been growing fast

This year it took a foothold in Australia, buying 29.9% of North Sea and General, a UK-incorporated company, plus 100% of its convertible unsecured loan stock

Anglovaal renamed the company Anglo-Pacific Resources and sees it as a springboard for expansion into the Pacific region

Net profit was R909m in the year to June, up 26% on the previous year — Sapa-Reuter

Note of caution is in order over Wall

LONDON — Amid the rejoicing as the Berlin Wall is demolished, a note of caution and sobriety is in order

It is as well to recall that the powers defeated in the last World War are now firmly in the ascendant, and the powers that won the war are in relative decline

Japan's economy is no larger than that of the US and West Germany. If reunification takes place, Germany will dwarf other major regional economies

It is necessary to retain a sense of coolness and perspective over the fall of the Wall, and a firm commitment to Nato, until it is sure that the process is irreversible

The US — whose decline is largely relative to the rise of Japan and Asia — will remain a big player on the world scene. Britain's economic decline is much more of an absolute,

B/Dam 16/11/89
ROBERT HARVEY

because it represents an underlying lack of economic strength

In a decade, the world is likely to consist of three great trading blocks

The Americas may remain the biggest player, followed by eastern Asia, with Japan in the driving seat, and thirdly the EC

In an ideal world, trade would flourish between the blocks. In practice the vigorous competition of Japan, the growing insularity and protectionism of much of US industry, and the need for the EC and the Soviet Union to improve their international competitiveness, are likely to result in trade wars

The great uncertainty in this new international line-up is Germany's role. It will be faced with a historic

choice that of reasserting its destiny as a major power or of following the path pursued by West Germany over the past four decades

A reunited Germany would have an immense potential for revitalising the impoverished economies of Eastern Europe and for tapping the huge Soviet market. But it might hold back due to its immense trade with the West and the understandable alarms that such a policy would give rise to only four-and-a-half decades after the end of Hitler's war

Britain's concern must be to speed up European integration to a point where Germany is locked into a wider Europe

That is why the current debate on European monetary union is so central to containing the consequences of Berlin — Daily Telegraph

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New gold restrictions can backfire, US told

WASHINGTON — Congress has been told that new restrictions on importing SA gold would hurt black miners and might slow SA's growth by chilling business confidence. *5/10/89 16/11/89*

Analysis of the pros and cons of additional sanctions came from the General Accounting Office, which assesses policies for Congress. *(214) (89)*

It said gold was SA's biggest export, and that its gold bullion was already barred from the US by law. It said further action could include

- Banning imports of jewellery made from SA gold, of which \$800m to \$900m worth reaches this country every year from Italy.
- Selling gold from government stocks on the open market to drive the price down, and
- Requiring Americans to sell their shares in SA mines.

The report said these measures could have unwanted side effects. For example, a jewellery ban could raise prices by touching off speculative buying.

"If sanctions against SA gold became so effective that mines began to close, it would be difficult to re-open them in any post-apartheid society," the report said.

"A \$1m cut in SA gold export revenues because of sanctions would cost mine-owners, as a class, an estimated \$655 000, white miners about \$72 000 and black miners about \$156 000," it said.

It quoted a study, by a mutual fund that invests in gold shares, which estimated that if Americans had to get rid of the 14% they held of SA gold mining stocks, they would lose at least \$1.2bn.

"The most important effect might be to chill business confidence in SA," the report said — Sapa-AP.

Rumours of Hanson sale of SA shares

ROBERT GENTLE

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LONDON — Persistent market rumours suggest the Hanson group has sold its last remaining SA interests acquired through the successful takeover of ConsGold this year. *B (Day 16/11/89)*

Soon after the bid, it sold the bulk of ConsGold's major SA investment — a controlling 38% stake in Gold Fields of SA (GFSA) — to a combine consisting of Rembrandt and GFSA itself.

The rest of its SA interests are valuable minority stakes in GFSA, Driefontein Consolidated, Kloof, Deelkraal, Libanon and Northam Platinum.

Company officials were tight-lipped yesterday when confronted with the speculation "We never comment on market speculation," said Hanson vice-chairman Martin Taylor.

Analysts in most of the major stockbroking houses said they were aware of the rumours, which had stimulated the already buoyant trading in SA gold shares on the London Stock Exchange.

One analyst close to the GFSA deal with Rembrandt said he believed all the Hanson gold shares had already been placed.

Also fuelling speculation of a Hanson sale was the slightly weaker financial rand, though some observers felt this could just as easily be a reflection of the £82.4m RTZ deal with Gencor.

REINIE BOOYSEN reports that Johannesburg analysts repeated the speculation "We've noticed a number of large shareholdings in these companies moving through the market, and suspected they may be linked to Hanson," said one.

Another analyst speculated that the institutions may be keen buyers of these shares. He said Liberty Life would be an obvious candidate, given its acquisition of a major stake in GFSA through the recent rights issue. But Liberty joint MD Dorian Wharton-Hood denied any knowledge of a major deal involving these shares.

SA's gold shares 'in vogue' on the LSE

7510am 1611189
LONDON — SA's gold shares are again in vogue on the London Stock Exchange as investors from the US and Europe cash in on the rising gold price and the country's improved image abroad

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There has been a resurgence in the number of market makers willing to deal in such shares. One dealer estimated as many as 15 such players had sprung up of late.

They are muscling in on the business of the handful of market makers that still trade SA gold stocks — Credit Suisse, First Boston and Smith New Court.

15
ROBERT GENTLE

A spokesman on Smith New Court's SA desk said the new traders would probably stay in the market only as long as there were orders to execute.

"Things appear to be moving on the political front and, of course, SA's gold shares are still the cheapest around."

Another analyst said he was getting inquiries on SA's gold shares from foreign investors normally "not allowed" to trade in them.

Gold-watchers sceptical of metal's sudden surge

B/day 17/11/89

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THE gold price appears to have stabilised around the \$390 level, and yet a lot of people are still wondering why. A lot of informed gold-watchers remain sceptical.

The first reason for scepticism is that there has been no apparent rise in physical buying taking place — in other words, people buying gold to have and to hold for at least a while, if not keep.

"The only visible buyers are professionals, who are buying gold to make a profit," says a senior mining house official.

He believes the gold price rise has some way to go before it would signify the entrance of a more permanent, and possibly more passionate, class of investor. "I think it would have to go efficiently past the \$394 to \$400 level before these investors will be drawn into the ring."

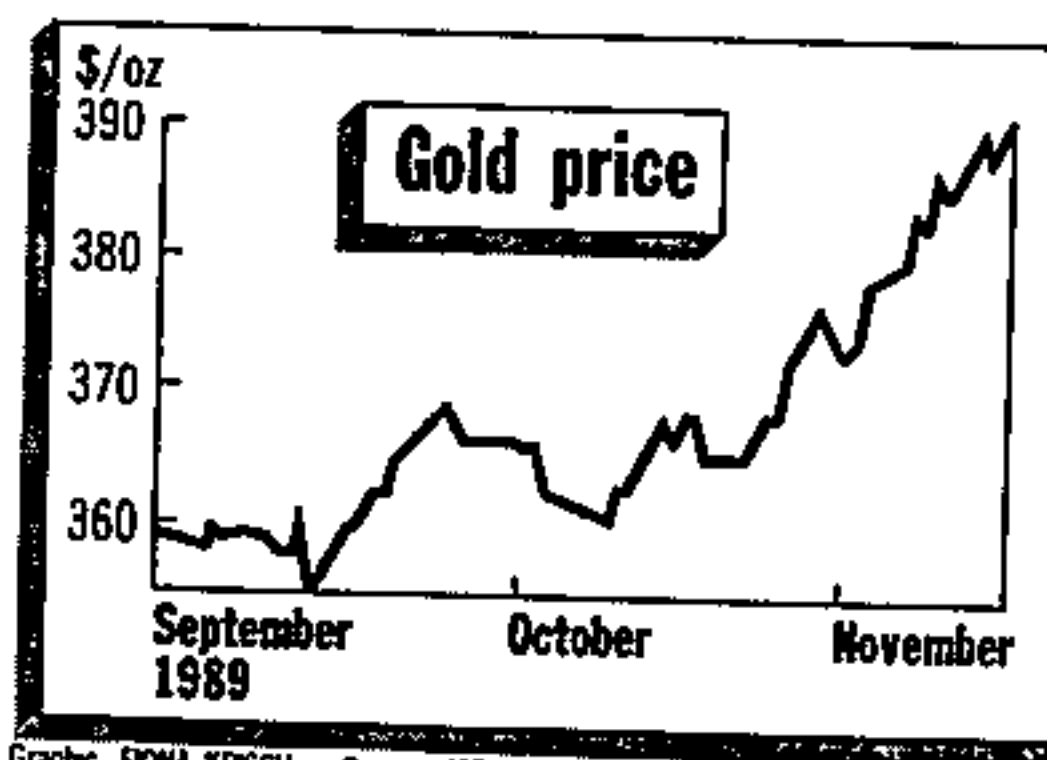
He feels such a change in investor-type would assure a more credible, and more sustained rise in the gold price.

Anglovaal commercial manager (mines) Ian Benfield also admits to surprise at the recent surge in the gold price. He says he had expected the gold price to fall to a low point between \$300 and \$350 earlier this year. But he now believes the two-year bear-trend in the gold price has been broken, after recovering from the low-point of \$355 in mid-September.

He says the gold price rise has been the

REINIE BOOYSEN

product of a coincidence of reasons firstly, technical, in that traders simply felt the charts were telling them that the long-term bear-trend was over, and that now was the time to get in on the act, and



Graphic: FIONA KRISCH Source: JSE

secondly, more fundamental reasons, relating to supply and demand.

On the supply side he mentions two factors.

- A fair amount of gold production is under threat in SA and elsewhere because of rising costs of production, and
- Indications that the USSR may decide to back up its currency with gold, to restore confidence and attract Western credit, which could lead to a decline in this substantial market source.

On the demand side a significant development was a decision by the Japanese authorities to allow non-life insurance companies to invest up to 3% of their total funds in gold (as opposed to the previous 1.5% limit).

The International Gold Mining Newsletter estimates that this represents about 620 000-million yen, or about R11,4bn, which amounts to about 360 tons of gold.

Says the Newsletter: "A major boost would be provided to the gold price if only 50% of these purchases are realised."

"In the longer term, if the same dispensation were to be extended to the life insurance companies, then an additional 1,4-trillion yen would be theoretically available, equivalent to almost 800 tons of gold."

JSE analysts make the usual points that gold is looking like a better alternative to world currencies and equities, with uncertainty about the extent of the expected downturn in the world economy.

But some are distinctly wary. Says E W Balderson's Nick Goodwin: "It's actually a very dangerous situation. Gold shares have risen to unjustified heights purely on sentiment and have lost sight of the fundamentals."

Since mid-September, when the gold price was at its low point, the All Gold index has risen from 1 559 to 1 966 points.

Back to the Golden Constant

■ Historical figures don't bear out gold bugs' hopes

Jos Gerson, chief economist at stockbroker Mathison & Hollidge, looks at the performance of gold as an investment over the really long term

Imagine being a US investor in 1871 with an

exceedingly long time-horizon 115 years to be exact You are concerned solely with what your great-great-grandchildren might inherit in 1986 Assume further that you were restricted to three (and only three) choices of investment

- Physical gold bullion
 - US Treasury bills (TBs), and
 - A wide spread of equities on the New York Stock Exchange according to some ruling index
- Details must include the absence of stor-

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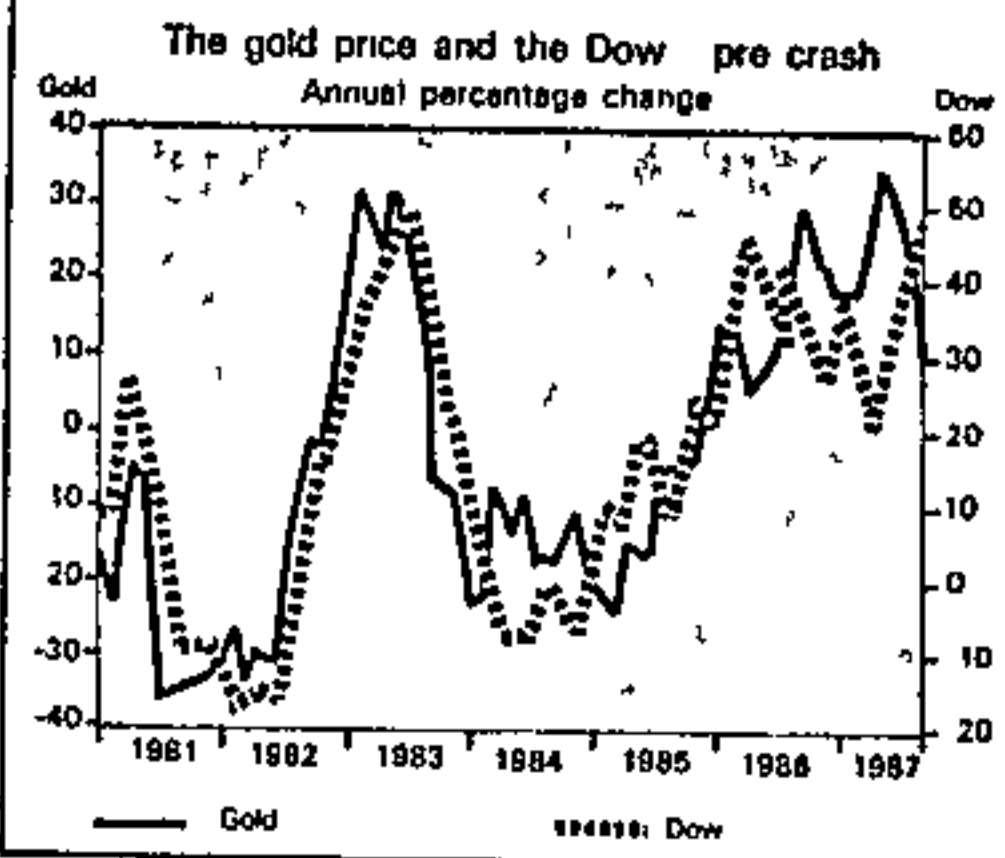
age costs for the bullion as well as the automatic re-investment of interest in additional TBs and dividends into additional shares Assume further, to get around the distortions arising from (dollar) inflation, that you decided to invest one "real basket of goods" in each of the three options

The question is how many baskets would your heirs have derived from each in 1986?

The answers (as the accompanying chart "Varying fortunes" shows) are

- A mere 1.5 baskets from the investment

Moving in tandem



in bullion (and less today).

- About eight baskets from the TBs, though close to that amount would already have been attained in 1910, and
- Something in the vicinity of 7 000 baskets from the investment in equities and, by now, well over 8 000

The chart shows clearly that there is no real long-term return to investing in bullion At best, it merely keeps up with inflation

The contention is hardly new In his magnum opus, a book entitled *The Golden Constant*, R W Jastram, an

economics professor emeritus from Stanford University, amassed data going back to the 16th Century that demonstrate clearly how the real value or purchasing power of gold has remained more or less unchanged throughout the centuries, despite prolonged but ultimately unsustainable deviations

Was this characteristic a fluke? Almost certainly not, though Jastram fails to provide an explanation In "normal" times the world's total indestructible stock of gold grows in line with the growth in global demand However, if under unusual economic conditions, as in the Seventies, investor demand picks up, the

price has to rise since the stock can scarcely respond in the short term

Total annual world output of new gold is thought to comprise less than 2% of the accumulated world stock of the metal However, in the longer run, over a decade or two, a higher price induces mines to step up production so that the stock expands a little faster to meet the extra demand In this way, depending on the real marginal cost of mining, which with some technological progress and some new discoveries tends not to change very much, the price of gold returns to its old golden constant Simple, isn't it?

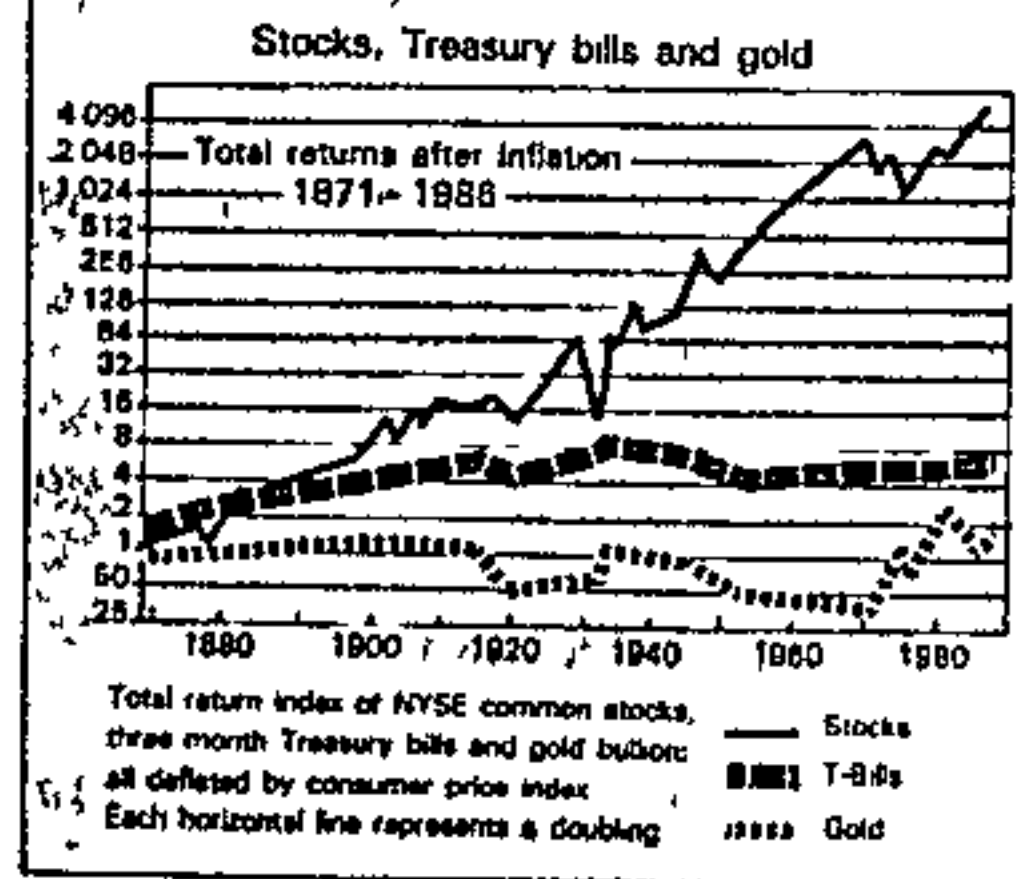
So — are we now back at square one? Possibly If we update the chart to October 1989, with the gold price fluctuating around \$360, we're roughly at 1.3 baskets, which is the purchasing power attained by the metal in the Thirties and, far more significantly, for several decades around the turn of the century when the London-dominated classical gold standard was at its zenith, operating smoothly with a minimum of distortions

For that reason I am inclined to regard bullion's value during that period as appropriate There we see the benchmark of Jastram's Constant I am determined to ignore the artificially depressed gold prices of the ill-fated Gold Exchange Standards of the Twenties and the postwar period of the Bretton Woods arrangement

Whither now? My view is that the extremely unusual stagflationary period of the Seventies, after the collapse of Bretton Woods in 1971, pushed the metal's price far above its Golden Mean The restoration of a more normal situation in the Eighties coupled with a higher global mining output forced the price back to more sustainable levels

That process has now been completed or, at least, is certainly nearing completion From now on the gold price will merely

Varying fortunes



fluctuate inversely with the (real) interest rate cycle overseas Despite such cyclical and relatively modest ups and downs, it will not be going anywhere in particular, chained as it is to Jastram's Constant In the very long run, it will probably increase by about 5% a year in dollar terms as US inflation of that order gradually erodes dollar purchasing power

The chart "Moving in tandem" is also interesting in highlighting the relationship between bullion and equity It shows clearly that bullion has performed as an investment hedge on only two occasions — in the early Thirties and the Seventies, precisely the two periods that witnessed disastrous performances by equities, the Seventies being the worse on the basis of a 10-year moving average

The age-old adage about gold being the ultimate hedge against economic dislocation comes out very strongly

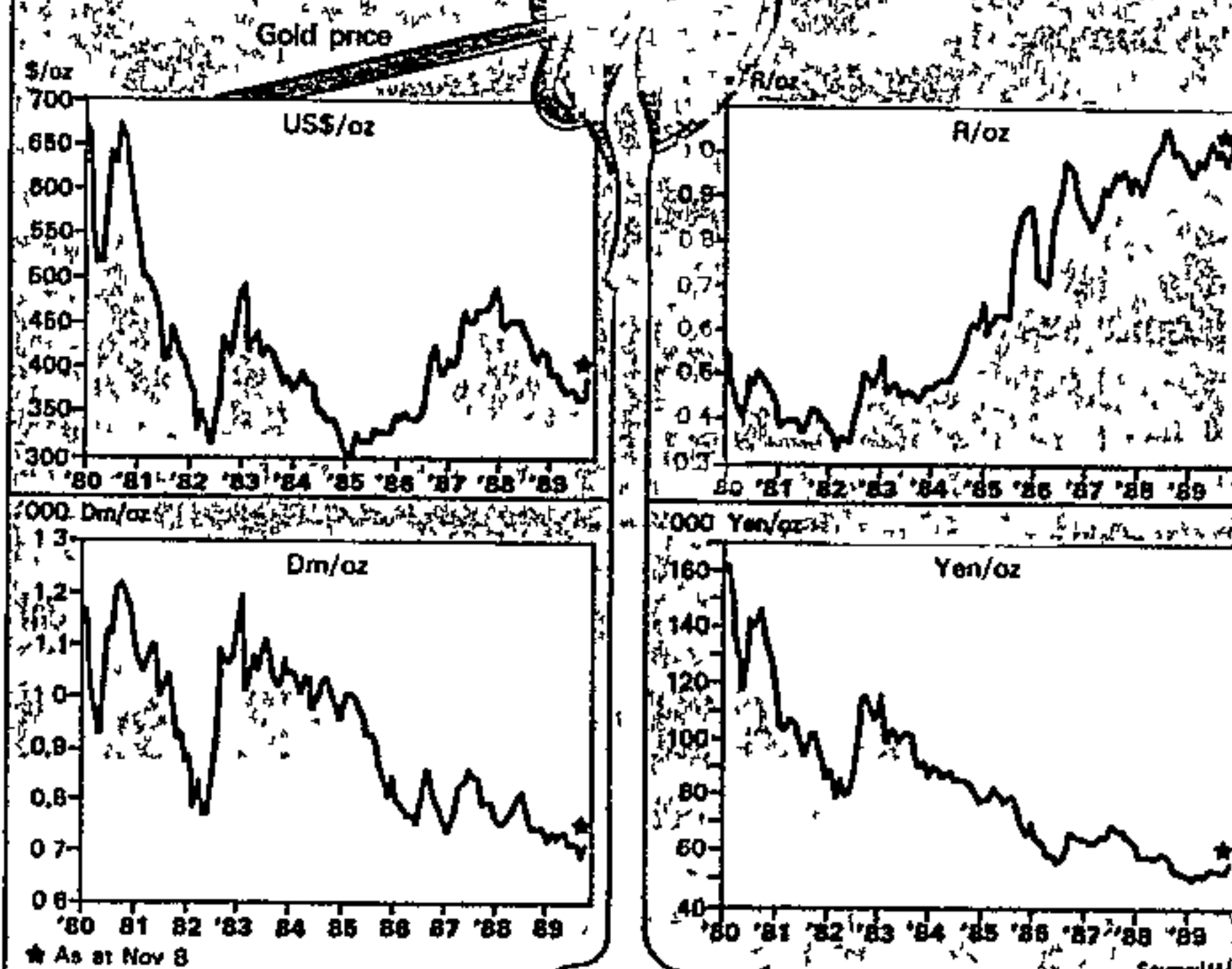
However — and this is the catch — when one looks at the relationship between bullion and equities over a shorter time span, the

picture alters radically In periods of normal-to-good world economic growth and low inflation, such as the Eighties, the performance of all financial assets other than cash tends to be inversely related to interest rates so that bullion and equities appear to be positively correlated

This is true for cyclical fluctuations within a given stable economic structure — but it is not true over the long term when one compares one grand economic episode (such as the stagflation of the Seventies) with some other episode, say, in another decade The picture can change

So, beware the dangers of interpreting correlations!

Cross currents



Gold price will hit \$405 at year-end ~~214~~ ~~214~~ economists

CAPE TOWN — As the gold price surged to \$393,85 an ounce in London on Friday — its highest level for eight months — Trust Bank economists Nick Barnardt and Jacques du Toit forecast it would reach “\$405 at year-end, rising to about \$425 in mid-1990”.

Glenn Moore of Personal Trust, who until now has been cautious in his view on gold, said: “A lot of factors are looking positive for gold. Its price may have bottomed out and it may be that we are at the beginning of a bull trend.”

Moore said buying in the Far East was a good sign for gold, and foreign buyers of shares in marginal SA gold mines were clearly “betting on a substantially stronger price”.

But he added: “I won’t be absolutely convinced that the turning point for gold has been reached until I see long-term bond rates in the US going up”.

Barnardt and Du Toit said in their weekly market commentary “The fact that gold has survived profit taking and producer selling at the higher levels with ease indicates how positive short-term investor sentiment has turned.”

But they warned “Renewed dollar strength and some weakness in oil could push gold back to about \$400 by the end of 1990.”

Own Correspondent

“Overall growth in GDP could be more than 2% for 1989 but will be closer to 1% in 1990-91”

They expected a more visible downturn in the New Year, particularly in durable consumer items.

They felt there was “a more-than-even chance of a 1% bank rate rise in February in response to low foreign reserves and higher German rates. SA rates will remain high until at least mid-1990, and prime will probably be close to 20% by next year-end.”

“The Reserve Bank will keep the money market tight until at least June next year to force banks into the discount window and thereby give teeth to the high penalty accommodation rate.”

“Consequently, 1991 will be the year in which the BoP performance turns highly positive — with interest rates declining more visibly”

Pointing out that long rates had shown very little movement, they said:

“The potentially favourable effect of the strong gold price with continued foreign buying of SA gilts is neutralised by the difficult money market conditions and the expectation of a bank rate rise early next year”

Day 20/11/89

OM 'likely buyer' of 8% stake in GFSA

214
26/11/87
GFI Tints

Own Correspondent

JOHANNESBURG — Old Mutual has been identified as the most likely buyer of the 8% stake in Gold Fields of SA (GFSA) from Hanson

Hanson announced on Wednesday that it had disposed of its last remaining assets in SA (acquired when it took control of British-based Consolidated Goldfields) to an unnamed buyer (or buyers) for £240m cash

Of all the SA companies which have the financial clout to buy an asset of this size, worth over R740m on the JSE yesterday, Old Mutual is the only one, besides Sanlam

On top of that, market speculation from various independent sources, in the financial rand markets and equity markets, has focused on Old Mutual

On Wednesday night Old Mutual executive chairman Mike Levett declined to confirm or deny the speculation, adding "I never comment on press speculation, whether it's true or false"

Companies which have been eliminated as buyers of the 8% stake are Anglo American, GFSA itself, Liberty Life and Gencor Business Day has been unable to get a response from either Sanlam or Rembrandt

But Rembrandt is considered an unlikely candidate for the stake, as a

purchase would upset the balance of its relationship with Asteroid and Liberty Life in GFSA Holdings, from where control in GFSA is exercised

Sanlam, on the other hand, is a possibility, being as capable as Old Mutual of funding the purchase

As regards the lesser interests sold by Hanson — minority stakes in Kloof, Driefontein, Deelkraal and Northam — it seems likely that they have been spread among a number of buyers GFSA has confirmed that it bought an unspecified amount of shares in Kloof and Driefontein, but not the whole lot

Old Mutual's buying power is illustrated by the fact that it recently reported cash holdings of nearly R7bn

● ROBERT GENTLE reports from London that analysts were still unable to put a definite name on the buyer of Hanson's remaining Consgold-inherited mineral interests in SA

The £240m sale of the portfolio of gold shares, which included interests in Gold Fields of SA, Kloof and Driefontein, was announced Tuesday by Hanson

An analyst from James Capel said his enquiries had turned up nothing, while an analyst from Smith New Court said something would surface sooner or later Stockbrokers Laing & Cruickshank refused to comment

Old Mutual GFSA buyer? (214)

OLD MUTUAL has been identified by London analysts as the most likely buyer of the 8% stake in Gold Fields of SA (GFSA) from Hanson. Old Mutual executive chairman Mike Levett has refused to comment.

Hanson announced on Wednesday that it had sold its last remaining assets in SA (acquired when it took control of British-based Consolidated Goldfields) to an unnamed buyer (or buyers) for £240m cash.

Few SA companies have the financial resources to buy an asset of this size, worth more than R740m on the JSE yesterday, and most of those — with the exception of Old Mutual, Sanlam and Rembrandt, yesterday denied buying the business.

Market speculation from various independent sources, in the financial rand markets and equity markets, has focused on Old Mutual. Companies which have been eliminated as buyers of the 8% stake are

REINIE BOOYSEN

Anglo American, GFSA itself, Liberty Life and Gencor

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Rembrandt is considered an unlikely candidate as a purchase would upset the balance of its relationship with Asteroid and Liberty Life in GFSA Holdings. Sanlam, on the other hand, is a possibility, being as capable as Old Mutual of funding the purchase.

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□ To Page 2

Old Mutual (214) (24/11/89)

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□ From Page 1

An analyst from James Capel said his inquiries had turned up nothing, while an analyst from Smith New Court said something would surface sooner or later

It was suggested that the mystery institution may be keeping quiet about the deal because it was in the market for even more shares and did not want this to leak out

Higher interim dividends from Anglovaal

ANGLOVAAL Holdings, Anglovaal and two of the group's gold mines — Eastern Transvaal Cons and Village Main — have all declared higher interim dividends

However, Hartebeestfontein gold mine's interim payment has been reduced, as expected by mining analysts. (214)

Anglovaal itself has lifted its interim by 50c to 300c on its ordinary and A ordinary shares, while on Anglovaal participating prefs an interim of 155c (130c) will be paid

The main reasons for the higher payments were increased earnings from the group's base metal interests — notably

LIZ ROUSE

Associated Manganese Mines and the recently acquired Lavino chrome mine — and improved dividend income from industrial subsidiary Anglovaal Industries

The higher Anglovaal interim dividend benefited Anglovaal Holdings, which has raised its own interim by 5c to 29,5c

ET Cons's interim dividend has been lifted to 200c (150c), higher than expected by analysts, and Village's interim has been raised to 14c (13c), in line with most estimates. Harties reduced its interim to 65c (80c)

24/11/89
S/DAM

Hanson rumoured to be on the acquisition trail again

LONDON — Lord Hanson and Sir Gordon White, the duo who moulded the fortunes of Britain's fifth largest industrial group, are thought to be on the acquisition trail again in the US

Fresh from his coup last week in persuading CSR, the Australian building products group, to pay more than 20 times earnings or a gross \$560m for the ARC America aggregates business inherited from Consolidated Goldfields, White is on the

Own Correspondent

lookout for fresh opportunities

Analysts have watched how Britain's biggest company, British Petroleum, has quit precious metals at a time when Hanson has moved in to become the world's fifth largest company via the ConsGold takeover

Now close observers of White are suggesting he could be about to move into coal after news last week that

BP has raised £320m from coal assets

Hanson already has gained an exposure to coal through its ConsGold takeover ConsGold's 49%-owned American associate, Newmont Mining, has a 49.9% holding in Peabody Coal, America's largest coal company One rumour is that White is negotiating with outside shareholders in Peabody to buy in the shares — Sapa-Reuter

28/11/87

Flexibility is called for in the mining sector

A FLEXIBLE response to the JSE's mining sector seems as appropriate as it was to industrial shares a year ago

Many factors make the mining sector an interesting proposition for investors, according to Dana Wakefield of broking firm Davis Borkum Hare

He says investors who are willing to trade on a medium-term view of gold's potential — even if they remain adverse to longer-term investment — should see good buying or switching opportunities recurring on pullbacks

Gold and mining house counters have firmed sharply and could therefore see short-term profit-taking, but underlying movement has established rising support price levels on corrections.

Wakefield says combine this with the introduction of all-share retirement annuities to be initiated by a life assurance company, and it seems likely that demand will underpin the market on possible short-term weakening

A flow of even part of the funds freed by the abolishing of prescribed assets

LIZ ROUSE

for life insurers, would stabilise corrections, and enhance up movements in gold shares if the gold price continues firmer

He says the longer-term dangers evinced by the current vulnerability of overseas share markets and the JSE's industrial sectors remain — but a full bear swing towards a cyclical base in equities is not indicated in the short to medium term.

Sketching the background to gold's swing from being an unfashionable investment to being a potentially rewarding investment after years of languishing in the wake of hyper-activity in other investments, Wakefield says gold in all currencies is at last free of its 23-month downtrend

But the extent of gold's potential becomes open to conjecture, with optimists anticipating \$700/\$1 000 heights, while paragonists see \$400/\$500 trading

for some time to come

Nonetheless, international attention has recently renewed its focus on gold share markets, as investors/traders switched from currency and junk bonds to climb into what were comparatively cheap gold shares — particularly the SA mines

This sharp re-appraisal has resulted in local yields that are overbought in fundamental terms, which has encouraged a number of local institutional investors to remain out of gold shares at the current rand/gold price.

Their standpoint is that a rand/gold price around R1 110-R1 200 is needed at current cost levels to provide the income now being discounted in local share prices.

But, says Wakefield, it must be remembered that overseas buyers of SA gold shares receive a healthy 6% dividend yield even at current prices — benefiting from the financial rand discount — as against the local 4% yield. In terms of expectations, if the dol-

lar/gold price achieves and maintains \$350 it will be free of the decade-long downtrend that began in 1980, considerably enhancing its longer-term prospects at a time when global equities, base metals and currencies have had their wings clipped again

Wakefield says even if gold were to fluctuate in the \$400/\$500 horizon in 1990 — rather than making a sustained upsurge towards the \$700 level that could be targeted by chartists if the possible long-term head and shoulders base formation should evolve fully — it would provide a local gold price around R1 090 at a conservative price of \$420 and an exchange rate of about, say, R2,33 to the dollar or 38c.

In terms of gold motivation, Wakefield notes that some wild cards are now being thrown into international currency and gold markets in the form of the literal and symbolic breaking down of the Berlin Wall and its economic implications for East and West Germany

EERSTELING Gold Mining Company can look forward to an extended tax holiday now that profits are

starting to trickle through

The mine, which recently announced a R32m rights offer, has R54,5m in capex to redeem before the Receiver enters the picture

This is made up of R46,9m in pre-production capex, R4,9m in capitalised losses (arising mainly from the open-cast operations which were terminated in December last year), and R2,7m in capitalised interest.

Forecasts

Adapting directors' forecasts on production and working and capex costs to Monday's gold price of \$415 (or R1 079), the mine's profit-after-capex outlook is as follows R5,35m in 1990, R8,16m in 1991, R12,1m in 1992, R12,5m in 1993 and R12,7m in 1994

This translates into earnings a share as follows 7c in 1990, 10c in 1991, 15c in 1992, 16c in 1993 and 16c in 1994

After accounting for ongoing capex, and a redemption allowance of 10% per annum, there will still be unredeemed capex of R27,6m in 1994

Eersteling can look forward to an extended tax holiday

REINIE BOOYSEN

So the outlook, at the current gold price, is that the tax holiday may last until 1995 or 1996, if not longer

The company recently embarked on a rights issue to raise R32m to repay the mine's borrowings of R30m — which is largely owed to the parent company, controlled by husband-and-wife team, Steen and Franka Severin — and eliminate Eersteling's exposure to high interest rates

The mine's interest bill is currently running at about R712 000 a quarter, or R2,8m a year. Parent Severin Mining & Development (SMD) is owed about R22m, of which R9,2m will effectively stay in the company, as SMD (which holds 29,8% of Eersteling's shares) intends following its rights

With underground tonnage building up steadily, management expects the mine to move into profit in the current quarter (director Ian Preston says the mine made a small profit after capex and interest in October, the first month

of the current quarter)

Underground tonnage has risen from 8 000 tons milled in July to 10 000 tons in September, and monthly gold production from 20kg to 38kg

The outlook for the company is also improving, along with other gold mines, with the rise in the gold price. This is reflected in the price of Eersteling's nil paid letters, which has risen from 13c soon after they came onto the board two weeks ago, to 45c yesterday (and a high of 55c last Friday)

Institutions

The take-up price per new share is 80c, while the existing shares were trading at 125c yesterday

Analysts say Standard Merchant Bank's decision to underwrite the rights issue adds some credibility to directors' claims about the future

On top of that, it is understood that large institutional shareholders like Old Mutual and Sanlam will follow their rights

Actual 30/11/89 (214) (E)

Rembrandt pays R911 million for big stake in gold mining

By TREVOR WALKER,
Business Staff

Rembrandt group now has a very meaningful 17,5 percent interest in Gold Fields of South Africa, one of the country's major mining conglomerates

Rembrandt said in its six months' figures to end September that in August this year after taking into account the recent GFSA rights issue, the group holds 40 percent in Gold Fields Holdings, which in turn holds a 43,7 percent interest in GFSA

This purchase cost Rembrandt R911,2 million and was financed out of internal resources, pref shares and loans

The Rembrandt Group returned a 42,5 percent increase in net income to R383,0 million and earnings a share rose to 66,40c from 51,74c, allowing for an 8,75c (7,50c) interim dividend

● **Rembrandt Controlling Investments** increased its net income to R195,6 million from R137,3 million and earnings a share rose to 49,17c from 38,31c, while the interim dividend was raised to 6,48c from 5,55c

● **Technical Investments** increased in earnings a share to 26,56c from 21,27c and increased the interim payout to 5,68c from 4,87c

● **Technical and Industrial Investments** interim was increased to 6,02c from 5,16c

● **Cement producer PPC** is considering investing in a company that will construct and oper-

ate a cement-producing facility in Botswana

At the same time, chairman Mr John Hall told shareholders in his latest annual statement PPC was to acquire a 50 percent interest in a company that designed residential structures that could be erected speedily and efficiently on problematic soils

Turning to PPC's prospects for 1990 Mr Hall said at best dividends would at least increase in line with inflation

A cooling in the world economy would impact on commodity prices and discourage further major investment in areas of mining and mineral beneficiation

● **Macadams Bakery Supplies**, achieved a 35 percent increase to R1,97 million in operating profit on an 11 percent increase in turnover to R23,84 million for the six months to August

However a substantial rise in the interest bill, up from R503 000 for the six months to August last year to R1,14 million, diluted net earnings

● **The Port Elizabeth-based pharmaceutical manufacturer, Lennon**, expects a record turnover in excess of R160 million for the current financial year ending March 1990, according to MD Mr Clive Stanton

This is 33 percent up on last year's turnover and at a banquet at the Johannesburg Press Club he said with its holding company, SA Druggists, pharmaceutical

products worth more than R30 million were being exported

To cope with future demand, the company had just completed a R50 million expansion and modernisation programme at its Port Elizabeth plant

In addition, work on a brand new factory costing R45 million would soon commence in Port Elizabeth Furthermore a specialised R5 million manufacturing plant was being constructed in the Ciskei

Star 11/2/89.

214

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Finance Staff

Capital market (gilt) rates could fall to below 16 percent by the end of the year, market traders said yesterday

This follows on the 30 percentage point plunge in the key Eskom Loan E168 rate on Thursday, after an estimated R100 million foreign buying order

The yield on the E168 fell to a low of 16,35 percent after opening the day

Gilt rates plunge

at 16,65 percent. It closed at 16,39 percent.

Only three weeks ago it was quoted at a high of 16,95 percent, but since then prospects of lower inflation and the rise in the gold price has led to a more bullish sentiment in the market

Paul Eysink, capital market dealer at Holcom

Futures told Sapa he expects the rate to come down to below 16 percent by the year end

"The institutions appeared to have noticed a technical breakout at 16,65 percent in the E168 yesterday, and early trading resulted in the rate moving down to 16,35 percent."

He attributed the bull-

ish sentiment to the continued firm gold price and also to the fact that the measures recently implemented by the new Reserve Bank Governor, Chris Stals, are expected to result in a lower inflation rate for 1990

Yesterday's plunge was sparked by a R100 million buying order, reportedly emanating from the US, which saw institutions move into the market to cover short positions

Hanson may hang on to gold interests

Staff
Finance Staff
11/21/89
214

Hanson PLC's recent sale of Consolidated Gold Fields' South African interests and the rise in the gold price is causing analysts to re-appraise the group's strategy concerning Consgold's extensive mining interests.

When Hanson acquired Consgold earlier this year the consensus was that Hanson would pull out of gold and hone the group back to the UK's leading aggregate business ARC.

But now analysts are suggesting that Hanson is also likely to keep some of Consgold's gold interests, according to the *Sunday Telegraph*.

"With the gold price breaking through into new territory and analysts predicting the start of a long-term bull market in bullion, Hanson appears happy to sit tight as the world's fifth largest gold producer," the news-

paper says

While Hanson has already sold its South African mining interests, held in Gold Fields of South Africa, it still owns large stakes in two US mining conglomerates, Newmont and Gold Fields Mining Corp, and Remson of Australia.

Anglo-American backed Manoro, which had earlier failed in a bid for Consgold, has been frequently mentioned as a possible buyer of these groups.

At the release of Hanson's results this week, chairman Lord Hanson declined to comment on whether further sales were either planned or under way, although the disposal of Consgold's assets had already raised more than £1 billion.

It did, however, publish a year-end balance sheet, showing cash balances of £5.3 billion, which was offset by bank loans and overdrafts of £4.46 billion, plus debenture loans of £674 million and convertible loans of £976 million.

According to the *Financial Times*, Lord Hanson said that gearing was expected to reduce sharply in the current year.

The high level of cash balances and the company's substantial borrowing capacity has left the conglomerate in a commanding position to make acquisitions.

Yesterday, Martin Taylor, Hanson's deputy chairman, added that he believed there was now more of a possibility of a buyer's market developing in the wake of a decline in financially-engineered deals. These have been seen as one of the forces driving up acquisition prices.

Analyst Simon Hayes at London brokers James Capel told Reuters that Hanson would expand by snapping up low-technology and low-risk businesses with good cash flow. "Basically,

the world is their oyster," he said. The results for the year to end-September showed that pre-tax profits topped £1 billion for the first time.

The figures take in only two months-worth of profits from Consgold, but Lord Hanson said Consgold's net contribution was around £15 million.

● Hanson's subsidiary Wassall has launched a £44 million hostile bid for UK-group Metal Closures, stating it will reduce the group's dependence on the profits from its South African subsidiary.

Wassal chief executive Christopher Miller reportedly indicated that he was willing to take over these interests, but that "action must be taken to restore the profitability of the European operations".

Metal Closures (SA) is listed on the JSE and manufactures metal and plastic closures.

Gencor poised to launch R5-bn energy company

Star 1/12/89

214

By Magnus Heystek, Finance Editor
Investors can start preparing themselves for the listing of a massive energy-related company with a turnover exceeding R5 billion on the Johannesburg Stock Exchange some time next year.

And if rumours currently doing the rounds in the investment community have any validity, the listing will be preceded by the announcement of a major oil-strike off the South East Cape coast.

Gencor, South Africa's second largest mining house has in recent months been laying the foundation for the formation of a widely-diversified energy-related company, to be called Engen.

It will most likely house Gencor's strategically accumulated interests in Mossgas (30 percent), Soekor (a participation right of 20 percent), Mobil (100 percent), Trek (85 percent) and some other, smaller energy-producing companies, including strategic stakes in two North Sea oil ventures.

Part of the listing will entail the delisting of Trek Belegings with minority shareholders being offered either

cash or shares in the to-be-listed Engen.

Gencor's annual report, released yesterday, reveals some details of Gencor's vast energy-interests, particularly since the take-over of Mobil for R650 million in cash earlier this year.

According to the pro-forma figures the turnover of Gencor's energy interests would have amounted to R4,175 billion for the year to June 30 this year, a massive jump from the turnover of R1,1 billion the year before. Distributable income would have jumped from R37 million to R160 million with total assets estimated at R1,2 billion (R361 million).

Trek deal

Earlier this month it was announced that Gencor paid R106,2 million for the 34 percent stake in Trek Belegings held by Shell SA and BP Southern Africa, which increased its stake to 84 percent. This has removed all obstacles to a closer working relationship with Mobil, which includes the refining and distribution of fuels for Trek

Mr Bernard Smith, executive director of Gencor in charge of its energy interests, confirmed that plans are far advanced for the listing of its energy-interest next year, but declined to give more details. He indicated that a delisting of Trek would make sense.

However, he said that Gencor has identified energy as a major growth area in the future and that the profit contribution from these interests are bound to grow in future. Prior to the Mobil deal energy contributed only 1,1 percent of the group's net assets. After the Mobil transaction this rises to 6 percent, not taking into consideration the latest deal with BP and Shell.

Particularly significant in the annual report are comments concerning oil exploration done by State-controlled Soekor, in which Gencor has a 20 percent participation right. Of the eleven wells so far drilled in the Bredesdrop-basin off the South East coast, stretching roughly between Port Elizabeth and Mossel Bay, four have started producing oil and gas at what the report calls "encouraging rates".

"Although none of the accumulations discovered to date appear to be large enough to support a stand-alone development, the feasibility of exploitation by means of a mobile floating production system is being investigated.

"Extended testing of one reservoir yielded encouraging results and some 120 000 barrels of oil was recovered at a rate of 5 000 barrels per day.

Wells drilled in the past two years have contributed significantly to the understanding of the geological controls in the basin, and the Energy division believes there is potential for larger accumulations than those so far discovered," the reports states.

● Costs of Mossgas, the synthetic-fuels venture in which Gencor has a 30 percent interest as well as the management contract, has risen by some R1,3 billion to R7,8 billion.

This is mainly the result of what Gencor calls "demand inflation" but also as a result of changes and additions to the original design which will increase product yield and improve operating efficiency.

Joburg is to dump i

Elevated parks and landscaped gardens planned

JOHANNESBURG is going to lose all its 70 mine dumps

Its great arc of dumps — including the highest man-made sand dump on earth, which is almost gone — is being re-sifted for its gold content and the residues piped to new, flat-topped slimes dumps rising on the West Rand

I flew around the dumps in a helicopter with the general manager of Rand Mines Milling and Mining Co (RM3), Mr Ulrich Herrmann and had a bird's eye view of one of the world's most challenging solid waste problems which is presently being turned into a series of opportunities

Recreation

The new flat-topped slimes dumps are to become elevated landscaped parks and sports fields

The empty spaces left in Johannesburg will also be landscaped, some for recreation and ornamental lakes, others for office parks

On what was once derelict mine land there is now Soccer City's emerald-green lawn, the bustling, newly extended Gold Reef City and Nasrec show grounds, Ormonde's chic cluster housing, and Crown Mines lush golf course

Millions of tons of A dump (the highest dump on earth) have already been processed and so has most of C dump, which is nearby

From these dumps RM3 is currently processing 630 000 t of sand a month at its plant in Crown Mines — ironically within sight of Widow Oosthuizen's Langlaagte farm where the Main Reef was discovered in 1886

From this amount of sand comes 1,8 t of gold a year — worth R60 million

Some of the values found at the bottom of A dump have been as high as 50 g to the ton. These rich tailings probably date back to 1890 when the old process of recovering gold suddenly failed because of the presence of pyrites in Johannesburg, temporarily, became a ghost town then McArthur and the Forrest brothers invented the cyanide process of extraction

In three or four years' time, A dump will be replaced by an office complex in landscaped gardens

The bad news is that there will be windy days when the dust will be a nuisance

The good news is that

JAMES CLARKE

Johannesburg's notorious mine dump dust has been shown not to be a serious health threat: the particles cannot be inhaled because there are simply too big. It is the coarser particulates that are a menace

They filter under doors and roofs and on bad days coat furniture and soil washing hanging out to dry. Being acidic, the wind-blown sand also damages gutters

And there is more good news: a method has been found to dramatically reduce the dust on RM3-owned dumps

From the air it became clear that only a fraction of Johannesburg's mine dust menace is coming from the dumps now being worked by RM3

Despite the Clean Air Act, which requires mining companies to control dust, it is obvious from the air that, with the exception of RM3, mining companies are blatantly neglecting their dumps

I saw many bare dumps and many whose sides had slumped leaving sandy chasms exposed to wind erosion

RM3 has proved that much of the dust menace can be alleviated

Despite the strong wind and the draught of the helicopter when we landed on A dump there was no dust. The working face from where sand is being removed is constantly being sprayed with water — at a cost of nearly R100 000 a year

The rest of the exposed dump, with the exception of the dedicated road, is sealed with an emulsion. The road itself is constantly watered

There is also a shade-cloth fence along the edge of the dump serving as a windbreak

Standards

The latest slimes dam, which the company is creating near the western by-pass, is noticeably better vegetated than most of the older non-Rand Mines dumps

The Department of Health has no official standards for airborne dust so Rand Mines has adopted those of Ulrich Herrmann's home country — West Germany — where the limits are 650 mg of dust per cubic metre for residential areas and 1 200 mg/m³ for industrial areas

Generally speaking, according to Professor Harold Annegarn of the University of the Witwatersrand — who has been monitoring the dust at several points around town since 1981, the dust levels over Johannesburg

are well below the residential level

Only on very few occasions over the last three years have dust levels risen above the tolerable

C dump has been a problem because RM3 was forced to open up a windward slope which, under normal circumstances, would have been avoided. The presence of the M4 motorway and other factors dictated the approach

Even so, C dump's dust, even on a bad day, is well within West Germany's standards

To measure aerial fallout, Professor Annegarn invented an ingenious device using two plastic buckets and some rather more complicated apparatus. Using the device, now being copied commercially (it was not patented), Professor Annegarn is able not only to tell the direction from which dust has been com-

ing but he can even "fingerprint" it and identify the guilty dump

The worst day on record for dust in the 1980s was in October this year when dust levels reached 7 000 mg/m³

Tony Sunridge of CSIR, who has carried out wind tests over the years, explained what happened: "October is generally Johannesburg's windiest month — not August as many believe (August is third windiest after September)

"This September there was no rain in Johannesburg — not a drop. And October experienced unusually high winds. That is why we experienced that particularly bad day when the city was enveloped in dust."

The worst affected area is Ophirton. Yet even there the dust levels rarely go above West Germany's residential standard and on fewer

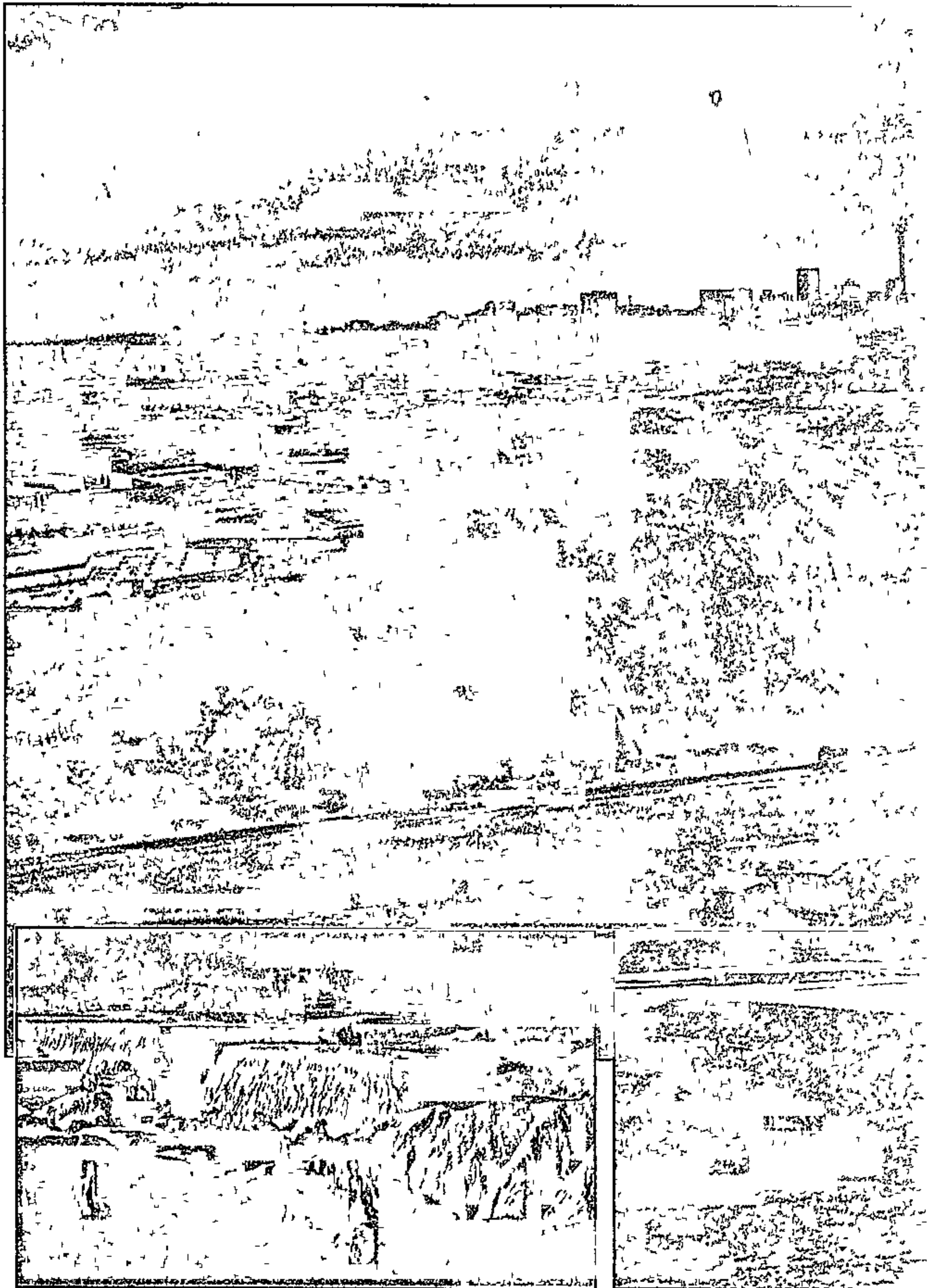
than a couple of days a year they rise above West Germany's limits for industrial areas

Mr Andy Rice, manager of RM3's A dump operation, said a 16 km/h wind was enough to lift mine sand

"We are spending R2 million a year keeping the sand on the deck. It is not easy. Our shade cloth windbreaks are stolen for carports and our big brass spray nozzles, costing about R1 000 each, are stolen for scrap"

Available

Rand Mines owns 42 mine dumps in the Central Witwatersrand — out of a total of 76. All of the reclaimed Rand Mines mine dumps will become available for development between now and the beginning of the 21st century. About 400 ha will be available in the Crown Mines/City Deep area by 1994



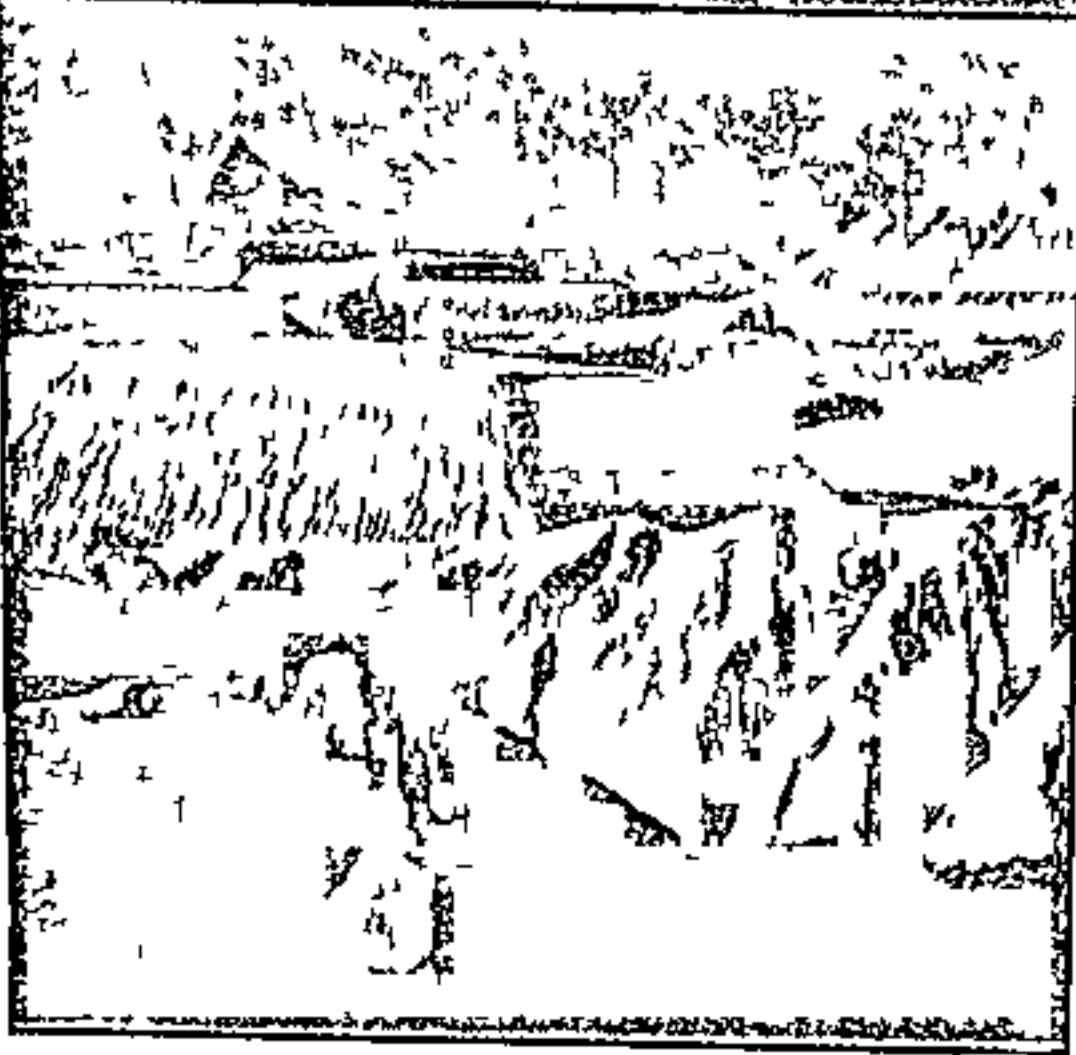
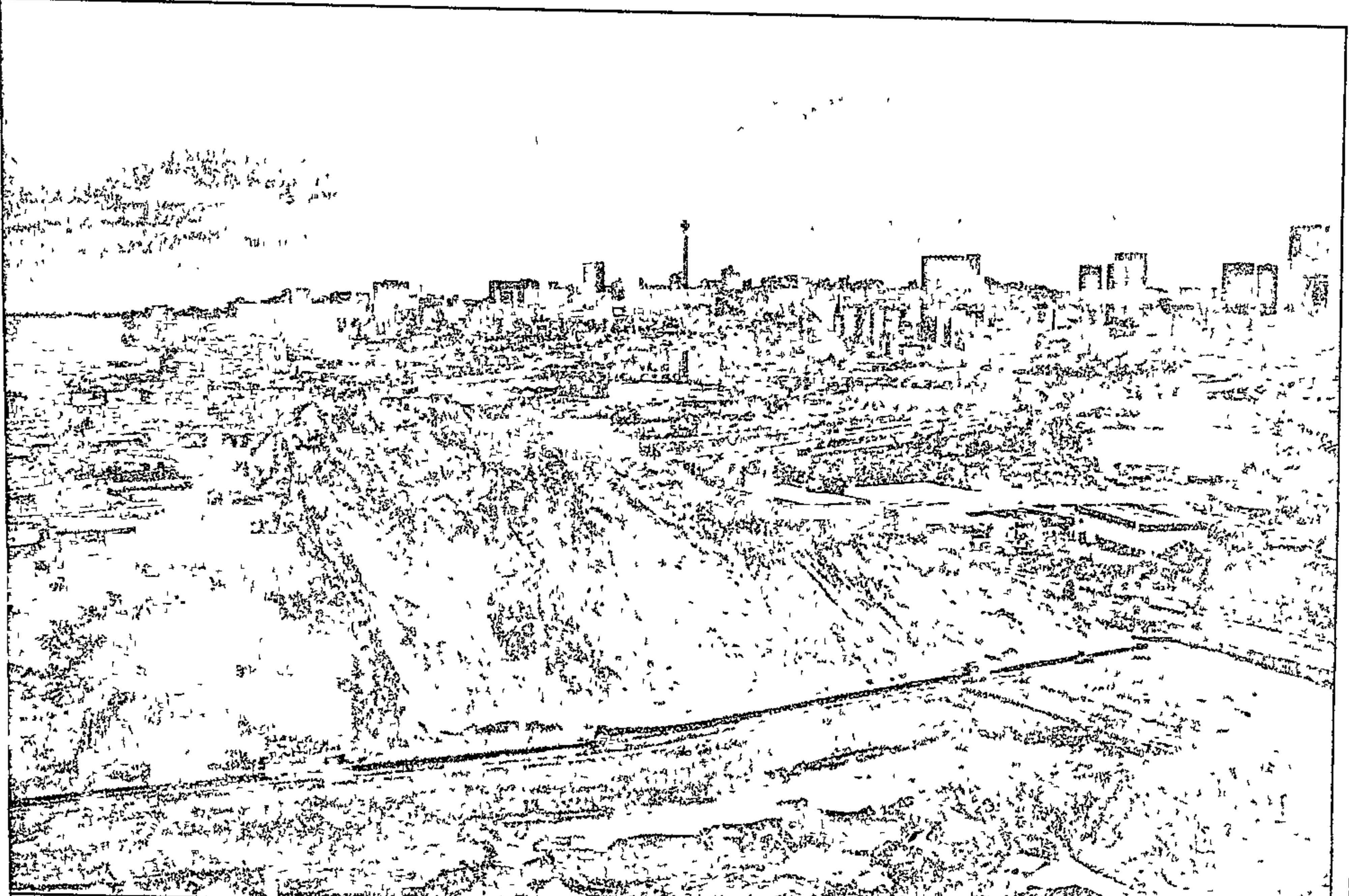
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NEWS

Star 2/12/89 (214)

s to dump its dumps



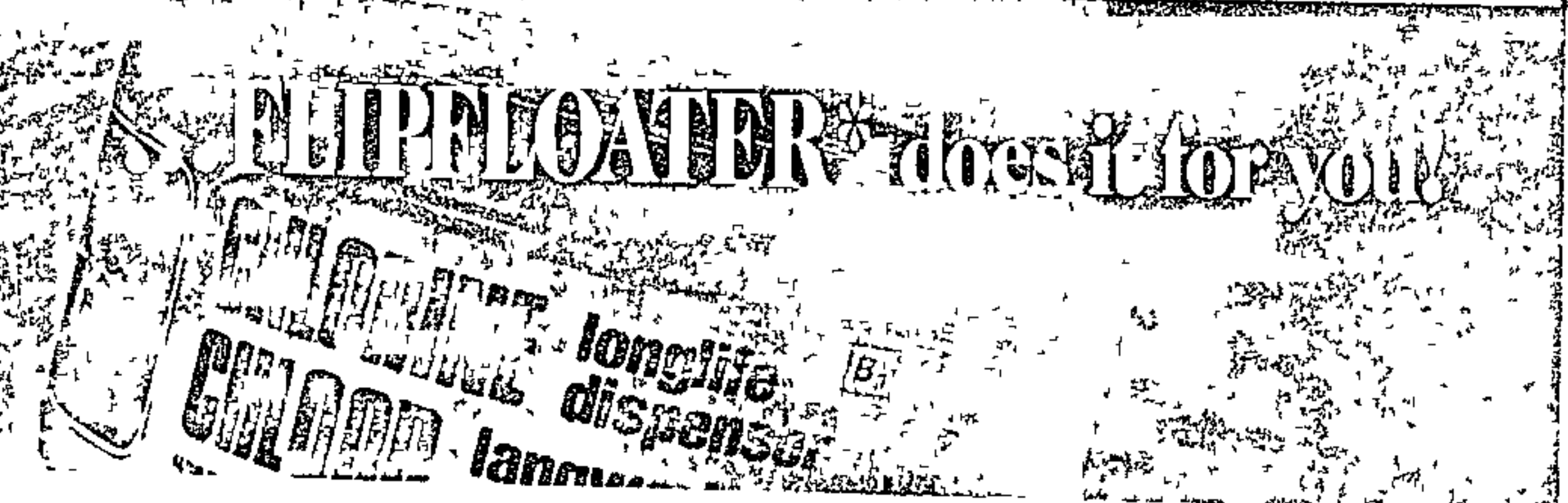
PRESENT Johannesburg's giant "A Dump" — the world's highest pile of waste — has almost gone (above). In the foreground the old farmland now lies exposed, its soil impregnated with grams of gold. By 1994 an office block will rise here (Photograph Etienne Rothbart). PAST This is how Johannesburg used to look in the 1950s (far left). The city was often engulfed in dust. The grassing of the dumps began in the 1960s. FUTURE After Rand Mines has recycled a dump the waste sand is piped to this slimes dam (left). Dust-inhibiting vegetation grows right up to the fresh sludge on the plateau.

he can even "find" it and identify it as a residential dump. The worst day on record for dust in the 1980s was in October this year when dust levels reached 1000 µg/m³. The Sunridge of CSIR, which has carried out wind tunnel tests over the years, explained what happened. The dust is generally from the city's windiest area — not August as many believe (August is the windiest after September). There was no rain in Johannesburg for a year and a half. And the winds that experienced that day were the worst in the city's history.

than a couple of days a year they rise above West Germany's limits for industrial areas. Mr Andy Rice, manager of RM3's A dump operation, said a 16 km/h wind was enough to lift mine sand. "We are spending R2 million a year keeping the sand on the deck. It is not easy. Our shade cloth windbreaks are stolen for carports and our big brass spray nozzles, costing about R1 000 each, are stolen for scrap."

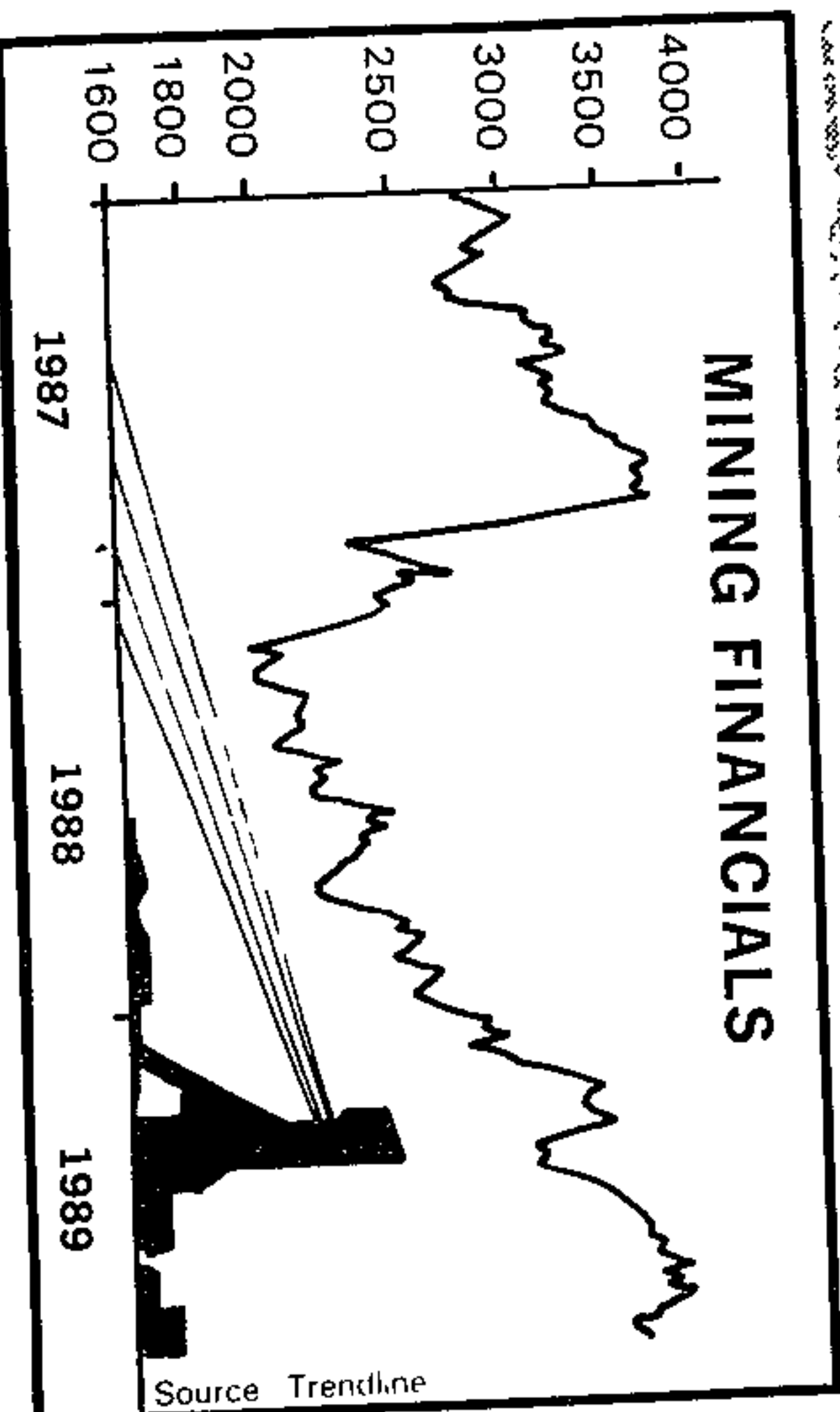
Available
Rand Mines owns 42 mine dumps in the Central Witwatersrand — out of a total of 76. All of the reclaimed Rand Mines mine dumps will become available for development between now and the beginning of the 21st century. About 400 ha will be available in the Crown Mines/City Deep area by 1994.

you prefer
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but don't like adding it every day...



3/12/89

MINING FINANCIALS



Battle and boom year for the mining houses

well as some of Grinaker's electronics interests

Johnnes is also to split its shares. They reached a high of R925 each in September, and would probably cause the JSE's computer to crash if they traded at R1 000 a share

Rand Mines had an eventful year, which also included a rights offer. It applied for State assistance for two of its gold mines — ERPM and Durban Deep — which were struggling to stay afloat

Rand Mines had better luck in platinum, successfully bringing the Lekhochrysos — now Barlats Mines' Crocodile River Mine — into production

Barlats and Barlats held rights offers to fund their expansion

The group's collieries also had a successful year against poor expectations for coal exports

Anglo American continued its exploration in the Porchet-stroom gap, although the borehole results published in the New Central Wits annual report must be a cause for concern as to whether a gold field can be viably developed

The group's gold mines operated successfully and kept operating cost rises down

Its associate De Beers announced expansion in several areas along the west coast of South Africa and Namibia, as well as a probable development at Veneta in the northern Transvaal

Not quite in the same league, control of the Johannesburg Mining & Finance changed after the group was apparently abandoned by chairman Joe Bernardo. A deal was struck with the Southgo group, which assumed control of the JMF's mining operations

The industrial interests were sold, and Corex will be delisted

JMF shares were 46c a year ago, dropping to 12c in March before rallying to around 30c

Middle Wits was the feature of the mining holding sector after a 25-for-one subdivision of shares. The price rose from the equivalent of 278c a share in March to 455c, having topped R5

The Anglovaal-controlled holding company has interests in mineral rights in the northern Free State. The market expects mining to be established there

Generally, investors were not let down by mining houses and holding companies in spite of a relatively weak performance from the gold price. The mining houses which have sold industrial interests tended to outperform those which did not



BOUGHT The Lavino chrome mine

SOUTH AFRICA's mining houses — and those with strong local connections — made the headlines throughout the world this year

One of the features was the long battle by Minorco — the Luxembourg registered holding company with links to Anglo American Corporation — to win control of Cons Gold Fields

Cons Gold was not without South African links either. It owned 38% of Gold Fields of SA. But in spite of Minorco's receiving acceptances from more than 50% of Cons Gold shareholders, the bid did not succeed

It was thwarted by the decision of an American judge, who believed that the deal was in breach of American anti-trust law, because American associates were involved

The Hanson Trust bid for Minorco's 29.9% stake in Cons Gold, which was accepted. The offer was extended to all Cons Gold shareholders, and Hanson came to control it with the intention of breaking up the group

The stake in GFSA was sold to a South African consortium comprising Liberty Life, Rembrandt and GFSA management

Rembrandt now has large slices of both GFSA and Gencor

Gold Fields itself had a quiet year, other than raising R1.5-billion to fund future developments

Gencor had a name change, a rights offer and a share split, apart from making several key acquisitions. It raised

By Julie Walker

R1.5-billion and split the shares 10-for-one to put the price within the reach of more investors

Gencor bought Mobil SA, Alusat and increased its holding in the developing Oryx gold mine. The shares were only 580c in December 1988, but were up to 970c in mid-

November

It dropped the cumbersome General Mining Union Corporation title and adopted its generally used abbreviation Gencor, while holding company Federale Mynbou became Gencor Beherend Beperk (Genbeperk)

Anglovaal — one of the top performers over the past five years — also had an acquisition year as well as announcing a proposal to tidy its com-

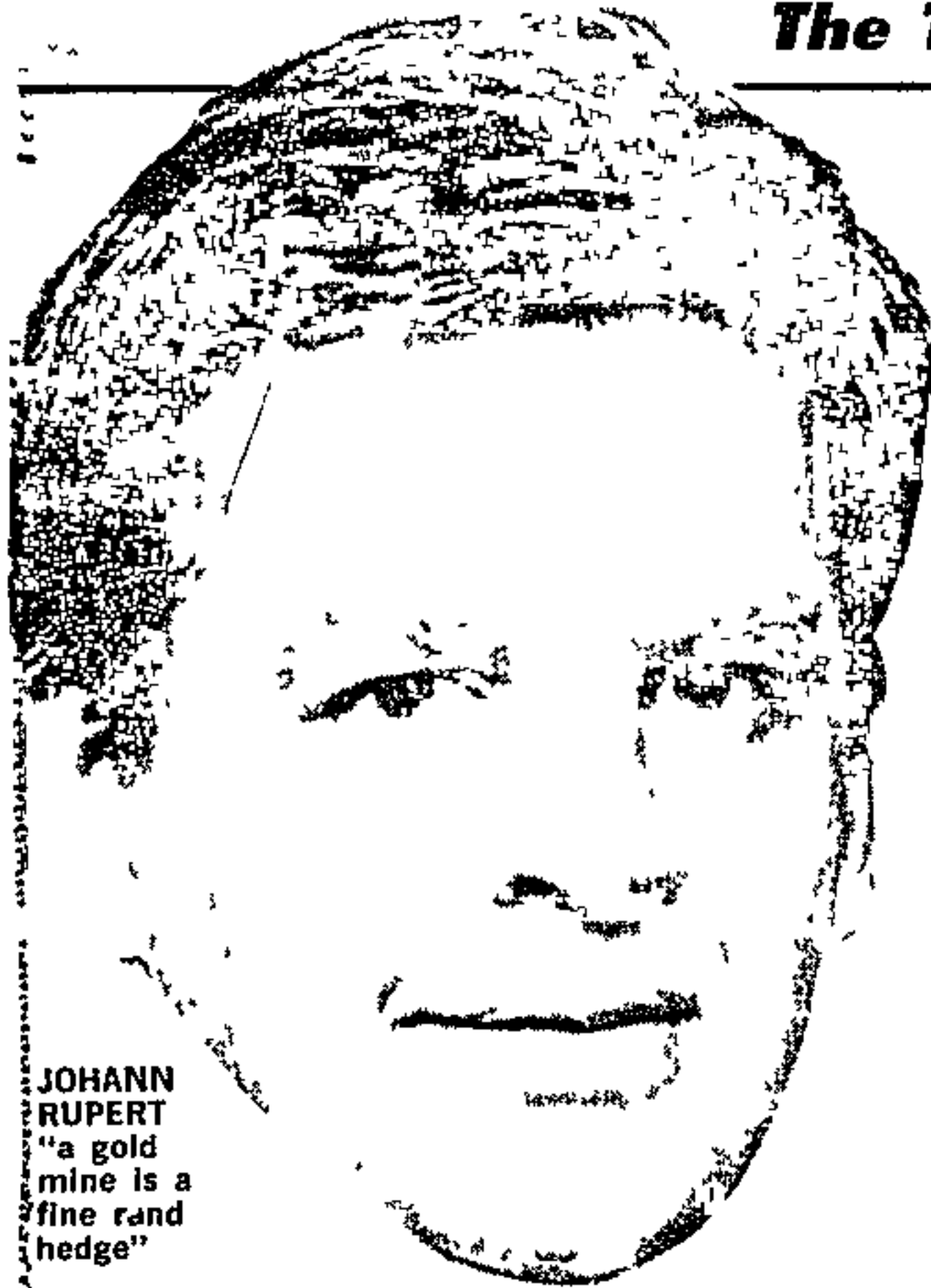
plicated capital structure and split its shares 10-for-one

Anglovaal's major moves include the purchase of Lavino chrome mine in the Eastern Transvaal, Goodyear, which was bought by Consol, and 76% of Hewlett-Packard, taken by Silttek

Through a reverse takeover of Moon River — which sold its textile businesses to Avtex — Grintek was launched as a holding company for Silttek, as

The Top 100 Companies 1989

The puffing gets better!



JOHANN RUPERT
"a gold mine is a fine rand hedge"

By David Carte

REGAINING control of Rothmans really satisfies Johann Rupert — but last month's triumph was in Richefont

In this survey we are looking at Rembrandt, an all-South African company with no relationship to Richefont except common shareholders

But in calculating the 60%pa return to a Rembrandt shareholder in the five years to September, we have added back the value of the one Richefont share he would have received for every Rembrandt

But quite aside from the establishment of Richefont which added billions to shareholder value and the recapture of control of Rothmans, there were considerable victories in Rembrandt in the past year

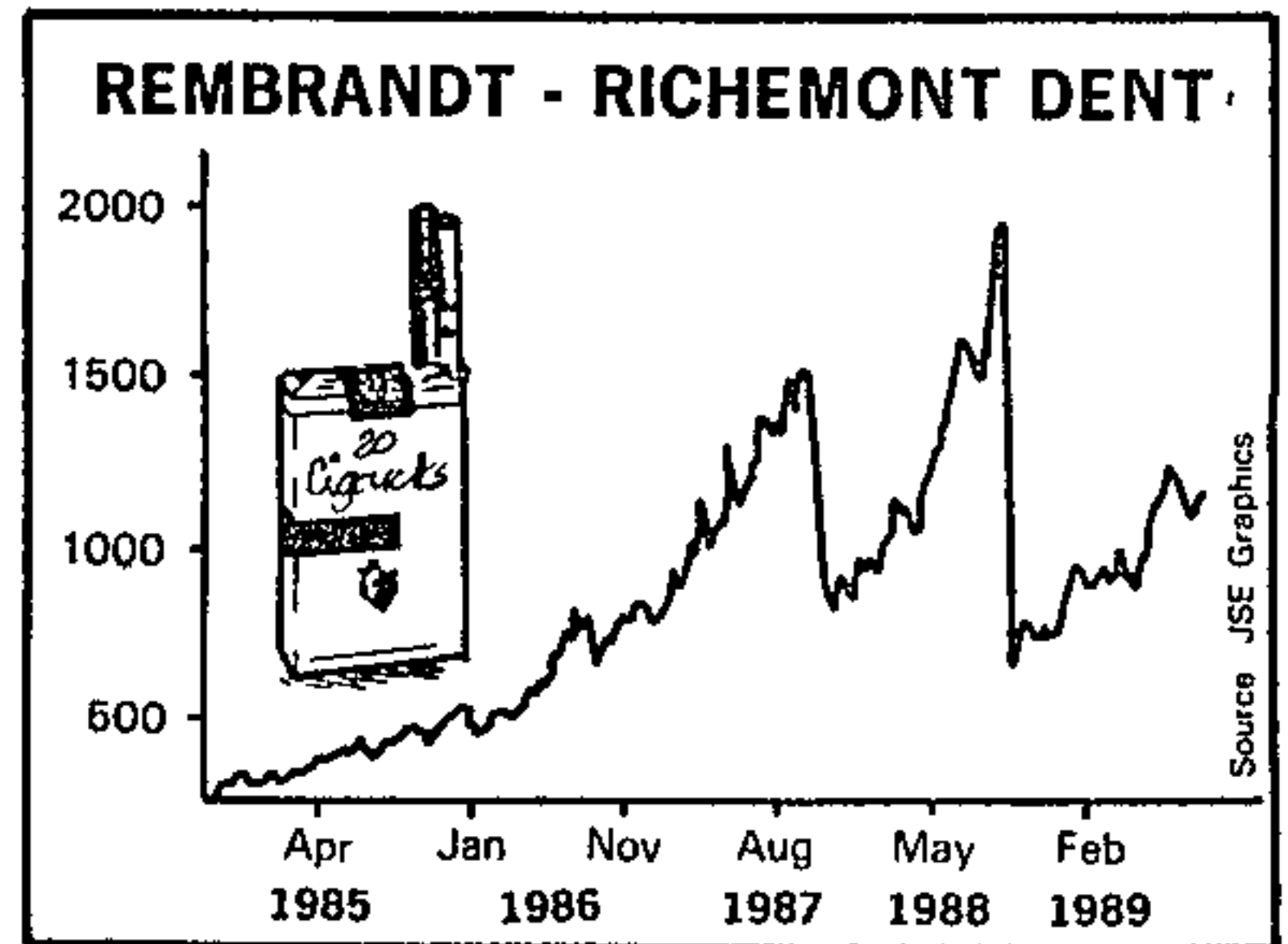
First, Remgro snatched Rainbow Chickens from under the nose of Irvin & Johnson and put it, together with Robertsons spices into Hunt Leuchars & Hepburn to form a second food based leg in that timber group

Then there was the successful bid, together with GFSa management for effective control of GFSa

Mr Rupert gives the credit to his predecessors

The tobacco business to us is like the beer business to SA Breweries and diamonds to Anglo It generates an enormous cash flow which

like SAB and Anglo, we invest in diverse areas
"As you know, we are well placed in financial services, with strategic stakes in, and cordial relationships with, Volkskas, Momentum, United Group Standard Bank and Sage I think we are strategically well positioned considering the urgent need for rationalisation in financial services in South Africa
"The other day I drove down the main street of Somerset West and noticed 23 financial services outlets in about a kilometre Think about the duplication in data processing hardware and software, not to mention white collar staff inherent in such an over banked situation The customers and the country cannot afford it."
Mr Rupert junior shares his father's enthusiasm for gold and gold mining
"A good gold mine is a fine rand hedge As you know, GFSa has three of the richest



Beware the electronics minefields

By Melanie Sergeant

THE JSE's electronics sector — everyone's darling in the 1987 listings boom — has turned out to be an investor's minefield

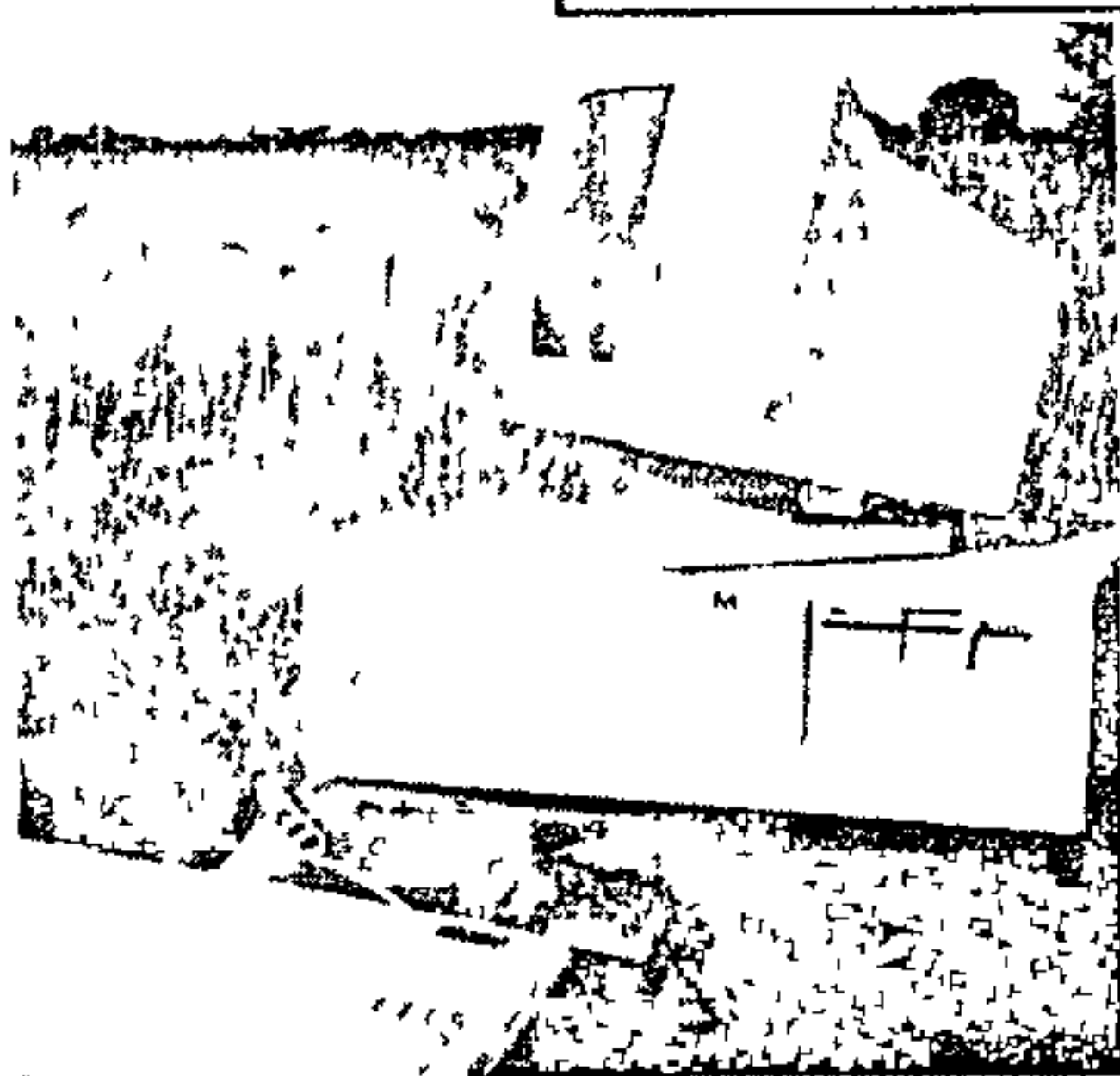
Even companies which are proven good performers have been tainted by disasters like GBS and Fintech with its Punch Line debacle

One JSE analyst says many of the companies could be good examples of how not to run a business "They are operating in a highly competitive industry, and many smaller companies are not producing the goods which traditionally attract investors

"There may be many bright people in this industry, but they simply don't know how to run their businesses," he says

Another analyst predicts more delistings before new companies come to the sector

Overall, the sector has not



No 2 1984: R10 000 1989: R115 063

can negotiate joint ventures on equal terms, not only with Gencor but with other mining houses as well"

Mr Rupert said Rembrandt thrived because of its low dividends and high retentions over the years — and also because it could take an eight or 10-year view on investments

"Because of inflation, many companies have paid dividends out of capital Shareholders have paid tax on the dividends and then the companies have come back every five years with rights issues The shareholder had to dig into his pocket to pay with money that had been taxed and depreciated For him it has been a zero sum game

"Our dividend cover has been very high in the past and currently runs at five My predecessors built this company up on individual shareholders, rather than institutions

"For years institutions complained that we didn't pay dividends. Now they don't want us to pay dividends particularly out of Richefont, their rand hedge"

Thrived

"The squabble over Fedmyn was between personalities long ago We defended the right of a brilliant chief executive to discontinue certain operations, but that is all in the past I'd like to place on record our respect for Derek Keys We think he is one of the best managers in the world

"It seems to me that if the mining houses are to get closer it will be at operational level, rather than at head office level The GFSa management team today is assured of its independence and

The advice is: Tiptoe

Call before

Brighter year-end puts a glister on gold

By Julie Walker

IT WAS the year of climbing interest rates, of peaking industrial share prices, and of booming gold shares

Golds supplied a November flurry out of the blue. The price climbed from below \$350 in September to above \$390 at the time of going to press. That is a climb of 11%.

The rand gold price went from R950 to R1 030 — a rise of 8%. Yet the JSE's All Gold index surged from a low of 1 247 on October 16 — the day of the mini-crash — to a 1989 high of 1 896. That is a jump of 60% in less than a month.

Every man and his dog climbed into golds. Even the worst-performing shares became sought after after Durban Deep — on the last lap of a long run — doubled in price within a week, and its high of R28,50 was more than treble its February low of R8,40.

East Rand Proprietary followed the same path, climbing from R7 in June to R16,75 by November.

Rand Mines applied for Government assistance to tide the mines through a tough patch, but co-operation was minimal. Chairman of the precious metals division Clive Knobbs said the rand would have to fall and the rand gold price rise substantially if the two mines were to continue.

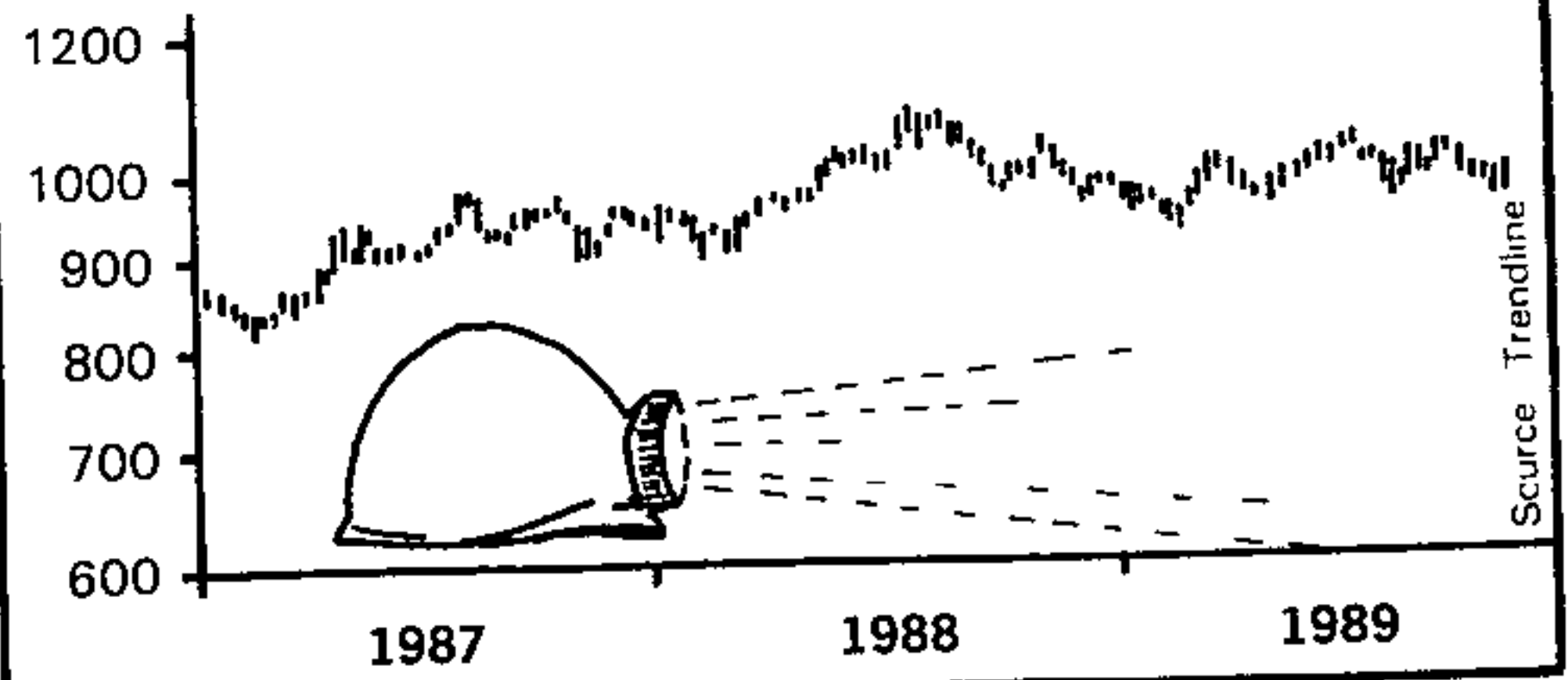
Operations were curtailed at Durban Deep, while ERPM is concentrating its efforts on the new Far East Vertical shaft which should give it a new lease on life.

Other star performers among the marginals were Grootvlei, Wit Nigel, West Rand Cons, Blyvoor and Venters. Among the better-quality companies Elands,

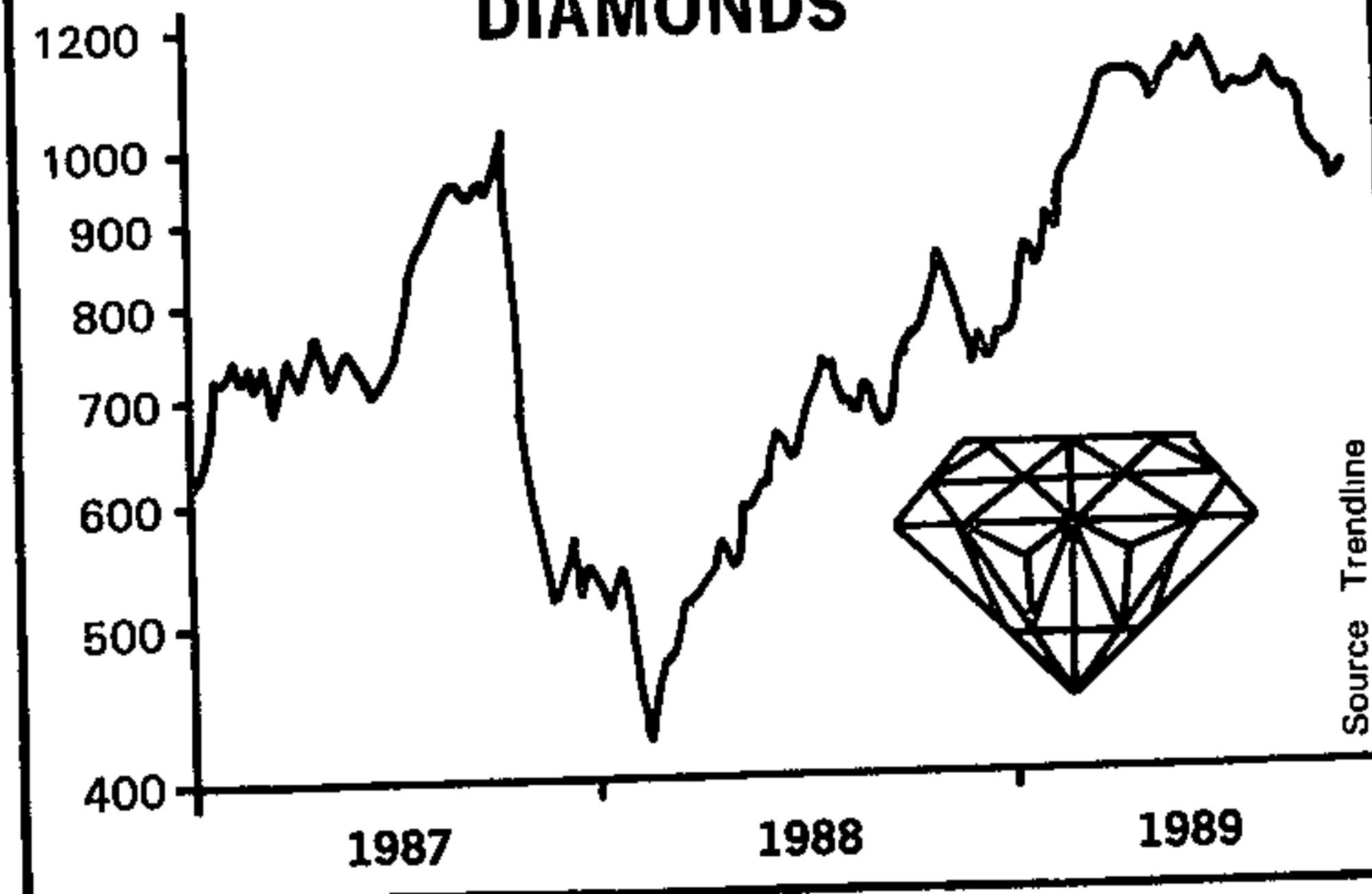
Unisel, Kinross and Freegold were in demand during November.

Mine managements came under pressure during 1989. The gold price was

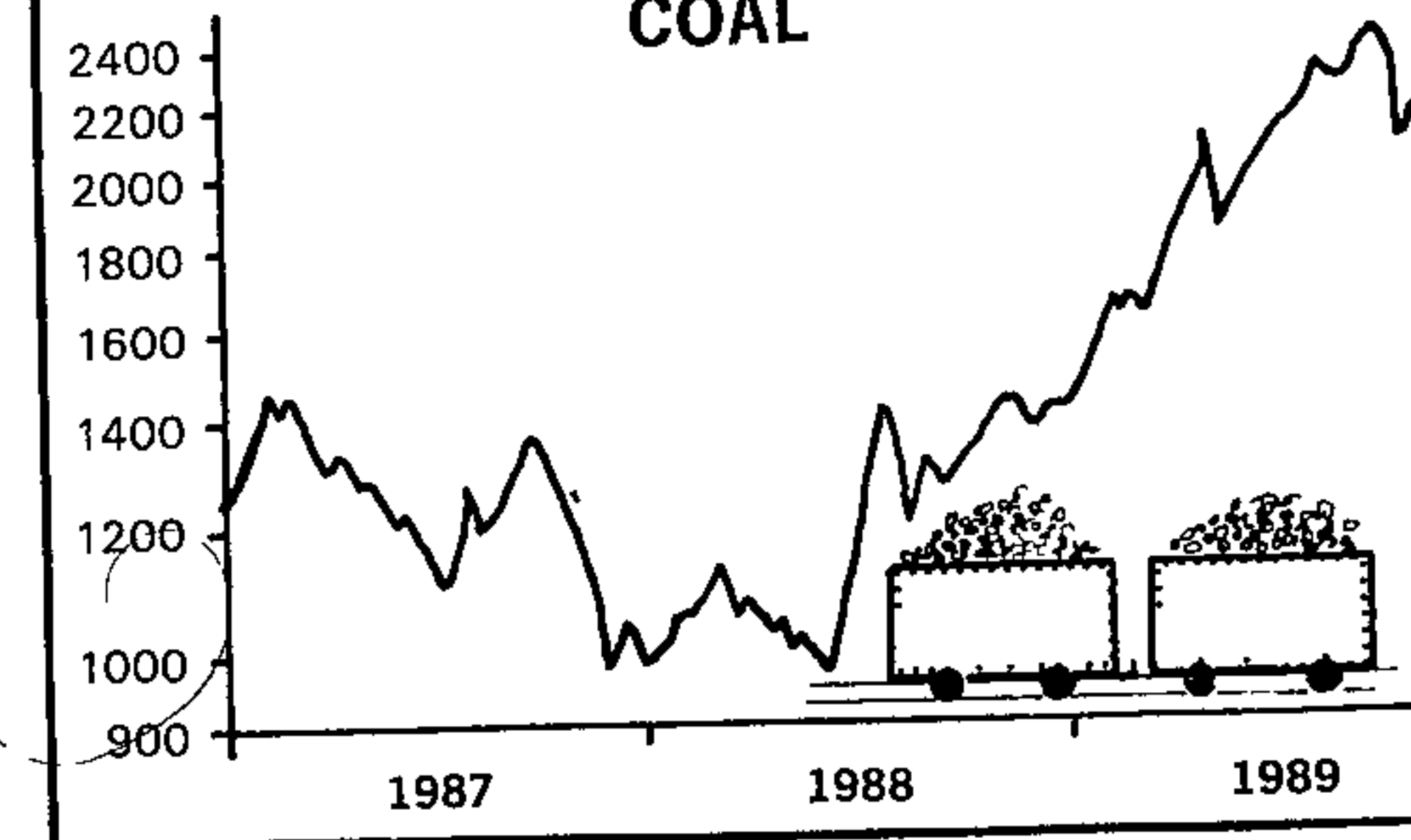
RAND GOLD PRICE



DIAMONDS



COAL



stagnant in rand terms, yet working costs continued to climb. That brought profit margins under pressure.

In fact, half of SA's mines incurred operating losses for at least some of the quarters. Derek Keys' Gencor impressed with its efforts of maximising profits especially as many of its mines are coming towards the latter part of their lives, with the inherent reduction in grade flexibility.

Worry

Others worry that development and capital expenditure cuts were sacrificed to keep the mines afloat. The rise in gold price is not yet enough to make a material difference to mines' earnings.



JULIAN OGILVIE THOMPSON

But De

Genmin plans for a new gold mine

B/Dag 5/12/89 (214)

GENCOR's mining and minerals division, Genmin, is to develop a small-to-medium-sized gold mine — Weltevreden — adjacent to Anglo American megamine Vaal Reefs, at an initial capital outlay of R160m

The 3 448ha Weltevreden lease area is in the Free State, separated from Vaal Reefs by the Vaal River, and about 8km southwest of the western Transvaal town of Orkney

The mine is set to reach an initial mill throughput of 30 000 tons a month by 1994 in the first phase of development, due to start in January. The first gold is expected in the second half of 1992

If ore body conditions warrant it, production will be lifted, during phase two (set to start in January 1995), to 90 000 tons a month at an additional cost of R100m, in July 1989 money terms.

Weltevreden will be in the same league as Genmin's Unisel and Stilfontein mines

The mine will be the shallowest virgin mine in the country, with its main reef, the



● LUND

REINIE BOOYSEN

Ventersdorp Contact Reef (VCR), starting at a depth of 100m and reaching an ultimate depth of 1 100m

The mine is to be based on an ore reserve of 20-million tons with an estimated average recovered grade of 5,1 grams a ton and in situ grade of 6g/t. The mine will have a lifespan of more than 20 years

Gengold, a wholly owned subsidiary of Genmin, will hold 76,6% of Weltevreden's shares, with Lydenburg Exploration holding 10%, Vaal Reefs 8% and Randex 5,4%.

Genmin gold projects CE Barry Lund yesterday told a media conference there was no plan to list the company at this stage.

However, "an improvement in market conditions" could provide an incentive for a listing, he said

Lund said major advantages of the deposit, identified by the drilling programme, were that there was no methane, owing to the absence of Karoo-type rock, which carried the coal seams associated with methane, and rock conditions suggested there would not be any major underground water problems.

Lund said Weltevreden would be a conventional mining company, holding its own mineral rights, applying for a mining lease and undertaking mining operations itself

● See Page 8

Genmin to open 214 low-cost gold mine

By Derek Tommey

Roughly translated the word Weltevreden means well-placed or extremely satisfactory. And most people in the mining industry will see this as a very apt description for the new gold mine announced by Genmin, the mining arm of Gencor, last night.

Situated in the Klerksdorp area immediately to the south of Vaal Reefs, the industry sees Weltevreden as a "unique" mine with "a low risk factor".

"Unique" is a word with a narrow meaning and is not to be used indiscriminately. But there are several reasons why it can be used to describe Weltevreden.

One is that it will be an extremely shallow mine, another is that it will be opened up in two stages so as to take advantage of any new technology, and the third is that it will follow mining practices more commonly found on platinum mines than gold mines.

Start-up costs

But perhaps the real factor that makes it unique is that at a time when new gold mines are estimated to cost about R1 billion, Genmin expects to bring Weltevreden to a milling rate of 90 000 tons a month with an initial investment of R160 million.

Mining operations at Weltevreden will be at depths of between 100 metres and 1100 metres below surface. No large scale gold mine has been this shallow since gold was first mined on the Witwatersrand.

This has given rise to the comment that while other mines have been overlain by karoo and other



Barry Lund, head of Genmin's gold projects.

rock formations, this is the first to be overlain by meales.

The shallowness of the mine means that the technical risk will be low and so too should be operating costs.

The plan is to mine the Ventersdorp Contact Reef (VCR). In spite of the erratic distribution of gold in this reef, information obtained from 66 boreholes indicates that Weltevreden will produce 20 million tons of gold-bearing ore for milling at an average grade of 5 grams a ton. As the VCR has been worked and studied at the adjoining Vaal Reefs mine, no surprises are expected.

The reef will be reached from the surface by a twin decline dropping at an angle of 8 degrees. This will allow the economic use of trackless haulage equipment. A large part of the mine will be mechanised but conventional stoping methods will be maintained.

No air cooling will be needed, but two ventilation shafts which, initially will be merely holes in the ground, will be sunk.

The first phase is aimed at reaching a milling rate of 30 000

tons a month by the second half of 1992. This will cost about R160 million in July, 1989 terms.

The next phase will be to expand production to 90 000 tons a month at a cost of R100 million. However, this R100 million is expected to be financed from retained profits and tax allowances. So if everything goes well, shareholders will have to put up only the R160 million.

"It's nice to start a mine with this sort of money," said Mr Barry Lund, Genmin's head of gold projects.

Flexibility

Opening up the mine in phases will give Genmin great flexibility in planning further mining operations.

Most of the underground development will be on the plane of the reef, a practice followed by the platinum mines. This would enable all the sides of an ore block to be sampled and facilitate selective mining.

In the second phase one of the two ventilation shafts would be converted to rock hoisting, the declines further extended and another ventilation shaft sunk.

The first stage will provide work for 620 people and the second stage for a total of 1 380 people.

Industry sources said the method of opening the mine was a reversion to the old Union Corporation practice of starting small and then building up to a large mine — something the shareholders will fully appreciate.

The biggest shareholder is Genmin with a 76,6 percent stake fol-

lowed by Lydex with 10 percent, Vaal Reefs with 8 percent and Randex with 5,4 percent.

Financing the mine is not expected to be a problem. Each of the shareholders will provide the necessary finance, according to their stake, on a six monthly basis. The company will not be listed immediately.

The mine could be a highly profitable operation. Working costs initially are expected to be around R105 a ton milled. But this figure is expected to fall when the milling rate rises to 90 000 tons a month.

Milling grade

With gold priced at around R34,70 a gram, income from a milling yield of 4 grams a ton should be around R138 a ton, giving a profit initially of around R33 a ton. But as mining goes deep the milling grade is expected to rise to around 5 grams a ton which would raise revenue a ton by around 25 percent.

Mining industry sources have welcomed the news of the mine. "There has been much talk recently about opening new gold mines, but until last night's announcement about Weltevreden nothing had emerged," an industry official said.

"Perhaps Gencor's move will encourage the other mining houses to follow its lead".

Mining analysts said they believed the cost and production figures given for Weltevreden were extremely conservative.

The confidently expected the mine to produce much better results than forecast.

Genmin to open new gold mine

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CAPT Tink's 5/12/89

Own Correspondent

JOHANNESBURG — Gencor's mining and minerals division, Genmin, is to develop a small-to-medium sized gold mine — Weltevreden — adjacent to Anglo American megamine Vaal Reefs, at an initial capital outlay of R160m

The 3 448 hectares Weltevreden lease area (previously known as Area 1 West) is in the Free State, separated from Vaal Reefs by the Vaal River, and about 8 km south-west of the Western Transvaal town of Orkney

The mine is set to reach an initial mill throughput of 30 000 tons a month, by 1994, in the first phase of development, set to start in January next year. The first gold is expected in the second half of 1992

If ore body conditions warrant it, production will be lifted, in phase two (set to start in January 1995), to 90 000 tons a month, at an additional cost of R100m, in July 1989 money terms

The relatively small size of the mine is illustrated by the fact that neighbour Vaal Reefs milled about 940 000 tons a month in the September quarter. Weltevreden will be in the same league as Genmin's Unisel and Stilfontein mines

The mine will be the shallowest virgin mine in the country, with its main reef, the Ventersdorp Contact Reef (VCR), starting at a depth of 100m and reaching an ultimate depth of 1 100m

The mine is to be based on an ore reserve of 20m tons — occurring in a selected mining area within the Weltevreden lease area — with an estimated average recovered grade of 5,1 g/t, and in situ grade of 6 g/t. The

mine will have a life-span of over 20 years

Gengold, a wholly-owned subsidiary of Genmin, will hold 76,6% of Weltevreden's shares, with Lydenburg Exploration holding 10%, Vaal Reefs 8% and Randex 5,4%

Genmin gold projects CE Barry Lund yesterday told a media conference there was no plan to list the company at this stage, although "an improvement in market conditions" could provide an incentive for a listing

Lund listed some major advantages of the deposit, compared to other Witwatersrand-type deposits, which had been identified by the drilling programme (66 completed holes)

- There was no methane, owing to the absence of Karoo-type rock, which carries the coal seams associated with methane,

- Rock conditions also suggest that there will not be any major underground water problems.

Lund said Weltevreden would be a conventional mining company, holding its own mineral rights, applying for a mining lease and undertaking mining operations itself

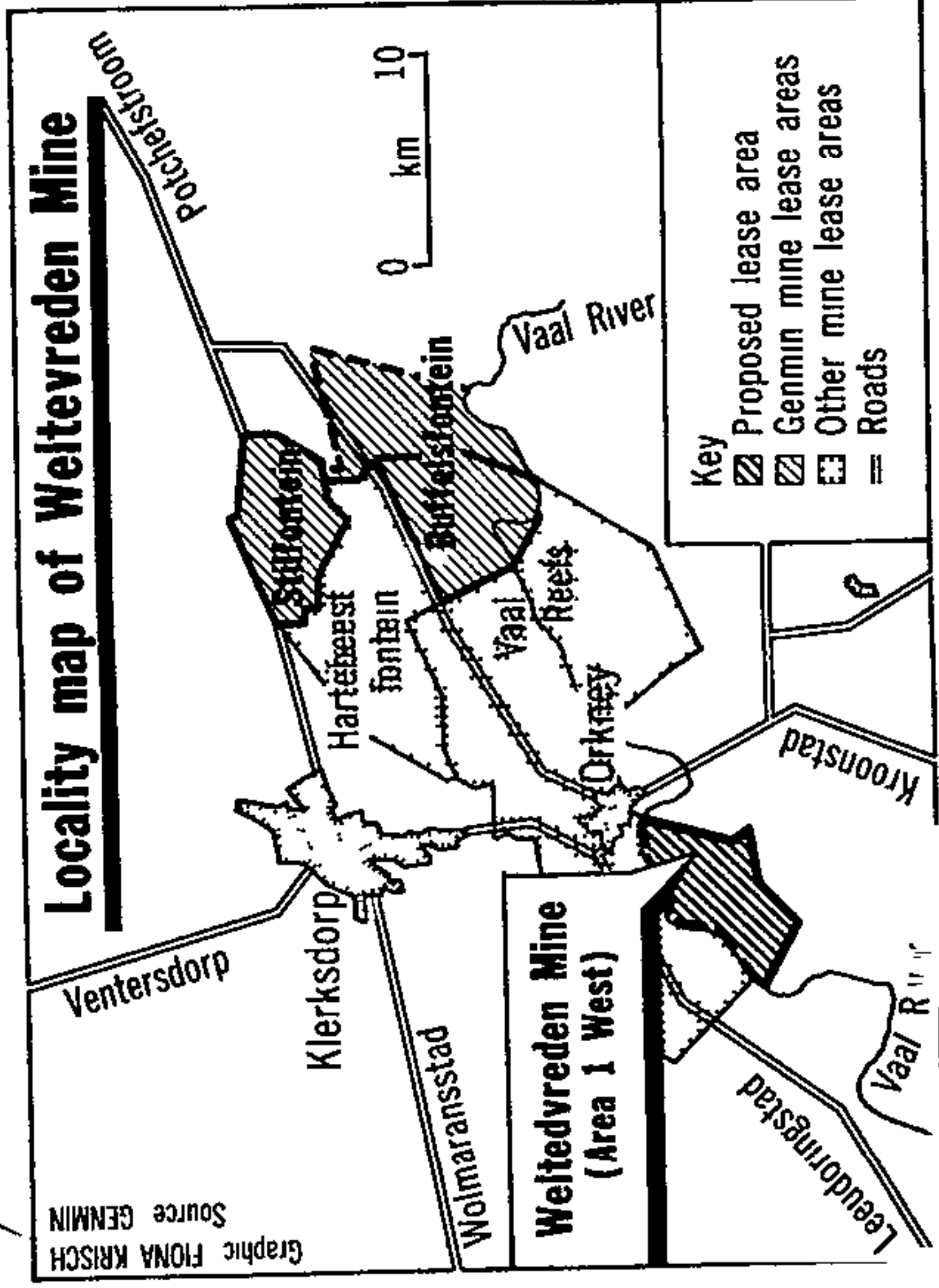
Lund said the only major disadvantage of the VCR in this area was that grades were lower in the shallower areas, so that initial recoveries will not be as good

He said although the Vaal Reef and Elsburg Reef extend into Weltevreden's property from neighbour Vaal Reefs, values were not as good, and these reefs were discounted from ore reserve calculations

He said about R7m has been spent on exploration and acquisition

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Wetvevreden gold mine may be trendsetter



GENCOR'S proposed new gold mine, Wetvevreden, is an important indicator of trends in the gold mining industry in that the average recovered grade projected for the mine — 5.1 grams a ton — is the lowest for a new Gencor mine.

By comparison, the previous lowest was Beatrix, which was based on an average recovered yield of about 6g/t. Before that, Gencor's Evander gold mines attracted a lot of comment in mining circles when they were established on estimated average recovered yields of between 10 and 12g/t.

At the time it was almost unthinkable to many in the industry that a gold mine could be established on the basis of such a low grade. But the rise of the gold price over the past decade has made prospects with low gold grades look a

REINIE BOOYSEN
lot more attractive. The general paucity of rich deposits has also forced mining houses to look at lower grades.

The one great advantage of Wetvevreden is its shallowness. With the Ventersdorp Contact Reef (VCR) starting at 100m below surface and reaching a final depth of only 1 100m, the mine will be the shallowest in Gencor's gold division, Gengold, and possibly the shallowest in the industry.

Shallow

The shallower depth has two important advantages: the initial capital cost associated with establishing a shaft system, and working costs when production starts, are much lower.

At the Press conference to announce

the project, Genmin (Gencor's mining and minerals division) gold projects chief executive Barry Lund explained the shallow nature of the deposit would also allow for a shorter lead time to actual production of gold.

While most SA gold mines have had lead times of five to 10 years, Wetvevreden will start to mine and treat gold in the second half of 1992.

Lake Winkelhaak, Wetvevreden is being planned in two phases. Phase 1 (R160m) will take the mine to a production level of 30 000t a month, at which stage access to the reef body will enable Genmin to assess the final feasibility of phase 2 (R100m), which will take the mine to a production level of 90 000t a month.

The plan is to establish a twin decline shaft system below the footwall of the major reef, the VCR. The decline shaft

will dip at eight degrees, diagonally across and down the reef, which dips at 20 degrees.

Lund says Genmin has decided to amalgamate the strengths of mechanised with conventional mining methods.

"We believe some of the other mines have gone a bit overboard with mechanised mining — although we accept that mechanisation has some merits."

Economy

The selected mining area, within the 3 448ha lease area controlled by the company, contains 20-million tons of ore at an average in situ grade of 6g/t. The target metallurgical recovery of 95%, and a mine call factor of 90%, gives a recovered grade of 5.1g/t.

The employee complement will be

624 for phase 1 and 1 384 for phase 2. Target working costs are R105/t milled for phase 1, compared with the industry average of R120/t. The plan is to reduce this through scale economy in phase 2 by 10%. By then, says Lund, the mine will also have moved up the learning curve on its mechanised operations.

Lund says Genmin considered the possibility of setting up Wetvevreden on the tax base generated by Vaal Reef, which holds 8% of Wetvevreden's capital, and is contiguous to the north.

"But with our two-phase plan Wetvevreden will be in a position to build up a tax-base in phase 1, to be utilised if we decide to go ahead with phase 2."

The mine will be funded from Gencor's cash resources, which were boosted substantially by the recent R1.5b rights issue.

Now industrial shares join bull run

LEADING industrial shares yesterday joined the bull run of mining shares on the JSE on perceptions that the plunge in gilt rates could indicate a sooner-than-expected downturn in short-term interest rates.

The spill-over of positive sentiment on gold to industrials helped sweep the JSE overall index up 1,7% to a new peak of 2 990, a gain of 53,5% from its year ago levels.

Market leader De Beers was again in the vanguard of the surge of share prices with a rise of 2,2% to R66, to take it closer to its June peak of R67,60. The shares have now gained almost 33% since briefly falling below R50 in mid-October.

The market was encouraged by the abili-

MERVYN HARRIS

ty of gold to hold above \$400 and the metal closed marginally firmer in London at \$404,50.

Dealers said the underlying picture remained bullish for gold despite this week's decline.

The all gold index recovered most of its previous day's losses with a gain of 33 points to 2 117, but most of the action was among the shares of marginal mines which had been looking strong on charts.

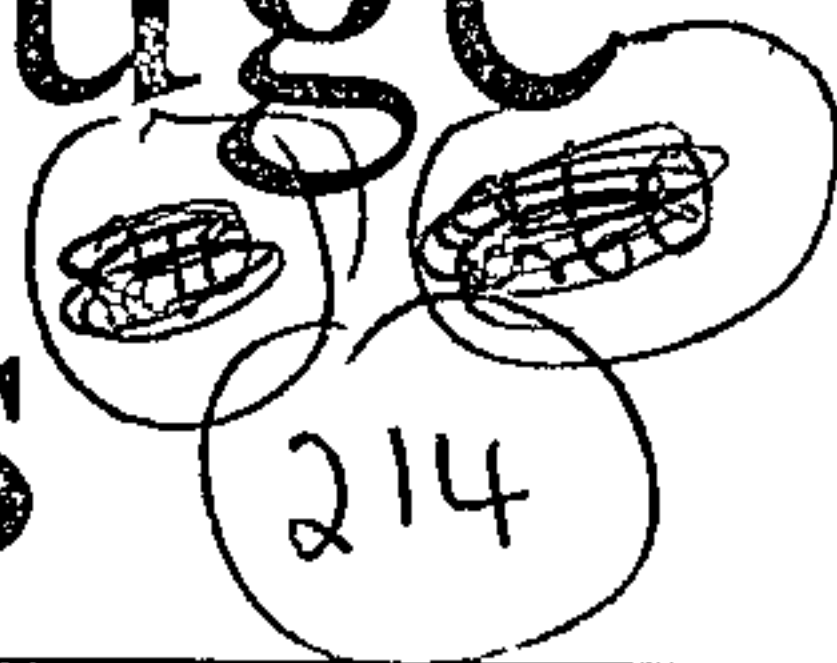
The firming of the rand, to R2,5888 from R2,5993 to the dollar, pushed the rand gold price down R7 to R1 042,89.

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(214)

AECI facing loss of huge contracts

B/Dam 7/12/89



GENCOR subsidiaries are negotiating to transfer some explosives contracts from AECI to Sasol, in a move which could cost Anglo American blue chip associate AECI R170m to R500m in lost sales

A Sasol spokesman confirmed the negotiations last night. He said the company had "recently had commercial negotiations with Genmin" but Sasol was "unfortunately not in a position" to comment further.

All parties were tight-lipped on the issue as final details have not been resolved.

GenGold senior consulting engineer Kobus Olivier said "I can confirm that we are negotiating moving certain explosives contracts from AECI to Sasol. At this stage, the question of how much will be moved has not been finalised."

AECI MD Mike Sander said there was "nothing that special about the negotiations. They are just part of daily business."

Word that Gencor's mining interests were negotiating with Sasol started circulating on the JSE about a week ago.

One source believed the Gencor-Sasol negotiations could affect more than half of AECI's explosives turnover.

Asked how much money could be involved, Sander said the relevant division's executives were out of town and would be available only today to supply details.

Sander referred Business Day to the latest AECI annual report for the year to end-December 1988. The report did not disclose separately its turnover from explosives, but it showed AECI Explosives and Chemicals Ltd produced R859m in turnover for the year.

An explosives industry source said operating companies in the Gencor group could

BARRY SERGEANT

account for as much as 60% of explosives sales to non-Anglo-associated companies. At best, AECI could retain as little as 30% (in money terms) of existing contracts, if the Gencor-Sasol deal was concluded.

On a rough assumption that AECI's R859m turnover was all produced from explosives and explosives accessories, the company could lose R170m to R500m when the negotiations were concluded. But the true figures could be anything between R100m and about R350m.

Analysts said Gencor was a large user of explosives as it was exposed to more hard-rock blasting than other mining houses.

Gold Fields of SA moved most of its explosives business from AECI to Sasol about 18 months ago.

Sasol has been in explosives for about three years and in its annual report to June 24 1989 it said "Sales of all explosives products showed satisfactory growth during the year under review. Increased marketing activities, on both the local and export fronts, enabled SMX (Sasol's mining explosives division) to contribute to group profits for the first time."

When the report was released, Sasol executives said an aggressive offshore marketing arm had been established.

Analysts said AECI's dominance in explosives had been linked to its supply of blasting accessories such as detonators. They believed Sasol had overcome this obstacle by importing technology and aggressively marketing its combination of products.

The analysts said the imminent contractual arrangement between Sasol and Gencor could severely test the customer loyalty of Anglo mines.

Star 7/12/89

Orkney hails news of new ⁽²¹⁴⁾ gold mine

The western Transvaal town Orkney is eagerly awaiting the development of a small-to-medium sized gold mine about 8 km to the southwest of it

"This is a mining community and the town is, as such, dependent on the industry for income," Mr Anton Pienaar, the vice-chairman of the Afrikaanse Sakekamer in the town, said.

Gencor's mining and minerals division announced this week that it was to develop a mine adjacent to the Vaal Reefs mine near Orkney.

"We welcome any addition to the mining industry in the area, especially since the mine will offer employment opportunities to about 2 000 black people in the area," Mr Pienaar said

Orkney's town clerk, Mr John de Klerk, said the municipality had known of Gencor's planned development for some time and were "obviously delighted" about it

"We were honoured with some involvement in discussions with Gencor representatives who visited the area," he said.

IE WALKER

Upside for the upside down reef

214
S/Times 10/12/89

KNOWING about gold deposits is one thing, proving them is another.

So it is at Weltevreden, Genmin's new project in the Northern Free State. It is south of Orkney, which is on the Transvaal side of the Vaal River.

More than 50 years have passed since the first borehole was drilled for Weltevreden to be given the go-ahead.

This week's announcement comes in the wake of a rise in the gold price, now stunted.

It is reassuring that the homework for Weltevreden has been done thoroughly.

CHANNEL

In a sense, Weltevreden's orebody is upside down. The original gold-bearing channel ran from west to east in a fan, and the higher grades were laid down in the west. But mining will begin in the east, which is shallower. Water did not run uphill — the orebody has been tilted.

Lower initial revenue will not hamper Genmin or 8% stakeholder Vaal Reefs, which have strong cash flows and are able to fund their share of the capital expenditure.

Exploration counters Lydex and Randex, with 10% and 5,4% respectively, might need to borrow to fund the whole of their portions, especially if other prospects mature.

Weltevreden will not be



BARRY LUND... low working costs promised

linked to another mine, so will not have the use of an existing tax base. The company will not be listed immediately.

Tonnage will be built up to 30 000 tpm at a cost of R160-million in July 1989 money terms. It will probably be listed when phase two is launched by 1995 at a cost of R100-million.

RISKS

Most of the risk will have been taken out of the project by then, although participation by investors will cost more at a later stage.

In escalated money terms phase one could cost R209-million by 1992 when the first gold is due to be poured.

Phase two could account for R260-million using the same parameters, unless the rate of inflation falls.

The mine's life expectancy is 20 years. In that time, 20-

million tons of Ventersdorp Contact Reef (VCR) will have yielded gold at an average of 5g/t. Mining will begin at 100 metres, going down to 1 100 metres, accessed by decline shaft.

The mine will employ 620 in phase one, rising to 1 380 should phase two go ahead.

Genmin gold projects chief Barry Lund says the metallurgical recovery will be 95%, using a carbon in pulp system, and the mine call factor 90%.

TRACKLESS

Because the reef's average width is 68cm, more dilution might be expected, but the resume method of mining will be employed. Waste rock will be cut from above the reef, which is then extracted.

It sounds expensive, but Mr Lund promises working costs of R105 a ton — R15 a ton below the industry average.

Trackless methods will be employed for rock handling, but not for stoping. Trackless mining allows the reef to be followed more closely.

Conventional tramping precludes too many ups, downs and twists, whereas a rubber-tyred vehicle can cope with difficult ground conditions.

Genmin is experimenting with mechanised methods at Beatrix.

A mining analyst has calculated the net present value of Weltevreden at R600-million — not to be sneezed at, although relatively small in Gencor's book.

Mr Lund says Weltevreden demonstrates Genmin's confidence in the future of gold mining in SA.

S/Times 10/12/89 (214) ~~214~~

Matthey rescuer in shock resignation

By Richard Rolfe

LONDON — Eugene Anderson, the chief executive of Johnson Matthey and architect of the company's recovery from near-bankruptcy five years ago, resigned from the board this week

Johnson Matthey, which is 38% owned by Minorco associate Charter Consolidated, said Mr Anderson had left to follow other business interests

Mr Anderson has been pushing for Johnson Matthey to move away from its dependence on platinum group metals. The company is Rustenburg's sole agent and is the biggest marketer and fabricator of platinum group metals

Influence

Mr Anderson is believed to have wanted to spend up to £300-million on acquisitions, partly with a view to diluting the Charter shareholding. Johnson Matthey is capitalised at £650-million

Instead, with Mr Anderson's departure, Charter has increased its influence over Johnson Matthey

Charter chairman Sir Michael Edwardes, who is also chief executive of Minorco, has allowed close colleague Richard Wakeling, acting chief executive of Charter, to move to Johnson Matthey as its deputy chief executive

Veteran Johnson Matthey executive Joe Stevenson has been appointed Johnson Matthey chief executive, but he is near retirement and Mr Wakeling seems to have been installed as his successor soon

Another anomaly has been removed with the retirement of Neil Clarke from the Johnson Matthey chairmanship. Mr Clarke was chief executive of Charter until last year when Sir Michael was appointed chairman

The two did not hit it off, so Mr Clarke resigned from Charter — whose head office was subsequently reduced by 80% — but remained in the chair at Johnson Matthey

The new chairman of Johnson Matthey is to be former

COMPANY ROUND-UP

PRELIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings a share (c)	% change	Div a share (c)	% change
Metpol	—	—	—	—	45,0	+25	30,0	+25
ABS	37,8	+17	-1,4	N/A	-6,5	N/A	0	—
Alfa†	18,3	+85	-8,1	N/A	-48,8	N/A	4,0	+33
Clinics	N/A	+26	40,1	+10	20,2	+10	10,0	+11
† Restated to Dec 1988								
INTERIMS								
Rale	74,5	+13	1,4	-69	2,17	-50	0	N/A
Farm-Ag	74,5	+13	2,0	-57	24,2	-40	0	N/A
Eureka*	58,7	-1	5,6	+60	3,5	+13	—	—
Eurevest	35,2	+220	3,2	+68	12,7	-40	5,0	-76
Zaaplaats	—	—	0,4	N/A	15,0	N/A	—	—
Plate Glass	1572,4	+16	123,0	+28	211,9	+1	65,0	0
Filati	4,3	+1	0,3	N/A	-1,64	N/A	—	—
Trans Hex	—	—	26,2	+57	81,8	+40	20,0	+25
Richemont (£)	—	—	95,1	+34	11,2	+38	—	—
Technihire†	N/A	—	1,5	N/A	6,6	N/A	—	—

* Pro forma, † 8 months. N/A not available/not applicable.

Hill Samuel head David Davies, who is also a deputy chairman of Charter and played an advisory role in the Minorco bid for Consolidated Gold Fields

Combined with the announcement of these changes was a statement by Johnson Matthey recording that "Charter has no present intention of either buying or selling shares in Johnson Matthey"

Previously it appeared that Charter would either lift its stake above 50% in order

to take control of Johnson Matthey's cash flow, or sell out as Minorco eventually did with Cons Gold

Mr Anderson's shock departure came on the eve of the announcement of Johnson Matthey's interim profit figures

These showed profit before tax up from £31,5-million to £33,5-million

Johnson Matthey is the world's biggest manufacturer of car exhaust emission systems based on platinum and rhodium

It is developing a factory in Brussels to produce 4,5-million autocats from 1990

However, because of tighter pollution standards in the European Economic Community it may have to expand the plant as soon as it is completed. Johnson Matthey has about a third of the market

Its latest results were influenced by increased sales of its platinum-based anti-cancer drug Carboplatin

60 tons of gold a year expected . . .

Three new gold mines

CMF Times 11/12/89 214

Own Correspondent

JOHANNESBURG — SA's mining houses are expected to announce at least three new large gold mines within the next year, ultimately producing over 60 tons of gold a year, worth over R2bn

That's according to Chris von Christierson, a respected director of exploration companies, in a presentation last week to eight of America's leading gold fund managers, who are visiting SA at the invitation of Johannesburg stockbroking firm Martin & Co

Possibly the most imminent announcement is South Deep, JCI's project south of its Western Areas mine. Management has been extremely tight-lipped about the project, save to say that further comment will be made "when shareholders are addressed next year"

The two other large projects on the verge of getting the final go-ahead from their respective mining house boards are Anglovaal's Sun Prospect, and Anglo American's Moab project.

Von Christierson believes these mines could both produce over 20 tons of gold a year, within 10 to 15 years of final start-up

He says changes to the mining plan for South Deep could reduce the capital expenditure requirements substantially, from the original estimates

According to JCI director Vaughan Bray, writing as chairman of Free State Development and Investment Corporation, "studies show that the financial viability of the project has been enhanced as a result of these changes (to the mining plan)"

Anglo American's Moab project is south and contiguous to its massive Vaal Reefs mine, and it is possible that Anglo may succeed in negotiating a suitable tax regime with government using Vaal Reefs' enormous profits as a tax shield to enhance the viability of the project

Besides these three projects, there are six others which could conceivably come to fruition within the next three years

They are

● Anglo's Bloemhoek/Welgelegen project, in the southern Free State, north-east of Beatrix, which could support a medium-sized mine, producing between 10 and 20 tons of gold a year,

● Anglo's Southbrand project, near Freegold. Government recently rejected an application by Anglo to link this mine to Freegold for tax purposes. A positive decision by government would have resulted in a small mine, producing up to 10 tons of gold a year, being developed,

● Gencor's Vermeulenskraal Noord project (medium sized), south of its Unisel mine, which could possibly make use of this mine's tax shield,

● Gold Fields of SA's Kalkoenkrans project (medium sized), between Oryx and Doornrivier in the southern Free State, which could probably go ahead without the need for a tax-break,

● JCI's Doornrivier project, in the southern Free State near JCI's Joel mine, and

● The so-called "Potchefstroom Gap", which is dominated by Anglo, on the farms Gerhardminnebron and Stompoorfontein. This area could sustain a large mine, provided government consents to a link with an existing producer with a large tax base, such as Western Deep Levels

Von Christierson says if all these projects were to go ahead, together with Gencor's new Weltevreden mine, announced last week, could eventually produce some 200 tons of gold a year

"This production is equivalent to a new gold field

"It is this sort of commitment that is required to replace SA's rapidly declining gold production"

RICHARD ROLFE

in LONDON

RECENT events at Minorco, culminating in the semi-retirement of chief executive Sir Michael Edwardes, suggest yet another identity crisis for this curious company

It has experienced a drawn-out personality change since it emigrated from the Zambian Copperbelt 20 years ago

When Minorco moved from passive to active mode last year with its bid for Consolidated Gold Fields, it outlined a clear-cut strategy

The twin pillars were hands-on management with operational control over the assets, and independence from parents Anglo American and De Beers

TOUGH

Harry Oppenheimer told the Financial Times in October 1988 "We've taken on Michael Edwardes as chief executive. We think he is a tough fellow who is not easily pushed around either by people outside or by us

"That is something we want because we don't think we can make a success of a company in Europe if we attempt to run it from Johannesburg"

Minorco says its strategy has not changed. Sir Michael had day-to-day control of the company, but within the framework set by the board, on which Anglo representatives such as Julian Oglvie Thompson and Gavin Rilly sit

In future that same day-to-day control will be exercised by middle-aged Turks Hank Slack, Roger Phillimore and Tony Lea

What has changed, says Minorco, is the means by which its strategy will be put into effect — and that merely reflects the reality that it did not in the end gain control of Cons Gold

Well, maybe Slack, Phillimore and Lea are all bright, amiable chaps. But they are not hardened corporate leaders in the Edwardes mould and none of them I imagine, would claim a determination to go to the stake resisting the demands, if any, of 44 Main Street. They are well aware which side their bread is buttered

Perhaps there is no conflict of interest between the needs of Minorco and those of its controlling shareholders. It is a big perhaps

DILUTED

The impression coming across is that Anglo-De Beers would have given Minorco independence under Sir Michael if its shareholding had been diluted as a result of a successful bid for Cons Gold

But in the circumstances now prevailing, Minorco is tied on — again to 44 Main Street's apron strings

If another part of its strategy is not to be derailed, Min-

orco must decide what to do about its interests in Engelhard and, through Charter, in Johnson Matthey

Having told the newspapers and the investment community ad nauseam that it wants more than 50% of the assets it owns, Minorco cannot credibly sit with 30% of Engelhard and 36% of Charter, which has 39% of JM

EXPLICIT

Mr Phillimore was explicit last year when he said that Minorco wanted "to move on the rest of the group"

"One thing you can be sure of — in a year or 18 months from now, we will either have more of them or less of them"

If Minorco procures the sale of either its Engelhard stake or Charter's JM stake, it would probably clear the way to increase its grip on whichever it did not sell

What it cannot have is 51% of Engelhard and a 51% chain of control running through Charter into JM, without cooking up an anti-trust storm, not only in the US but in the EEC

I would have thought that resolving these questions would have been a challenge

worthy of Sir Michael, but it appears he has better things to do

Balancing the best interests of the shareholders in Charter, JM, Engelhard, Minorco, Anglo, De Beers, JCI, Rustenburg and others I have probably overlooked is no easy task — and I suggest the difficulties of doing so are what lie behind the latest week's comings and goings and the continuing uncertainties at Minorco

Did Sir Michael go or was he pushed? The man himself is in no doubt that he went

Last week I wrote in the Sunday Times that "Minorco's statement said that it was felt" he should relinquish his executive roles

Sir Michael rang me this week to point out that the statement actually quoted him as saying "In all the circumstances I felt the right thing was to advise the chairman of Minorco that I would relinquish my roles"

I am happy to put the record straight

IT is almost impossible these days to open a glossy maga-

zine in the UK without reading yet another profile of Philippe Le Roux, the former SA student leader turned World Banker who now runs Norton Group

Norton owns the famous motor-cycle trade mark and Mr Le Roux is revving up production again

His latest achievement is to win the Observer newspaper's Young Businessman of the Year award

The citation credits him with developing "the original Norton rotary engine", now used for military drones and micro-light aircraft as well as motor-bikes

Apart from the publicity, this brings with it a £2 000 wardrobe from Harvey Nichols, a home computer, flying lessons and a weekend in New York

ROYALTIES

The Observer is owned by Tiny Rowland's Lonrho, which also owns the Wankel rotary engine

Are the Norton and Wankel rotary engines related? No, says Mr Le Roux

"To the layman they look alike, but Norton has its own patents and we do not pay any royalties to Lonrho"

Mr Le Roux pulled off an-



unit trust out of several hundred competitors in the year to December 1

The fund is run from London by Kevin Carter, who worked for some time for the Mutual, and his investment team

Ralph Roseman, the head of Providence Capital, says it is invested in markets throughout the South-East Asian region, including Indonesia, the Philippines and Thailand

It showed a gain of 101.8% in the year, pipping a rival fund concentrating on the same region

In fact, of the top 10 funds, no fewer than eight were South-East Asia oriented — a sign of the times

other coup earlier this year when Norton took over the much bigger Minty group, gaining itself a primary London Stock Exchange listing in the process

Unfortunately, it has not done Norton's market rating much good — the shares have been hitting new lows

Defence cuts may be part of the reason

OLD Mutual's UK arm Providence Capital has scored a worthwhile success in investment management

Its Emerging Asia Fund was the best-performing UK

Monday 2/12/89

Gold price and new reserves the key says Gencor

CHARLOTTE MATHEWS

THE FUTURE of Gencor's LESLIE mine continued to depend on the gold price and the mine's ability to find new payable ore reserves, said chairman Gary Maude in the mine's latest annual report

Current mining was from remnants in the old areas of the mine and an extension of its life would depend on developments in the Northern Block, the Witkleifontein prospect area and the "A" block, he said.

The restructuring of the mine had made it robust in the short term and production should continue for several years

Maude said if the rand gold price rose substantially, mining in the western area could increase.

BRACKEN had only a very limited area for development and the potential for opening up and mining small blocks of ore was restricted.

At best the mine was expected to continue for the next few years at a reduced milling rate while maintaining its present recovery grade.

"It is essential that working costs be contained and that the mining of unpayable ore be minimised in order to ensure the continued profitable operation of the mine for as long as possible," he said.

KINROSS chairman Brian Gilbertson said tonnage milled and recovery grade at Kinross were expected to be maintained at 1989 levels.

The two declines were being sunk in the eastern area of No 1 shaft and northern area of No 2 shaft were expected to reach the next lower levels by December 1989 and March 1990 respectively. Stopping of the ore reserves would begin in the first and second quarters of 1990.

The actions taken to eliminate the mining of unpayable ore and to contain the cost per kilogram of gold had improved WINKELHAAK'S ability to weather a depressed rand gold price and take advantage of any upturn in the price Gilbertson said

In current conditions, Gilbertson forecast recovery grade and gold production would be maintained or slightly improved in the current year.

Gilbertson said the tonnage milled at UNISEL should be maintained at present levels in the current year and a further slight increase in the yield was planned.

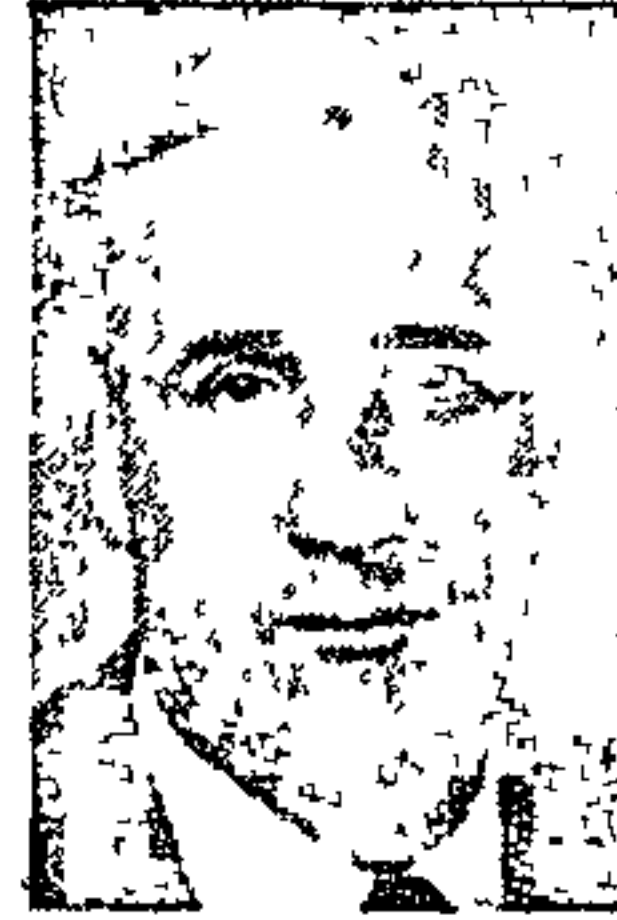
The rate of development would be kept at 1989 levels in order to strengthen the ore reserve position of the mine

Evaluation of the Leader Reef was continuing.

the ly when the new system was implemented.



● SUNTER



● GUSH

214 ~~215~~

Gush to quit Anglo executive position

By REINIE BOOYSEN 22/12/89

THE Anglo American group has announced a number of executive changes, the most significant being the resignation of gold and uranium division chairman Peter Gush, 51, from all of his executive appointments.

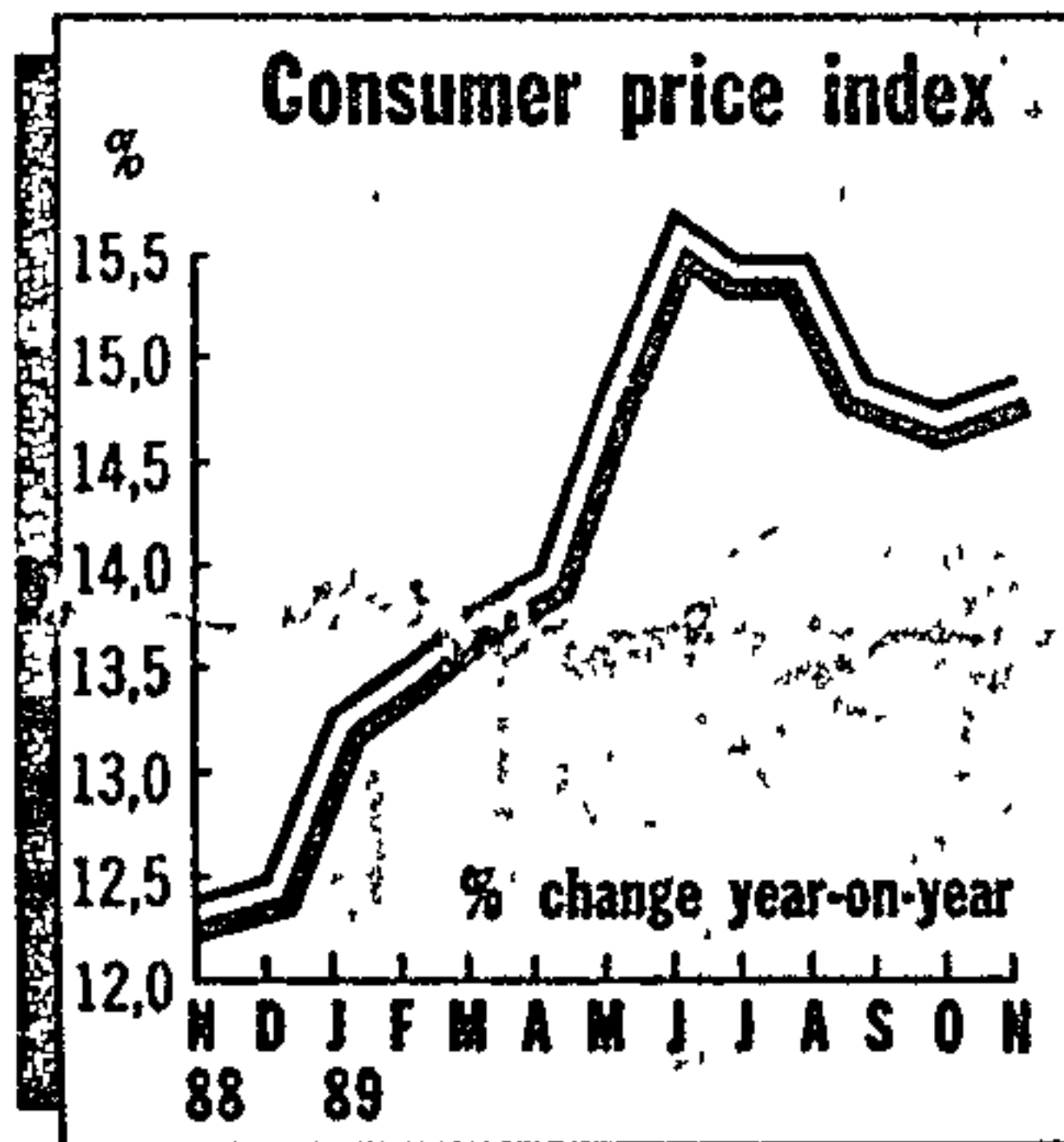
He is to be replaced in the gold and uranium division, as of April 1 1990, by fellow Oxford graduate Clem Sunter, 45, a rising star in the Anglo firmament better known for his widely publicised "high road, low road" presentation.

Sunter, already an Anglo director, now moves, as of January 1 1990, to the Anglo's inner sanctum — the "executive committee" — as an executive director in charge of the group's most glamorous business division.

He is also chairman of Anglo's "administration committee" and of Anglo American Property Services.

An Anglo statement yesterday said Gush was resigning in order to pursue "his own interests". It added, however, that he would remain a member of the board and would be available "to the Corporation for

□ To Page 2 P.T.O



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on Sundays, stores which had been given permission from the provincial adminis-

De Villiers had said it would no longer be necessary for most businesses in the

More layoffs likely, says NUM

B/Dam
22/12/89

Job levels on gold mines take a knock

ALAN FINE

EMPLOYMENT levels in the gold mining industry, hurt by about 25 000 layoffs this year largely on old and marginal mines, have declined substantially for the second consecutive year after a decade of almost uninterrupted growth

Figures supplied yesterday by the Chamber of Mines showed gold mining employment on chamber affiliates in August at 486 874, 5,6% below the 1988 average of 515 739, and about 2% (13 000) down on the January 1989 figure.

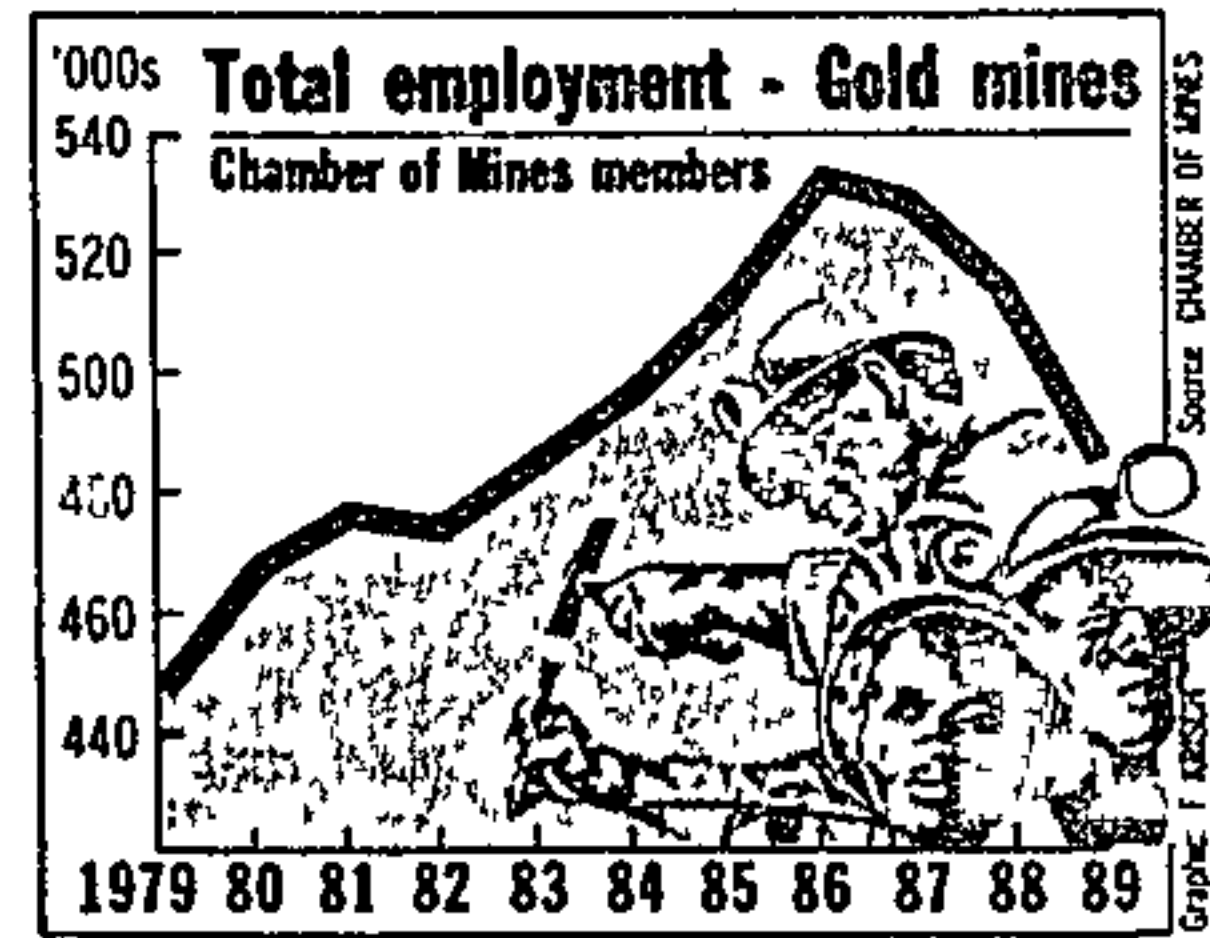
Strong export markets kept to a minimum declines in employment on chamber-member collieries. The figure fell by about 1 000 (1,8%) in the eight months, but the August figure of 54 457 is substantially below the 1988 average of 59 075.

There appears little prospect of a turnaround, with the most optimistic forecasts for 1990 saying employment levels would remain stable

NUM assistant general secretary Marcel Golding said the union had been struggling to keep layoffs to a minimum, and to secure the best possible terms for those who had lost their jobs. Further retrenchments were in the pipeline, he said.

The vast majority of the 25 000 redundancies reported by the NUM occurred at mines owned by Genmin and Rand Mines. These losses were partially offset by higher employment at high-grade mines. Anglo's gold mine workforce, for example, increased by 4 000 to just more than 200 000

A third of the layoffs occurred in the major rationalisation programmes at ERPM and Durban Roodepoort Deep. However, Rand Mines personnel director



Don King confirmed a similar exercise was carried out later at Harmony, and the group is now discussing more layoffs at Blyvooruitzicht with the NUM.

King said it was hoped this would stabilise employment levels at low-grade mines. Rand Mines was taking an optimistic view on the gold price. However, mines had to be geared to cope with a less favourable scenario, and manning levels would therefore remain constant in the coming months.

Golding listed eight Genmin mines — Leslie, Kinross, Winkelhaak, West Rand Consolidated, Marievale, St Helena, Bracken and Grootvlei — where rationalisation programmes had been implemented. Genmin spokesmen were unavailable for comment.

Golding said the NUM "was not oblivious to the industry's problems", but felt labour law that required that companies only consult on, not negotiate, retrenchments put the union at a disadvantage.

Its policy was to demand from com-

□ To Page 2

P.T.O.

1989 remembered on JSE as year of broken records

by Day 22/12/87 214

LIZ ROUSE

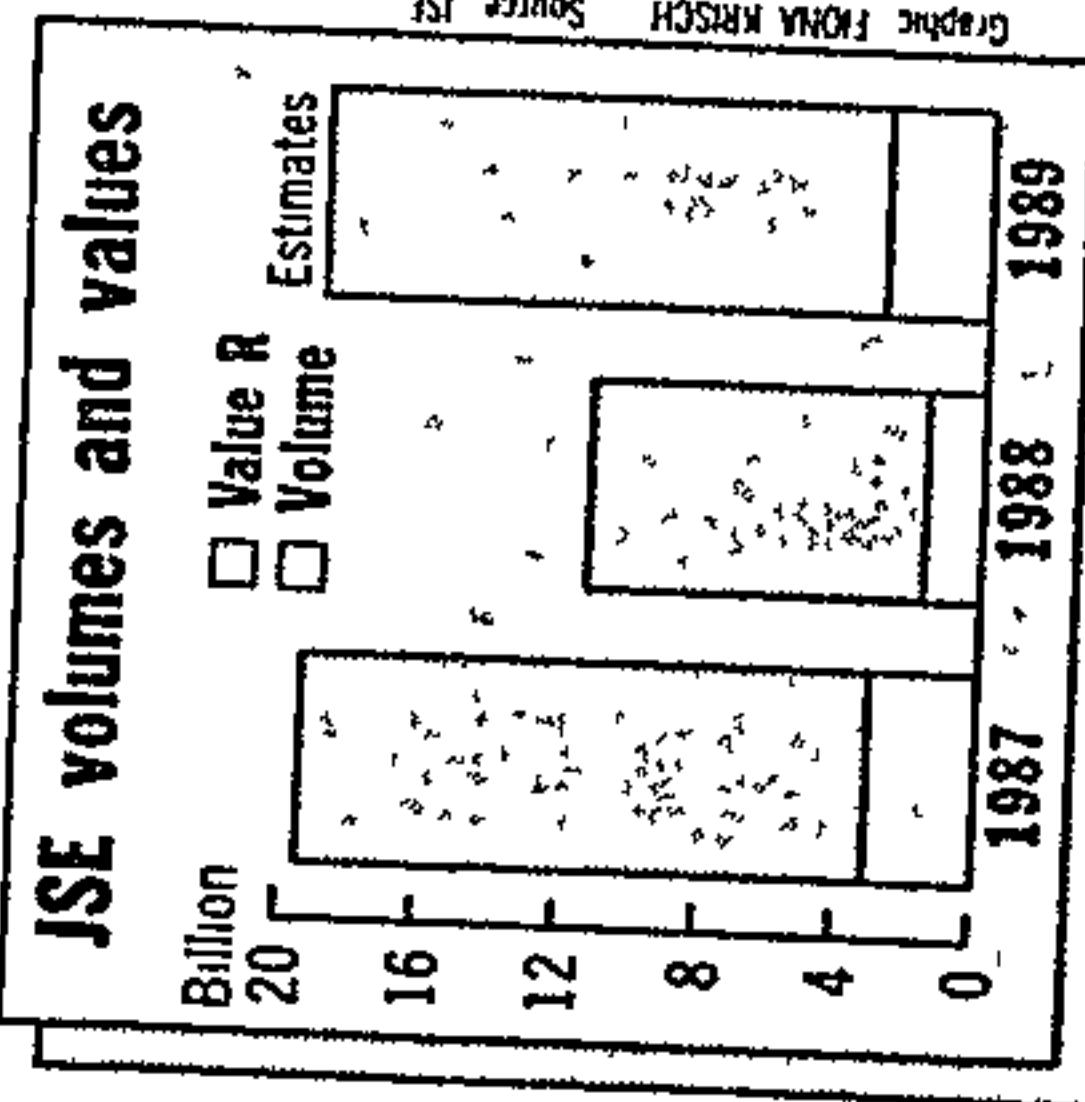
THE Johannesburg Stock Exchange achieved records in 1989, a year which started off quietly but ended on a high note.

Both volume of shares traded — about 3-billion shares — and value of shares — about R19bn/R20bn — surpassed the 1987 heights. The October 1987 crash caused 1988's volume of shares traded to fall sharply to 1,8-billion while value declined to R11,2bn.

Action for most of the past year was confined to the big league — professional operators dealing in top quality stocks. Foreign investors only reappeared towards the end of October when the gold price broke through stubborn resistance levels.

Small investors were lured back into equities when Iscor hit the board on November 8. They began to nibble at gold shares when that sector took off.

In fact, it was a highly professional equity market, helped by the return of foreign investors, who started buying SA minings at the end of October. The JSE, powered by local steam as well as



a push from overseas investors, turned out to be one of the top performers among world bourses, the overall index gain of 35% bettered only by Singapore.

Iscor also helped the JSE achieve another record. New capital raised climbed to about R10bn, with the market absorbing with equanimity the multi-million to multi-billion rand issues by top fund seekers Iscor (R3,1bn), Gencor (R1,5bn), GFSA (R1bn) and Fedmyn (R825,5m).

The previous largest amount of capital raised in a year was more than R5,5bn in 1987. New capital raised declined to R4,6bn in 1988.

Gilt trading, fueled by foreign funds inflow, also hit a new peak of about R56bn for the year. Demand for firrands in the week ended December 22 put the squeeze on Johannesburg as overseas operators sold leading shares into Johannesburg to create firrands. Prices tumbled on a defenceless JSE.

The past year saw some drama — the battle by Minorco to gain control of Consolidated Gold Fields, a no-holds-barred contest which ended with Hanson the winner.

The result was that Minorco topped the list of the year's most actively traded (by value) stocks with a turnover of 17,56-million shares worth R1,072bn, a figure too large to be accommodated by the JSE computer program. The stock gained 27% over the year.

Second was Anglos with a turnover of 9,6-million shares worth nearly R854m and a year's price rise of 85,8%. Vaal Reefs topped all gold producers with a turnover of 1,6-million shares worth R537,6m on a price gain of 66,8%.

Graphic FROM KRISCH Source: JSE

JSE indicates gold mines' profits up

SYLVIA DU PLESSIS (214)

THE JSE was currently indicating greatly improved profitability for gold mines in 1990, Chamber of Mines economist Ivor Leibowitz said *blowan 22/11/89*

Writing in the chamber's latest newsletter, Leibowitz said the rise in recent months in JSE-listed gold shares reflected improved investor sentiment despite the lower earnings margins and recent major rationalisations undertaken

Other factors which contributed to the improvement in the outlook for gold mines included major steps taken by the industry to improve efficiency and to control working costs.

The introduction of the first phase of the proposed lower mining tax rate following the Marais Committee report on mining taxation would also improve gold producers' earnings.

According to Leibowitz, a convincing improvement in the rand gold price had yet to follow the dollar gold price increase

"The slowdown in economic growth in SA which commenced in late 1988 is likely to persist through 1990, leading to a slowdown in import volumes"

"The strong current account balance, the weaker dollar and stronger gold price are all likely to underpin the rand, with the foreign debt repayment commitments limiting the rise."

Anglo puts Sunter in key post

By Sven Lunsche ²¹⁴
Clem Sunter's swift rise up the Anglo American corporate ladder continued yesterday, when he was appointed chairman and chief executive of the gold and uranium division

With effect from next April he will replace Peter Gush, who has indicated his intention to retire from his executive appointments in Anglo in order to pursue his own interests

However, Anglo American said yesterday that Mr Gush would remain a member of the board and be available to the group for special assignments

Speculation that he might join mining group JCI were denied by an Anglo spokesperson

Mr Sunter's appointment as

^{STAR 22/12/89}
head of the gold division, historically the most important contributor to Anglo's earnings, came as a surprise to many analysts

He was only appointed to the board in July 1987 and has since then been in charge of administration and scenario planning

He is best known as the author of "The World and South Africa in the 1990s", in which he eloquently describes the political and economic options available to the country

Mr Sunter also becomes an executive director of the Anglo American board, to which De Beers' director Peter Leyden and Amcoal's MD David Rankin were also appointed yesterday. The appointments to the executive committee, the most important deci-

sion making body at Anglo, become effective in the new year

Among other important promotions, Lionel Hewitt becomes managing director of all the operations of the gold and uranium division

Jack Holmes, already an executive director of the group, becomes group technical director, while Theo Pretorius will be appointed technical director (mining) and deputy group technical director

Anglo chairman Gavin Relly said yesterday "It is with regret that we acknowledge Peter Gush's retirement from an executive role

"For the past 25 years he has made a major contribution to the affairs of Anglo American"



Clem Sunter

Blom 29/12/89

Lydex announces its plans for 1990

BARRY SERGEANT

OLD Mutual subsidiary Lydenburg Exploration (Lydex) has announced details for several new developments in 1990 — but it is not clear how much cash it has on hand.

In the second annual statement to shareholders, chairman Peter Bieber said Lydex would contribute R14,2m in equity finance as its share of bringing Weltevreden Gold Mine to production.

"Lydex would pass," said Bieber, "net benefits to shareholders and option holders, probably when the mine was listed." Lydex, listed in July 1988, had an immediate and successful rights issue which raised about R23m.

Significant investor interest in the counter's potential has pushed market capitalisation to about R140m, including options. The share gained 5c yesterday in five deals with more than 200 000 traded, to close at 190c.

With Old Mutual's support, Lydex was incorporated in March 1988 as an independent exploration company. It combines the mineral interests of Lydenburg Platinum, Southern Prospecting, Rand Extensions and Exploration, Potchefstroom Gold Areas and Free State Development and Investment Company.

Bieber said that much progress had also been made at Cyferfontein, lying east of Vaal Reef's South Lease Area. He added that Cyferfontein was likely to be included in any new mining venture that exploits the underlying Vaal Reef.

Bieber argues that "these developments reaffirmed the belief that a focused exploration company with a diversified portfolio can be a catalyst for the exploration for one of SA's most valuable assets." He appealed, however, for government to encourage such activity by lowering tax.

(214)

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Venters rights issue aims to raise R210m

By Day 29/12/89 (214)

VENTERSPOST Gold Mining Company on the Far West Rand is seeking R210m, in a rights issue, to mine higher grade ore in its extension area. In a statement today, the mine says it seeks to raise R160m by way of a rights offer of linked units comprising deferred shares and options.

Stockbrokers to the issue, Fergusson Bros, Hall Stewart & Co say that a further amount of about R50m should be raised by the exercise of the new options.

Last night Mike Tagg and Alan Wright of Gold Fields, which manages Venters, were not available for comment.

Profits at Venters, a high-cost marginal mine, react rapidly to changes in the ratio between the gold price and working costs. It made a loss of R1,2m (profit of R100 000) in the 1989 September quarter, after a profit of R151 000 in the June 1989 quarter.

Its production costs in the September 1989 quarter at \$393/oz (R1 074/oz) rated it about the 40th most expensive of about 60 SA gold mines.

Even at last night's rand gold price of about R1 020 an ounce, the mine is not making profits.

In the past year the counter has traded in the 340c-1 126c range (1 040c last night), reflecting market interest after the gold price turned bullish.

Venters' current market capitalisation of R253,2m will mean a lower dilution of existing shareholders' equity than would have been the case if gold had not strengthened.

At this stage it is not clear how the new

BARRY SERGEANT

instruments occasioned by the rights issue will affect Venters' capital structure.

In early October, Wright announced that Venters would be coming to the market in November for funds to develop its extension area. He said mining the area was likely to improve Venters' profitability.

It has been estimated that about 23-million workable tons lie in the new area — beyond the eastern fault zone between the existing mine and the Cooke section of Randfontein. Estimates are an average yield of 4,3 grams per ton (gpt), against the present 3,7 gpt.

Today's announcement says further details of the rights issue will be published on January 8.

Venters' current capital structure is 20,2-million ordinaries and 4,8-million deferred ordinary shares in issue. Existing equity will be diluted on July 1 1992 when the deferred shares in issue rank pari passu with existing ordinary shares.

As a result of mining its extension area, the life of Venters, now 25 years, will be materially extended.

A final optimistic point for the market is that Venters' development values for 1989 were the best in five years.

Most of the money to be raised in the rights issue will be used to finance a new shaft and the two connecting haulages on 10 and 22 levels needed to exploit the new area.

Venterspost plans to raise R210-m

By Sven Lunsche
Gold Field of South Africa's (GFSA) marginal gold producer, Venterspost, today announced a R210 million rights issue to mine higher grade ore in its extension area.

In a statement the stockbrokers to the issue, Davis Borkum Hare, said that the first stage of the rights issue would involve raising R160 million by way of an offer of linked units, comprising deferred shares and options, to shareholders registered on January 12. A further R50 million could be raised subsequent to the first issue.

The mining of the extension area is expected to vastly improve Venterspost's profits, which are largely dependent on the control of working costs and the rand gold price. In the September quarter the mine reported a loss of R1,2 million against a profit of R151 000 in the June quarter, although an underground fire adversely affected production.

It has already passed its interim dividend for the six months to end-June 1990. The extension area is underlain by the Middelvie Reef at depths ranging from 300 to 2000 metres. It is estimated that there are 23 million tons of workable ore in the area giving an average yield of 4,3 grams per ton.

The current yield is 3,7 g/t and working costs are expected to be lower owing to the shallow nature of the reefs. Most of the money raised will be spent on developing a new shaft, No 4, from which most of the mining will be conducted. The No 4 shaft is linked to Venterspost No 1 shaft by a connection on 10 and 22 levels.

The Venterspost rights offer is the first in a number of issues expected by mines in the GFSA stable during 1990. GFSA itself raised R1 billion this year, but Kloof needs further capital to mine the huge Leendoorn section, while Northam Platinum's development could cost R1 billion in 1990.

MINING — GOLD

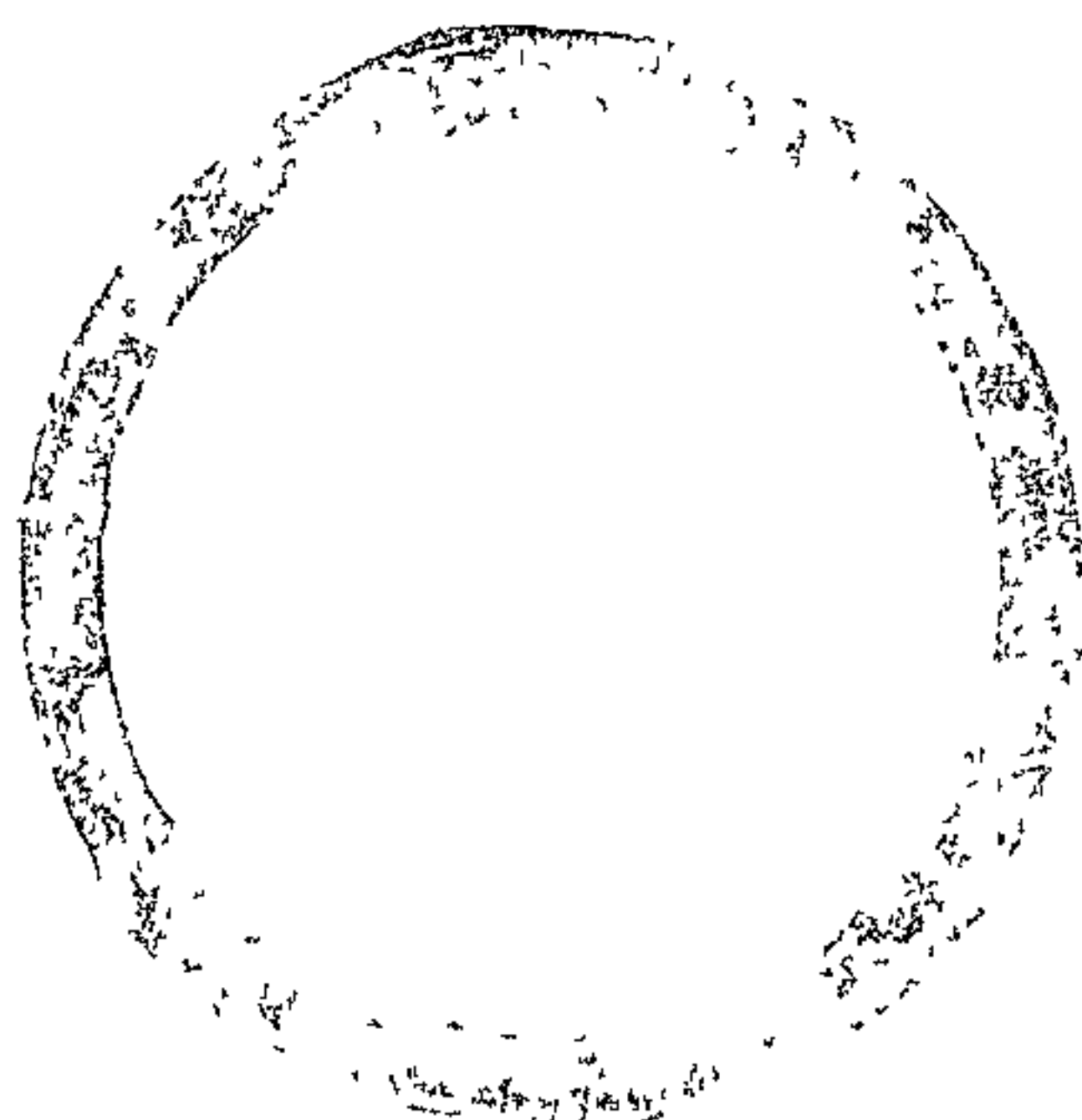
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APRIL



Aussie firm gets SA boost

Star 2/1/90

Star Foreign News Service

PERTH — The South African-run Gold Corp, set up in 1988 by the Western Australian Government, made a profit of R11 million in its first 12 months of operation. The government hired SAexperts to run the company and they have achieved excellent early results.

The company processed more than 100 tonnes of fine gold and captured 15 percent of the world market for its Nugget gold bullion coin. It also gained more than half the world market for the Koala platinum coin which it issued in September.

The company built Kalgoorlie's first gold refinery and is now constructing another, in Perth.

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Nigel acquires mining title in R16m deal

CM-Trans 3/1/1990 (214)

By AUDREY D'ANGELO
Financial Editor

A R16m deal between Southgo and Vlaktefontein Gold Mining Co, in the Gold Fields of SA group, will prolong the life of the Nigel Gold Mining Holdings mine in the Droogebult area. Vlaktefontein will also acquire a 21,8% stake in Southgo subsidiary Nigel

The deal, announced yesterday by Southgo — the gold mining arm of the newly formed Consolidated Mining Corporation — is subject to government permission as well as approval by shareholders of Nigel and Vlaktefontein

Describing the deal as "a significant extension of its operations on the South-East Rand", Southgo said Nigel had "acquired with effect from January 1 the Droogebult mining title from Vlaktefontein for a consideration of R16m"

The Droogebult title consists of precious metal claims on the Spaarwater and Droogebult farms as well as all equipment and the shaft store. The deal is being effected through the transfer to Vlaktefontein of 32m Nigel shares held by Southgo. This means that Southgo's holding in Nigel will drop from 81,2% to 59,3%

Vlaktefontein's personnel at Droogebult, about 400 skilled and semi-skilled people, will be offered jobs by Nigel

Yesterday's announcement says that while it is impractical at this stage to forecast the effect of the agreement on respective earnings, it is expected to be beneficial for all three

"The acquisition of the Droogebult title will be advantageous to Nigel since it is contiguous to Nigel's underground mining title and existing low-cost operations. It will significantly prolong the life and enhance the profitability of Nigel's underground operations"

Payshoots exist in the area and it is estimated that Nigel can mine nearly 3m tons at an average grade of 3,4 g/t over some 10 years to produce eight tons of gold

The virgin reef, which Nigel will mine at the rate of 13 000 tons a month, lies close to the surface and lends itself to low-cost extraction

The statement says it will also give Nigel more flexibility and better control of its underground mining plan. When the scheme is fully operational, Nigel will be milling 30 000 tons a month from underground. Its dump treatment operation will be handling about 180 000 tons a month

Pointing out that the deal is "the first working arrangement concluded by both Southgo and the new Consolidated Mining Group with a major mining house," the statement says it is "a concrete expression of Southgo's declared intention of co-operating closely with the big mining houses

"It has also firmly established the new group, with its eight listed companies, as by far the largest of the 'independent' mining groups

"In its scale of operations alone, Consolidated Mining now occupies a tier by itself under the mining houses

"The arrangement with Vlaktefontein also dovetails into Southgo's strategy of promoting the consolidation of existing 'stand-alone' gold mining and dump treatment operations in the South East Rand, and introducing practical cost-saving measures through rationalisation and re-structuring

"Nigel's acquisition of Wit Nigel early last year is a positive illustration of this strategy, which is now significantly reinforced by the scheme concluded with Vlaktefontein," the statement ends

Venters extension given certain tax concessions

B/D ay 3/1/89 (214)

VENTERSPOST management has disclosed that the gold mine's R210m extension has not been affected by tax ring fencing rules

Chairman Mike Tagg says Venters is not expected to pay tax for "quite a few years", after announcing its R210m rights issue last week

But the mine has to earn profits before it can benefit from this tax concession. After losses for the past three quarters, profits do not look likely for Venters for the next few years, though next week it is expected to announce a break-even for the December quarter. The mine is a marginal and a strong rise in the gold price could change the bleak profits-outlook dramatically.

The rights issue is to finance mining in Venters's extension area, which has higher grades than the existing mine. Tagg says that Venters's production costs — in today's money — are expected to fall from about R1 100 to about R900/oz.

Details

From this year, Tagg says, Venters will start to pay a lease formula of $Y = 10 - 80/X$ — which will not have a material effect on the bottom line. Venters had been paying royalties, claim licence fees and *mynpachten* dues.

Moreover, management has given — in general terms — details of how the rights issue will affect the capital structure of Venters. Current shareholders' dividends will not be diluted until July 1 1992. The full details of the rights issue will be announced this Friday.

Venters will issue R210m through the issue of combined units. These will consist of a number of deferred shares plus the option to acquire further deferred

ANALYSIS:
BARRY SERGEANT

ords in about 18 months — at a price to be fixed when the terms of the issue are announced. About R160m will be raised by the issue of the deferred shares now and about R50m when the options are exercised.

Venters has 20,2-million ordinary shares in issue and, separately listed, 4,8-million deferred ordinaries. These will rank *pari passu* with the ords on July 1 1992, taking the total ords to 25-million. Including the options (which will be given a separate listing), it is envisaged that, on July 1 1992, Venters will have about 50-million ords, and no other class of capital. To be successful in the market, it can be expected that the new deferred ords will be offered at about a 20%-25% discount to the deferreds in issue, quoted yesterday at 900c. It seems that 700c is a likely offer price.

Tagg agrees that the stronger gold price, which helped to add more than R125m to Venters's market capitalisation in the past three months to take it to about R250m, had a substantial effect on deciding the ratios that will apply in the rights issue.

But the mine will remain a marginal at the current gold price. Tagg says that everything possible has been done to contain unit costs. Venters's September 1989 quarterly costs were R1 074/oz — leaving it in the red on the gold price. In the extension area, yields will be an expected 4,3 grams a ton, 16,2% higher than the existing 3,7.

Tagg says that the higher grade, along with lower working costs in the extension area, will mean overall costs of about 25% less than the "old" mine, or about R900/oz. The mine, currently milling 140 000-tons per month (tpm), will be "replacing" tonnage with activities in the extension area — rather than adding to overall output.

From July 1992, Tagg expects that the extension area will be contributing tonnage which will eventually represent about 60% of the total output of 140 000-tpm with the balance coming from the "old" mine.

Replace

Using today's money, this gives overall working costs of about R900/oz. On the September quarterly rankings of about 60 gold mines, this moves Venters from the 38th most expensive producer to 26th.

Tagg says the proposal to replace output at Venters, rather than add to it, by mining the extension, was one of the main reasons the authorities agreed not to ring fence the new area. Other material factors were that Venters was not expanding output or infrastructure.

The capital structure of the rights issue was decided upon about four months ago. Tagg says that if it was known that gold would strengthen to its current levels, the structure could well have been different. "If gold stays up, shareholders may get some of their rights issue money back."

But Tagg says that the most important consideration in the rights issue was to keep Venters going. "By doing this, Venters will be around to gain the substantial benefits of any major rise in the gold price."

CMC maiden deal for title

RIAAN SMIT

214

NEWLY formed Consolidated Mining Corporation (CMC) — formerly Johannesburg Mining and Finance Corporation — in its first deal with a major mining house, has acquired the Droogebult mining title from Gold Fields of SA for R16m, the companies announced yesterday

CMC mining company Nigel Gold Mining Holdings acquired the title from Vlakkfontein Gold Mining Company through the transfer to Vlakkfontein of 32-million Nigel shares held by CMC gold mining arm, South East Rand Gold Holdings (Southgo)

Vlakkfontein now has a 21,6% stake in Nigel and Southgo's stake in Nigel drops from 79,6% to 58%

The Droogebult title consists of precious metal claims on the Spaarwater and Droogebult farms as well as all equipment and the shaft store. B/Dam 3/1/1990

The agreement, effective from January 1, is subject to ministerial permission for the transfer of claims under the Droogebult mining title to Nigel, as well as approval of the shareholders of both Nigel and Vlakkfontein

Southgo, Nigel and Vlakkfontein say that while it is impractical at this stage to forecast the outcome of the agreement on respective earnings, "a beneficial effect is expected for all companies"

They say the acquisition of the Droogebult title will be advantageous to Nigel, since it is contiguous to Nigel's underground mining title and existing low-cost operations and will significantly prolong the life and enhance the profitability of Nigel's underground operations

The Droogebult area comprises a delineated 249ha of ground containing the May Reef (part of the Kimberley Series) with *in situ* ore reserves of more than 6-million tons at an average grade of 2,8 g/t

Payshoots exist in the area and it is estimated that Nigel can mine nearly 3-million tons at an average grade of 3,4 g/t over some 10 years to produce eight tons of gold, CMC says

Major expansion at Nigel mine

By Derek Tommey 214

Nigel gold mine is to take over the Droogebult mining title from Vlakfontein — a move which is expected to benefit both companies 311190 star

Nigel has recently been put on its feet by the dynamic Southgo group. Nigel earned R2,67 million in the September quarter — five times more than it earned nine months earlier.

Nigel is paying R16 million for the title. It consists of precious metal claims on the Spaarwater and Droogebult farms as well as all equipment and the shaft store.

Vlakfontein, which is part of the Gold Fields group, will receive 32 million Nigel shares from Southgo. This will give it a 21,5 percent stake in Nigel, and reduce Southgo's stake in Nigel from 81,2 percent to 59,3 percent. Nigel in turn will be indebted to Southgo for the amount of R16 million.

The agreement is subject to approval of the Minister of Mines and also to the approval of Nigel and Vlakfontein shareholders.

Vlakfontein employs 400 skilled and semi-skilled and these will be offered employment by Nigel.

Vlakfontein earned R169 000 from gold operations at Droogebult in the September quarter and

lost R90 000 from surface operations giving a working profit from gold of R79 000.

Nigel, Southgo and Vlakfontein say it is impracticable at this stage to forecast the outcome of the agreement on respective earnings "a beneficial effect is expected for all companies."

Droogebult is contiguous to Nigel's underground mining title and its existing low cost operations and will significantly prolong the life and enhance the profitability of Nigel's underground operations, says Southgo.

Droogebult is estimated to contain more reserves of more than 6 million tons at an average grade of 2,8 g/t. Payshoots exist in the area and it is estimated that Nigel can mine nearly 3 million tons at an average grade of 3,4 g/t over the next 10 years producing eight tons of gold.

The virgin reef, which Nigel will mine at the rate of 13 000 tons a month, lies close to the surface and lends itself to low cost extraction.

When the scheme is fully operational Nigel will be milling 30 000 tons a month from underground and with its Goldam treatment operation will be handling 180 000 tons a month.

Vlakfontein set to shut down plant

8/Dec 3/11/90 RIAAN SMIT (214)

GOLD Fields of SA subsidiary Vlakfontein Gold Mining Company will close its dump recycling plant over the next 12 to 18 months, it announced yesterday.

Vlakfontein's small Droogebult gold mine and precious metal claims on the Droogebult and Spaarwater farms was also sold to the largest of small mining companies Consolidated Mining Corporation (CMC) for R16m, the companies said in announcements yesterday.

It means Gold Fields will cease all operations at Vlakfontein — one of the company's original gold mines which became operational in January 1942 — after the closure of the plant, Vlakfontein chairman Mike Tagg said yesterday.

He said disposal of the remaining Vlakfontein mining title and the 32-million shares it received from CMC subsidiary Nigel Gold Mining Holdings (through Southgo) for the sale of Droogebult gold mine was not considered.

Nigel said it would offer employment to about 400 skilled and semi-skilled Vlakfontein workers on the Droogebult mine.

The rest of a total work force of 887 at the mine and the plant would be offered employment elsewhere in Gold Fields as far as possible, Tagg said.

Vlakfontein said the tonnage of payable dump material left had declined to a level at which substantial ongoing declines in monthly tonnage treated were inevitable.

"In these circumstances, unit treatment costs at Vlakfontein's plant are expected to increase to a level which would lead to the otherwise payable underground operation at Droogebult becoming unprofitable."

137 PAM 4/1/90

Lindum's report backs forecasts

REINIE BOOYSEN (214)

LINDUM Reefs Gold Mining Company's first full quarterly report, for the quarter ended December 1989, suggested the company's pre-listing forecasts were well within reach.

Capital expenditure to bring the mine to target production of 30 000 tons a month was forecast at R29m in January 1988 terms: to date R25,5m was spent

The estimated average yield for the first nine years of the mine was forecast at 2,94g/t the average yield for the December quarter from underground operations was 2,49g/t. And underground working costs — which were estimated at R70 to R75 a ton in January 1988 terms — were R77,87 a ton.

The mine might even be able to reduce costs slightly in its build up to target production of 30 000 tons a month, from 28 115 tons a month in the December quarter.

Lindum managed a small taxed profit of R783 000 for the quarter, after a loss of R3,3m in the previous quarter. After capex of R586 000, profit was R197 000.

Directors said underground production was restricted during the quarter as the rock winder at SD 32 Shaft was out of commission for 29 days due to a mechanical failure. The shortfall was made up from surface sources.

They added: "All the workings that have been accessed are being mined and resulted in a recovered grade for the quarter of 2,49g/t. Additional blocks now being opened on the West and Leader Reefs should provide some flexibility and increase the yield."

R207m expansion

If all goes to plan, the R207m rights issue announced by Venters should provide the capital needed to transform the 50-year-old mine from a short-life marginal to a much more profitable producer with a life estimated at 20 years

All the funds are to be used to open up a new higher grade area on which the mining rights were acquired some 18 months ago. The proposed extension area lies between the boundary of the existing mine lease area and the Cooke section of Randfontein Estates mine FIM 51190 (214)

To provide access for men and materials, a new No 4 shaft is being sunk in this area, which will be connected to the existing mining operations via two connecting tunnels. These, and the accompanying requirements such as ventilation equipment, will absorb the new funds. The plans do not include expenditure on existing infrastructure such as the gold plant or housing.

About R157m is to be raised by way of a rights offer of linked units, comprising deferred shares and options. An additional amount of about R50m should be raised when the options are exercised and converted to deferred shares in late 1991. Terms are to be announced on Friday.

Whereas Venters mines both the Ventersdorp Contact Reef and the Main Reef, only the latter will be mined in the extension area. Mining operations will be relatively shallow, starting at about 500-600 m, present mining depths exceed 1 800 m. Chairman Mike Tagg says that the expansion will make available to Venters additional reserves of

VLAKFONTEIN F/M 5/1/90

End of the line (214)

When Vlakfontein acquired the Droogebult section about two years ago there was hope that the mine's underground operations could be extended for some time

But that depended on the continued profitability of the dump treatment operations — and disappointing grades have resulted in a decision to discontinue surface treatment and dispose of Droogebult

The mine has announced that it is selling the Droogebult mining title to the Southgo group's Nigel gold mine in a deal worth R16m. The price is to be paid by issue of 32m Nigel shares, which are currently held by Southgo, and Vlaks will thus gain a minority stake of just over 20% in Nigel.

Vlaks chairman Mike Tagg says that the deal became effective from January 1 and all those employed at Droogebult will keep their jobs.

He says that recovery grades from dump treatment were expected to remain at about 1,1-1,2 g/t, but have dwindled to about 0,8 g/t, which is no longer payable.

"To keep Droogebult going, the continued treatment of surface materials was needed to help absorb overhead costs," says Tagg. "Without the dump treatment the only way to maintain Droogebult as an ongoing operation was to pass it on to somebody else who needed the tonnage."

With the surface operation reporting a

F/M 5/1/90
drop in tonnage in the current quarter, Droogebult would not be able to produce a profit if it remained part of Vlaks. Treatment of the remaining dump materials is expected to continue for about another six months and, after that, the mine will enter the clean-up phase which will last about another six months.

Tagg says it hasn't yet been decided what will be done with the Nigel shares. It is possible, however, that some will be sold to repay Vlaks' overdraft, which stood at R3,9m at last balance sheet date.

Droogebult has been milling about 15 000 t/month to 20 000 t/month and its recovery grade averaged 2,7 g/t in the 1989 financial year. Tagg says that Nigel should be a stronger and more flexible operation as a result of the acquisition. *Andrew McNulty*

DIAGONAL STREET

Rich dirt from GFSA stable



GLEN LAING mills busy for the next 15 years

A TALE of two ideologies is told in the proposed sale by Vlaktein of the Droogebult mining title to Nigel Gold Mining Holdings

Seller Vlaks — it will close soon — says that the decline in the real gold price over the past 13 months and the decreasing yield from surface dumps have obliged it to pass its last three dividends

Large and progressive declines in tonnage are inevitable, and unit costs will rise to a level which would lead to the otherwise payable underground operation at Droogebult becoming unprofitable

PROLONG

Subject to ministerial approval, Vlaks is to sell the mining title, underground equipment and the shaft shop for R16-million. It will be settled by the transfer of 32-million Nigel shares now held by Southgo, which previously had 79,6% of Nigel

Vlaks will treat the remaining payable surface material, then clean up the locked gold around the plant before closure. It seeks to sell its other assets, including property and plant, but has not yet considered the disposal of the Vlaks mining title or the Nigel shares

Buyer Nigel says the purchase of Droogebult will be

advantageous as it is next to Nigel's underground mining title and existing low-cost operations. It will prolong the life and enhance the profitability of Nigel's underground operations

NEUTRAL

Looking at the deal from a neutral corner, it could be said that Gold Fields of SA has rid itself of an embarrassment, and Nigel has scored a coup

Vlaktein made a capital redemption to shareholders in 1986 and was primed for closure. Yet all around it, little mines were being reopened and reworked. Euphoria prevailed, nobody expected any failures and to doubt success was unthinkable

Vlaks treated rock dumps, yet held the mining title to the never-mined Droogebult. It decided to open it up to give Vlaks a new lease on life

After battling for nearly two years, Vlaks has thrown in the towel. With six mines on the West Rand, GFSA hardly need concern itself with the tiny Vlaks, capitalised at a mere R22-million

Southgo managing director Glen Laing says his group approached GFSA, and a deal was struck in the past six weeks

The Nigel mine was listed in 1986 under the name

Southgo. It was renamed Nigel, and the name Southgo adopted by the holding company. The current Southgo now controls Nigel, Wit Nigel, opened Goldam and Knights, and was thought to be angling for Gencor's Marievale

Not so — Mr Laing says Southgo has got all it wants in the East Rand basin. He says he is not interested in Marievale

VIRGIN

The plant at Nigel was expanded well beyond its capacity. Nigel has been looking for sources from which to fill the No 2 mill. Wit Nigel provides 12 000 tons a month, and Nigel itself 10 000, leaving 13 000 tons of spare capacity which will conveniently be taken up by Droogebult's virgin Kimberley Reef

Mr Laing says the the stopping width will be narrowed at Droogebult, and the grade should be about 3,4g/t at a cost of R80 a ton

"We have enough to keep our mills full for the next 15 years, and plenty of flexibility to mine underground"

Next on the list is the dumps. Southgo recalled the rights of SA Lands to treat dumps on its behalf when Joe Berardo's Johannesburg Mining & Finance came Southgo's way

Southgo aims to build a sis-

ter dump-retreatment plant to Knights at Benoni, and will raise about R35-million in a rights issue in March

Perhaps most importantly, the Droogebult deal gives Southgo a foot in the GFSA door. Conspicuous by its absence is any mention of Vlaktein's slimes dumps, which will come up for sale in due course

GFSA has other dumps in the area

Remk

DORBYL, reshaped by Rembrandt appointee Dawid Mostert into the model of a heavy engineering company, is looking for increased earnings this year in spite of a gloomy domestic outlook

Chairman Floors Kotzee says in the report for the year to September 1989 "The expected downturn in the economy in general and the motor industry in particular

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Venterspost rights offer

REINIE BOOYSEN 214

VENTERSPOST Gold Mining Company has offered shareholders additional shares in the company at a 23% discount to the market price. Buy 81190

In a rights offer to raise about R157m, shareholders (ordinary and deferred) will be able to take up deferred shares at R6,50 a share — compared to the market price of R8

For a total of R65 shareholders will be able to buy a linked unit consisting of 10 deferred shares (of 25c each) and three options entitling the holder to subscribe for a further deferred share at any time between November 1 1991 and noon on November 30 1991.

Same mixture does Standard fund proud

LIZ ROUSE

STANDARD Bank Gold Fund scored a significant gain in the December quarter on a little-changed portfolio of gold, mining financial and mining exploration shares

The fund's clean repurchase price increased 20,18% to 261,46c a unit from 217,55c during the September quarter, bringing the total return for the 12 months ended December to 55,72%. The dividend has been raised 28,4% to 6,91c a unit

The fund's managers report that the latest quarter was a particularly good period for the gold price, with the metal coming off its base of \$360 and reaching a high of \$420 before coming back to \$402

The managers caution that while the dollar gold price has been favourable for the industry, there remains some concern over production costs on SA gold mines

Liquid assets

Although the gold price performed well, the rand price per ounce which the mines are receiving of R1 050 is 5% to 10% above the price the mines received in 1987 and 1988, while costs have risen at anything from 12,5% to 20% a year

The gold fund sold its holding of 1-million Libanon shares during the quarter and increased its East Dagga holding. Liquid assets accounted for 13,13% of total assets — R44,4m out of a total of R338,46m

The group's general fund, Standard Bank Mutual Fund, remained cautious about the market, preferring to keep its R290,23m asset mix at 31,18% in cash and 68,82% in equities

Fund managers said while both fiscal and monetary policy were being applied to slow economic growth, the latest money

supply figure was still above the target set by the Reserve Bank and would indicate that the tight policies and consequently high interest rates would be with us for the foreseeable future

The general fund's clean repurchase price rose 7,98% in the December quarter to 838,58c from 776,63c a unit, bringing total return for the year to 43,72%

A dividend of 28,93c a unit has been declared, an increase of 37,7% on the previous year's comparable dividend

The fund sold its Escom and RSA holdings during the December quarter. It took up its GFSA and Genbel rights

The portfolio is made up of 29,57% mining, 28,85% industrials and 10,4% banks and insurance

The Standard Bank Extra Income Fund is still sitting on liquid assets worth R44,75m, of which R3,08m is due for distribution — 54,78% on total assets of R81,69m

The fund has recorded a price appreciation including income of 5,33c from 85,64c a unit on September 30 to 90,97c on December 31. This represents an annualised compounded return for the quarter of 27,32%. The fund declared an income of 3,43c, up from the third quarter's 3,22c and 2,93c paid in the final quarter of 1988

Long-term interest rates rose from relatively stable levels of about 16,6% early in the quarter to 16,99% in mid-October before declining to 15,25% during December

Relatively high volume levels throughout the quarter reflected continued positive market sentiment despite high short-term interest rates, said fund managers

Mining, gold shares lead rally

JSE overall index sets a ^{B/day 9/1/90} new record ²¹⁴

THE forceful re-emergence of institutional buyers on Diagonal Street yesterday gave further upward impetus to spiralling share prices, pushing the JSE overall index to a new record

In hectic trading, the index chalked up a gain of 96 points or 3.1% to sweep past its previous high of 3 119 set on December 13, scaling a fresh peak of 3 186

The rally, led by gold and mining-house shares, spread to all other sectors of the market with the industrial index posting a gain of 41 points or 1.4% to reach a new high of 2 933

The strong rise in share prices came amid a shortage of scrip and a weaker firrand, to help boost the JSE all-gold index 107 points (5.1%) to 2 202, coming within a whisker of its 2 260 December 13 peak

"Investors are discounting a higher gold price, and as long as the trend is bullish share prices will move to higher ground," a dealer said.

The market should also be buoyed by the weight of institutional funds — estimated by some analysts at R32bn — seeking an

MERVYN HARRIS

investment outlet this year. With the scrapping of prescribed asset requirements, more of this money is expected to find its way into the equity market.

Furthermore, most of the big disinvestments of the last couple of years seem to be out of the way, and it is unlikely that large amounts of cash will be drained off for large rights issues such as the Gencor offer and the Iscor flotation.

Rampant bullish sentiment was undimmed as gold traded in a narrow range above \$400 when Japanese and Swiss traders turned sellers and Australian producers offered some gold.

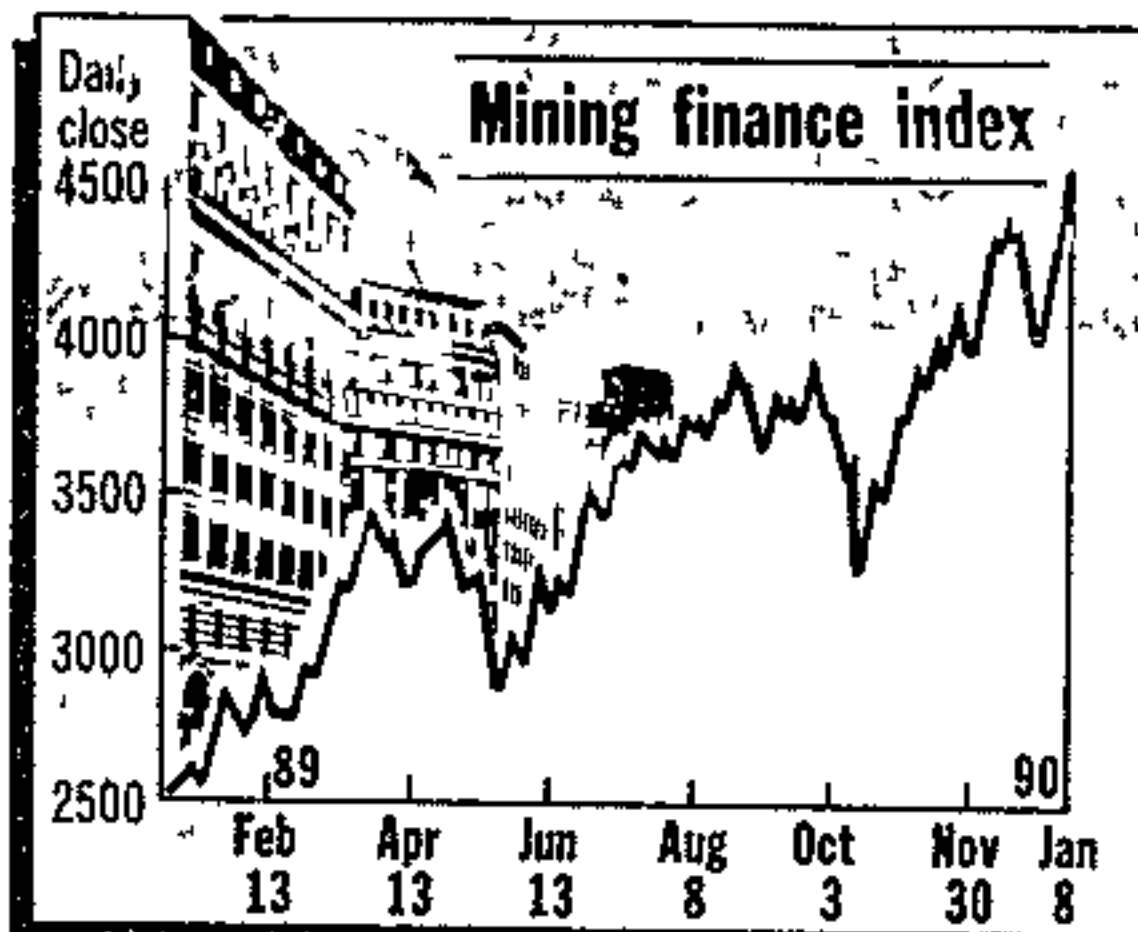
Profit-taking placed gold under a modicum of pressure, and the metal eased 10c to close in London at \$404.65 despite the dollar falling on news of prime rate cuts to 10% from 10.5% by major US banks.

The dollar was also hit by the mark, which resumed its upward swing after a round of technical adjustments last week. The US currency fell from DM 1,6923 to DM 1,6685.

The rand closed marginally firmer against the dollar but eased against most other leading currencies. It closed at R2,5422 from Friday's R2,5478 to the dollar while the firrand weakened by 5c to R3,6000.

Analysts said gold might be suffering from slack demand after surging last week on fresh worries about possible political instability in the Soviet Union.

There was still some nervousness on financial markets, but a small rally on the Tokyo stock market provided some relief yesterday.



Graphic: FIC. Source: JSE

● See Page 5

JSE records tumble in frantic rush for shares

Star 9/11/90

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By Magnus Heystek,
Finance Editor

An unprecedented buying spree, which had many seasoned brokers shaking their heads in disbelief, boosted two key sectors of the JSE to record highs yesterday

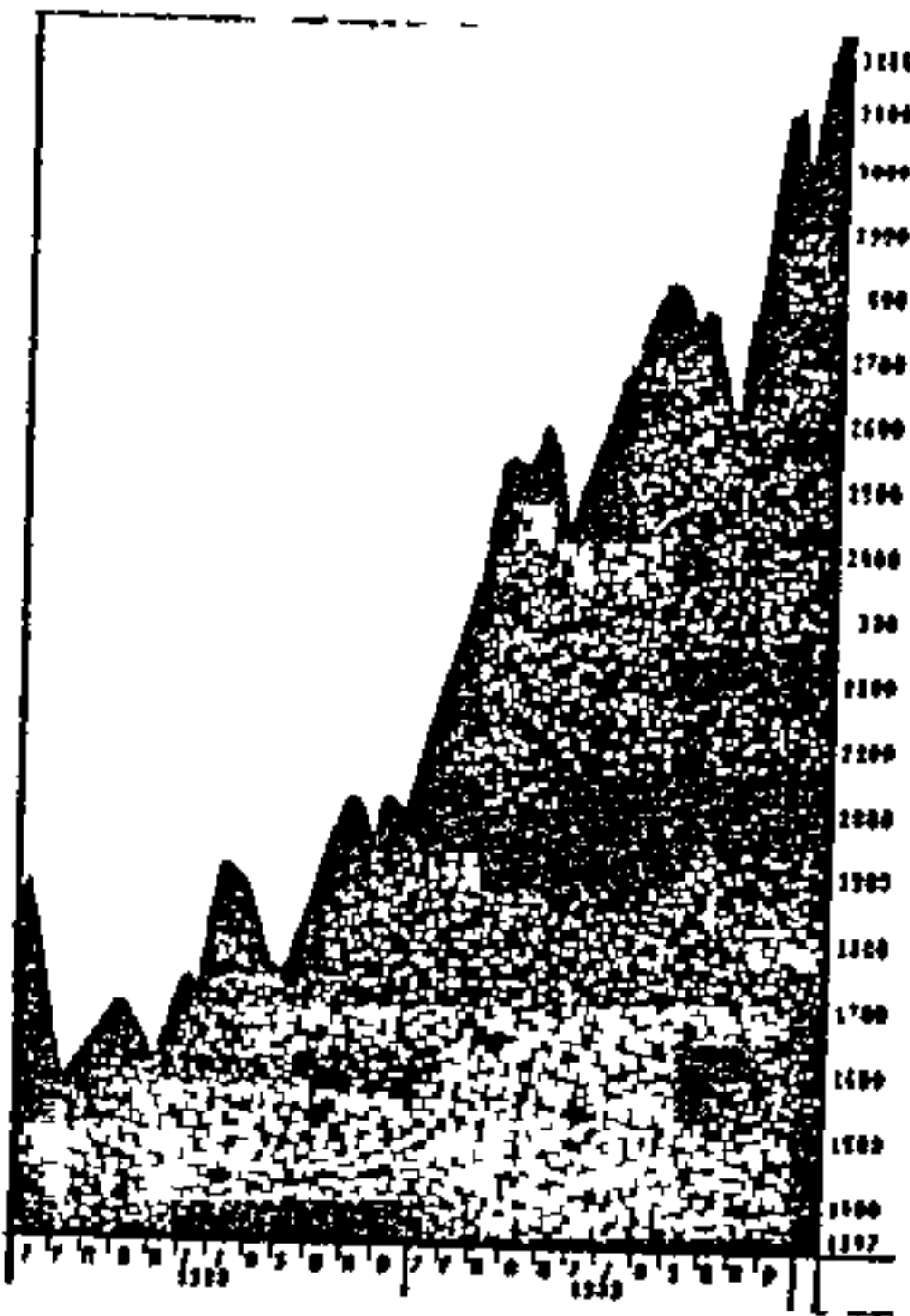
Smaller investors and institutions alike were involved in a frenzied scramble for gold and gold-related shares, while persistent overseas buying exacerbated the already acute shortage of scrip, boosting share prices further

The overall index soared 100 points (3,23 percent) to an all-time high of 3190, while the industrial index continued its record-setting performance of recent days, rising by 39 points to yet another high of 2931

It looks set to breach the landmark 3 000-barrier within days, analysts say

The gold share market was extremely bullish, with investors, fresh from the Christmas break, involved in a scramble for blue chips and marginals alike

The gold index rocketed 108 points (5,1 percent) to 2203 — the largest single-day rise in recent



The Overall index hits all-time high of 3190. Source Wen software.

history — largely in belated response to Friday afternoon's sharp rise in the gold price to \$405 in London.

Despite dropping back over the weekend and yesterday morning in Hong Kong, the price held firm above \$400 and was fixed in London yesterday at \$403,75 in the morning and at \$404,60 in the afternoon.

After threatening to drop below the crucial \$390 level at one stage last week, gold has made a rapid turnabout to above \$400, a rise considered very bullish by technical followers of the gold price.

Analysts are convinced that the current bull market on the JSE has some way to go before a much-needed correction.

Says Mike Brown, economic consultant at Frankel, Kruger, Vinderine "The market is currently driven by the high levels of liquidity enjoyed by financial institutions, while private investors are looking across the valley of a downturn in the economy this year.

"The behaviour of share prices indicates that a considerable re-rating of South African shares is currently taking place and that investors are now prepared to accept lower earnings and dividend yields than in the past

"This is boosting share prices to unprecedented levels and is likely to do so for the foreseeable future," he says

Some of the positive factors influencing the market are the perception of a better-managed economy, with a possible slow-

down in the rise of interest rates and inflation in the offing, an improved political scenario and a huge weight of investable funds.

But, cautions Johnny Solms, analyst at Mechiel du Toit, "the market is currently very volatile and a sudden drop in the gold price will remove much of the euphoria.

"A drop in overseas markets could also have a negative effect on the local market."

Marginal gold mines recorded extremely strong gains across the board yesterday and investors are discounting a gold price of around \$450.

Should this not be forthcoming in the next couple of months, it could again lead to a sharp drop in prices.

Most gold analysts are expecting good quarterly reports from South African gold mines in the next number of days. But if the quarterly report of Goldfields is anything to go by, they might be in for a slight disappointment

Gold mines in the GFSA fold in most instances battled to increase profits in the face of a steady rand-gold price and rising costs.

Workmanlike job at GFSA gold mines

By Derek Tommey

The Gold Fields (GFSA) group gold mining quarterlies issued today show a mining house doing a workmanlike job under difficult conditions

But they do not give any financial justification for the 58 percent jump in gold share prices since the middle of October

If the quarterlies are anything to go by, it seems investors will have to wait until March before they see the higher gold price being translated into better times in the gold mining industry

Overall results contain no fireworks. But they show a group holding its own in a time of high infla-

tion and more difficult mining conditions caused by the rise in pay limits

The nine mines produced 27 942kg of gold — 20kg less than in the September quarter

Average price received was R32 708 a kilogram, an increase of 0,86 percent over the R32 429 received in September

The really good news for shareholders is that group costs rose only 0,5 percent in the quarter from R541,8 million to R544,9 million

Working profit rose 1,87 percent from R363,4 million to R370,2 million and taxed profit 2,9 percent from R265,5 million to R273,3 million — not the

sort of increase to a set the share market alight.

Venterspost, which made a loss of R3,3 million in September, had a profit of R107 000

Chairman Mike Tagg says the mine's future depends on opening up the new lease area to the east.

Production in this area is expected to start by the middle of 1992 and should help extend the mine's life to 20 years

Venterspost yesterday announced a rights issue of deferred shares and options aimed at raising R210 million for the development of the new area

It will raise R162,5 million immediately and the balance at the end of 1991.

Mr Tagg says the new area is estimated to contain 23 million tons of ore averaging 4,3g/t — a significantly higher grade than the average 3,7g/t found in the old section.

Driefontein Cons had taxed profits of R119,0 million — down R522 000 from September

A fire in a stope at the East Driefontein section

resulted in 28 000 tons being lost. A further 40 000 tons of production is expected to be lost this quarter

Workers in the affected stope were moved to two raises on the Ventersdorp Contact Reef, helping to raise the grade of ore milled from 8,0g/t to 8,6g/t.

The grade reached 9g/t and Mr Tagg hopes this recovery will be a permanent feature, leading to a recovery grade of 10g/t.

West Driefontein battled to maintain working faces which were reduced by the increase in pay limits. The grade milled should start recovering when production in the new No 7 Shaft area is built up to 80 000 tons a month.

The reclamation plant started operating in the quarter and produced a profit of R4,5 million in the month of December. This profit rate should be maintained.

Kloof had a profit of R112,5 million (R107,7 million)

Working costs dropped for the second quarter in

succession. It also had to struggle for working face and had to do much redevelopment.

Libanon made R2,3 million (R6,2 million) after tax. Grade dropped from 4,5g/t to 4,1g/t but costs were reduced.

If the gold price remains around R33 000 a kilogram, Libanon might in six months' time have to consider reducing production.

Vlakfontein, which has sold its Droogult mining title to Nigel for 32 million Nigel shares, had taxed profit of R762 000 (R300 000)

Mr Tagg says investigations are taking place to determine how the shares can be distributed to Vlakfontein shareholders in the most effective way.

Deelkraal lifted profits from R30,7 million to R32,2 million. Grade was unchanged at 5,9g/t, but working costs dropped from R121,47 to R119,30 a ton milled

Mining operations are expected to start shortly below 21 level on the Ventersdorp Contact Reef, "which could produce some good news once the area is opened up", says Mr Tagg.

Doornfontein had taxed profit of R4,44 million (R2,3 million) which, however, was less the amount of R8,4 million (R9,7 million) going on capital expenditure.

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Gold Fields' profits marginally up

By Day 9/11/90

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GOLD Fields of SA's gold mines recorded a marginally higher taxed profit of R273,3m (September R265,5m) in the December quarter — mainly because of a R5,1m decrease in tax and the states share of profits

Revenue from the group's seven gold

RIAAAN SMIT

mines increased R9,9m to R915,1m, due to an average increase of R279/kg in the price received to R32 708

Aggregate pre-tax profit was R2,6m higher at R408,7m (R406,1m)

Working costs were 0,6%, or R3,1m, higher at R544,9m and quarter-on-quarter

After capex increased R8,2m from R179,3m to R187,6m

Average yield increased marginally from 7,3g/t to 7,4g/t, but gold production was slightly lower at 27 941,4 kg (27 962 kg)

Driefontein, Kloof, Libanon and Deelkraal declared interim dividends during the quarter, while Vlakfontein,

Venterspost and Doornfontein passed Production of underground tonnage at DRIEFONTEIN was adversely affected by a fire which broke out on November 21 in a Main Reef slope to the west of the No 1 Shaft complex Group chairman Mike Tagg said 28 000 tons were lost in December and another 40 000 would be lost during January

He said the area was re-opened this week and production from the Carbon Leader Reef would start in two weeks, but operations on the low-yield Main Reef in the area would not be resumed

The West Driefontein reclamation plant — which had declared results for the first time after being commissioned in the December quarter — was fully operational, and in December made a R4m profit, "an indication of the profitability of this venture", Tagg said

He expected the average grade of Driefontein to drop during the current quarter

KLOOF continued to battle with lack of stope face, Tagg said, and operations at LIBANON would have to be cut back if the gold price did not increase to R35 000/kg

The mill rate at VENTERSPOST had been reduced to 130 000 tons a month because the operating pay limit had made it uneconomical to mill at 140 000 tons per month The decision would be reviewed periodically, he said

A new manager was appointed at DOORNFONTEIN, which had managed to cut stope width and increase the yield from 5g/t to 5,3g/t, Tagg said

He said DEELKRAAL was suffering from seismic events and loss of stope face Water-bearing fissures also hampered progress at the new No 3 Shaft

GOLD FIELDS OF SA December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Drie Cons	—	—	—	—	—	—	119 000	64 233	31
September	—	—	—	—	—	—	119 522	65 968	32
West Drie	705	10,1	7 112,9	164,99	16 353	32 817	—	—	—
September	705	10,2	7 191,0	159,31	15 618	32 281	—	—	—
East Drie	692	8,6	5 925,8	142,93	16 691	32 653	—	—	—
September	720	8,0	5 760,0	134,21	16 776	32 357	—	—	—
Kloof	540	12,6	6 822,5	186,96	14 799	32 751	112 516	26 008	21
September	540	12,8	6 912,0	188,70	14 742	32 356	107 723	27 261	22
Libanon	435	4,1	1 801,1	132,28	31 950	32 631	2 341	(1 884)	(5)
September	435	4,5	1 958,1	134,07	29 786	32 318	6 201	(3 605)	(9)
Venterspost	415	3,7	1 526,1	119,73	32 574	32 593	2 000	618*	3*
September	405	3,7	1 488,7	126,95	34 538	32 255	(1 183)	(1 712)*	(8)*
Deelkraal	405	5,9	2 379,9	119,30	20 302	32 778	32 198	12 275	12
September	405	5,9	2 389,5	121,47	20 588	32 271	30 660	13 428	13
Doornfontein	390	5,3	2 065,2	163,09	30 799	32 472	4 444	(4 003)	(1)
September	390	5,0	1 967,3	160,33	31 785	32 315	2 305	(7 440)	(19)
Vlakfontein	210	1,5	308,0	45,45	30 990	32 394	762	436	6
September	210	1,4	295,4	45,28	32 190	32 378	300	95	1

* Old mine only

Finance Staff

A remarkable increase in profits at Consolidated Modderfontein highlighted the turnaround at mining house Golden Dumps

Cons Modder reported a pre-tax profit of R5,527 million in the December quarter, well up on the R393 000 of the previous three months, boosting interim pre-tax

Cons Modder shines for Golden Dumps

Star 10/11/90

profits to R5,92 million

As recently as December 1988 the mine had reported a quarterly loss of R3 million

Its policy of concentrating on high yielding ore is now showing results and analysts expect the mine to re-

sume paying dividends in the near future — its last payment to shareholders was in financial 1986/7

The boost in profits followed on a rise in the yield from 3,56 grams per ton to 5,84 g/t and reduced working cost per kg of R23 149 (R28,756 in the

September quarter)

Golden Dumps second mine, South Roodepoort, however, reported a loss in taxed profit of R308 000 in the December quarter (profit of R376 000) after a rise in working costs per kg to R33 279 (R29 861)

OM unit trusts in good form

By Derek Tommey

The repurchase price of units in Old Mutual Mining Fund rose 11,9 percent in the December quarter to bring the gain for the year (if distributions were reinvested) to 50,1 percent.

The repurchase price of the Old Mutual's main unit trust, the Investors' Fund, rose 10,3 percent in the December quarter to show a 52 percent return on a lump sum with distributions reinvested in the 12 months to December.

During the quarter the Investors' Fund increased investments in the mining houses.

It bought shares in GFSA, JCI and Rand Mines and lightened its large holdings in Gencor.

Shares in Amgold, Genbel, Barplats and Minorco were acquired and holdings in Kersaf and Sasol increased.

The fund acquired 9,2 million Iscor shares, which account for 1,18 percent of the total portfolio.

The top 10 shares at December 31 were Anamint/De Beers, Richemont, Rembrandt Group, Safren, Anglo, Sasol, JCI, Gencor Driecons and Nedcor.

At the end of the quarter it had liquid assets of R303,7 million, equal to 15,33 percent of the total portfolio.

The Mining Fund increased its holdings of ET Cons, Deelkraal, JCI, Rand Mines, East Daggafontein and Genbel and added Minorco, Barplats and R1,2 million Iscor to its portfolio.

Shares sold included Driefontein Cons, Western Deep, Smancor, Gencor, GFSA, and CML.

Liquid assets at the end of the quarter amounted to R29,7 million, 16,15 percent of the portfolio.

Old Mutual's Income Fund, which was launched in April 1989, declared its third distribution in December, bringing the total for the past nine months to 12,68c per unit.

10/11/90
Bipay

Gencor mine heralds Lydex's first mineral interest

COMPANIES

MINING exploration company Lydenburg Exploration (Lydex) has brought to account its first mineral interest with Gencor's December announcement of the establishment of the new Weltevreden gold mine, chairman Peter Bieber says in his statement for the year ended September 30.

Lydex, an Old Mutual subsidiary, has a net 7,6% interest in Weltevreden in the southern Free State and will contribute its share of the equity finance required to bring the mine to production, Bieber says.

RIAAAN SMIT

This amounts to R14,2m in escalated terms over the next two-and-a-half years, he says.

Lydex was listed on the Mining Exploration sector of the JSE in July 11 1988, with an issue price of 175c. It recorded a historic high of 250c and closed on 220c on that day.

On Monday the share recorded a 12-month high of 225c but fell back 5c on profit-taking yesterday, after a low of

115c in May last year.

Costs for the year were covered 91% by interest received of R3,6m, compared with a mere 56% during the first six months of operations ended September 30 1988.

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Net loss for the 1989 financial year at R353 000 compares with a R366 000 loss recorded for the first six months of operation to September 30 1988.

This was achieved through interest received on R20,2m, the balance of R23,1m raised through a fully sub-

scribed rights offer immediately prior to listing in 1988, Bieber said yesterday.

The intention was to eliminate dependence on revenue-generating projects for at least five years, he said.

Bieber's statement says the Cyferfontein property in the Klerksdorp goldfield, in which Lydex holds a 9,375% subscription right, adjoins Vaal Reefs' South Lease Area and is likely to be included in any new mining venture exploiting the underlying Vaal reef.

Another prospect, he says, is at Vermeulenskraal North.

JCI rebounds with R29m rise in taxed profits

16/11/90 RIAAN SMIT

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JOHANNESBURG Consolidated Investment's (JCI) gold mines rebounded with a R29m increase in taxed profits to R44,5m for the December quarter after falling 59% in the September quarter.

The increase was due to a turnaround at Western Areas of R18,7m, from a loss of R18,3m in the third quarter to a taxed profit of R409 000 in the December quarter, and a R10,3m increase in taxed profit at Randfontein Estates.

The yield at Western Areas was boosted to 4,22g/t (3,73g/t) because of a significant increase to 6g/t in the South and the North divisions, consulting engineer Bill Nairn said yesterday.

Working cost per ton milled dropped to R137,99 (R141,29) and profit per ton milled increased to R0,70 from a loss of R20,81 in the previous quarter.

Ore milled increased by 38 000 tons to 913 000. Nairn said teething problems with trackless mining were largely sorted out to the extent that 75% to 80% of tonnage in North Division and 60% in South Division were handled with this more cost-effective method.

Profit from uranium recovered increased to R3,8m (R3,3m).

Profit per ton milled at Randfontein Estates increased to R18,26 (R13,90), while 81 000 tons more were milled (2 159 000).

Working cost per ton milled increased marginally from R87,39 in the previous quarter to R88,02.

Nairn said JCI had entered into a lease agreement with a major bank for the construction of a carbon-in-pulp plant to a total value of R26m of which R5,7m has been utilised to date.

The plant would replace the old zinc dust plant and would be commissioned in March, he said.

The bank will be paid back over two-and-half years "at a stretch", Nairn said, and explained that the agreement was more tax beneficial and also more flexible in view of a fluctuating gold price.

Joel consulting engineer Con Fauconnier said the mine should be profitable towards the end of the financial year in September or early in the new financial year.

JCI chairman Ken Maxwell said although he did not foresee a large increase in the gold price, he expected it to stay above \$400 for the rest of the year.

Higher profits for GFSA companies

REINIE BOOYSEN

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GOLD Fields of SA's investment holding and property companies have mostly reported improved profits to end-December.

□ New Wits — which holds shares in precious metals, coal, base metal, property and industrial companies — lifted taxed profits for the six months to December by 55% to R11,6m (R7,5m). It has declared an interim dividend of 17c a share (trading at R20,25).

□ Selected Mining Holdings — with shares in listed precious metals, diamond and coal mining companies — lifted profits slightly, to R404 000 (R376 000), for the six months to December, and declared a dividend of 25c a share (trading at R14,00).

□ Vogelstruisbult Metal Holdings — which has shares in coal, copper, lead, silver, tin and zinc producing companies — lifted taxed profits to R20,9m (R12,2m) in the year to December. A final dividend of 35c a share has been declared — bringing distribution to 60c a share (trading at R6,50).

□ Gold Fields Property Company — with property holdings and a share portfolio — lifted taxed profit by 84% to R11,7m (R6,4m) in the year to December. A final dividend of 24c a share (trading at R4,80) has been declared, for 42c a share (36c).

□ Witwatersrand Deep's profit declined to R1,7m (R2m) in the six months to December. An interim dividend of 13c a share has been declared.

Jewellery industry needs boost

ALTHOUGH more gold had been produced in SA than the rest of the world, gold used in jewellery in this country in 1988 was only 0.1% of world production, Mintek Dr Aiden Edwards said.

He said this compared with 30% in the Far East.

In an article in the December issue of Diamond News and SA Jeweller, Edwards said if SA could produce 10% of the world's jewellery, and an added value of 25% in production could be gained, SA would earn an additional R1 500m in foreign exchange.

Employment opportunities and technical expertise would also be increased.

The gold mining industry had become one of the most expensive to operate in the world and,

even with the rand as weak as it was, the industry was fighting for its survival, Edwards said.

"The very fact that SA has so much gold has militated against the growth of the jewellery industry."

"Other obstacles are illicit gold buying (SA jewellery is among the most expensive in the world), gold quotas, and heavy additional taxation in the form of the so-called ad valorem tax."

"No incentives are offered for domestic or export sales."

The state gained only a "few tens of millions of rands" from the ad valorem tax, which was reduced to 20% in 1988, but, Edwards said, the industry was battling to stay afloat because of this legislation.

Mintek chief

When the Taiwanese government decreased taxation from 50% to 1.25% in 1986, jewellery production in that country rose from 24 to 90 tons in two years. This also resulted in the demise of illicit trade.

Edwards suggested an aggressive policy of jewellery promotion, incentives for the production and development of new alloys, products and technologies, and the removal by government of all unnecessary obstacles to the growth of the industry.

The added value generated from a healthy jewellery industry would more than offset the apparent short-term losses in foreign exchange, the principle objection to palliative legislation, Edwards said — Sapa

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Southern units riding high on gold's demand

220
 @ 1 Day 12/11/90

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LIZ ROUSE

SOUTHERN unit trusts' long-term outlook on gold shares has paid handsome dividends on the strong performance of gold, and the funds were active in the market in the December quarter.

Both Southern Equity Fund and Southern Mining Fund reduced their liquidity levels during the quarter — the general equity fund's liquid assets were down to 11,6% from 15,3% as industrial shares followed the lead of gold while the mining fund's liquid assets declined to 13,3% from 21,1% of total assets.

Both funds handsomely outperformed inflation.

Investors in Southern Mining Fund received a return of 49,9% for the 12 months ended December, while Southern Equity Fund posted returns of 42,6% over 12 months.

Portfolio manager Carel de Ridder says sentiment towards gold moved strongly positive when the dollar price recovered late in the quarter and the gold price rose significantly.

De Ridder says the performance of both portfolios has supported Southern's belief that gold shares offered relative value.

However, while sentiment towards

gold has improved, the fundamentals remain weak and gold needs to move above R1 200 an ounce for this situation to improve.

Commenting on economic issues over the quarter, De Ridder says the rapidly changing political environment both locally and in Europe has led to improved business sentiment and economic activity in general.

The strength of the financial rand towards the end of the year was indicative of the change in sentiment towards SA. While this may depress

certain shares in the short term, these events will be positive for the economy, predicts De Ridder.

He expects strong share prices in the year ahead, although he cautions that it will be necessary for fund managers to be more selective.

The value of mining-related counters in Southern Equity Fund increased from 46,6% to 51,9% of the portfolio in the December quarter, while financial and industrial stock was reduced to 36,5%.

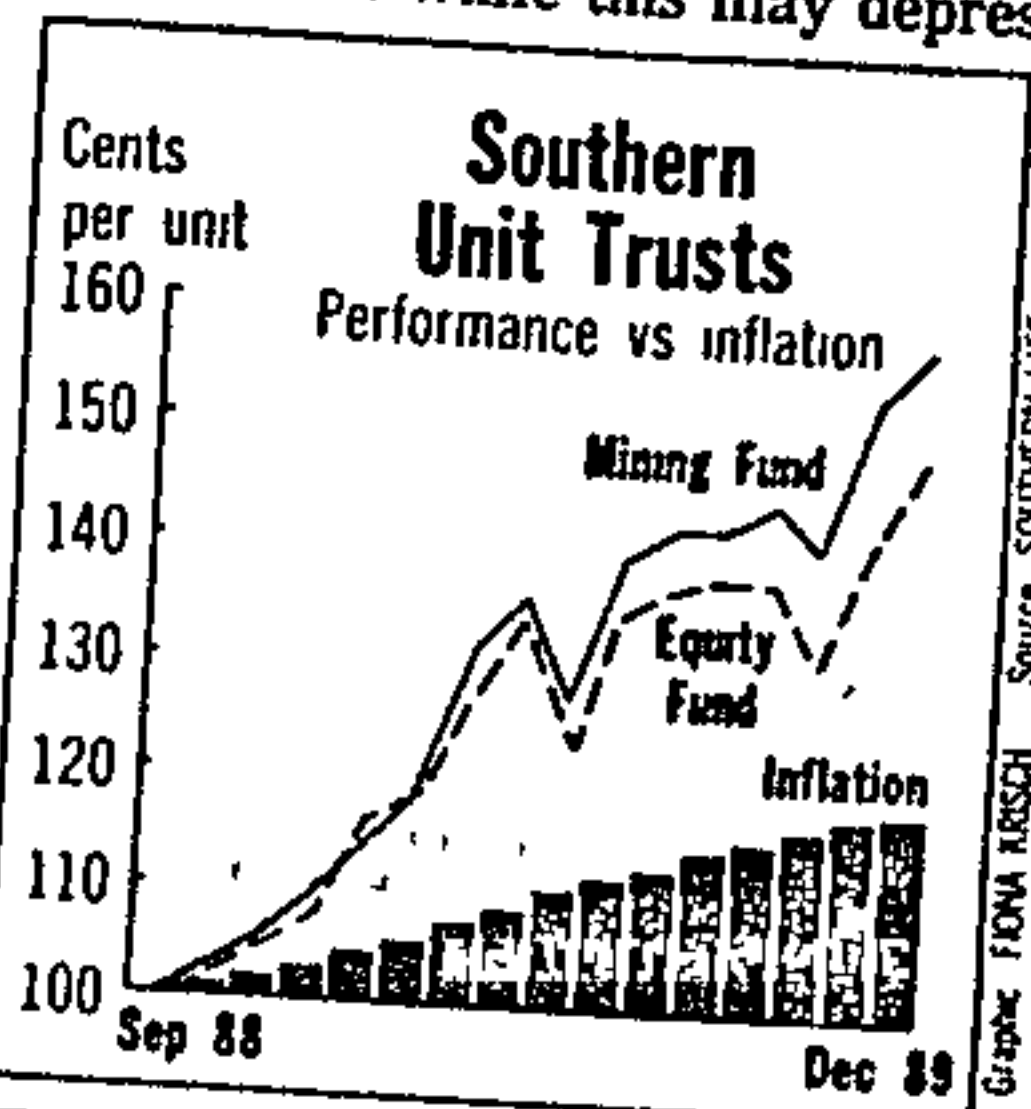
Equity Fund's holdings in Driefontein, Elandsrand, Western Deep, Amgold and Genbel were increased and Apex Property Trust and Iscor (334 200 shares) added to the portfolio.

Amcoal, AVI and D & H were sold out of the portfolio and the Plate Glass holding reduced further.

Southern Mining Fund increased holdings in De Beers, Elandsrand, Western Deep, Keeley, Amgold and Minorco and added Vaal Reefs, Ofsil and Iscor to the fund.

Holdings in Amcoal, Freddev and Randex were sold.

Market value of the assets in the funds rose by R4,5m to reach R39,6m at the end of December.



Graphic FROM MBSCH Source SOUTHERN LIFE

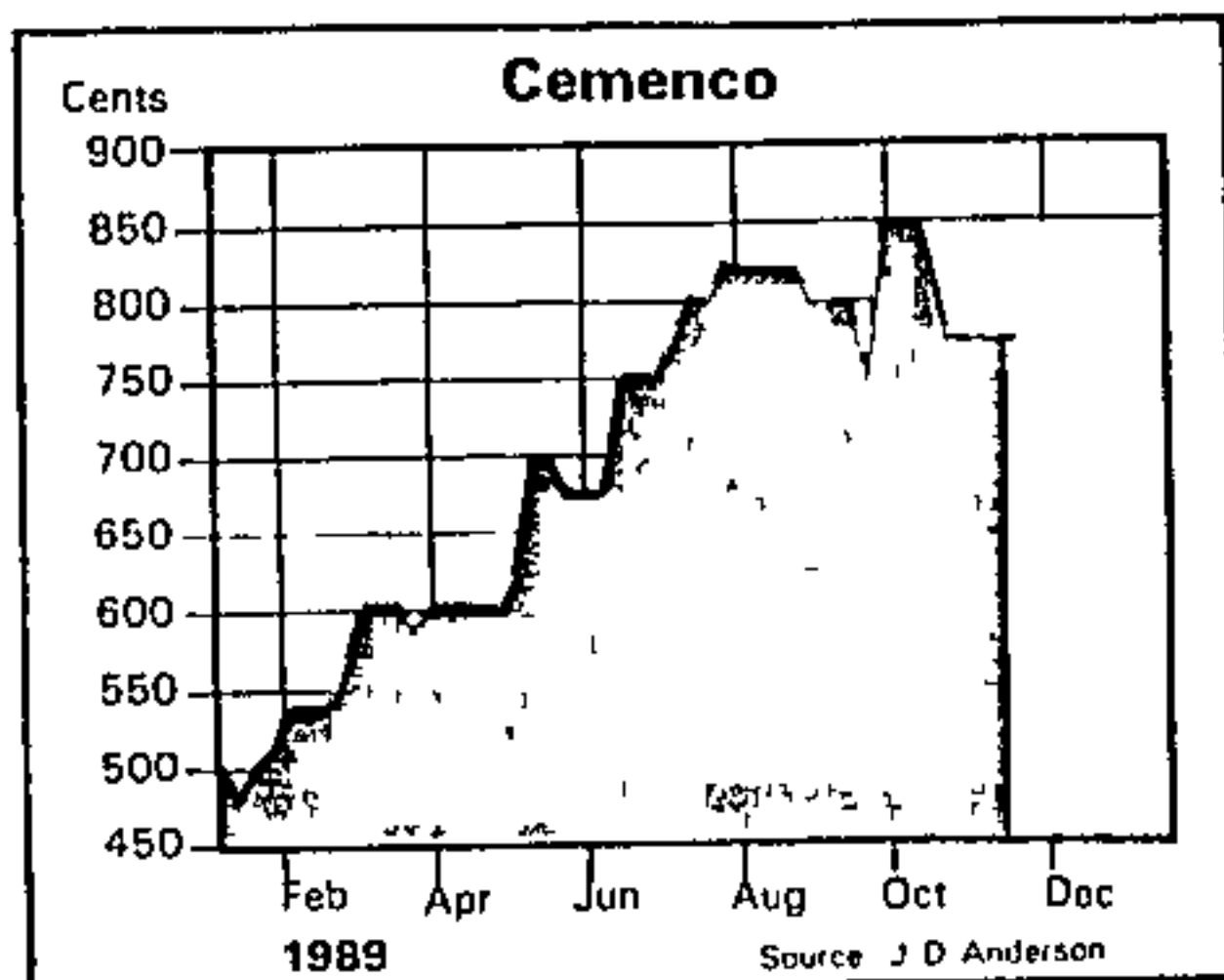


Cementation's Shaw ... watching the bottom line

CEMENTATION F/M 12/1/90

Waiting on gold

Not unexpectedly, Cementation's operating results marked time in fiscal 1989, though comparatively slow turnover and operating profit growth were converted into better earnings and dividend advances. The performance remains affected by gold's difficulties and cuts in State capital spending. The



(214)
mining contracting division suffered a drop in its exploration drilling business but lifted turnover as shaft sinking and underground development contracts continued. At the end of financial 1988, chairman

Activities: Civil, mining and mechanical engineering

Control: Trafalgar House Plc has a controlling interest. GFS has 23% of the equity.

Chairman: R T Shaw, managing director G B Lotter

Capital structure: 6,89m ords of 50c, 150 000 6% cum prefs of R2, 10 3m non-red convertible cum prefs of 50c. Conversion took place on Oct 1 1989 on a 5-for-1 basis. Market capitalisation R72m.

Share market: Price 800c. Yields 9.4% on dividend, 19.3% on earnings. PE ratio 5.2 cover, 2.1. 12-month high, 850c, low, 480c. Trading volume last quarter 25 800 shares.

Financial: Year to September 30

	'86	'87	'88	'89
Debt				
Short-term (Rm)	12.9	19.7	22.3	30.6
Long-term (Rm)	33.8	20.2	13.5	10.8
Debt equity ratio	0.96	0.51	0.32	0.50
Shareholders interest	0.31	0.29	0.30	0.30
Int & leasing cover	1.6	2.1	3.8	3.1
Debt cover	0.37	0.54	0.79	0.58

	'86	'87	'88	'89
Performance				
Return on cap (%)	8.4	8.0	10.5	10.7
Turnover (Rm)	242	273	314	335
Pre int profit (Rm)	13.0	13.9	19.4	22.1
Pre int margin (%)	5.4	5.1	6.2	6.6
Taxed profit (Rm)	3.1	4.5	9.6	12.2
Earnings (c)	44.6	45.8	120.5	155.1
Dividends (c)	22	22	42	75
Net worth (c)	633	662	737	816

Ron Shaw reported improved demand for backfilling from the mining industry and now reports demand has further improved. Fundamentally, though, services to gold mines remain affected by the industry's belt-tightening.

The same is true in SA of the railway division, whose track laying business is "at a severely depressed level" according to Shaw. The division has lifted its export sales and has acquired the old Racec company to strengthen its position in local track manufacturing. Benefits are likely to be more longer-term than immediate.

A year ago there were hopes that legislation on the compulsory use of self-rescuers would boost sales of the equipment to the

gold mines. The legislation has been delayed, though Shaw hopes it will be passed this year.

Considering the year-end order book rose by only 7% to R213m, this year, too, will be one of marking time. The gold mines are unlikely to start increasing expenditure while gold fails to break decisively above US\$400. Shaw believes there will be little increase in demand from mining houses in the immediate future. The bottom line is also likely to be affected by a substantially higher interest charge due to higher rates and greater net borrowings.

Last year's dividend increase to 75c (42c) swallowed virtually all the 35c earnings rise and appears to have been made to trigger automatic conversion of the 10.3m convertible prefs held by GFS. This year's earnings and dividend growths are likely to be more modest.

Jim Jones

For punters

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Response to the Venterspost rights issue appears favourable but the present market situation is artificial and the true picture will become clear only with the listing of the NPL's from Monday

That is because of the limited market for the 4,8m deferred shares in issue. These shares were issued in payment for the new mining title and are held by Randfontein Estates and GFSA, which has been trying to make a market in them to establish a representative price. Trading in the shares, according to GFSA precious metals division GM Mike Tagg, has been thin with the house unable to move large volumes.

The deferreds trade at a discount to the ordinaries because they will not rank for dividends until July 1 1992. The rights offer of deferred shares was pitched at 650c on Monday, and must be compared with Friday's closing prices of 980c for the ordinaries and 800c for the deferreds.

That offers an 18,75% discount on the deferred share market price but, though not strictly correct, one is tempted to make a comparison with the ordinary share price where there is a 33% discount. The ordinary shares stand at a premium because shareholders could get windfall dividends before 1992 if the gold price takes off. But under current rand gold price scenarios, Venters is not likely to pay a dividend until operations get into the higher grade ore in the new extension area.

This remains a marginal gold venture and

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GFSA has tried to make the issue attractive enough to the market to ensure investors consider the shares worth the risk. However, Venters' issued capital will more than double to 57,5m shares from the current 25m, making it an expensive exercise given the dilution of earnings. F/M 12/1/90

So far the market is trending in Venters' favour. The ordinaries jumped to 1 080c on Monday before dipping to 1 025c during Tuesday's trading, while the deferreds remained unchanged at 800c. When Barmine's pitched its rights issue at 450c last November — a 22% discount to the then-ruling price of 575c — the share dropped close to the rights offer price before recovering.

Brendan Ryan

Hanging on F1M12/1/90

When Gold Fields of SA (GFSA) announced interim dividend cuts for some of its gold producers last month the prognosis was for pedestrian results for the December quarter. This has been borne out: profits are slightly up, thanks to the marginally higher average gold price at R32 798/kg (September quarter — R32 429/kg) but there is nothing to write home about.

The good news is that GFSA management would appear to be getting a tighter grip over cost control on its mines and reacting to the profit squeeze on marginal producers by cutting back the scale of operations.

GFSA gold division GM Mike Tagg stresses that the house is not considering the kind of drastic action Gencor took a year ago. However, he concedes that if the gold price remains at present levels for another six months then there would have to be major cutbacks at Libanon, for one.

Unit working costs for the quarter on the group's mines rose on average by just 1% to R143,69/t milled (R142,2/t), and some mines — Kloof, Deelkraal, Libanon and Venterspost — actually reduced costs. Tagg attributes this success to persistent management attention.

Flagship mine Driefontein was the one disappointment on cost control, with working costs rising 9% at East Drie, because of the effects of a fire, and by 3,6% at West Drie. East Drie lost 28 000 t of milled production in December and Tagg says another loss of 40 000 t can be expected this month. Recovery grade at East Drie improved to 8,6 g/t (8,0 g/t) but dropped at West Drie to 10,1 g/t (10,2 g/t) because of problems caused in the rich Carbon Leader stopes by rockbursts. Tagg expects West Drie's yield to fall to about 9,6 g/t for the March quarter.

West Drie's reclamation plant kicked in during the quarter and Tagg points out that the profit of R3,6m was made almost entirely during December, indicating the kind of monthly profits that can be expected. The plant has 3 Mt of high-yielding slimes to treat with in-situ grades above 1 g/t before tackling the mine's large tonnages of lower grade material of about 0,6 g/t. Kloof's recovery grade dipped to 12,6 g/t

F1M 12/1/90

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(12,8 g/t), and could go lower in the March quarter, but Tagg expects it to return to about 13 g/t in the June quarter. The mine reduced its costs to R187/t milled (R188,7/t), the second consecutive decrease in two quarters.

Libanon suffered a 9% drop in grade to 4,1 g/t (4,5 g/t), something this embattled marginal producer can ill-afford. Reason was faulting in the Main Reef longwalls and Tagg hopes the yield should recover to about 4,3 g/t in the current quarter. The mine had a negative cash flow of R9,5m in the six months to September and needs a gold price of at least R35 000/kg to return to marginal profitability.

Tagg says management is still considering what it will do with the 32m shares in Nigel that Viakfontein received for selling Droogebult (Fox January 5). However, it's clear a large number are going to be sold as soon as possible to clear Viak's debts and cover undecimated capital expenditure. Nigel shares have risen to 85c from the 50c level at which the deal was struck. GFSA must be itching

to sell them but, by Monday, had not received the shares.

Deelkraal level-pegged on grade and tonnage throughput but the better gold price, combined with a drop in total costs to R48,3m (R49,2m), increased working profits to R29,8m (R28m).

Doornfontein increased its recovery grade 6% to 5,3 g/t (5,0 g/t) and, underlining the marginal nature of the operation, more than trebled its working profit to R3,5m (R1,1m). Tagg says the improved yield results from management efforts to cut the stopping width. This increases grade because it reduces the amount of waste mined with the ore.

From January, Venterspost has decided to cut its production rate to 130 000 t/month from the planned 140 000 t. The mine has been forced to increase its payroll to compensate for the drop in the profit margin caused by working costs eating into the stagnant rand gold price received. The higher payroll means the mine does not have the ore reserves available to meet the increased production rate.

Brendan Ryan

DIAGONAL STREET

R210m brings new life to dying Venters

S/Times 14/11/90

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WEST Rand gold producer Venterspost is to raise R210-million to prolong the ageing mine's life.

Shareholders will be entitled to subscribe for 10 linked units for every 100 ordinary or deferred ordinary shares held. Each linked unit comprises 10 deferred ords and three options.

The issue price is R65 a unit, valuing the shares at R6,50 compared with the last trade of R8. The last day to register was on Friday.

The options will be convertible into deferred ordinaries one for one in November 1991 at R6,50. The deferreds will not qualify for dividends from Venterspost until they are converted into ordinaries in July 1992 when production from the new area is planned to come on stream.

SWEETENER

The options were thrown in as a sweetener to make the package attractive to investors. In July 1992 there will be 57,5-million ordinary shares only in issue.

Gold Fields of SA will underwrite the offer. It owns 37% of Venterspost and manages the mine.

GFSA general manager Mike Tagg says the extension to the mine will give access to an area expected to produce 23-million tons of ore at an estimated yield of 4,3g/t. It will be mined at a rate of 1,5-million tons a year.

Sinking of the No 4 shaft is progressing at 105 metres a month, and there is only 90 metres to go in the water-bearing dolomite before the quartzites are hit, lowering the risks.

Mr Tagg says things are going better rather than

worse. Only one hole with significant water has been encountered, but it is still early days.

The reef sub-outcrops at 350 metres, and the ore will be mined from a depth of 500m at a cost expected to be 80% of today's at Venterspost.

The mine is operating at only 3,7g/t.

Mr Tagg says that at today's gold price, Venterspost would be exhausted in a few years.

DIRT

It announced in the quarterly report last week that it was no longer economic to mine at 140 000 tons a month, and production would be trimmed by 10 000 tons. It was raised from 130 000 tons a month only a year ago.

Mr Tagg says "We are scrabbling for dirt to make up 140 000 tons."

The position will be reviewed, but it will take a 20% real rise in the gold price before dividends can be resumed.

That Venters is battling is reflected in the quarter to December when mining profit was barely R100 000. An insurance recovery due to the loss of production caused by a fire, and a tax reversal pushed taxed profits to R2-million. But nearly R11-million went on the new shaft and R1,4-million on the old mine.

One problem with the deferred ordinary shares is that there is no market in them — 4,8-million have been issued in respect of the new mineral rights, but there have been only three trades so far, the last at R8. This is a 300c discount to the ordinary shares even though the interim dividend was passed.

Mr Tagg says the market

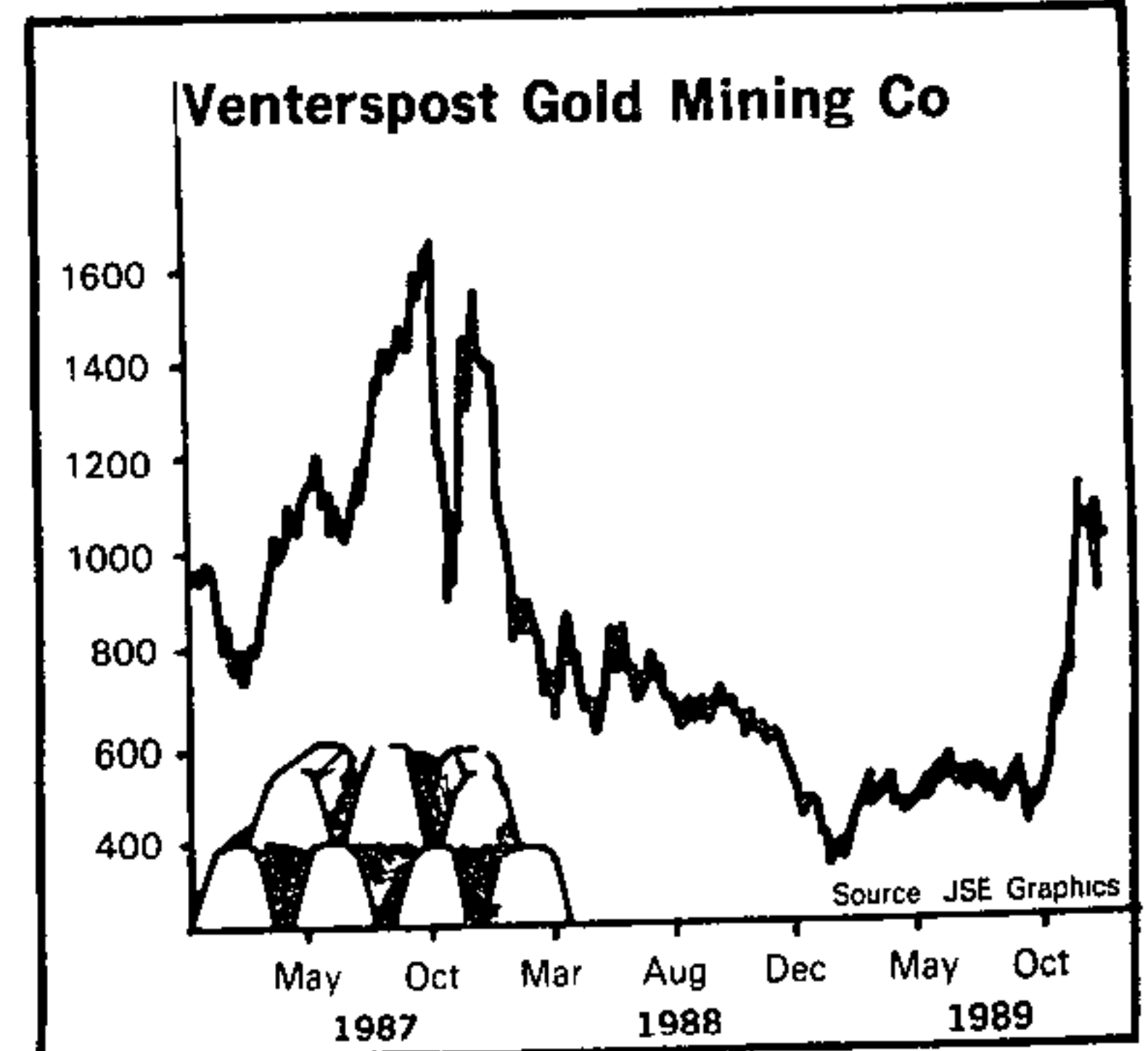
does not fully understand the deferred ordinary, but is confident that with the issue of more deferred ords, the situation will improve.

There were only three initial shareholders — a GFSA subsidiary held two-thirds, Randfontein 26% and New Wits the balance.

Mr Tagg expects the Venterspost options to be successful, a la Joel.

● Production at GFSA's Northam platinum mine is on schedule to start in June 1991. The No 2 shaft has reached its final depth of 1 822 metres below collar, and equipping has begun.

What will become of Cons Gold's 11% stake in Northam is not yet known.



01 Dec 16/11/90

Rand Mines gold shows 254% taxed profits leap

214

RIAAN SMIT

RAND Mines gold division, building on the successful turnaround engineered in the third quarter of last year, further consolidated its gains for the December quarter with a 254% leap in taxed profits to R17,2m (September: R4,9m).

The increase was due mainly to Harmony more than doubling its net profit to R21m (R9,8m) and Durban Roodepoort Deep showing a R5,5m turnaround from a R4,5m loss in the September quarter to a R1m net profit in December.

Although 108 000 tons less was milled at Harmony than in September, and 289kg less gold was produced, the price per kilogramme received improved R739 and working costs fell 6,2% to R222,5m (R237,3m).

Unit costs were R1,77 less a ton at R93,04 and profits rose from R3,14 a ton to R7,79 a ton.

Total working profit was R23,2m (R11,8m) which, less taxation of R2,2m (R2m), left after tax profit of R21m

Capex for the quarter was R5m compared with R5,6m in the September quarter.

Tonnage from underground milled at Durban Roodepoort Deep dropped 156 000 tons to 245 000.

Grades were improved from 2,87 in September to 3,26, reflecting the closing of uneconomic working sections.

Working costs were nearly halved at R27,9m (R44,9m) to achieve a working profit of R2,4m compared with a loss of R3,9m in the previous quarter.

Profit from surface sand treatment increased to R15,17 a ton milled (R9,98), while cost remained static at R11,25 (R11,06) a ton milled.

The yield was higher at 0,81g/t (0,68g/t).

Blyvooruitzicht's profit dropped to R2,1m from R3,6m, due mainly to a drop in grade to 3,93g/t (4,31g/t). Higher tax at R977 000 (R741 000) was also a reason for lower profit.

Gold and platinum divisions deputy chairman Paul Forbes said that to improve the mine's profitability, certain working sections were closed. There was every chance that these sections could be re-opened if the gold price improved, he said.

"Regrettably, this has meant that the employee complement has had to be trimmed and we are re-allocating a substantial number within the group and within the industry."

He said every endeavour was being made to relocate the balance of the employees affected, but declined to say how many there were.

At East Rand Proprietary Mines R15,2m was refunded by government and major creditors during the quarter and about R40m of Rand Mines loan was converted into B class preference shares.

At the end of the quarter borrowings amounted to R313m compared with R337m previously.

RAND MINES December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Harmony	2 392	3,05	7 297	93,04	30 498	33 052	21 030	16 003	60
September	2 500	3,03	7 586	94,91	31 276	32 313	9 802	4 197	16
Blyvooruitzicht	572	3,93	2 249	125,32	31 873	33 106	2 122	1 243	6
September	557	4,31	2 401,1	133,18	30 895	32 302	3 568	1 552	6
ERPM Underground	*430	3,64	1 566	134,05	40 076	32 820	(6 993)	(14 087)	(85)
September	395	4,25	1 667,0	170,31	40 115	32 192	(4 000)	(11 229)	(68)
ERPM Sand	356	0,77	273	14,38	—	32 820	—	—	—
September	340	1,53	519,1	14,00	9 170	32 192	—	—	—
DRD Underground	*245	3,26	799	106,47	34 949	32 654	1 022	630	27
September	401	2,88	1 149,3	107,67	37 567	32 692	(4 518)	(5 629)	(242)
DRD Sand	160	0,81	129	11,25	—	32 654	—	—	—
September	156	0,64	105,4	11,06	16 370	32 692	—	—	—

* Profits results include those of surface operations

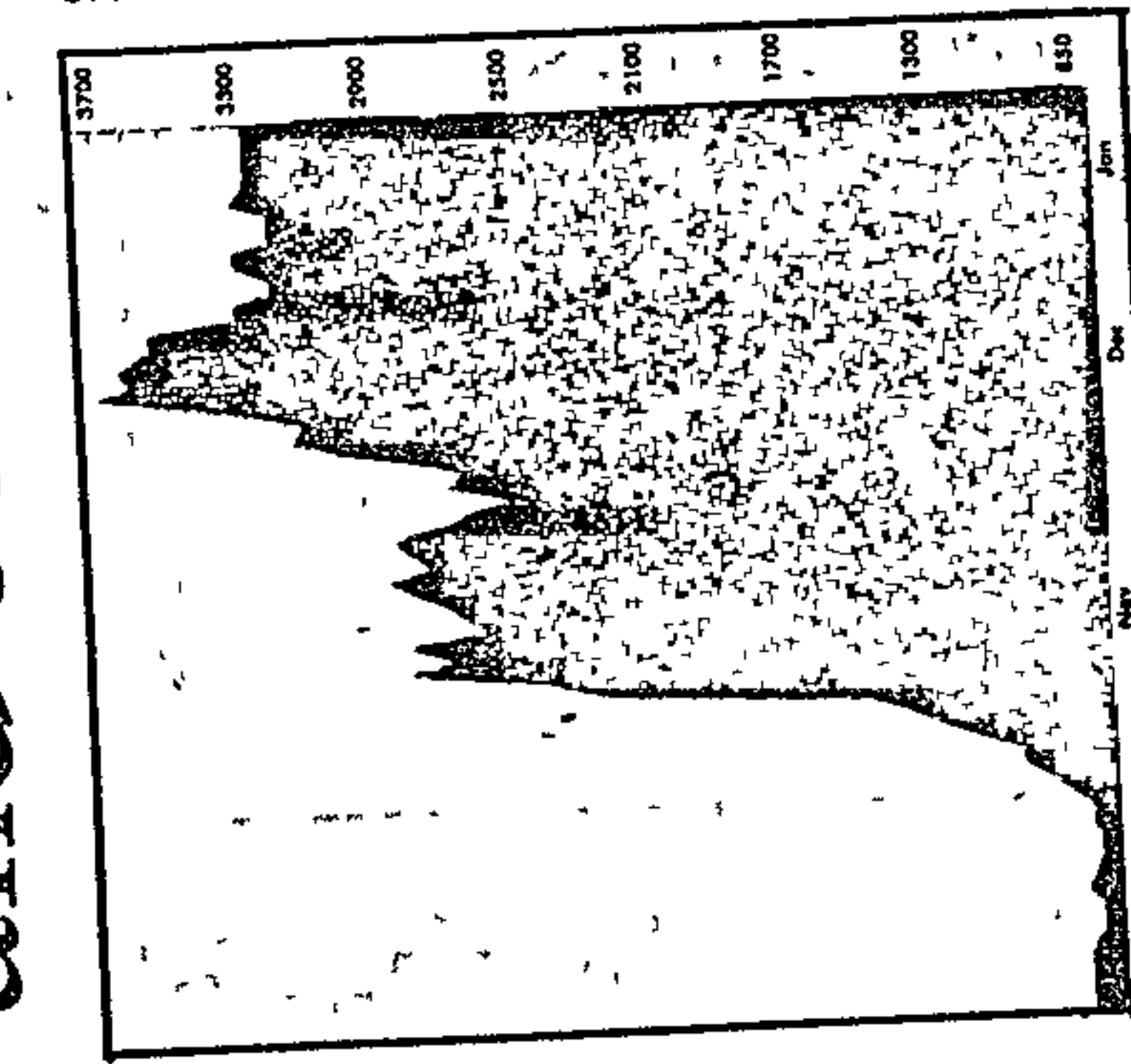
JCI GOLD MINES December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg*	Net profit R000s	Profit after capex R000s	EPS after capex cents
Randfontein	2 240	3,20	7 168	88,02	27 505	33 212	44 051	14 489	23,7
September	2 159	3,15	6 801	87,39	27 742	32 156	33 789	2 157	3,5
Western Areas	913	4,22	3 855	137,99	32 681	32 847	409	(3 960)	(9,8)
September	875	3,73	3 267	141,29	37 842	32 269	(18 329)	(23 447)	(58,1)

* Includes revenue from silver and coin sales (and osmium from WAGM).

Gold producers adopt survival tactics and come up smiling

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Jan 16/11/90



Mid-1989 Durban Deep's share price was languishing around R8,50 yesterday it closed at R37,50

By Derek Tommey
The gold mining industry is showing it can produce the goods when the chips are down. And it is showing it is at last aware of the significance of lower costs and increased grades.

Thus emerges from the sharp increase in profits in the December quarter reported today by previously loss-making and low profit-making mines in the Rand Mines and JCI groups.

The higher gold price towards the end of the quarter tended to have only a marginal impact at most of these mines.

One of the best achievements was by JCI's struggling Western Areas. It reported a profit turn-around of R18,7 million — from a loss of R18,3 million in the September quarter to a profit of R409 000.

Another JCI mine, Randfontein, also scored a major triumph, boosting its taxed profit by more than R11 million, or 30,4 percent, from R33,8 million to R44,1 million.

Marginal mine

In the Rand Mines group, the extremely marginal mine, Durban Deep, which was facing closure a few months ago, reported a R1 million profit, against a loss of R4,5 million in the September quarter — a swing of R5,5 million.

However, Durban Deep's September results included R4,2 million paid in retrenchment benefits.

In the Free State, Harmony earned R21,0 million — more than double the R9,8 million earned in the September quarter.

increased from R4 million to R7 million.

Blyvooruitzicht, which is also in the Rand Mines group, had taxed earnings of R2,1 million, against R3,6 million in the September quarter.

Another new mine to report today is JCI's Joel Investors. It could also be a little disappointed at first sight in the mine's development results.

These showed a drop from 724cm-g/t to 609cm-g/t in the metres sampled.

But a director of the mine, Dr CJ Fauconnier, says most of the development is aimed at opening up the east and left flanks in a bid to get to the ore body as soon as possible and that there has been little development on reef.

He says gold values at Joel were highly variable.

Dr Fauconnier says that if the grades on reef are as expected, Joel should start breaking even in the June quarter or the September quarter.

Features of today's quarterlies are:

Randfontein — WA Nairn, a director of the mine, says great efforts were made in grade control and that the improved grade should be maintained.

The company is erecting a R26 million carbon-in-leach

plant to replace the existing Cooke plant. The new plant will improve recoveries and reduce maintenance costs.

Western Areas — Development results from the southern part of the mine showed a significant improvement in grade, but there was an even greater improvement in the northern part.

Durban Deep — The improved results were materially assisted by the closing of uneconomic working sections, rationalisation and cost-cutting.

Blyvooruitzicht — A number of sections have been closed to improve profitability, says Paul Forbes, deputy chairman of Rand Mines' gold and platinum division.

This has meant that the number of workers has had to be trimmed and people are being re-allocated within the group and within the mining industry.

ERPM — The lower grade was disappointing, says Mr Forbes. Investigations are being conducted into the grade situation and, as a result, stoping operations have been suspended in certain sections.

Barbrook — The metallurgical plant has been commissioned. The mine's first gold was poured on December 13 at City Deep.

I opened a cupboard a skeleton fell out."

The only disappointment in today's quarterlies was the failure of ERPM, the old/new mine on the East Rand to produce improved results.

ERPM is an old name, but it is busy opening what, in effect, is a new mine.

But despite a sharp and huge creditable reduction in working costs (which cannot be entirely due to the higher milling rate), the working loss rose by R1 million to R2,4 million owing to a 14 percent fall in grade. The total loss after interest payments in-

Almost all these improved results can be ascribed to a drive by mine management to cut costs, to mine more efficiently or, put bluntly, to survive.

Undoubtedly, there was much scope for economies.

The good times in the past and an extremely high tax rate of 70 percent led to many wasteful practices and the accumulation of a large amount of fat.

The situation was summed up by one senior mine official, who does not belong to either JCI or Rand Mines, after his own highly successful attempt to cut his group's costs costs "Every time

Lower base metal prices hurt GFSA profits

16/11/90
B. Dan
AFTER-tax profits for Gold Fields of SA base metals operations — including Gold Fields Namibia — plunged 40,7% from R57,8m (September quarter) to R41,1m (December quarter)

The most serious turnaround was at Gold Fields Namibia where an after-tax profit of R15,4m in September turned into a R682 000 loss by December

Results from the copper/silver/lead operation show a 20% increase in cost of quarter-to-quarter sales to R91,4m in December. The amount of lead sold attributable to Gold Fields Namibia increased 50% to 14 097t

Overall, a profit after extraordinary items of R11,1m in September turned into a R1,3m loss in December

The easing in international base metal prices was seen in Gold Fields Namibia's sales decreasing in value terms by 8,9% from R106,3m to R97,6m in the December quarter —

(214) (245) (277A)
BARRY SERGEANT

despite a 26,5% increase in tonnage sold. The poor results did not prevent Gold Fields Namibia paying a dividend costing R9,6m in the December quarter, to raise the 12-month dividend cost to R19,2m

Extraordinary items, for the dewatering of the Kombat mine, fell heavily from R4,3m to R640 000. The directors state that mine production showed a decline because of difficulties at Otjehase, production of blister copper was "limited by a shortage of concentrates", and that lower copper prices adversely affected financial results

Gold Fields Coal after-tax profits fell to R4,2m from R4,4m. A 9,6% increase in sales to 2,4-million tons was softened by a 26,7% increase in cost of sales to R60m. Zinc Corporation reported marginal increases in after-tax profits (to R10,3m) and tons sold (to

21 309t). The cost of sales fell 20,7% to R76,3m

At O'okiep taxed profit was marginally down to R14,3m, as the cost of sales increased 26,8% to R42,1m. At lightweight Rooiberg Tin a R711 000 profit became a R832 000 loss. Sales of tin leaped 98% to 337t as sales value increased 63,7% to R6,9m. The dent in these significant increases was an increase in cost of sales of 122% to R8,3m

Results at copper/lead/zinc/silver producer Black Mountain were hardly changed with after-tax profit at R13,8m. Cost of sales increased 15,5% to R27,1m

In summary, the only bright spark in the results was lead. In view of the continuing softer trend in international base metal prices, along with the continuing firming in the rand/dollar exchange rate, the outlook for the group of companies is unfavourable

Huge leap in Rand Mines profits

RAND Mines gold division, building on the successful turnaround engineered in the third quarter of last year, further consolidated its gains for the December quarter with a leap in taxed profits of just over 250% to R17,2m (September R4,9m)

And Johannesburg Consolidated Investments (JCI) gold mines rebounded with a R29m increase in taxed profits to R44,5m for the December quarter after it dropped 59% in the September quarter

Rand Mines's increase was mainly due to Harmony more than doubling its net

RIAAAN SMIT

profit to R21m (R9,8m) and Durban Roodepoort Deep showing a R5,5m turnaround from a R4,5m loss in the September quarter to a R1m net profit in December

JCI's increased taxed profit was the result of a turnaround at Western Areas of R18,7m, from a loss of R18,3m in the third quarter to a taxed profit of R409 000 in the December quarter, and a R10,3m increase in taxed profit at Randfontein Estates.

● See Page 5

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SIDAM 16/11/90

GFSA warns of declining earnings

Star 17/11/90

(214)

By Derek Tommey

Gold Fields of South Africa, in a pessimistic mood, warns that its earnings and those of its associated companies could decline in the next six months.

However, GFSA says it expects to maintain its dividend for the full year at its current level of 200c a share.

GFSA earnings increase by 26 percent in the six months ended December. But it has to thank a buoyant share market and the opportunity to actively trade in shares for its profit improvement.

Income from investments in the six months was virtually unchanged at R158,4 million. But "other income" almost doubled, rising from R73,9 million to R135,2 million, aided a R31,0 million (R8,2 million) profit from share transactions.

Expenses dropped by R4,5 million, mainly owing to a slight cutback in exploration, resulting in a

pre-taxed profit of R232,1 million (R166,4 million) for the period. Profit after tax, minority interests and preference dividends, was R189,9 million against R150,8 million a year earlier.

The interim dividend has been maintained at 70c a share.

The company also took the opportunity during the six months period to reduce the number of shares held in Blyvooruitzicht and Elandsrand. This resulted in a surplus which will be used to increase its stake in Driefontein and Kloof.

GFSA is not optimistic about the year's prospects. The increase in the gold price has been almost offset by a rise in the rand's exchange rate against the dollar, it says.

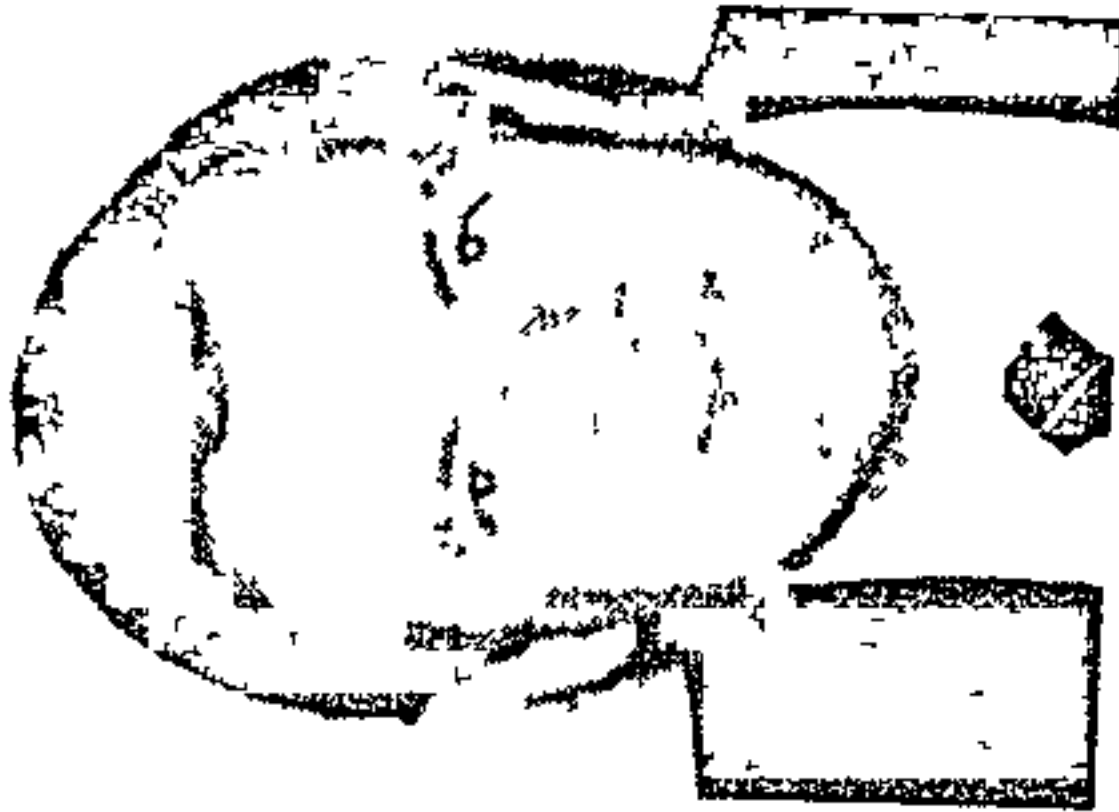
The higher exchange rate and lower international prices have also hurt the rand prices of other metals and minerals and net profits of group companies are likely to be lower than in preceding years.



JANUARY 17, 1990

GFSa lifts earnings by 26%

APC Tips 17/1/90 Z14



John Broil has been appointed to the board of Protea Chemicals Ltd.

JOHANNESBURG — Gold Fields of SA's (GFSa) earnings are up 26% at R189,9m, at the half-way stage, compared with R150,8m for the six months to December 31, 1988.

Financial results released yesterday show, however, that net earnings include a surplus of R31m (R8,2m) arising from the realisation of shares in the group's dealing portfolio.

Net earnings from operating companies and other recurring sources, therefore, have not increased significantly relative to those for the comparable period

A non-distributable surplus of R87,1m (nil) accrued below the line from the realisation of certain long-term investments. The proceeds from this transaction have been used to fund increases in the group's stakes in Driefontein and Kloof. This surplus will, therefore, be transferred to non-distributable reserve.

The directors pointed out that the recent increase in the US dollar price of gold has been largely offset by the improvement in the rand/dollar exchange rate.

This has also impacted adversely on the rand prices of most

of the other metals and minerals produced by group companies.

In the absence therefore of a sustained and significant increase in the rand gold price received in the second half of the current financial year, the directors feel that there is a possibility that the net earnings of group operating companies will be lower than those recorded in preceding financial years.

Nevertheless, they believe Gold Fields's own dividend should be maintained at the current rate of 200c an ordinary share — Sapa

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**GfSA income
is up 26% for
first 6 months**

01/12/88
17/11/90 RIAAN SMIT (214)

HALFWAY through Gold Fields of SA's financial year, the group's net earnings are up 26% at R189,9m, compared with R150,8m for the six months to December 1988

Net earnings include a surplus of R31m (1988 R8,2) from the realisation of shares in the group's dealing portfolio

A non-distributable surplus of R87,1m was accrued from a reduction in long-term holdings in Blyvooruitzicht and Elandsrand gold mining companies

The proceeds would be used, in part, to fund and increase the group's interests in Driefontein Consolidated and Kloof Gold Mining Company, GfSA said in a statement published today.

It said the outlook for the current financial year was that net profits accruing to group operating companies were likely to be lower than those recorded during their preceding financial years.

This was due to the recent increase in the dollar price in gold largely being offset by an improvement in the rand/dollar exchange rate

Dividend distributions by the company should be maintained at last year's level of 200c per ordinary share, it said.

Anglovaal's gold profits recover

by Peter 17/1/90

RIAAAN SMIT

TAXED profit from Anglovaal's gold operations recovered a modest 7,3% to R54,4m in the December quarter, after tumbling from R91,6m to R50,6m in the three months to September

Anglovaal says in a statement that improved gold production and well-contained costs led to improved taxed profits at all four of the group's gold mines

A decrease in total capital expenditure to R13m (September R17,1m) resulted in an increased tax bill of R79,3m (R64,8m)

Hartebeestfontein (Harties) near Klerksdorp contributed R41,2m (R42,2m) to the taxed profit, Loraine in the Free State R1,7m (R1,3m loss), Eastern Transvaal Consolidated (ETC) near Barberton R10,3m (R8,9m), and Village Main Reef at Central Rand R1,1m (R0,8m)

Grades at all the mines increased marginally and total gold output increased

537kg to 11 118kg

Cost per ton milled at Harties increased 2,2%, at Loraine 0,16%, ETC 5,2%, and at Village, a sand retreatment plant, it increased 5,9%

More tonnage treated at Harties and a slightly higher grade at 9,1g/t (8,8g/t) improved gold production 327kg to 7 371kg

This combined with higher rand gold prices received led to an increase in unit revenue to R303,02 (R283,08) and a 16% increase in profit to R115,67 (R99,73) a ton milled

But rises in taxation and the state's share of profit to R71,2m (R57,4m) reduced taxed profits

Anglovaal says it has sold 1 633kg of Harties future gold production in a hedging transaction at R34 015/kg for the current

quarter, the same amount at R34 598 and R35 165 respectively for the June and September quarters, and 544kg at R35 538 for the December 1990 quarter

The company also sold roughly half, at 513kg, of ETC's future gold production, and 93kg of Village's in similar transactions. The forward prices have been calculated at the rand/dollar exchange on December 29 1989

ETC, an ancillary plant to re-treat the stockpile of gold-bearing concentrates, was commissioned at the end of the December quarter and will become fully operational during the current quarter

The mine's results were static, with the earnings per share after capex increasing marginally to 103,2c (102,0c)

Loraine earned R6,52 more per ton milled than in the previous quarter

ANGLOVAAL GOLD MINES December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Cost per ton milled R	Cost per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Harties.....	810	9,1	7 371	187,35	20 588	33 299	41 232	35 691	31,9
September.....	805	8,8	7 044	183,35	20 954	32 351	42 245	36 641	32,7
Loraine.....	395	5,1	2 026	169,16	32 981	32 880	1 700	271	1,7
September.....	388	4,9	1 888	168,89	34 708	33 319	(1 278)	(7 315)	(44,7)
Village Main.....	201	0,95	191	22,83	24 063	32 654	1 132	936	15,4
September.....	210	0,80	168	21,56	26 976	32 440	789	36	0,6
ET Cons.....	93	9,8	912	173,42	17 684	33 159	10 295	4 455	103,2
September.....	94,2	9,7	910	164,89	17 069	32 703	8 890	4 401	102,0

Anglovaal gold mines improve pre-tax profits on higher revenue

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Generally higher revenue from gold sales, improved gold production and well-contained costs led to improved pre-tax profits at all Anglovaal's gold mines during the December quarter.

The quarterly results released yesterday show that this, combined with a decrease to R13 million (R17,13 million) in the mines' total capital expenditure, caused the tax bill to rise to R79,29 million (R64,78 million). Nevertheless the mines' total taxed profit rose to R54,35 million (R50,64 million).

Mill throughputs in both Hartebeestfontein plants and at Loraine rose, but there were small declines at ETC and Village. The grades at all the mines improved and the total gold output increased by 537kg to 11118kg.

All mines continued hedging operations in respect of portions of their gold production.

Hartebeestfontein was the star performer of the group. Its net profit rose steeply from R57,4 million to R71,24 mil-

lion on significantly higher gold production of 7 371kg (7 044kg).

ET Cons' net profits rose by R1,4 million to R10,29 million, while Loraine turned the previous quarter's R1,28 million loss into a R1,7 million profit. Village's profits rose to R1,13 million (R789 000).

Ore milled from underground at the copper/zinc producer, Prieska, was cut back as the mine is converting its man hoist to handle this material following the sale of the rock winder.

The shortfall was made up by about 100 000 tons of material a month being drawn from the low-grade surface dump.

The world economic slowdown and continued overproduction by Chinese producers has placed Consolidated Murchison's antimony market under severe pressure.

Lower prices and a stronger rand led to a five percent decline in net revenue. Gold production was also lower as a result of a month-long strike — Sapa

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(214)

Gloom ends as Genmin gold mines lift profit

By Derek Tommey

After 24 months of gloom the gold mining industry is expecting better times.

Given a further rise in the gold price, which it believes will happen, the industry is looking to increase production and greater profits in the months ahead, and probably a rise in employment.

It is also cheered by the fact that there are faint signs that uranium prospects might start improving.

Gary Maude, head of Genmin's gold and uranium division, is announcing strong profit increases last night in many of the group's mines in the December quarter, said he was optimistic about the coming year.

He said an increase in the gold price would lead not only to higher margins but to greater gold output.

Our mines have spare capacity, and are mining more efficiently and are well placed to take advantage of an improvement in the gold price.

A gold price of R38 000 a kg, together with greater productivity, the mines were achieving, would enable them to develop and to work marginal ore at a profit.

Although the exchange rate would be a complicating factor, the figure of R38 000 would probably be roughly equivalent to a dollar price of \$450 an ounce. Gold is trading at around R34 000 at present.

Mr Maude added that a gold price of \$550 would probably be needed before a start was made on new mines.

Group gold mining income after capital expenditure and tax had risen 18,7 percent, while costs per kilogram had risen only 0,64 percent. Productivity had also risen.

A year ago the group was producing 86 tons of gold with 94 000 people. Last quarter it produced 84 tons with 80 000 people. In three years' time it was projected to produce 100 tons with 96 000 people.

Mr Maude said the Chemwes uranium plant, which ceased production last year, was milling ore for the Stifffontein gold mine. This had resulted in a higher level of maintenance at the plant.

He believed that increasing con-

cern about the environment would start a move back to increased generation of nuclear power.

There were some rays of hope. Some foreign buyers had been making inquiries about buying uranium lately.

If there were an increase in nuclear power generation, the additional uranium would have to be bought from South Africa as it was the only country with surplus production capacity.

Stifffontein was one of the features of the quarterlies. Taxed income more than trebled, rising from R2,8 million to R10,2 million, mainly as a result of an increased tonnage milled and lower costs. It should please its shareholders with its declaration of a 130c final dividend.

But Mr Maude said the outlook for Stifffontein was not a happy one. It had worked out most of the Vaal Reef and would have to work the Ventersdorp Contact Reef, which would require major changes in the structure of the mine.

This would result in lower tonnage milled, lower profit margins and a 12 to 14 reduction in the la-

bour force. About 600 people could be affected.

Buffelsfontein increased its pre-tax income by 10,3 percent from R28,4 million to R31,4 million. However, owing to an increased tax rate, and the fact that the September profits had been boosted by a R6 million dividend from Chemwes, attributable profit declined from R21,9 million to R16,3 million.

Mr Maude said the mine was expected to maintain its current profits in 1990.

Beatrix's taxed income rose from R14,18 million to R16,87 million. Although less ore was milled, grade rose from 6,0g/t to 6,2g/t and working costs dropped from R19 721 a kilogram to R19 093 a kilogram.

West Rand Consolidated, which a year ago appeared to be on the brink of closing, declared an ordinary dividend of 40c a share the first in three years. It also declared a dividend of R22,67 on the deferred shares.

An sharp increase in tonnage milled helped increase working income from R2,0 million to R2,3 million. Taxed income was

R7,4 million.

A slight increase in costs offset a rise in the grade at Unisel resulting on taxed income dropping from R12,9 million to R11,9 million. But ways were being studied to work the Basal Reef, which should give the mine a bright future, said Mr Maude.

Shaft pillar extraction has begun at Bracken which reported a taxed profit of R1,2 million down from R3,98 million in the September quarter.

Leslie's working income rose from R4,1 million to R5 million. But taxed profit, which was inflated in the September quarter by a R1 million dividend from the Evander township, dropped to R2,96 million from R5,08 million.

Development values showed a sharp improvement, rising from 442 cm-g/t to 788 cm-g/t and were near 1000 cm-g/t in the new northern block.

Klaross earned R21,3 million (R23,2 million) after tax and Win-kelbaak earned R30,4 million (R27,7 million) after tax.

Production is starting to rise from the newly opened No 6 Shaft area.

R3,5 million (R2,0 million).

Development values improved from 9,4g/t to 14,8g/t.

Mr Maude said it was planned to increase the milling rate. This would lead to some increase in the labour force. But he emphasised that this was about the only group mine where this would happen.

Grootvlei has declared a 30c dividend against 5c earlier in this year. Taxed income jumped from R677 000 to R4,47 million as a result of an increased milling rate, a high grade and a sharp drop in costs from R32 233a kilogram to R27 818 a kilogram.

Marievale, which is part of Randex, is closing down, said Mr Maude. All possibilities of keeping it going had ended.

The shut-down would take about two years and the total cost, including retrenchment payouts, would be about R3 million. Some 500 people would be affected.

St Helena increased pre-tax income from R15,3 million to R18,9 million. But reduction in tax allowances owing to reduced capital expenditure at Oryx cut taxed profit from R9,66 million to

COMPANIES

Genmin has three-pronged strategy for gold price rise

B/Dag 18/11 90

IF THE gold price increased significantly this year Genmin's gold mines were in a good position to take advantage of it because of spare capacity, chairman of the gold and platinum division Gary Maude said yesterday

Reporting a 3% increase in taxed profit for the December quarter and a drop of 2,2% in working cost per kilogram, Maude explained a three-pronged strategy if the gold price improved to R36 000 a kilogram

Genmin's gold mines would increase development by 50%, he said, increase an already successful productivity drive, and maintain cost per kilogram "otherwise we would be throwing away the benefits of an improved gold price".

Maude said he was "pretty sure we're in a bull market"

With 32 1507 troy ounces per kilogram, the rand gold price must reach R1 119,73 an ounce to breach R36 000. Yesterday's gold price was R1 048,69 an ounce

Genmin's 12 gold mines produced 590 kilograms more gold than in the three months to September at an aver-

RIAAN SMIT

age working cost of R475 a kilogram less at R23 488

This improved working profit to R193,6m (September R181m). Taxed income was 3% higher at R126,6m (R122,9m) after it dropped 27,4% in September

Commenting on individual mines, Maude said with the exhaustion of Vaal Reef ore reserves at Stilfontein, the life of the mine depended on the Ventersdorp Contact Reef (VCR)

Uranium

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Output would drop roughly 15%, he said, which translated into a reduction of about 600 in a total workforce of 5 000

Chemwes, which extracts uranium from the Margaret Shaft waste dump, improved tax profits

"There are much better vibes now for the uranium market in the 1990s than a year ago," Maude said

There were signs that environmental lobbies were increasingly seeing nuclear power as "the lesser of two

evils" in spite of problems in storing nuclear waste

Maude said he would like to see West Rand, which increased taxed profit to R3,5m (R2m), operating at 150 000 tons a quarter compared with the 114 000 tons in the three months to December and 86 000 in the September quarter

West Rand declared its first dividend in two years at 40c an ordinary share and R22,67 per deferred share

Grootvlei's taxed profit jumped to R4,5m from R677 000 in September and the mine declared a 30c dividend compared with the last dividend of 5c

Maude said at Leshe exploration was continuing in the northern block. Levels 14 and 15 had been joined and drilling had been started from 15

At Unisel a study into the feasibility of increasing production from the Basal Reef is underway. Ore milled dropped slightly to 261 000 tons (268 000), but yield was increased from 6 g/t to 6,2 g/t

Genmin believed working cost at Beatrix in the Southern Free State, reduced to R63m from R64,4m, and increased yield at 6,2 g/t (6 g/t), could be maintained, Maude said

Mixed results at Anglo gold mines

Star 19/11/90
By Derek Tommey

Highlights of the Anglo American group mining quarterlies issued today are the sharply increased profits reported by Vaal Reefs and Elandsrand.

Vaal Reefs' taxed earnings soared 33,5 percent from R130,3 million to R174,0 million, after receiving a R17,9 million dividend from South Vaal, while Elandsrand's taxed earnings rose 33,1 percent from R39,0 million to R51,8 million.

At both mines most of the increase was the result of a drop in working costs.

Western Deep Levels lifted earnings by eight percent from R109,1 million to R117,9 million despite a fire in old workings in the eastern section, which barred access to a rich part of the mine.

The area has been sealed off and it is expected that the fire will smother itself, enabling the area to be re-opened.

The fire cost Western Deep Levels 850kg of lost gold production in the December quarter and is expected to cost another 1 000kg in the March quarter.

Freegold's taxed profit fell seven percent from R172,1 million to R159,9 million, mainly as a result of a R30 million rise in costs.

However, this does not indicate any let-up in the drive to curb costs.

Only R7 million of the cost increases occurred in the area of controllable costs, a mine spokesman says.

Some of the mines also declared their total dividends:
Freegold — Tons treated 6,5 million (6,6 million), yield g/t 4,25 (4,21), gold produced 27 710kg (27 649kg), costs/kg R27 432 (R26 413), price received/kg R32 461 (R32 393), taxed profit R159,9 million (R172,1 million), available profit R82,6 million (R92,6 million), EPS 71c (79c).

Vaal Reefs — Tons treated 2,8 million (2,8 million), yield g/t 6,86 (6,82), gold produced 19 067kg (19 102kg), costs/kg R20 416 (R20 745), price received/kg R32 475 (R32 411), taxed profit R174,0 million (R130,3 million), available profit R76,9 million (R66,7 million), EPS 403c (350c), Total div R16 (previous year R19).

Western Deep Levels — Tons treated 1,7 million (1,7 million), yield g/t 5,78 (6,31), gold produced 9 757kg (10 652kg), costs/kg R22 483 (R19 604), price received/kg R32 400 (R32 335), taxed profit R117,9 million (R109,1 million), available profit R22,0 million (R37,5 million), EPS 80c (137c), Total div 400c (550c).

Elandsrand — Tons treated 548 000 (495 000), yield g/t 6,76 (6,76), gold produced 3 707kg (3 344kg), costs/kg R19 499 (R20 376), price received/kg R32 583 (R32 536), taxed profit R51 838 (R38 954), available profit R27,2 million (R16,3 million), EPS 28c (17c), Total div 80c (90c).

SA Lands — Tons treated 665 000 (658 000), yield g/t 0,54 (0,52), gold produced 357kg (343 kg), costs/kg R26 894 (R25 945), price received R32 726 (R32 357), taxed profit R1 million (R967 000), available profit R1 million (R945 000), EPS 11c (10c), Total div 20c (20c).

ERGO — Tons treated 9,6 million (8,9 million), yield g/t 0,31 (0,32), gold produced 2 957kg (2 881kg), price received R32 396 (R32 347), taxed profit R18,8 million (R20,1 million), available profit R10,6 million (R10,4 million), EPS 23c (23c).

Afrikander Lease — Total div 5c (10c).

Southvaal Holdings — Total div 550c (710c).

By Derek Tommey
Lower profits are reported for the December quarter by three of the four mines in the Consolidated Mining Group

Knights Gold Mining had a taxed profit of R3,68 million (September, R3,94 million) The mine produced 335kg (368kg) of gold. Revenue a ton treated was R13,15 (R13,04) and the working cost was R8,16 (R7,73) giving an operating profit of R4,99 (5,31) a ton
Nigel Gold Holdings had

Lower profits from ⁽²¹⁴⁾ three Consmin mines

Star 19/11/90
an after taxed profit of R1,62 million (R2,67 million)

Although working costs were lower, reduced gold production and slightly lower grades caused the working profit on underground operations to fall from R21 to R14,27 a ton.

Nigel announced recent-

ly that it had purchased the Droogebult mining title from the adjoining Vlakfontein mine

West Witwatersrand Gold Holdings had a net profit of R2,33 million (R2,42 million) The mine received R33 005 (R31 983) a kilogram for its gold and earned R15,6 million.

Working costs were R13,2 million giving a working profit of R2,43 million (R2,56 million)

Witwatersrand Nigel had a net profit of R207 000 (R113 000) after incurring a working loss of R209 000 on discontinued operations.

Revenue included a tribute payment of R351 000 from Nigel, and other revenue of R154 000 Other expenses, excluding the working loss, were R81 000

SA's productive pulse

F/M 19/1/90

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It was gold that led to the Witwatersrand becoming the industrial and financial centre of Africa

The Witwatersrand, the world's richest gold mining centre, attracted entrepreneurs and investors from around the world. It created a demand for services and a growing market for farming produce, machinery, goods and financial services.

Moreover, it became a magnet for job-seeking blacks and whites living in outlying areas of SA and southern Africa.

Railway lines snaked across the desolate Karoo and Highveld areas from the coastal cities of Cape Town, Port Elizabeth, East London and Durban to meet the growing demand for imports, and also for the increasing mining and agricultural exports from the Transvaal and Free State hinterlands.

The scene was set for the growth of the Pretoria-Witwatersrand-Vereeniging (PWV) complex, which today dominates SA's economic, financial, industrial and urban development.

Following the rapid industrial growth set off by World War 2, the PWV also led SA's industrial growth during the Sixties and Seventies. Today the small geographic area of the PWV (only about 2% of SA's total land area) provides

□ About 45% of SA's Gross Domestic Product (GDP). And, in the PWV area, the Witwatersrand alone provides 75% of the area's GDP, "which clearly distinguishes the area as the economic powerhouse of SA and of the PWV region in particular," says Peet Strydom, senior economist at Senbank.

□ About 48% of SA's total number of manufacturing establishments (the Witwatersrand alone comprises 40,5% of the total, or 85% of the PWV), and

□ About 41% of SA's household taxes, 40% of household income and 41% of household savings.

Based on the PWV area's massive economic power, and especially following the abolition of the pass laws legislation in 1986, the proverbial floodgates opened up, allowing black urbanisation to become the dominant socio-economic process in the area for decades ahead.

Some statistics on urbanisation now taking place and projected for the future illustrate the fact that coping with this new phenomenon will influence economic, political, housing, transport, local government and industrial development policies for the years that lie ahead.

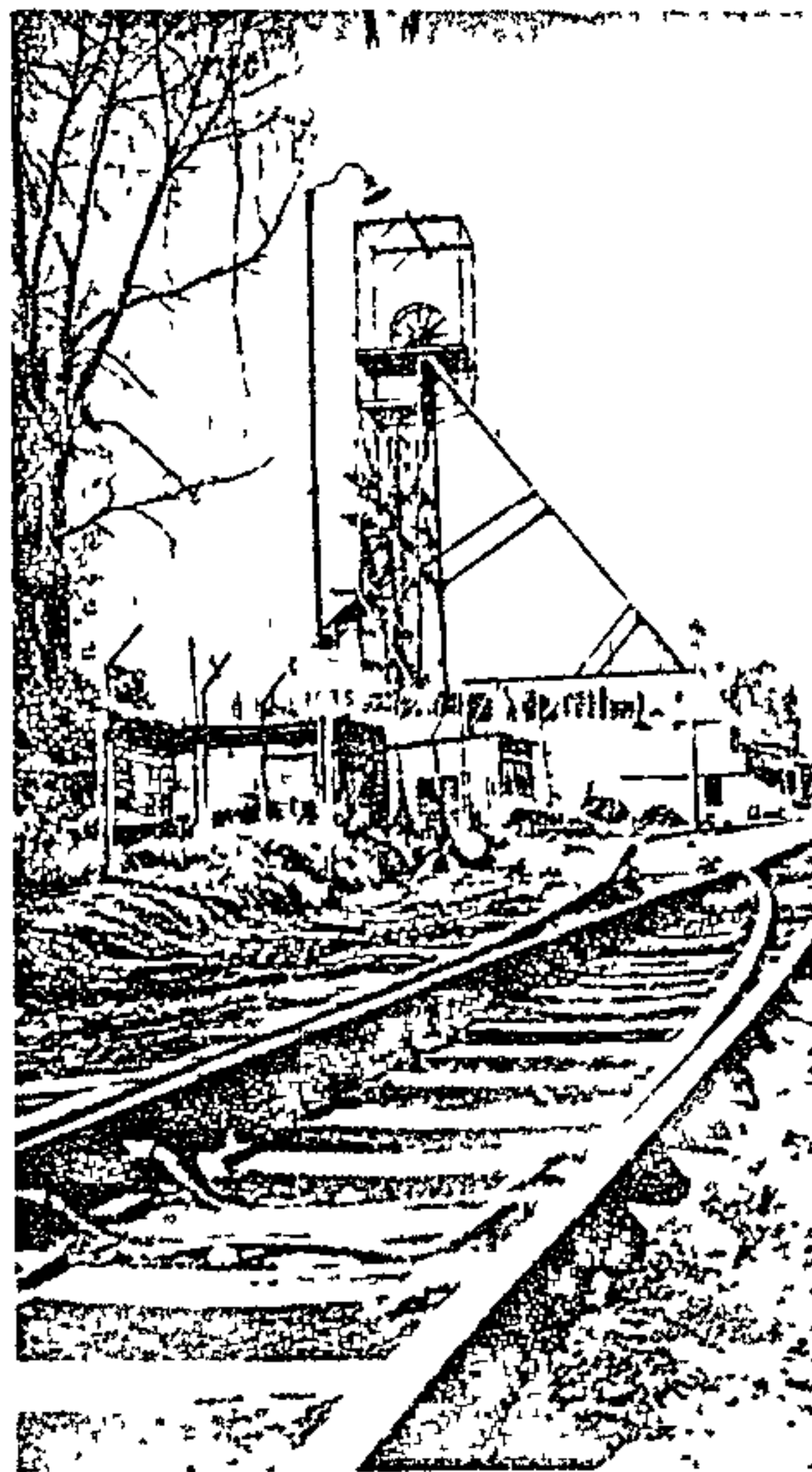
□ According to Market Research Africa director Andries Oosthuizen, about 38% of SA's population in 1980 was living in the four metropolitan complexes, of which the PWV made up 46%, with 75% of the black urbanised population.

By 1985 the PWV population of 5,7m comprised 24% of SA's total population (excluding the TBVC countries), and this population was made up of 34% whites, 6% coloureds and Indians and 60% blacks.

□ However, in 1985 only 40% of all SA blacks were urbanised, compared with 78% of coloureds, 90% of whites and 93% of Indians.

Black urbanisation

"Projections indicate that the already highly urbanised non-black population will grow by about 2m in the period 1980-2000, while black urbanisation could grow by 7m-18m, implying a black urban population of



Gold mining ... magnet for growth

21m-25m in the year 2000. Future urbanisation basically refers to black urbanisation," says Oosthuizen.

SA's cities are changing fast, and

□ Black urbanisation in the Durban-Pinetown-Maritzburg and Cape Peninsula areas took place at unprecedented rates during the period 1980-1988 (in the Durban area, the black population is projected to grow from 221 000 in 1980 to 4,7m in 2000), while the total PWV population should increase from 3,3m to about 8m over the same period. This is leading to enormous pressures on existing urban infrastructures.

"Increased rapid urbanisation of blacks, especially since 1986, led to squatting and backyard living and these contribute to a situation where accurate figures on black urbanisation are difficult to obtain.

"Official sources say there were 127 000 black squatters and 922 000 backyard residents in the PWV at the end of 1988," adds Oosthuizen.

But while there might be a margin of error in these calculations, the fast-growing demand for land and housing has led to the identification of about 41 000 ha in the PWV area for future black occupation.

"At the planning norm of 90 persons per hectare gross, this gives an additional potential population of 3,7m people, as opposed to 3,3m black people already accommodated in the PWV in 1980," he says.

The dominance of the PWV area within SA is shown by the fact that it provided 54,3% of industrial manufacturing, 48,3% of wholesale and retail trade, and 42% of the GDP in 1983.

And in 1985 it was the home for 33% of SA's economically active population. It comprised a similar 33% of SA's total black economically active population in 1988, while only making up 22,5% of SA's total black population.

"From the statistics shown, the dominant economic role of the PWV area is apparent. Within the PWV area again, the Witwatersrand is dominant and within the Witwatersrand the Central Rand or Greater Johannesburg is the generating force with the focus on commercial activities.

"I need not emphasise that this area should be planned and managed with great circumspection and, above all, its economic viability and proper functioning as the coun-

continue

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try's major metropolitan complex should not be damaged," says Oosthuizen. With the massive increases in projected urbanisation, it could be a case of adapt or die.

1/1/90

Anglo's quarterlies show swing to tight cost control (214)

THE December quarterly results of Anglo American Corporation's gold and uranium division yesterday reinforced the general trend towards tight control of unit working costs indicated in the quarterly results of the five big gold producers.

Anglo's total working revenue from gold was 1% lower at R392,5m because of a 2% decline in gold produced to 32 531 kg, a virtually unchanged average price per kilogram of R32 492, and an increase in unit working costs, excluding Sallies and Ergo, of 0,9% to R129,66.

Taxed profit, however, increased 23% to R343,8m due to an increase in capital expenditure to R226,7m which lowered taxation by R63,5m

The big five produced 1 057 kg more gold than in the three months to September — up from 130 364kg to 131 421

Anglo's unit working costs were 0,9% up at R129,66 a ton milled (R128,49) and the cost of producing a kilogram of gold, excluding Sallies and Ergo, was 3,1% higher at R22 458 (R21 785)

Rand Mines reduced costs per ton milled by 16,4% from R126,52 to R105,77

Costs per kilogram, excluding DRD Sands and ERPM Sands, dropped 1,8%

RIAN SMIT

to R34 349 (R34 963)

Gold Fields of SA's costs per kilogram increased 0,6% to R19 501 (R19 377)

JCI's costs per ton milled decreased from R114,34 to R113,01 and its cost per kilogram of gold produced dropped 0,9% to R27 505 from R27 742

Anglovaal's costs per ton milled increased 2,5% to R176,64 (R172,38), excluding Village Main, and costs per kilogram were down 2% at R23 751 from R24 244 This figure also excluded Village Main

Fire

Genmin reduced costs per kilogram by 2% from R23 963 to R23 488 Costs per ton milled rose from R111,48 to R115,22 (3,4%)

Of Anglo's individual mines, Freegold's taxed profit dropped R12,1m mainly due to virtually the same amount of gold being produced — 27 710 kg compared with 27 649 kg in the September quarter at an increased cost of R1 019/kg Price received per kilogram increased by R68

Operations at Western Deep Levels were adversely affected by a fire in a

worked-out area on the carbon leader horizon in the East Mine, which reduced gold output for the December quarter by approximately 850 kg

Consulting engineer Theo Pretorius said the area would remain sealed until March, reducing gold output for the current quarter by an additional 1 000 kg

Gold output at Elandsrand increased 11% to 3 707 kg as a result of tonnage milled rising by 11% to a record 548 000 by drawing from a surface stockpile of ore, Pretorius said

Unit costs were lower at R131,90 per ton milled (R137,65) and at R19 499 per kilogram produced (R20 376)

The taxed profit of Vaal Reefs increased 34% to R173,7m Pretorius said the Vaal Reefs Afrikander lease area was expected to return to profitability "after we get into the lower basin from No 1 Level"

Overall material throughput at Ergo returned to normal in the December quarter after the acid plant shutdown at Ergo Division in the previous quarter

Pretorius said the shortage at Sallies of treatable waste material was "affecting us very seriously"

It would, however, be known by April whether efforts to secure waste had been successful

ANGLO GOLD MINES December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Cost per ton milled R	Cost per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Vaal Reefs	2 778	6,86	19 067	140	20 416	32 475	174 019	76 926	403
September.....	2 801	6,82	19 102	141	20 745	32 411	130 313	66 733	350
Western Deep Levels	1 689	5,78	9 757	130	22 483	32 480	117 873	22 005	80
September.....	1 688	6,31	10 652	124	19 604	32 335	109 093	37 525	137
Elandsrand	548	6,76	3 707	132	19 499	32 583	51 838	27 198	28
September.....	495	6,76	3 344	138	20 376	32 536	38 954	16 270	17
SA Lands	665	0,54	357	14	26 894	32 726	1 022	1 022	11
September.....	658	0,52	343	13	25 945	32 357	967	945	10
ERGO.....	9 556	0,31	2 957	—	—	32 396	18 837	10 580	23
September.....	8 866	0,32	2 881	—	—	32 347	20 126	10 424	23
Freegold	6 513	4,25	27 710	117	27 432	32 461	159 934	82 601	71
September.....	6 573	4,21	27 649	111	26 413	32 393	172 112	92 634	79

GfSA

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Cooling off

After the pegged interim dividend of 70c declared by GfSA for the six months to end-December, shareholders can expect an unchanged total payout of 200c for the 1990 financial year unless the rand gold price rises rapidly

That does not seem likely and without it lower income from the mining house's gold investments can be expected, while income from base metals is also going to drop because of the weaker dollar/base metal prices now ruling. Base metal income is also being curbed by a firmer rand.

Of all the SA mining houses, GfSA is the most exposed to gold. It accounted for 70% of group income in the year to end-June, while the base metal interests kicked in another 15%. A number of GfSA's gold mines cut their interim declarations in December and the quarterly reports from the group's base metal mines indicated no growth potential in dividend income.

Interim income from investments was virtually unchanged at R158,4m (previous comparable six months — R158,5m). The jump in income from fees, interest and other sources to R135,2m (R73,9m) was thanks

largely to a surplus of R31m from sales of shares in the trading portfolio. Another R87,1m was realised by selling "long-term holdings" in Blyvooruitzicht and Elandsrand. The money is being used to fund enlarged holdings by GfSA in its Driefontein and Kloof mines.

Overall, chairman Robin Plumbridge reckons the group's operating companies are looking at lower net profits for the current financial year but GfSA's own dividend will be maintained. The interim results may well dash some cold water on the ardour of investors who drove the share to a 12-month high of R110,50 last week from a low of R57,25c last January. At Tuesday's closing price of R109, GfSA offers a paltry 1,8% prospective yield.

Brendan Ryan

BUSINESS

THERE has been a new policy of *glasnost* in Gencor South Africa's second largest mining house has over the past few months been adopting a very open attitude to publicity.

One of the things the corporation's gold division is open about is the extent to which it has cut back its labour force, as part of its attempt to contain cost increases.

It is not the only mining house to have cut employee numbers. Rand Mines this week admitted it had done so too, but refused to disclose by how much.

The National Union of Mineworkers views the current level of retrenchments in gold mining as a major problem.

At Gencor's gold mines, employee numbers dropped to 78 000 in September last year from around 95 000 in September 1988 — an 18 percent cut. Since then, however, the situation has stabilised with the corporation's gold mines now employing between 78 000 and 80 000 people, Gengold managing director Gary Maude said this week.

Retrenchments account for only 20 to 25 percent of the jobs which have been lost. Voluntary retirement and

transfers account for the rest.

Maude stressed costs have been reduced proportionately — labour cuts have contributed about 40 percent of the reductions in costs, with the other 60 percent coming from controlling other factors such as wastage. And the retrenchments have included about 10 percent white workers.

The attempt to contain costs has been successful for Gengold working costs per kilogramme of gold were reduced by 2,2 percent in the December quarter, after rising by only two percent in the September quarter. This helped working profits for the 13 Genmin gold mines rise by seven percent over the quarter to R194-million — where in the March quarter last year working profits fell by 21 percent to R157-million.

Maude said a gold price rise was certain, but he was optimistic about this year, even if the gold price did

A new glasnost creeps into a less-shy Gencor empire

have to reduce the number of people we employed."

The planned cuts gave time for proper negotiation with trade unions, Maude said.

But NUM assistant general secretary Marcel Golding said the union was not entirely satisfied with the way Gencor had proceeded with retrenchments and was in dispute with the group's Kinross mine.

Mines plan on a five-year basis but many workers were given only two months' notice of retrenchment. And severance pay was in some cases as low as three days' for every year of service, Golding said.

The union believed it should have a say in manpower and production levels, he added.

About 60 percent of the workforce on Gencor's 13 gold mines is unionised, although this ranges from 95

percent at a mine such as Grootvlei to as low as eight percent at Beatrx, according to Maude.

Gencor mines may see some further retrenchments or transfers in future, since certain of its mines are due for closure or for production cuts.

About 600 jobs will go at Stlfontein, which employs around 5 000 people, and is to be mined more selectively. Manevale is being closed down over the coming 18 months to two years. Bracken has run out of gold and is on a planned path to closure over three to four years. Its workforce is down to about 2 500.

But the outlook is much brighter for Gencor's other mines such as Oryx and Unisel.

It is also opening a new mine, Weltevreden, which is expected to start up next year.

Maude cautioned it would need a gold price of \$650 an ounce before Gencor could return to bringing in new projects at the kind of rate seen 15 years ago.

However he said developments at Weltevreden and Oryx mines would result in increased employment and in three years' time the labour force could be back to 95 000.

Monday 19/1/90

CMC profits maintained in last quarter

BARRY SERGEANT

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CONSOLIDATED Mining Corporation (CMC) — SA's largest independent mining house — maintained profitability during the traditionally shorter December working quarter. The mining operations, held through 70% subsidiary Egoli and Egoli 77% subsidiary Southgo, generally recorded lower profitability.

Southgo 25%-held flagship Knights, the Germiston sand and slimes re-treatment plant, recorded a taxed December quarter profit of R3,68m (September quarter: R3,94m). Knights treated a total of 886 000 (903 000) tons, again substantially ahead of its stated capacity of 750 000t per quarter.

Of the September total, 381 000t was sand with an improved grade of 0,53 grams/ton; slimes throughput was 505 000t with an improved grade of 0,31g/t. This gives an average yield fractionally higher than September's 0,4g/t.

Average gold yield forecast in the prospectus was 0,432g/t; estimated cost — in 1988 money — was R6,06 per ton milled.

Knights produced 355kg (368kg) of gold. Revenue per ton increased 0,84% to R13,13, working costs increased 5,6% to R8,16 per ton; and operating profit per ton fell 6% to R4,99. Capex fell steeply to R327 000 (R545 000).

West Wits

The operation ended the quarter with a carry-forward tax shield of more than R34m. With virtually unchanged overall working costs for the December quarter, Knights retains its place as one of the 10 lowest cost producers of the JSE's 60 gold counters, reaffirming its insensitivity to the gold price.

The 60% Southgo subsidiary West Wits reflected a net profit of R2,33m (R2,42m). Tonnage treated fell to 344 874 (356 577) as the grade fell to 1,37g/t (1,41g/t). Of the R1,54m capex during the quarter, R1,2m was spent on West Wits' heap leach facility which, said group CE Glenn Lang, would contribute to future gold production.

Nigel, 80% Southgo subsidiary which wholly owns dump operation Goldam and the newly-acquired Droogebult, scored a R1,62m (R2,67m) taxed profit. The Nigel underground operations — which have been plagued by mining problems in the past — saw working profits fall 32% to R14,27 a ton. Costs fell 4,5% to R99,98 a ton.

Revenue from dump treatment fell 8,7% as working costs increased 8,6% and working profit plunged 33,7% to R3,39 a ton. Goldam treated 521 103 (528 792) tons at a lower grade of 0,24g/t (0,27g/t), producing 14,6% less gold of 123kg. Overall, working profits fell to R2,6m (R4,16m).

The 70% Southgo Wit Nigel subsidiary reports net profits of R207 000 (R113 000). This is the third successive quarterly profit.

CLEM SUNTER

F/M 19/1/90

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More than charm

Clem Sunter, the man who replaces Peter Gush at the head of Anglo American's gold and uranium division, was ready for a change. Not only that, he says with disarming frankness, "but I've always wanted the job." It means he'll be giving up the intense involvement with scenario planning, which has made him famous, but will continue as chairman of Anglo's property division.

So what does Sunter (45) know about gold mining? Quite a lot. He was with the gold division from 1974 to the early Eighties, a major contribution was his work in improving communication systems — "from head office to the rock face." He speaks highly of the example he had when he was assistant to Rawdon Lawrie, then deputy MD of Anglo's Transvaal gold mines.

They were exciting times, with the launching of Ergo, new metallurgical processes, big risks — and luck, because the gold price was high. "I learnt the nuts and bolts of evaluating gold projects — technically, financially, managerially. Of all the areas in Anglo, it's the one I'm best qualified to get into."

Sunter will be responsible for about 200 000 employees. Is he daunted? The reply is a typically disarming Sunter blend of confidence and modesty. "Yes, but I'm not lying awake at night — yet." He's under no illusions and reckons that gold mining is



Sunter ... lots of walking about

getting tougher all the time.

"We'll be caught in a vice. While the gold price has been stable, we've been helped by a depreciating rand. But costs have soared — wages are up, mining is deeper and grades are lower. In recent years costs have gone up by 20%-25% a year." But in structural and managerial terms, says Sunter, his predecessor, Gush, "has built a nice car, all I'll have to do is drive it."

Since coming off what has been described as the scenario roadshow, Sunter has been closely involved in corporate administration. It sounds boring but he saw it as a great challenge. He believes he has made the Anglo head office more user-friendly and he's instituted more "free enterprise" in the relationship between head office and the various divisions, letting the "free market" determine budgets and allocations.

As with his scenario planning presentations, he makes this kind of management sound simple — it seems absurd that no one had thought of it before.

It is no surprise to hear that Sunter believes his strength as a manager is that he's good with people and never talks down to them. He says his style will be MBWA — Management By Walking About. Put another way, he says, he'll be the chief cheerleader. He believes he's good at picking subordinates — "at least 70% of a job like this is forming a good team."

Weaknesses? "Yet to be exposed," he grins. He admits that he hates paper and prefers to get to grips as soon as possible with the overall shape of a problem or project.

Is he always Mr Nice Guy? Can he be ruthless? "I might lose my temper but I would never fire someone without exhaustive investigation. It's a man's life you're playing with. I can forgive mistakes, even major ones, but if a man breaks my trust, then I snap."

Married with two children, Sunter believes his family has

endured enough absences and he'll be keeping a careful eye on work spilling into private time. "Besides, my children are getting really interesting..." ■

Anglos lifts profits by 23%

CATC Trans
19/11/90

JOHANNESBURG — Anglo American's Transvaal gold mining companies reported a slight increase in tons milled to 5,01m tons and a 2% decrease in gold produced to 32 531 kg for the December quarter. Production at Western Deep Levels was adversely affected by a fire on the Carbon Leader reef horizon.

The average gold price received on sales was virtually unchanged at R32 492/kg.

Unit working costs were well contained to a 0,5% increase at R135,78/t milled and total working costs rose by 1% to R680,9m, leaving a profit from gold 1% lower at R392,5m.

After taking account of uranium and tribute profits, royalties, dividends and net sundry income, profits before tax increased marginally to R376,7m.

Taxation, however, decreased by R63,5m as a result of an increase in capital expenditure of R226,7m and after-tax profit increased by 23% to R343,8m.

After appropriations for capital expenditure of R217,7m, profit available for distribution was R5,6m higher at R126,1m. — Sapa

Share index futures

11011 99011 SONOWVID 6.7mm
USA 2.5870 2.5870 2.5400 2.5300

F/M 19 | 1990

GOLD QUARTERLIES

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Some improvements

On the JSE the price of gold stocks continues to soar virtually across the board. Out on the mines, though, the harsh reality is that the men are being sorted out from the boys as the revenue squeeze continues.

That process started early last year. Gencor's management was the first to switch from the traditional mining industry management approach, which was to assume the rand gold price would always compensate to help struggling mines, which could therefore carry on with normal operations. There had also been the crutch of State Assistance to fall back on — until that was removed.

Gencor drastically reduced the scale of operations at a number of its marginal mines to restore profitability. Management stated mines would be closed if they could not be run at a profit. No Gencor mine has yet been closed and other houses such as GFSA and Rand Mines are now following the same approach to varying degrees.

The December quarterly results show several improved performances as a result — but a number of mines continue to battle. Notably, the recoveries so far have little, if anything, to do with the pick-up in the dollar price of gold.

If the laggard mines do not improve their operating results, and the rand gold price continues to level-peg, then, at some stage, the fundamentals will re-assert themselves and there will be a day of reckoning for the share prices.

Rand Mines provided examples at both extremes of the spectrum. The group's major producer, **Harmony**, had a superb quarter as the effects of its rationalisation drive came booming through. Attributable earnings

nearly quadrupled to R16m (September quarter. R4,2m) thanks to a slight increase in recovery grade to 3,05 g/t (3,03 g/t) and a 6,3% reduction in total costs to R222,5m (R237,3m).

ERPM shareholders, however, still have plenty to worry about. In their pitch to sell the last debt restructuring programme, Rand Mines' management made much of the fact that the mine's recovery grade was improving as yields in the crucial Far East Vertical Shaft (FEVS) were meeting expectations.

That apparently happy scenario was dented in the December quarter. Grade slumped 14,3% to 3,64 g/t (4,25 g/t) and stoping operations have been suspended in certain sections of the mine while further valuation investigations are carried out. The affected areas include the Cason, Cinderella and FEVS shafts. Operations have been stopped in two of the 20 operating sections at FEVS. Director Paul Forbes says current indications are that the grade is showing signs of some improvement.

Blyvooruitzicht is closing down a number of sections which have become uneconomic at current gold prices and as a result will lay off 14% of its labour force.

Durban Deep took this kind of action in the second half of 1989 and the benefits started to come through in the December quarter with a jump in grade to 3,26 g/t (2,87 g/t). Total costs were chopped by 61% to R27,9m (R44,9m), though the September quarter figure included the bulk of the retrenchment costs. The mine turned around to a R1m taxed profit from a R4,5m taxed loss in the September quarter.

The better news continued at **JCI**, where **Western Areas** improved its recovery grade 13% to 4,22 g/t (3,73 g/t) and the mine made a taxed profit of R0,4m after a loss of

R18,3m in the September quarter. The mine still has a long way to go and borrowings reached R93,3m at December 31. Asked whether mine management could maintain the improved yield, chairman Ken Maxwell replied: "They had better."

Randfontein Estates also improved yield to 3,2 g/t (3,15 g/t), thanks to an increase in the grade of underground ore to 3,75 g/t (3,59 g/t). Underground working costs rose 3% to R103,1/t milled (R99,9/t). The mine is to spend R26m on a carbon-in-pulp (CIP) plant, which will replace the Cooke section conventional filter treatment plant. The CIP plant is expected to pay for itself in about two-and-a-half years because of better recovery efficiencies and lower running costs.

Depending on the gold price received, and whether JCI's forecasts on grade are met, **H J Joel** could start showing profits from about July.

Most of the industry's marginal mines are run by the independent mining companies which are usually the last to report for the quarter, though **Lundum Reefs** and **Golden Dumps** have published their results.

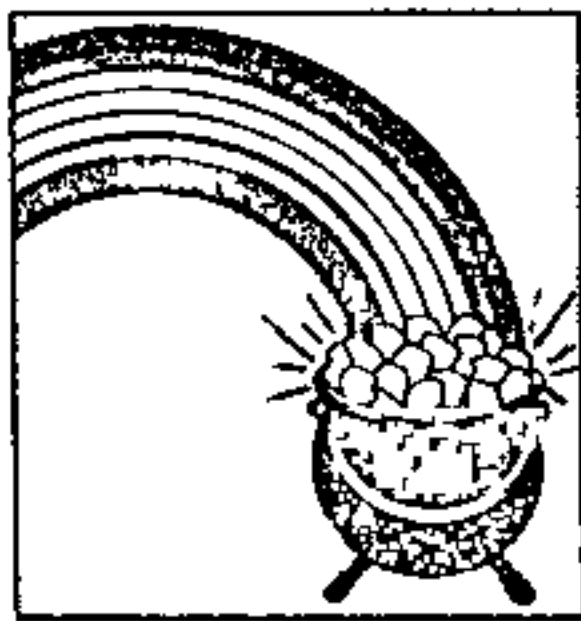
Consolidated Modderfontein continued to improve, it showed a welcome jump in recovery grade to 5,84 g/t (3,56 g/t). Total working costs were reduced marginally to R16,7m (R17m), and the result was a leap in distributable earnings to R5,5m (R0,4m). The company still owed R38,3m at December 31 and interest payments are running at R1,9m a quarter.

South Roodepoort is still battling. An improvement in grade to 3,17 g/t (3,12 g/t) was insufficient to offset the 14% cut in tonnage throughput to 83 019 t milled (96 577 t). The mine made a net loss of R308 000 compared with the profit of R450 000 in the September quarter.

Brendan Ryan

Preparing for the next leap

■ After a busy year, a major new gold mine is next — and funding is crucial



Anglovaal has long been the smallest of SA's major mining houses. On Diagonal Street it has been seen as a solid and efficiently managed, but conservative, organisation. Recently that

image has been changing — the group has just emerged from one of its most frenetic years with large acquisitions, new areas of business entered and restructuring within.

Within weeks of the year-end came news that the R1,1bn Venetia diamond mine, in the northern Transvaal, is to be developed. Now the group stands on the verge of what could be its biggest venture ever: it is expected to announce a decision this year to go ahead with the first gold mine to exploit the Bothaville area, a new goldfield in the Free State.

But the mine will be deep and costly — and not without considerable risk. What is intriguing the stock market now is how the family-controlled Anglovaal will fund the project. There are still hurdles to be overcome but many are seeing the makings of a substantial rights issue or listing ahead.

Given the relatively small size of the group, the potential impact of both Venetia and the gold prospects on the group's profits and market capitalisation is large. These, like other recent developments, are essentially long-term strategic investments. Indeed, by the time full effects are achieved — over more than a decade — a new generation of management will almost certainly be running the group.



Hersov ... a path of strategic acquisition

It's an open question who will succeed top management but it is possible the next generation will extend the present dynasty. Chairman Basil Hersov, 63, and deputy chairman Clive Menell, 58, are sons of Anglovaal's founders, both have sons who could rise through the ranks. Hersov and Menell say they intend to maintain family control.

It's not unusual for SA mining houses to hold less than 50% of major investments. Anglo American is the best example: most of its holdings are associates, income is received mainly as dividends, and the group tax charge is low. Anglovaal, in contrast, has preferred to maintain outright control of its companies — especially on the industrial side — which are expected to be self-funding. This extends to the pyramid company, Anglovaal Holdings, which owns 50,2% of the Anglovaal ords and is in turn held 51,4% by the Hersov and Menell interests.

The group thus has full control over operational management and cash flow — the same state of affairs, incidentally, that Minarco said it was aiming to achieve with its bid for Consolidated Gold Fields. The control philosophy provides security against predators and the results have not been bad: over the past 10 years EPS have grown by 24% a year with dividends rising 19% a year.

But it's a structure that presents a quandary when there is a costly new venture that would normally require equity funding. A large rights issue, analysts believe, would not be a simple matter as the family shareholders would have to stump up funds to maintain their present stake or else risk losing control. There is, therefore, an inbuilt premium on efficiencies. It is tempting to see the pace of last year's developments against that background — any improvement in ability to generate and move cash up through the group will be particularly useful over the next few years.

Some actions do fit that thinking. The capital structure of Anglovaal itself is being simplified and, to improve marketability of the tightly held stock, the shares are being split. Hersov thinks that a further split could be justified to make them more accessible to small investors. "There is clearly a plan to prepare for a big funding exercise and the plan is going well," says an analyst.

The restructuring of 60%-held Anglovaal Industries (AVI) — involving delistings and elimination of pyramids such as South Atlantic and changes within divisions — was to improve levels of tax, cash and management efficiency, the timing was influenced by the tax moratorium. "Anomalies had appeared over the years," says Hersov, who notes, for example, that while there were cash-flush businesses within the group, the



Menell ... looking to executive continuity

cash couldn't always be used where needed.

More than R900m was spent last year on 10 significant acquisitions in the industrial, financial and mining sectors. These included 100% of Mooi River Textiles, 100% of Goodyear, 76% of Hewlett-Packard, 25% of Q Data, 100% of M&PD Electronics, 5% of Associated Manganese, 31% of Ferallloys (bought by 48%-held Assmang), 41,6% of AA Life, 100% of chrome ore producer Lavino SA, and 29,9% of North Sea & General.

It appears, on the whole that, though the timing was partly fortuitous, the acquisitions grew out of a strategic plan intended to build on strengths and seek avenues for growth. Hersov notes also that certain businesses were growing about as large as could be hoped in the SA context, without creating monopolies which carry the seeds of their own destruction.

In the industrial sector the focus is largely on areas where management expects best long-term growth: food, textiles and construction. Also important will be electronics. Hersov reckons that Anglovaal Industries now has SA's second largest electronics and components grouping. He says all last year's investments had been targeted for some time. AVI MD Jan Robbertze, 54, makes a similar point and notes that other targeted acquisitions were not pulled off. Among these was Unisys — AVI did not like the auction method of sale.

The Mooi River purchase, which provided an entry into household textiles, followed talks that had started nearly a year earlier. Goodyear offered an expansion route for AVI's large, cash-flush packaging group, Consol, and Hersov's long-standing presence on the Goodyear board meant that a rela-

tionship was already in place. The policy of financial conservatism proved helpful. At the 1988 year-end, AVI's gearing was about 22% and dividend cover 5.6 times. Consol, for example, could thus acquire 100% of Goodyear with borrowings and cash, and expects to wind its gearing down to 20% within two years. AVI itself would consider a rights issue only if it wanted to pursue a really major acquisition. A sector now cited for expansion is automotive components, where AVI holds 20% of Gearmax (Pty), formerly Borg-Warner SA (Pty).

An offshore foray came with the purchase of 29.9% in the London-registered North Sea & General, now called Anglo Pacific Resources (APR). APR is focusing on industrial minerals in the UK and gold mining in Australia.

The major source of APR's operating revenue last year was its 35% stake in the 40 000 oz/year Australian gold producer, Kurara Gold. It recently raised to 100% its interest in Anglo European Minerals, which is developing new UK operations to extract and process industrial minerals currently imported into the UK. APR Group is cash-rich with resources totalling £16m at year-end.

Further diversification and acquisitions are evidently planned for APR. And it would not be surprising to see Anglovaal move for control eventually; Anglovaal presumably wants to nurture APR as its overseas mining arm. Industrial investments offshore are to be held separately. The initial target is to lift earnings from foreign holdings to about 5% of the group total.

A low-key but intriguing event was Anglovaal's move into financial services, when Anglovaal acquired 41.6% of AA Life. Without conceding details, Hersov says there is a broader plan behind the move. "We have always believed this is an area we should be in and AA is a well-run company," he says. "Hopefully, we'll see it growing to be an interest equivalent to any of the others."

But that work has yet to be done. In the Venetia diamond mine, Anglovaal and Mid Wits have a bonanza. Owing to a confidentiality agreement, no details of revenue or cost forecasts have been disclosed. Saturn Mining & Prospecting, held 65.6% by Mid Wits (of which Anglovaal owns 53%) and 21.9% by Anglovaal, holds the rights to precious stones on Venetia.

After recoupment of the capital cost, all of which will be provided by De Beers, the after-tax receipts from Venetia will go equally to Saturn and De Beers. Even before this, Sat-



Crowe



Robbertze

urn will start to receive a royalty of 12.5% of the mining revenue before lease consideration and tax. How swiftly Saturn will begin to receive a significant dividend flow from Venetia is problematic. Hersov simply says it will depend on diamond prices and market conditions, analysts think dividends should flow within five years.

Operating costs at Venetia will be relatively low as it will be a large open-cast mine, and the long-term outlook for the gem diamond market has remained bullish. A leading diamond analyst estimates total revenue (before costs) at full production would exceed R1bn/year. If the mine were listed, he reckons, it would justify a market capitalisation of about R2bn. But the beauty of Venetia is that Anglovaal and Mid Wits will receive significant cash income without themselves incurring any cap-

ital outlay

The first of the group's potential new mines in the northern Free State is the Sun prospect, where the ore lies between 2 800 m and more than 4 km below surface. Capital and working costs will be high and recovery grades will have to be well above average. Executive director David Crowe, 59, who heads the mining division, estimates that capital requirements until the mine becomes self-funding will exceed R2bn in today's money.

As things stand, the group would not have to fund all this itself. Sun is believed to be held 36% by Anglovaal, 34% by Mid Wits and 30% by the US company, Utah International. With Utah controlled from Australia, it is a moot point whether it would participate in any funding or even maintain its stake, a sale of its interest either to Anglovaal or another local group must be a strong possibility, though it might want to wait for a higher

price than available now.

Crowe reckons funding will not be a problem. A mixture of methods could be used, including gearing, gold loans — which have yet to be used by a SA company — and equity. Given the size of the venture, there need not, of course, be a single large issue, when GFSA launched Northam it said from the start the money would be raised in tranches as needed.

Hersov adds that there could well be a rights issue though it would be decided later whether this would take place in Anglovaal or by a listing of the mine. And he notes that with gold operations the control issue is treated differently. "I don't think it's necessary to own 50% of a gold mine as long as you have an understanding as to who manages it," he says. "We would be very willing to have two or more partners in a new mine."

Analysts believe there will be no difficulty finding partners. Cash-flush Gencor, which owns 20% of Anglovaal Holdings, would almost certainly be interested. Another potential participant in some form might be Anglovaal's marginal gold producer Loraine, whose northern boundary is contiguous with the Sun area.

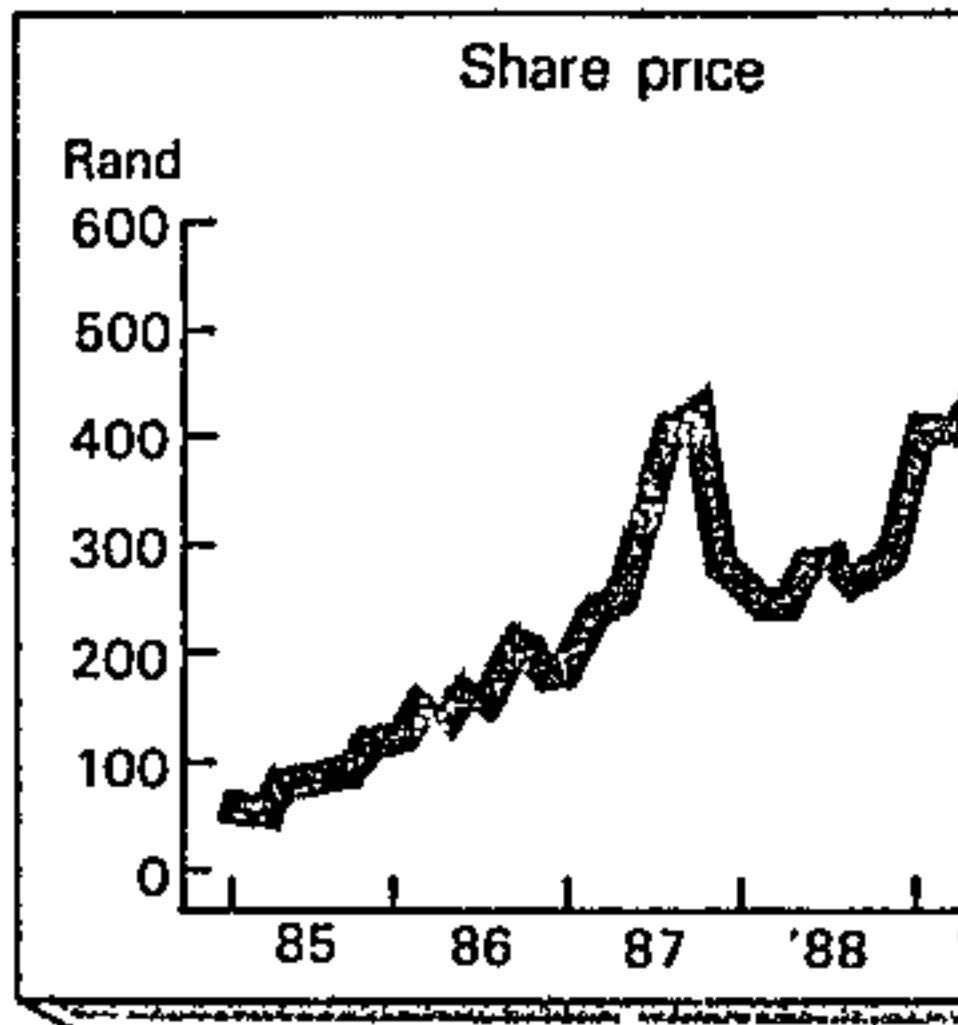
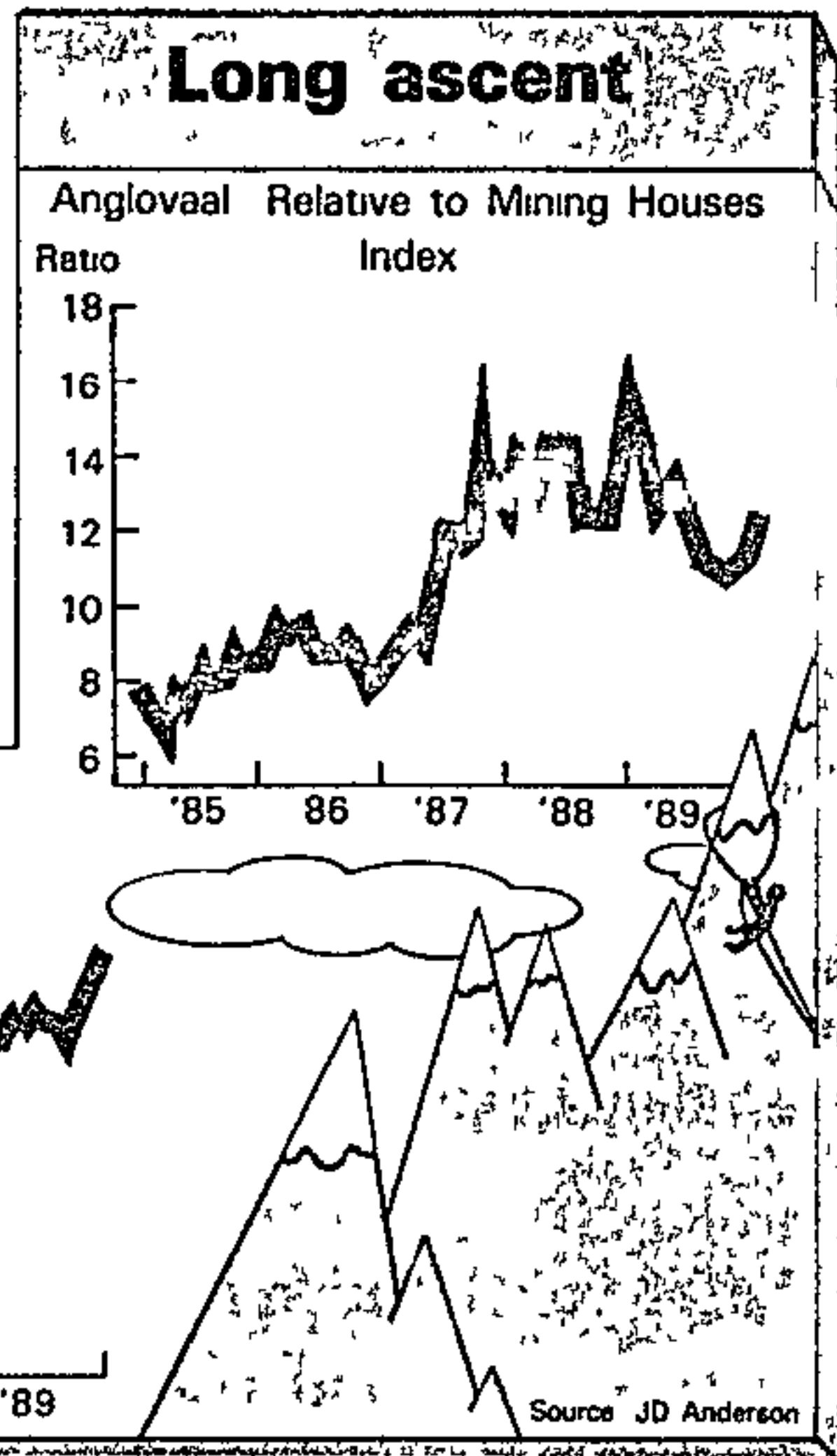
Within about six months, management expects to have results of current drilling intended to enhance confidence in the continuity of reefs. Hersov says that a decision could be taken and an announcement made by mid-year. Depending on time required to reach the reef and on values found, it will be "perhaps 10 years" before Anglovaal receives dividends from the project. Mechanisation is being planned.

New mining ventures are badly needed as the existing gold producers have limited reserves. Even Hartebeestfontein, a relatively rich producer with an estimated life of 20 years, is facing declining recovery grades.

And while the present board has produced strong results, it has yet to be shown that the group has the depth of management needed as it approaches the 21st century. But 1989 and 1990 are likely to be seen as two years when a giant leap forward was taken, even though the pay-off may only come towards the end of the Nineties.

The share has long been highly rated and the price rose this week to R610, a premium of some 40% to the R429 NAV based on the June 1989 balance sheet and latest market valuations of investments, the yield is only 1.3%. The market obviously has high expectations.

Andrew McNulty



Consolidated Mining maintains profits

SM-7/4/80
22/1/80

JOHANNESBURG — The gold mining and treatment operations of Consolidated Mining Corporation — which now falls under the Southgo umbrella — maintained profitability in the December quarter.

However, gold production was slightly lower and, notwithstanding higher gold prices received, after-tax profits did not exceed the September quarter levels.

Costs at all operations were well-contained in the quarter.

The group's big treatment operations, Knights, was well on track, reporting an after-tax profit of R3,68m compared with R3,94m in the September quarter, while West Wits turned in a net profit of R2,3m against a September quarter figure of R2,4m.

The West Wits heap leach project comes on stream in the current quarter and will boost gold production.

Nigel, where grades were slightly lower in the quarter, earned R1,6m

after-tax profit — a R1m drop on its September quarter performance.

At the beginning of January Consolidated Mining announced that Nigel had purchased the Droogebult mining title from the adjoining GFSA's Vlakfontein operation for R16m, a move that will allow Nigel much more flexibility and better control of its underground mining plans.

Droogebult has in situ reserves of virgin reef — close to surface and lending itself to low-cost extraction — standing at 6m tons with an average grade of 2,8 g/t.

Payshoots exist in the area and it is estimated that Nigel can mine nearly 3m tons at a grade of 3,4 g/t to produce eight tons of gold over some 10 years.

At knights grades both in the sands and slimes treatment operations improved and the plant throughout continues to be well above rated capacity — Sapa

has been dubbed the "A-Team", who flies home tomorrow, said he has trained 20 Zimbabweans to carry on the clamp-down on evasion.

Michael Flanagan, who has completed a two-year contract for the Zimbabwean government, said that before his three-man team arrived investigations had dropped from 147 in 1981 to an all-time annual low of eight.

"When we came in there was only one man in the investigations branch, and he was about to retire," Flanagan said in an interview.

The "A-Team" methods included posting a tax inspector on the till of one of Harare's most popular restaurants — a move that resulted in the proprietor getting a bill for R1,2m in tax — and descending uninvited on the plush northern suburbs homes of top executives.

Analysts see gold shares holding firm

SYLVIA DU PLESSIS

(214)

THE bull market in gold is a long way from reaching a conclusion, say V H Simmons analysts

In the stockbroking firm's latest newsletter, they say all the signs suggest gold is in the "embryo throes" of a long-term bull market, and there are at least 18 months or more of the same in store if history is anything to go by

And while there will at times be sharp corrections, these exist to "shake those of faint heart" out of the market and help re-establish "the foothold of the intrepid"

"Interestingly, prospective gold-share purchasers are not holding back on purely psychological grounds. Many are wary of a repetition of the sharp upswing which took place in the latter half of 1982 — a mini bull market, sparked by the first of many world debt crises, which lasted no longer than six months," they say

"There is widespread fear that the same could happen again, especially in the light of the sharp revival in gold-share prices since mid-September last year. Yet, while there are similarities, close examination of the factors which preceded the two apparently like events reveals important differences"

The analysts say a rule of thumb is that the longer the bear market, the longer the ensuing rise

"There is, therefore, a much better than even chance that the bull market will last a minimum of two years and probably longer, and that the gold price will rise to well above current levels"

Political considerations will continue to dictate that the Australians and North Americans command a premium over SA golds, but this premium has begun to narrow and will narrow further with the development of more positive perceptions towards SA.

This, they say, raises doubt as to how gold shares will fare should world stock markets collapse, bearing in mind they fared poorly in the 1987 crash

A significant factor in this regard is that many global investors are switching into gold and gold shares prior to the current show of weakness on world bourses.

"They have been sensing that stock markets would register signs of weakness, and are hedging their capital into gold," they say.

Winkelhaak to sink R702m shaft

R/D RIAAN SMIT 24/11/90
A SUB-VERTICAL shaft at Genmin's Winkelhaak mine in the Evander area, costing R701,5m in January 1990 terms, is to be sunk this year for production in 1998

Gengold MD Gary Maude said yesterday the new shaft in the No 6 Shaft area — which will take underground operations from 1 227m below surface to a depth of 2 415m — would enable the 41-year-old mine to keep production at about 2-million tons a year until 2009

Randex, which owns 275ha in the area covered by the project, will receive 30% of the post-lease, pre-tax operating profits generated from its mineral rights, situated contiguous to Winkelhaak's eastern border

Randex will not be required to contribute any capital to the project

Genmin says in a company notice the project area will provide 21,4-million tons of ore at an average yield of 5,7g/t, and produce 121 tons of gold

Maude was confident yesterday there would be no reduction in the dividends paid by Winkelhaak, which generated the highest taxed earnings of the 12 Genmin gold mines in the December quarter, even if the gold price maintains its 1990 levels.

He said this was mainly because the expenditure on the project would reduce the mine's tax liability — and because the new No 6 Shaft was coming on steam.

Stoping from No 6 complex had already begun from the ventilation shaft, Maude said, and would produce about 120kg of gold a month as of this month

NON-residents may soon trade futures market

Own Correspondent

JOHANNESBURG — The Reserve Bank may soon allow non-residents to hedge and speculate on the local futures market via the finrand

This would provide the ultimate kick-start to the still informal industry, greatly increasing the liquidity of both the futures and finrand markets

Safex (SA Futures Exchange) executive committee chairman and executive chairman of Rand Merchant Bank G T Ferreira said a formal sub-group was talking to the Reserve Bank about the matter

"I am fairly confident it will be allowed," he said

Reserve Bank officials were not available for comment

Ferreira said the Reserve Bank would probably give the green light once the formal market in the form of Safex was up and running later this year — the latest timetable suggests June or July

However, other senior figures in the futures market said it might be sooner rather than later. They said futures contracts would soon be classified as listed securities, which non-residents are allowed to trade in anyway

One trader said he had already started to sound out London-based market makers in SA stock in anticipation of just such a move, and said he believed his competitors were doing so too

Winkelhaak to sink R702m shaft

JOHANNESBURG — A sub-vertical shaft at Genmin's Winkelhaak mine in the Evander area, costing R701,5m in January 1990 terms, is to be sunk this year for production in 1998

Gengold MD Gary Maude said yesterday the new shaft in the No 6 Shaft area — which will take underground operations from 1 227m below surface to a depth of 2 415m — would enable the 41-year-old mine to keep production at about 2-million tons a year until 2009

Randex, which owns 275ha in the area covered by the project, will receive 30% of the post-lease, pre-tax operating profits generated from its mineral rights, situated contiguous to Winkelhaak's eastern border

Randex will not be required to contribute any capital to the project

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R701-m expansion planned for Winkelhaak Gold Mine

Star 24/1/90 (214)

By Derek Tommey
Winkelhaak shareholders, employees and the town of Evander had good reason to cheer last night.

Gary Maude, managing director of Gengold, the gold mining arm of Gencor, said that Winkelhaak was to develop its No 6 Shaft area at cost of R701,5 million in 1990 prices, and expected to do so without any reduction in dividends.

The project will enable Winkelhaak, which is expected to start running out of ore by 1998, to continue working at full capacity until well into the 21st century.

The project will prolong the life of the mine from an estimated 18 years to at least 23 years and ensure the continuing employment of about 10 000 people.

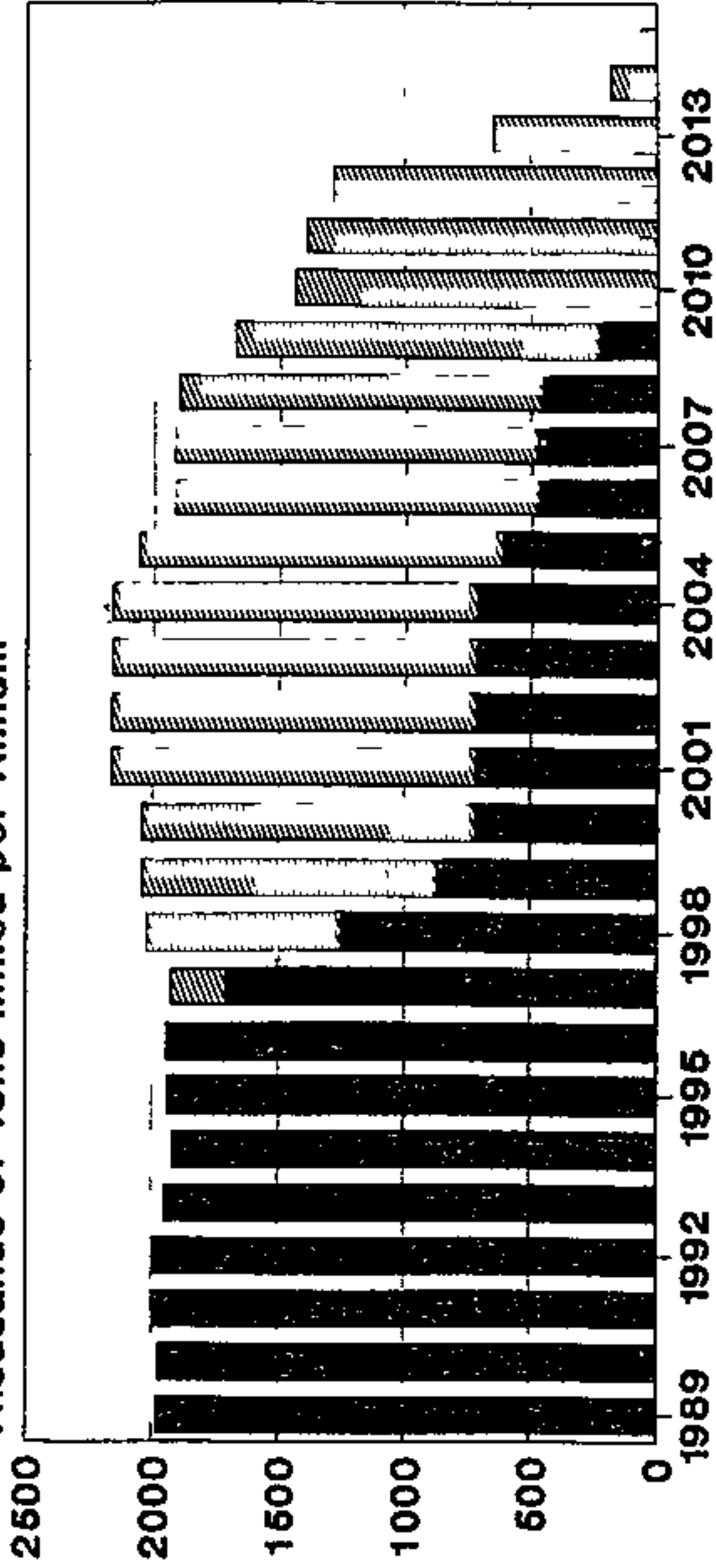
As two other mines in the area, Kinross and Leslie, have reasonably-long lives ahead of them, the extension of Winkelhaak's life means that Evander should remain a major gold-mining centre for many years to come.

The project involves sinking a sub-vertical shaft 60 metres north of the newly completed No 6 Shaft.

The sub-vertical shaft will extend from 1 227 metres below surface to 2 415 metres.

Work on the sub-vertical shaft, which

Thousands of Tons Milled per Annum



■ Present Mine ▨ 6 Sub-Vertical Shaft

Winkelhaak ore reserve depletion (including No 6 Shaft).

will be able to hoist 160 000 tons of ore a month, will start this year and it should be in production by 1998.

Mr Maude said the long-lead time was partly the result of the time needed to excavate the area for the sub-vertical shaft's headgear.

The area to be mined has been enlarged by agreement with Randex to exploit some of its mineral rights.

The Randex area contains about

7,2 million tons of ore at an average yield of 6,9g/t.

Randex will not contribute any capital to the project, but will receive a sum equal to 30 percent of the post-lease pre-tax operating profits generated from its mineral rights.

Altogether, the area to be worked from No 6 Shaft contains 21,4 million tons of ore at a yield of 5,7g/t and will produce 121 tons of gold.

Mr Maude said the project would be self-financing, but he was confident that Winkelhaak's dividends would not be reduced — even if the gold price maintained its 1989 levels.

One reason was that expenditure on the project would reduce the mine's tax liability.

Another was that the upper levels of the No 6 Shaft complex were coming on stream.

Stoping has already started from the complex, which should produce about 120kg of gold a month, starting this month.

Mr Maude said the company had considered a rights issue to finance the project, but regarded production from the No 6 Shaft area as a replacement for declining production elsewhere in the mine, and not as additional product.

In these circumstances, a rights issue would have diluted equity.

● Gencor is on target to achieve its earnings forecast made in the 1989 annual report, says executive chairman Derek Keys.

Speaking after the Gencor annual general meeting yesterday, Mr Keys said the group was slightly ahead of budget, which envisioned earnings of about 106c a share, Sapa reports.

"In the 1989 annual report we forecast we would be able to maintain our earnings per share on the increased share capital.

"While this will not represent real growth in earnings per share on a year-on-year basis, it will consolidate the quantum leap Gencor took last year."

Mr Keys said that, as expected, conditions were proving to be less favourable for group companies.

Mr Keys said Gencor still had at its disposal the bulk of the cash raised through the Gencor rights issue.

"These funds are available for investment as and when attractive opportunities present themselves."

Gold sweeps to 13-month high

214

JSE shines as world stocks take a tumble

B/Dam 25/11/90.

MERVYN HARRIS

GOLD moved into fresh bullish territory yesterday as investors flocked to the metal in a classic flight from paper assets on a crumbling dollar and tumbling world stock and bond markets.

Heavy Far and Middle East buying swept gold up \$9 to close in London at \$421.25, its highest level since mid-December 1988.

The rising metal created a mood of gold euphoria on the JSE and the all gold index rocketed 140 points or 6.7% to 2 232. Strong buying from both local and overseas investors resulted in several lightweight golds recording gains of between 20% and 46% on the day.

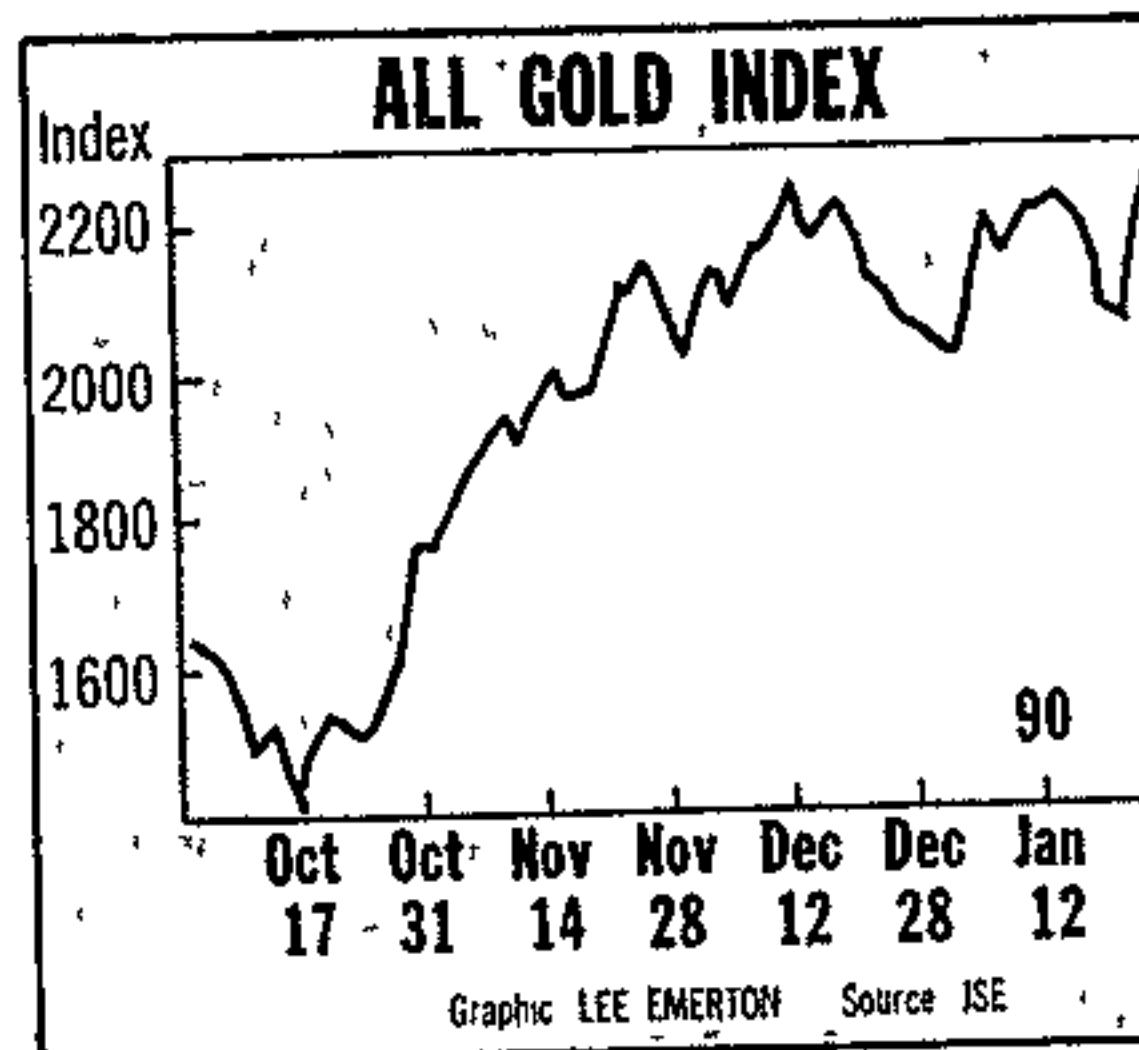
Enthusiasm for golds spread to other sectors of the market to quell fears that the JSE would follow the downtrend of Wall Street as in October 1987 and 1989.

The market opened with a flourish on US buying on Tuesday night of SA golds quoted on Wall Street, and demand followed throughout the day to lift the JSE overall index 80 points or 2.6% to 3 194. This is just below last Tuesday's peak of 3 261.

"It was an unbelievable market," a dealer said as the value of shares traded climbed to R214.8m from R129m the previous day on a volume of 17.62-million shares changing hands against the previous 12.2-million.

Overseas demand for SA shares was reflected in a further strengthening of the financial investment currency to R3,3250 (\$0,3007) from R3,4100 (\$0,2932) to the dollar, its highest level since mid-1988.

Some analysts cautioned that gold's recent rally was motivated more by fear



than reason and that higher interest rates could, at some point, draw funds from the metal to bonds.

"I expect gold to consolidate and we could see a small step back before the metal makes a run at the \$425 resistance level where many stop-loss orders have accumulated," a Zurich trader said.

Renewed nervousness on financial markets was triggered yesterday morning when the Tokyo stock market dropped by 1.6% to send share prices in London sharply lower on expectations of further declines on Wall Street.

London dealers were relieved when Wall Street lost only 50 points in the first hour of trading and the FTSE 100 rallied to close 12.5 down at 2278.6.

Worries over Wall Street pushed the dollar more than a pfennig lower to close in London at DM1,6830. Traders said foreign exchange markets were turning from events in Eastern Europe to concentrate on economic fundamentals.

● See Page 11

Randex records deficit

Randex, the exploration company in the Genbel group, recorded a deficit of R7,45 million for the six months to December *Star 25/11/90* (214)

No interim dividend has been declared

Management feels, however, that the deficit is an investment and is laying a firm foundation for Randex's future growth.

"This week's Winkelhaak announcement should give shareholders some indication of the potential that we believe lies in some of our mineral rights," says chairman Tom de Beer

Due to the acquisition of Rand Extensions and Exploration on June 30 last year, figures for the corresponding period of 1988 are not comparable — Sapa.

CMC group may have come of age

214
 THE acceptance of Consolidated Mining Company (CMC) paper by Goldfields for the sale of the Droogebuilt mine may mark the group's coming of age.

The transaction early this month seems to have precipitated unprecedented interest in the group's mines. The group's flagship Knights, the sand and slimes retreatment plant, rates as one of the most liquid shares on the JSE.

Not much is known about the CMC group, recently formed in a merger of JMF, creation of the now-exiled Joe Berardo, and Southgo.

The group's debt has been cut by 62%, from R28m in March to some R17,3m today. Debt is found in West Wits (R4,3m long-term), Wit Nigel (R7m), Knights (R2m) and Southgo (R4m long-term).

Group CE Glenn Laing says all the non-mining constituents have been cut out of CMC, leaving it with today's "classic" mining house structure. The rising gold price has helped, boosting the emerging strength of the marginals. Although the super-efficient Knights has gained dramatically in recent months, studies by analysts show the counter is still relatively undervalued. At the current gold price, Knights is an acceptable buy up to about 300c.

ANALYSIS: BARRY SERGEANT

CMC's West Wits can also expect a re-rating after Laing is finished with its re-shaping. Consistent with Laing's objective to make every asset "sweat", West Wits is now milling 140 000tpm — way above stated capacity of 90 000tpm.

A new disclosure is that in mid-December, West Wits commissioned a 20 000tpm heap leach recovery plant — which came into production this week

9/10am 25/11/90
 This is expected to produce an extra 16kg of gold a month, contributing extra profit of about R250 000/month at current gold prices.

West Wits has extra attraction in its mining flexibility. It has 20 years underground reserves, and last year found about 5-million tons of payable opencast ore in a new area. Laing says the opencast reserves, to a depth of 100m, will last 12 years.

Of the total current production of 140 000tpm, 100 000tpm is sourced from opencast operations.

Laing says West Wits could counter a fall in the gold price by lifting opencast mining.

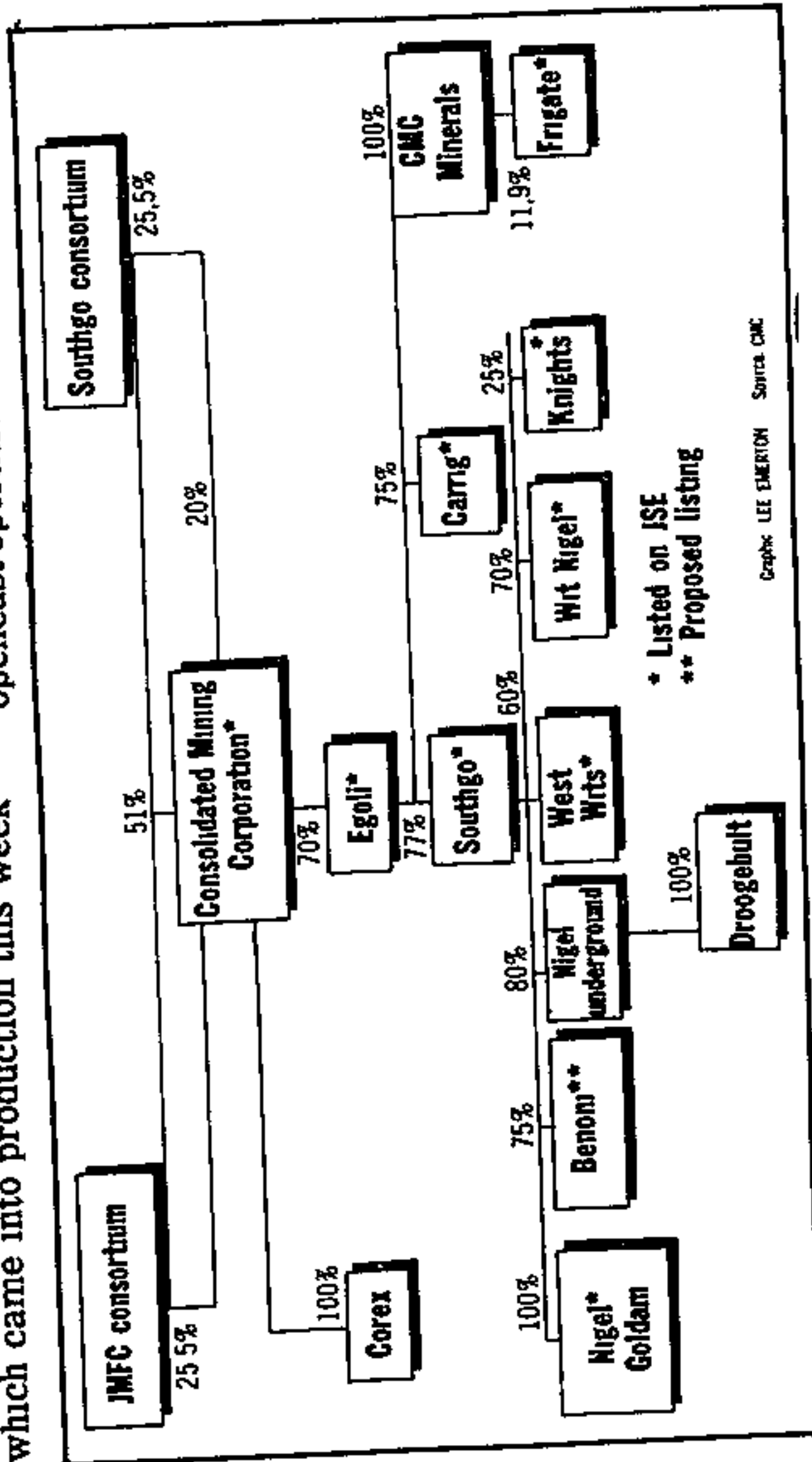
The mine is carrying debt of R4,3m and enjoys a tax shield of R36m. Analysis suggests that West Wits could soon be trading at around 160c-180c.

Another bright prospect is Knights' twin, the Benoni retreatment operation, which will use the same technology and plant as Knights. Benoni owns or has rights to surface sand and slimes dumps of 24-million tons at an average grade of 0,68g/t — about 60% higher than Knights' yield. It will construct a 2,1-million ton per year recovery plant this year.

The Droogebuilt mine will be a 100% subsidiary of Nigel (Underground). Working costs will be relatively expensive at an estimated R80/ton, compared to R38/ton for West Wits in the September quarter. Output from Nigel, Wit Nigel and Droogebuilt will be milled at Nigel, taking it close to full capacity.

Investors looking for entry into the group should bear in mind that analysts argue Egoli, which also has minor diamond and coal stakes (see diagram), should trade at a 20% discount to NAV.

NAV is currently around 390c, suggesting Egoli is undervalued at its trading price of about 300c. The market has been marking up all CMC shares in the past month.



Eersteling's first profit

RIAAAN SMIT (214)

WHILE Severin Mining and Development's Eersteling gold mine recorded a profit after capital expenditure and interest in the December quarter for the first time, its Rand Leases mine reported a further loss before tax of R4,3m. Eersteling produced 67% more gold for a profit of R494 000 (September loss of R1,1m). Costs were much lower and grade rose 1 gram/ton to 4,44g/t. Rand Leases' cost/kg increased 44% to R52 971 because of mining conditions at No 6 Shaft and the company announced a "major rationalisation". This entails the closure of No 6 Shaft and production being limited to 32 500t/month. BIDA 26/1/90

GOLD QUARTERLIES

Easier going

With all the results for the December quarter now available from the major mining houses, the overall impression is that many of the mines have adapted well to prevailing circumstances by pushing up grade and holding down working cost increases

How long they can continue to do this is debatable Upward pressures on working costs remain relentless, owing to the nature of the industry A number of analysts reckon determined campaigns to contain cost increases may work for six months but eventually they will start climbing again

A fact of life on the large, deep mines is that costs must rise as workings move further away from the existing shaft systems and get deeper The further the workings are from the shafts, the longer the travelling times for men and materials, this raises costs and hurts productivity through shorter working shifts As workings deepen, more money must be spent on refrigeration plant to cool them and on better support systems to cope with the seismic problems that increase with depth

Two long-term solutions involve backfilling to improve underground support, and mechanised mining to improve productivity Considerable amounts of money have been poured into these projects by a number of mines, but this adds to working costs Industry executives are confident they will get large returns from the expenditure but these have yet to make a big impact

Some senior executives in the industry believe government is finally serious in its objective of curbing inflation, judging by its policies of maintaining high real interest rates and cutting expenditure on such holy cows as defence As far as the mining indus-

try is concerned, the sooner the benefits come through in lower inflation rates, and lower inflationary expectations, the better Still, there were some good performances in the quarter, particularly from Gencor mines where management's new, hard-line approach to running their mines continues to pay dividends

West Rand Cons, which appeared to be facing closure at the beginning of last year, ended 1989 by declaring its first dividend in two years Gencor reckons the mine is past the stage of being concerned solely with keeping its head above water and is aiming at maintaining underground production at 150 000 t a month

Stilfontein got a Christmas present in the form of a R5,2m final dividend from the now-closed Chemwes uranium plant However, the mine intends cutting back its underground operations further, with the exhaustion of its Vaal Reef reserves, it is increasingly dependent on the more erratic Ventersdorp Contact Reef (VCR)

Marginal Grootvlei came booming through with December quarter taxed income of R4,5m, amounting to 76% of its taxed income of R5,8m for the year to end-December Tonnage throughput rose to 210 000 t (September quarter — 187 000 t) and gold production to 852 kg (738 kg), while total working costs fell to R23,7m (R23,8m)

Other good performances came from **Unisel**, **Winkelhaak** and **Kimross**, but **Marlevale** is on the way out, its ore reserves are finished and mining operations are taking out the drive and haulage pillars

Anglovaal's Loraine mine is another marginal which lifted its recovery grade last quarter to 5,1 g/t (4,9 g/t) However, the financial results were hit by its hedging programme, and the mine's gold price received

dropped to R32 880/kg (R33 319/kg) **Hartebeestfontein** improved recovery grade to 9,1 g/t (8,8 g/t) and held the rise in total working costs to a creditable 2,7% **Eastern Transvaal Consolidated** did not do as well with costs up 3,9%, and its distributable earnings were virtually unchanged at R4,5m (R4,4m)

At Anglo American Corp, results from **Western Deep Levels** were hit by another factor which can bump up working costs and hammer underground productivity — serious fires The mine lost 850 kg of gold production in the December quarter and expects to lose a further 1 000 kg this quarter before the fire is put out and operations get back to normal The mine's financial results were saved by a tax clawback of R10,6m, which left taxed profit at R117,9m (R109,1m)

Freegold level-pegged on its operations during the quarter and, with grade and gold price received virtually the same, working revenue totalled R897,1m (R893m) Total costs rose 4% to R760,1m (R730,3m) which dropped gold working profit to R137m (R162,7m) The underground grade has stabilised at around 5 g/t and cannot really be increased except at the cost of lower throughput

Vaal Reefs made profitable use of its surface waste dumps in the quarter, milling 129 000 t (46 000 t) off them at a grade of 0,94 g/t (2,32 g/t) which balanced out the improved underground grade of 7,15 g/t (6,89 g/t) to leave overall yield virtually unchanged at 6,86 g/t (6,82 g/t). Total working costs dropped to R389,2m (R396,3m), and working profit was R237,8m (R222,2m) The **Afrkander Lease** section had a torrid quarter, losing R2m and bringing its total working loss for the year to end-December to R3,5m

Brendan Ryan

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Randex shares

5 Times 28/11/90

THE life of Winkelhaak gold mine in the Evander field will be lengthened well into the 21st century by the installation of a sub-vertical shaft. Winkelhaak is the oldest Evander mine, the largest and safest. It is also one of the lowest-cost gold producers in SA. It rates blue-chip status on the JSE, the price climbing to R124 this week.

The shaft, whose cost is estimated at R700-million in January 1990, money

Winkels spoils

complete, the money will be channelled to the sub-vertical shaft. There should be no negative effect on dividends because the expenditure will reduce the mine's tax liability.

The jobs of 10 000 workers remain safe. Nonetheless, Randex shareholders also hit a high of 500c after the Winkels announcement. It owns 580 hectares in the area covered by the project. Randex — formerly Marievale until it merged with Rand Extensions — has estimated reserves of 7,2 million tons, which should

Winkels spoils

yield an average 6,9g/t. Randex will contribute some of its mineral rights in the area in return for 30% of the post-lease, pre-tax profit from its area. But Randex need contribute nothing to the project's capital cost.

Nonetheless, Randex shareholders will feel the benefit only when gold production begins in 1998.

Now Gencor-managed, Randex is doing well out of the mining house's expansion. It owns 5,4% of Area 1 West, where the Welfeyreden mine is being

established, and a 49% contributory participation interest over 2 255ha next to Peritus, north of Erf-deel in the Free State. The Marievale mine is winding down operations because its reserves have been almost mined out. It lost R1,4-million in the December quarter. This and other exploration expenditure led to a net loss of R7,5-million by Randex in the six months to December. Its market capitalisation is R440-million, yet that of Income-generating-heavyweight Winkels only R1,5-billion

Gold industry shake-out contingent on gold price

B/Dam 29/11/90

214

AN ANALYSIS of mining unit costs predicts a shake-out in the industry if the rand gold price maintains its present levels

The study, by stockbrokers Ed Hern, Rudolph Inc, says management and training inefficiencies since 1970 have been disguised by "the incredible growth in profitability of local gold mines due primarily to a rapidly rising gold price".

The study says relentless working cost inflation "continues to erode the earnings of local gold producers"

For almost two decades, the rand gold price "has increased at a rate well above the inflation rate, camouflaging this profit erosion"

Ed Hern, Rudolph Inc gold analyst Tom Dale says in addition, punitive maximum marginal aggregate tax and lease rates have neutralised any incentive seriously to address cost inflation, because, in many instances, more than 70% of the benefits realised would have been paid to the state.

"The flat rand gold price of the past 18 months is forcing the industry to confront cost escalation. Tax reform could reduce marginal aggregate tax and lease rates for the gold mines by up to 20% over the next six years providing new incentives to direct resources at reducing costs"

The main objective of the study is to identify "those operations which are likely to fully realise cost reduction potential and thus enjoy superior relative earnings prospects"

Calculated returns from 35 selected gold producers at a real gold price of R1 100/ounce — given that cost escalations are to be limited to 10% for the next three years — are graded from 1-3

Only five of the 35 mines rate a 3 plus Winkelhaak, Unisel, E T Cons, Beatrix and Kinross

These mines are all managed by Gencor, except for Anglovaal's E T Cons.

ANALYSIS: BARRY SERGEANT

The factors used in compiling the ratings were each mine's capacity utilisation, average depth of mining operations, outlook for mining conditions, and management

Dale said "There is substantial potential to reduce real unit costs and defer non-essential capex programmes in the industry. Certain mining houses are already vigorously tackling these issues"

Commenting on the analysis, Gencor's Gary Maud said the mining house started its current approach to cost control 18 months ago. (Dale notes "Because of the size of a mining organisation, the full cost reduction process could take several years")

Methodology

Maud says "Gencor's cost reduction approach includes careful, intricate study of how to control costs at each mine. We have also placed much emphasis on motivation, as part of our comprehensive decentralisation approach throughout the group"

"We use quality circles and a democratic discussion methodology before teams go underground"

Maud says results to date have been very positive "Gencor feels that there is incredible potential to be unlocked in this approach"

Dale says there is "significant potential to reduce real unit working costs in the gold mining industry"

Realisation of this potential, he says, will depend on

□ Cost reduction receiving high management priority (Comments Maud "A mine's basic management is the single most important factor in the unit cost context."), and

□ Training throughout the industry both to change the attitudes of indifference towards unit costs and to provide supervisors with cost control skills

Dale says "Since 1970 these factors have been negatively influenced by the incredible growth in profitability of local gold mines due primarily to a rapidly rising rand gold price"

"This profitability coupled to lack of competition (until recent years) in the supply of gold to the international markets has facilitated the growth of bureaucracy in the industry"

"If the flat rand gold price of the past 18 months persists during 1990 we predict a serious shake-out. One result of the shake-out will be a decrease in real unit costs"

Dale says "Although the mechanistic-autocratic organisational structures found on the mines are ideal for controlling large labour complements, bureaucrats can direct these structures to produce horrific results"

Comparisons of annual unit cost escalations (September 1988-September 1989 quarters) show that some mines experienced 20%-plus increases. Examples include East Dagga, Southvaal, Harties, Bracken and Kloof

Over a five-year period, to September 1989, mines that have experienced 150%-plus increases in unit costs include Southvaal, Bracken, Grootvlei, Elands, Unisel, St Helena and Winkels

Over the five-year period, the majority of mines suffered working cost escalations above the inflation rate (CPI) of 108%. However, the precise analysis of forecasting how individual mines will cope with unit costs is no fall-over

Maud concludes "In any kind of mining, traditionally the lowest costs are experienced in early days. These increase heavily once the learning phase of a particular mine is concluded, with costs increasing heavily in many areas, such as transport"

WITH gold touching 13-month highs, it should be recalled that this time 10 years ago most South Africans probably suspected that some wonderful, unsolicited Age of Aquarius had dawned. But the next 10 years brought cruel disillusionment.

During the first 21 days of 1980 the international gold price embarked on the most astonishing ascent in its history, from an average of \$304 for 1979 (itself a record), to a peak of \$850 on January 21.

After that it roller-coasted downwards like a runaway train, defying the initial period of glory, and dashing the dreams which gave the first half of the decade its unique flavour.

Gold miners, like the rest of us, remember the good times better than the bad, and who could have blamed them for dreaming of fortune and empire after the gold price averaged \$612 in 1980?

The mere possibility that gold might once again return to \$850 was enough to sustain the hopes of the entire SA gold mining industry.

Gold miners were not the only people who overdosed on the euphoria, however. The mood was endemic throughout the nation, from Messina to Hermanus. Some of the happiest people were in Pretoria, where government's piggish bank was quickly bloated, with tax revenue from the gold mining industry

In 1977, when the gold price started building up steam (at around \$150 an ounce) for the final assault on \$850 three years later, government's revenue from the gold mines was R285m — or 4% of total government revenue of R7 075m

Three years later, when the average gold price was \$612 an ounce, tax revenue from the gold mines was more than eight times higher at R2 374m — representing 18,6% of total government revenue of R12 771m

Gold and the decade of disillusionment

REINIE BOOYSEN

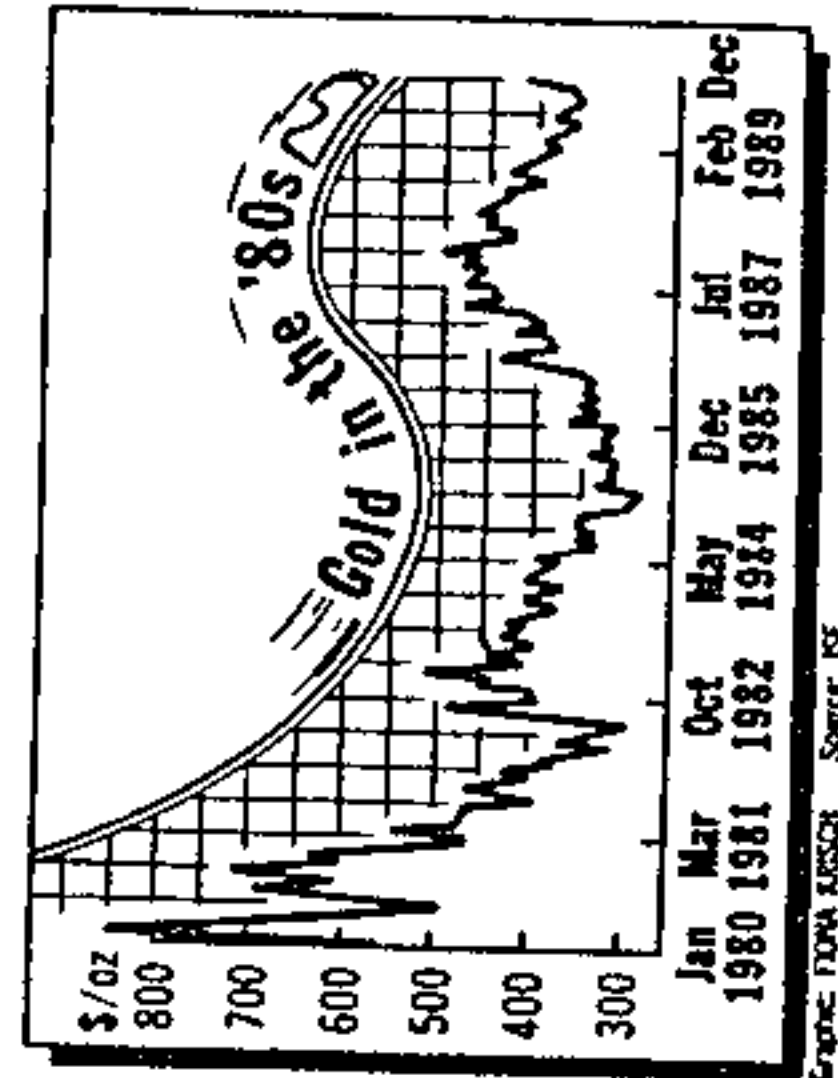
The real contribution from the gold mining industry was much higher than 18,6%, however. This figure takes no account of the multiplier effect, of the multitude of industries and fields of endeavour which take succour from the gold mining industry, and also pay tax. More than at any time before or since gold represented the very pulse of all activity, the central cog of the national engine.

Almost overnight the national psyche changed. The Soweto riots were the big feature of the '70s, and South Africans went through a period of political turmoil. The rise in the gold price was a new talking point after the upheavals on the political front. It was almost as if SA had nothing to fear, the splendour and glitter of gold would ensure the country's future, come what may. Times were so good that people started saying this would become the first country in the world without personal tax

That was January 1980. For the few short years while the intoxication lasted, it was fun. In retrospect, however, it is clear that the high gold price precipitated some of the most serious economic problems the country has endured in modern times. Worst of all, the brief deluge of

money caused budgeting laxity in almost every sphere — and worst of all in central government. Instead of lowering taxes and promoting the wealth-generating sector of the country's economy, government went on the wildest shopping spree in SA history, and bankrolled projects like the State Theatre in Pretoria, and the Sand du Plessis Theatre in Bloemfontein, to be patronised by the new class of elite civil servants. With a gilded age ahead, it was as though the time was ripe for high culture in the Viennese tradition

The Reserve Bank's figures on current income and expenditure of general government tell the story in 1980, before government could dream up ways of ridding itself of its



GRAPH: TDWA/RESCOR SOURCE: BSE

mence of SAA instead of private jets, and working lunches rather than banquets

The economic scars of the P W Botha era are extensive, however, and the one of the deepest is inflation. Nedbank chief economist Edward Osborn says one of its main causes was the realistic expectation South Africans developed that their tax burden could only increase in an effort to counter the ravages of an avaricious government, producers put up prices and employees demanded higher pay, and every new or increased tax gave further impetus to this vicious cycle

Today the gold mining industry, which innocently started the orgy, is itself under serious threat from inflation. With about 10 of the 50-odd listed gold mines unable to produce gold profitably at the current price, cost-cutting has become the dominant cry in the industry

Many of these are old mines which were reopened during the "gold fever" early in the decade

The other serious problem facing the mines is declining grades, and there is little that can be done about that. The richest of SA's gold deposits have been exploited, and the increasing exploration being done by the mining houses will, at best, merely replace the tonnage which is continually being used up. There appears to be little hope of discovering another real bonanza like the one which gave birth to the Reef

At the end of the decade tax revenue from the gold mines represents less than 3% of government's total. The gold price, hovering around \$420 an ounce, looks as if it may again be on the rise. Let's hope the rise is moderate — anything more could precipitate another spent decade

No Owen column

Ken Owen is ill, so his column does not appear today.

hoard, its total net savings almost trebled, from R723m to R2 026m. In 1981, when the average gold price was still fairly high, net savings were still a relatively robust R1 404m

And then the rot set in. Dissaving became the order of government's day, starting slowly, but soon building up to alarming levels. In 1982 government's current expenditure was R40m more than current income, in 1983 R1 036m more, in 1984 R2 531m more, in 1985 R1 688m more, in 1986 R1 836m more, in 1987 R3 580m more, and in 1988 R732m more. As with any bad habit, once the big spending was started it was difficult to stop — despite the increasingly disappointing gold price

So SA started living on borrowed money. In 10 short years, government's total debt rose from R16bn in 1978 to R67bn in 1988

This happened in spite of desperate attempts to boost fiscal revenue after the gold price started falling. The 1980s became the decade of GST, of import surcharges, of ring-fencing on mines — and a host of other new taxes on the population.

At the start of a new decade the spending spree seems to be coming to an end. President F W de Klerk has opted for the modest conve-

Genbel sitting on (214) R370 million cash pile

With its R298 million rights offer and R70 million preference share issue behind it, Genbel Investments finds itself cash-rich in the first half of its financial year *Star 29/11/90*

Figures released over the weekend show distributable income has climbed 33 percent from R45,6 million to R60,6 million in the second half of 1989

With a larger number of shares in issue, the per share increase is 26 percent as earnings climbed from 124c a share to 156c a share

A dividend of 120c has been declared compared with the previous 110c

Managing director Anton Botha said that with the gold mines' improved profitability and the repositioning of its portfolio, Genbel is expected to resume a more normal income growth in the current financial year — Sapa

Randex and its managers being 'misunderstood'

Monday 31/1/90



INVESTORS who bought Randex shares on October 16 last year had gained 168% on their investment by last night

But management at Randex, the JSE- and London-listed mineral rights participation company, feels the company is misunderstood. It says its business is seen as complicated, it seems to be in business only to incur expenditure, and it never aims to pay a dividend.

Moreover, most agreements that the company makes with other parties seem to be extraordinarily complex, such as the recent profit-sharing deal made with Winkelhaak Gold Mine.

Overall, Randex's unconventional approach to business is overshadowed by the simple philosophy that Randex is in business to add value for shareholders. Buyers of the share look to participate in new mining developments and for capital appreciation, which has already been considerable.

The counter's market value today is about R460m. This rates it by far the most valuable counter of 11 listed in the mining financial exploration sector. Freddev rates second with a capitalisation of about R290m, followed by Lydex at R174m, Barnex at R147m, PGA at R97m, and the others all less than R50m. The sector's total capitalisation is some R1,3bn.

At a presentation to analysts this week Randex director Mike Saner explained some of the key features of Randex's business, and some of the areas where extensive borehole tests are being conducted.

Major projects include

- Evander area mineral rights — Winkelhaak No 6 Sub-vertical shaft,
- Lucas block minerals (adjacent to the Stilfontein and Buffelsfontein mines),
- Weltevreden Mines (off the Vaal Reefs area, and west of Orkney),
- Freegold (the proposed lease extension to President Brand mine),
- Peritus/Erfdeel North (east of Oendaalsrus), and Vermeulenskraal Noord (west of Virginia),
- Burnstone Project (between Balfour and Greylingstad),
- Fochville (a large area south of the

Western Ultra Deep Levels Mineral Rights area), and
 Leeudoringstad (west of the Fochville project)

The latter five projects are absorbing some 90% of current expenditure. R9,2m for the six months to December 31. Investments were valued on that date at R33m (cost R7,7m), mineral rights at R68m, mining assets at R6m, and R11,5m in cash was on hand.

On January 24 Randex and Winkelhaak announced the commencement of a R701,5m project to mine about 21-million tons of ore averaging 5,7 g/t in the eastern portion of the Winkelhaak mine. Randex contributed some 7,2-million tons at an average yield of 6,9 g/t to

the project, in consideration it will receive 30% of pre-tax profits from its area.

The timing of the deal, as to when Randex first starts participating in these profits, is complex. Winkelhaak (managed by Genmin) will outlay the capex for the venture. When Winkelhaak has recovered its capex, by writing profits off against tax, Randex will rank for participation.

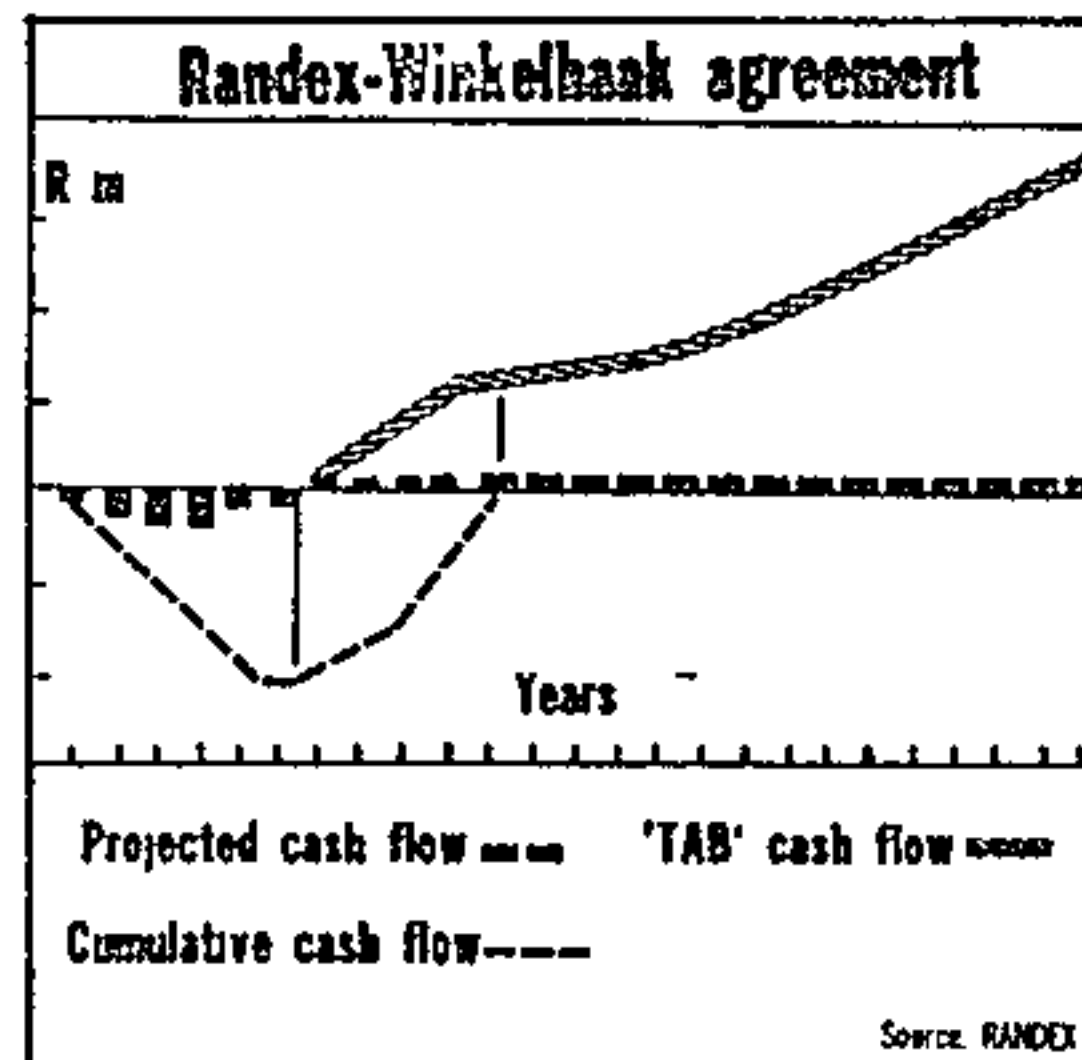
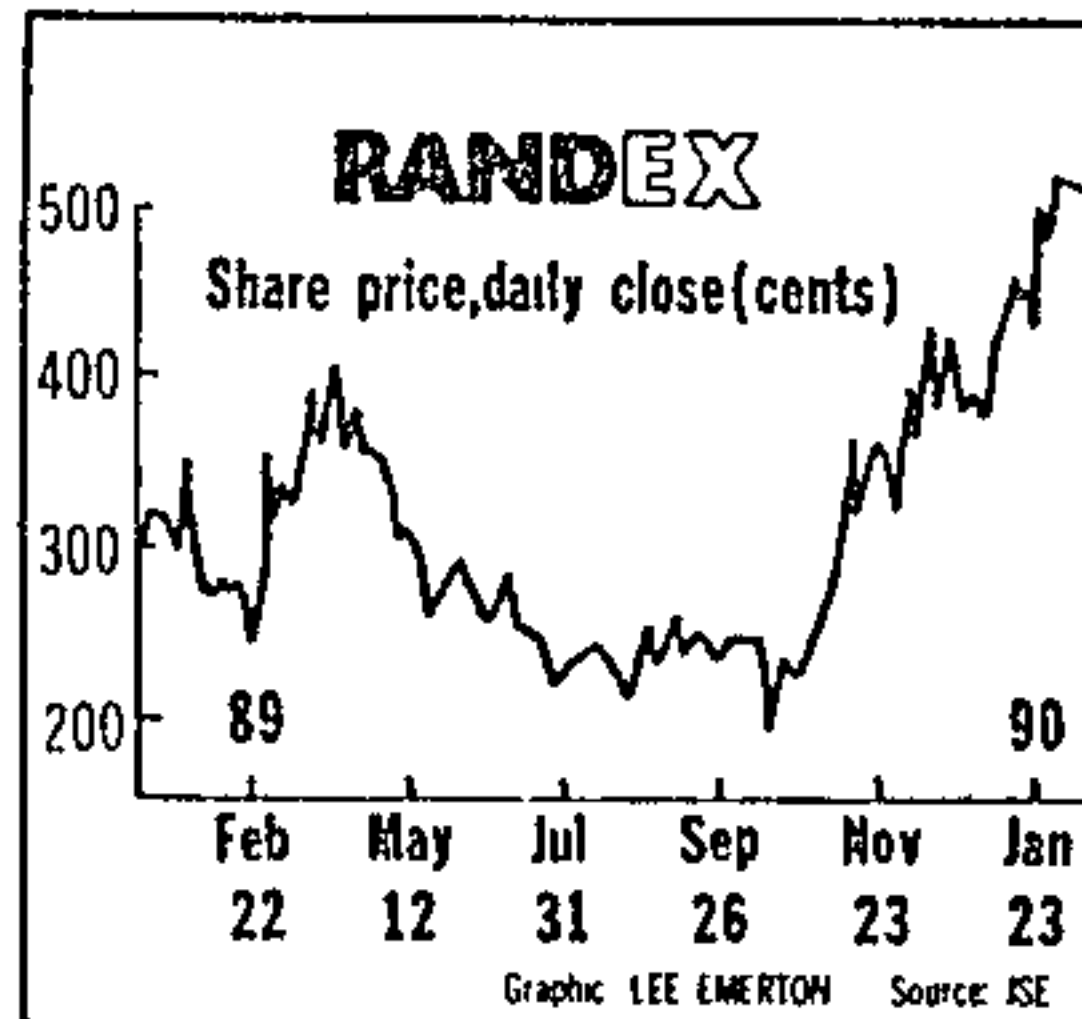
There is no fixed time scale. While the estimate of when new ore will first be milled can be made with some accuracy, it is impossible to say what level of profits Winkelhaak will generate. In turn, in this uncertain environment, it cannot be said accurately when the new tranche of capex (in the Randex area) will be fully redeemed.

Winkelhaak, which produced 3 080 kgs of gold in the December quarter, is highly rated by prominent gold analysts. In particular, its management has benefited from Gencor's new-found policy of decentralisation, independence, goal-orientation and leanness.

The Winkelhaak development should be seen as a distinctly bullish point for Randex shareholders — and will probably ensure that it maintains its high rating. Randex's main exposure to mining houses is, of course, to the Genmin group. It also has connections with JCI, Rand Mines, Anglo American, and others.

Most of Randex's current activity falls in what it defines as the "target confirmation and ore reserve definition" stages, which are closest to maturity. The remainder fall into "the generative and target testing stages". While it is impossible to rate Randex accurately, its main objectives should ensure that it retains its rating.

These objectives include the active management of a diversified portfolio of mineral rights, recognition of the different economic and business cycles affecting exploration business, and tradeability in its shares. Despite the enormous gains in the share price in the past few months, investors should look to Randex exclusively as a long-term investment — five years and beyond.



Cengold shares are suspended

BARRY SERGEANT

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SHARES in Cengold Holdings, the eastern Transvaal gold producer, were suspended on the JSE yesterday pending an announcement about a change of control.

Cengold directors said last night the announcement would be made on Friday.

This follows a recent management restructuring and a September rights issue, which raised money to increase development in two Cengold interests.

Cengold was trading at 35c when it was suspended, with its market capitalisation at R8,3m. It traded as high as 40c a year ago and reached a 12-month low of 19c on November 11 1989. It achieved an all-time high of 160c in 1988.

Current management is Metorex, which also manages Primrose on the East Rand.

Cengold was created in September 1987 by the merger of three producing gold mines in the Greenstone belt of the eastern Transvaal. *51 Dam 31/11/90*

The highest quarterly yield result to date was for December 1988, when 17 000 tons were milled at a yield of 3,56 g/t. The December 1989 quarterly results show 19 000 tons milled, but at a yield of only 1,74 g/t.

Overall, operations have not proved successful. The company continually experienced severe operational and financial problems, despite the September 1989 rights issue, which raised R2,2m.

Already, operations at Nestor and Malleveld mines have been suspended. Despite marginal improvements in yield, Bonanza and Elandshoogte did not break even in the September 1989 quarter.

Cengold has never paid dividends.

SA strikes a rich gold vein down in the dumps

6/Dec 11/2/90
IF SA were to halt all underground mining of gold and rely solely on retreatment of ore waste it would still be the ninth largest gold producer in the non-communist world.

During 1989 the big six mining houses produced about 26 tons of gold from about 67-million tons of sand dumps, slimes dams, and low-grade waste dumps, an analysis of quarterly reports shows

Add to this figure two tons of by-product gold from platinum group metals mines and SA would have edged out Chile, which produced 22,7 tons, as the ninth largest producer in the non-communist world on 1988 figures

In fact, SA's 28 tons of reclamation gold — 4,5% of total production of 621 tons in 1988 — rivals Papua New Guinea's 32,6 tons as the eighth and Colombia, at 33,4 tons, as the seventh largest gold producer in 1988, according to data for the top 10 producers in Consolidated Gold Fields' 1989 gold review

Revenue from the 28 tons of tailings gold, calculated at R31 000 a kilogram, amounts to R868m. By contrast, only 20 years ago, SA's all-time record produc-

ANALYSIS
RIAAN SMIT

tion of just over 1 000 tons realised R831m, according to Chamber of Mines figures

The fortunes locked up in most of the 306 slimes dams, 114 waste-rock piles and 79 sand dumps stretching from Carletonville to Heidelberg in the Transvaal could not have been extracted without the carbon-in-pulp (CIP) and carbon-in-leach (CIL) processes

Pioneered

Under the old method of extraction, zinc dust was added to the gold-bearing cyanide solution after unwanted rock fines had been filtered out

Activated carbon, used since the late-'70s, has a great affinity for gold which it readily attracts to its surface in cyanide solution

The carbon-in-leach process — pioneered by Anglo American at its Ergo plant on the East Rand (the largest of its kind in the world) — recovers a pyrite concentrate through floatation of

slurry from slimes dams, further milled sand dumps, or milled rock waste dumps

The concentrate is acid-leached for uranium recovery, roasted to produce sulphuric acid and the resulting calcine cyanide leached for gold. The floatation tailings are further processed in the CIL plant for the recovery of additional gold

The Ergo plant, which treats slimes dams from its Ergo and Daggafontein divisions, and sands from its Simmergo division, has 675,7-million tons of waste material in reserve, according to its 1989 annual report

It treated 35-million tons in the financial year ended March 31 1989 and produced 11 992kg, a record R104m taxed profit

The CIP process, developed by the Council for Mineral Technology (Mintek) and the most widely used of the two processes, is the predecessor of the CIL process

An estimate of the additional gold that can be recovered by the 40 CIP circuits already installed is 0,03 g/t, which is equivalent to 1 800kg and is worth about R56m per year, Mintek says in its 1989 annual report

DUIKER F/M 2/2/90

Gold rush

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Activities: Mining company with coal and gold interests

Control: Lonrho subsidiaries WPH Investments 43,96%, Tweefontein 22,2%, Witbank Cons 11,72%

Chairman and MD: T A Wilkinson

Capital structure: 14,39m ords Market capitalisation. R191m

Share market: Price 1 325c. Yields 1,9% on dividend, 9,4% on earnings, PE ratio, 10,6, cover, 5,0 12-month high, 1 725c, low, 825c

Trading volume last quarter, 43 000 shares

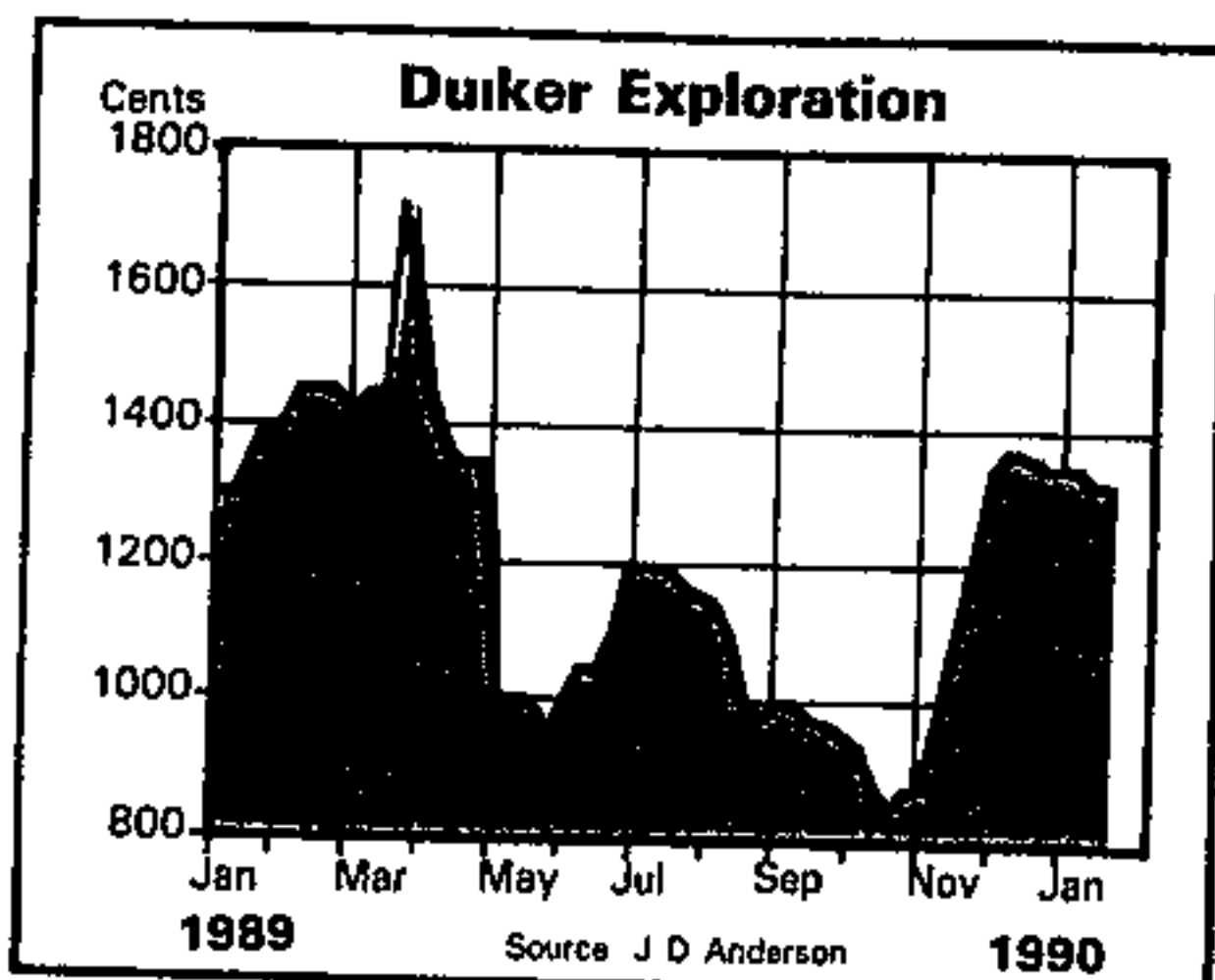
Year to Sep 30	'86	'87	'88	'89
Turnover (Rm)	110	89	98	138
Operating profit (Rm)	33,6	8,7	13,5	35,3
Taxed profit (Rm)	14,3	4,3	2,2	3,6
Earnings (c)	100,8	30,6	53,3	124,5
Dividends (c)	48	30	15	25
Net worth (c)	734	734	790	791

Duiker's operations last year were awash with paradoxes, but that has not deterred investors who reckon the share is a well-leveraged gold play meriting a dividend yield of less than 2%

Last year, bituminous coal exports boomed, allowing Duiker's collieries to lift sales to 3,85 Mt from fiscal 1988's 3,17 Mt and operating profit by 130% to R26,5m Demand remains firm, though temporary capacity constraints at the Richards Bay Coal Terminal are likely to persist until the present expansion to 53 Mt is completed

In contrast, anthracite sales slithered to 0,81 Mt from 1,05 Mt as a mild winter in the northern hemisphere cut demand Paradoxically, rationalisation of operations and favourable exchange rate shifts allowed 1988's operating loss of R3,77m to be converted into an operating profit of R3,71m

The performance of the Klipwal gold mine was problematic. Gold production fell and operating income was less than needed to finance the year's capital spending, even though the average gold price increased Chairman Terry Wilkinson has little to say about Klipwal, though at present gold prices of around R34 500/kg, last year's profit decline should be reversed this year



F/M 2/2/90

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Duiker's Wilkinson ... looking at financing needs

The gems in Duiker's crown are its interests in the Free State — 36% of Easthold, which owns 85% of Freegold's Erfdeel section and a 25,8% participation in a joint exploration venture next to Freegold's North division Drilling was halted on the joint venture ground when the gold price stagnated and it is still not clear whether gold's present strength will persuade the companies to resume drilling The speculative appeal is good, however, and grades are sufficiently good to allow the ground to be mined as an extension of Freegold

Of course, Freegold will not want to be caught by a repeat of its experience with Erfdeel Low gold prices cut into mining revenues and profits and restricted the tax-saving advantages of developing Erfdeel Its production build-up has been slowed, though the eventual annual milling target of 2,7 Mt remains intact Erfdeel's gold recovery grade and milling rate have been creeping up comparatively slowly, but the section is far more highly geared to the gold price than the rest of the Freegold mining complex, which adds speculative spice to Duiker's share

The share price is almost a quarter less than the high of the past 12 months, reasonably so as the dividend yield is thin and likely to remain so as Duiker faces up to comparatively heavy development financing calls This year's coal export revenues should be helped by better dollar prices but restrained by a comparatively firm rand

The price is discounting several years of strong profit growth backed by firming gold

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prices The share is not cheap, but fundamentals are not wholly relevant at this stage of the market

Jim Jones

URANIUM

Biding its time

Last month Gary Maude, chairman of Genmin's gold and uranium division, spoke of the "good vibes" in the uranium market

He said nuclear power is today often considered "the lesser of two evils" now that oil and coal-burning power stations are being blamed for everything from global warming to acid rain. By comparison, nuclear energy is a clean alternative that should come back into favour if there isn't another Chernobyl or Three Mile Island this decade.

However, there appears to be little cause for immediate celebration. The spot price of uranium, which peaked at US\$48/lb in 1978, fell below \$10 in the third quarter of 1989 and is now hovering at around \$9. Most SA producers, though, are cushioned by long-term contracts that usually allow them to charge higher prices.

Nevertheless, over the last five years, SA's annual production has fallen from 6 000 t to little more than half that. And the bottom probably hasn't been reached yet, says John van Riet Lowe, GM of the Nuclear Fuels Corp, which refines and markets SA uranium. One encouraging sign, however, is that uranium consumption exceeded production in both 1988 and last year.

"There have been many cancellations and delays on new plants and those countries that put their nuclear programmes on hold — most notably the US — haven't started their programmes up again," Van Riet Lowe says. "Even if the theories about the damage fossil-fuelled power stations are doing to the environment are proved, it won't make any difference to the demand for uranium for at least five years."

Van Riet Lowe maintains that the slowdown in nuclear development wasn't simply a reaction to the environmental movement. "The original projections in the Sixties and early Seventies of future energy requirements proved to be far too high."

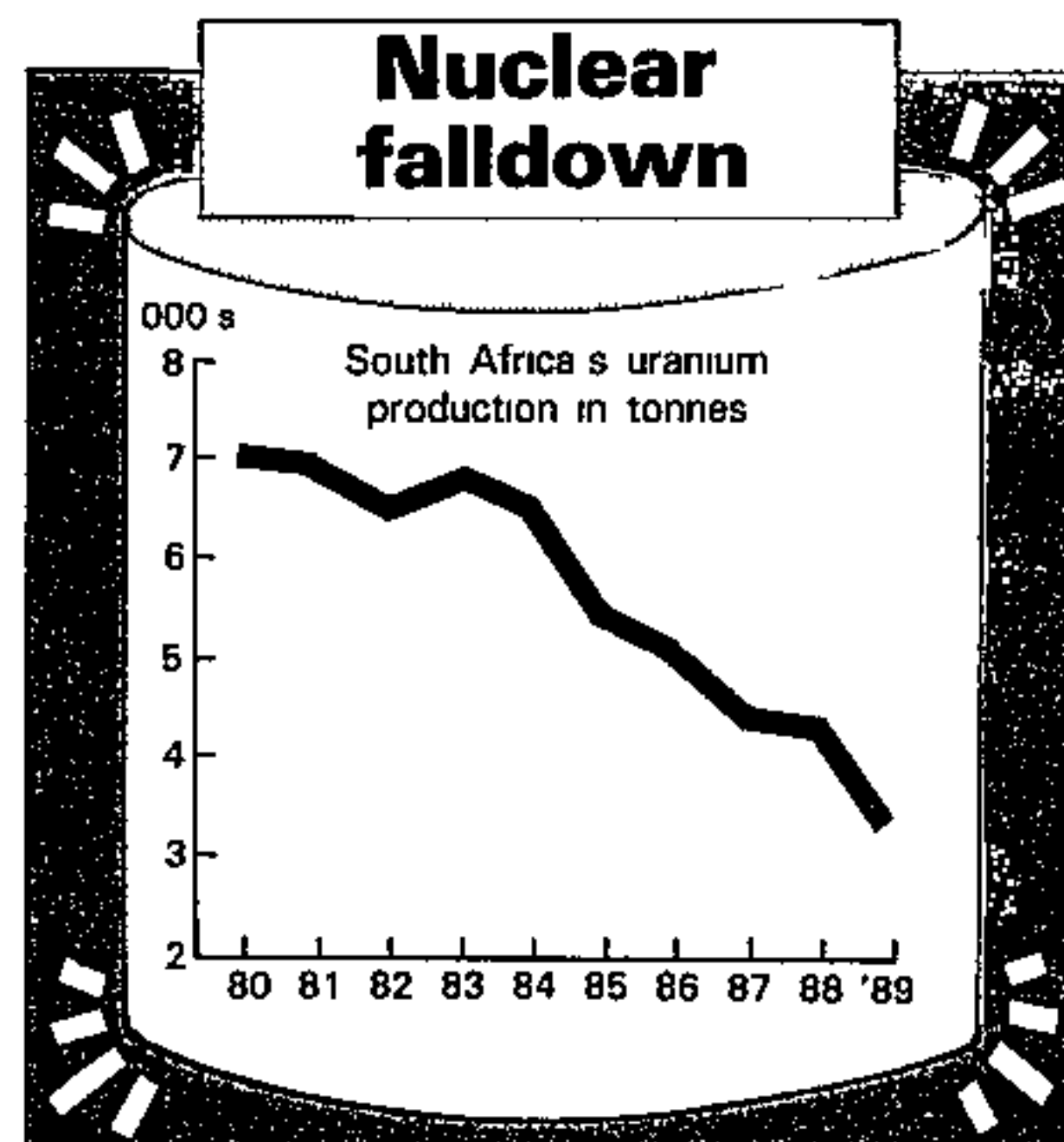
Nuclear stations require large, strong economies and developing countries might initially turn to small, natural gas-powered stations to meet new energy requirements.

Another concern is the advantage that the corporation's most direct competitor, the Rossing mine in Namibia, will enjoy over SA producers.

"Sanctions will surely be lifted once Namibia is independent, so Rossing will enjoy greater access to world markets — though it's unclear whether they'll also be able to realise better prices," Van Riet Lowe says.

Either way, SA will be in a good position to exploit any boom in uranium prices. South African uranium is produced as a by-product of gold mining and 40% of it is extracted from surface accumulations, so it's relatively simple to recommission uranium extracting facilities.

"There will be rewards in the next century," he concludes, "but uranium certainly isn't an option for the short-term investor." ■



F/M 2/2/90

it cannot run it at a profit on present throughput volumes. Production is being treated through a milling agreement with Marievale and there has been an immediate improvement in yield to 3,76 g/t (3,35 g/t).

Chairman Les Holmes says the mill will be recommissioned in 1991, when a planned increase in tonnage should make it cost-effective. However, shareholders may recall the mine cut production a year ago to try and get the underground grade up. It remains to be seen what will happen when underground production is raised again.

A further drop in recovery grade to 2,3 g/t (2,55 g/t) and bad ground problems at the No 6 shaft has forced Rand Leases' management to restrict production to the No 11 and KR2 shafts. The loss for the quarter soared to R4,2m (R1,5m) and for the year to end-December to R5,8m.

Eersteling for the first time showed a profit after capital expenditure commitments and finance charges, thanks to an improvement in recovery grade to 4,4 g/t (3,43 g/t).

and higher throughput of 36 000 t (28 000 t). Finance charges totalled R525 000 (R645 000) and should be nil this quarter as all debts have been repaid out of the proceeds of the rights issue.

Primrose's operating profit was cut by 59% to R312 000 (R767 000) because yield and costs were hit by an operating loss of R483 000 in the Simmer & Jack section. Management has to decide by March whe-

GOLD QUARTERLIES F/M 2/2/90

Independents adapt

Mines controlled by Southgo stand out as the best performers in the December quarterly results from the independent gold producers. In general, more mines are showing signs of adapting to the cost/revenue squeeze but, for some, it remains a painful process. (214)

Sub Nigel is a case in point. It has been forced to close its own milling plant because

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ther it wants to exercise its option to convert from trial mining in the section.

Dump retreatment operation Knights made a taxed profit of R3,6m (R3,9m) to bring taxed profit for the year to December to R9,3m, with a positive cash flow of R4,3m. Gold production for the year was 1 138 kg against a prospectus forecast of 1 008 kg, the operation was not expected to turn cash positive until the current financial year. It has done so by controlling capital expenditure and using loan finance.

Nigel reduced working costs for the second successive quarter to R99,98/t milled (R104,43/t) but recovery grade dipped to 3,46 g/t (3,86 g/t). The financial position was saved yet again by the steady performance of the Goldam dump project. It contributed R1,76m of the R2,6m (R4,2m) working profit. West Wits suffered a grade drop but held its working profits at R2,4m (R2,6m) thanks largely to reducing working costs 2,2% to R13,2m (R13,5m).

First operating quarterly results from Lindum Reefs are close to prospectus estimates. On throughput of 84 344 t, working costs were R77,87 t milled against prospectus forecasts of R70/t-R75/t, in January 1988 terms, once production settled at the initial planned throughput of 90 000 t a quarter.

Gazgold took a knock on grade, throughput and working costs because opencast mining at the Franke section ended and operations were switched to underground mining. Operating profit fell to R461 000 (R840 325) but the problems are seen as short term.

Cengold just can't seem to get it right. A plunge in underground yield to 2,11 g/t (3,09 g/t) destroyed a slight financial improvement from the dump retreatment operations and more than doubled losses to

R472 000 (R219 000) while capex absorbed R113 000 (nil).

Shareholders in Roodepoort Gold Holdings will be the last in the industry to find out how their mine is doing. The interim report is expected only next week. *Brendan Ryan*

F/M 2/2/90 (214)

WINKELHAAK F/M 2/2/90

Longer life (214)

Good for the mine but not necessarily good for the share price in the short term — that is how some analysts view Winkelhaak's new R701,5m expansion. Since the project was announced last week, the share price has risen to around R125 from R113 but gold bull market sentiment could have had as much to do with that as reaction to the announcement.

"Through this project Genmin has secured the long-term future of the mine," says one gold analyst. "But the share will probably initially be downrated as a result, which is sick when you think about it."

Reactions have been uncertain because of the financial effect on Winkels' dividend payments. This is despite Genmin's statement that, at 1989 gold price levels, there should not be a reduction in dividends paid during the development of the new shaft, while any improvement in the gold price will be positively reflected in the dividends.

"You have to look at the previous performance of the share," the analyst adds. "After the announcement of the No 6 shaft project, also funded from earnings, Winkels underperformed against comparable shares. The deal favours the mine in the long term and the share rates a hold on that basis, but investors running funds where their performance

is judged quarter-by-quarter are not going to take that view."

Against this, Gengold MD Gary Maude argues investors should take into account the effect on Winkels' earnings of increases in the gold price.

"Annual levels of capex at Winkels since the decision to put in the No 6 shaft mean the mine reacts like a marginal producer to changes in the gold price," he says. "An increase in the price will have a much greater effect on Winkels' earnings than on the earnings of other mines of comparable quality."

"The opposite is also true, of course, but if you believe the gold price is going up then the mine's high gearing is a factor you should take into account."

High yield

Maude also points out the high yield and more efficient mining operations on the steeply-dipping reefs in the No 6 shaft area mean Winkels' cost of production per kg of gold will remain "in the low R20 000s".

The project involves a twin sub-vertical shaft system extending from 1 227 m below surface to a final depth of 2 415 m, situated 60 m north of the No 6 shaft. Production

from the new system will start in 1998 and continue until 2015, providing 21,4 Mt of ore at a yield of 5,7 g/t over the period, giving 121 t of gold. That means the mine will be able to continue its current full milled throughput of about 2 Mt/year and not have to cut back as older sections are worked out.

Comments another gold analyst: "Winkels deserves a higher rating because it has secured its future for the next 25 years as a low-cost mine in terms of rand/kg of gold produced. However, at the current dividend yield of 2,5%, the benefits are reflected in the price."

Brendan Ryan

(816)

Potch has most of SA's gold

BARRY SERGEANT

THE Potchefstroom gold field — known as the Potch Gap — contains unmined gold equal to 19,9% of all known gold produced in SA to date

A paper released by Wits University's Economic Geology Research Unit provides further evidence that Potch could be the world's next major gold field. However, mining industry executives say full-scale development of the field is being hampered by unresolved tax issues

Phil Marilher, mining analyst at Mathison & Hollidge says. "The future of the mining industry — and hence the exploration sector — is largely dependent on concessions made by government. Some will surely be announced in the March Budget, otherwise projects will become even more dependent on the gold price."

According to the Wits study, exploitation of the ultra-deep Potchefstroom field

would maintain SA's position as the world's dominant gold producer until at least 2040

(214)
The paper, by consulting geologist John Handley, shows SA's known gold production from 1886 to 1988 is 40 225 tons. Estimated future gold production, based on 1,87-million tons of ore, is 16 785 tons.

This means that SA has so far mined just over 70% of its known gold reserves. The estimates show that of the 16 785 tons of gold waiting to be mined, no less than 8 000 tons (47,7%) is expected to come from the Potch gold field. Other better-known gold fields, where projects are more likely to be announced in the short-term, contain much less gold, according to the estimates.

● See Page 8

2/12/90
B/S

New Potch gold field would keep SA on top

B/Dec 21 2190

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THE unmined Potchefstroom gold field contains estimated gold reserves equal to 19,9% of all known SA gold production to date

A paper just released by Wits University's Economic Geology Research Unit provides further encouraging evidence that Potch is the world's next new and very big goldfield

But there is virtually unanimous industry agreement that a full-out bid to develop the area is being hampered by unresolved tax issues

Mathison & Hollidge mining analyst Phil Marilher said unless concessions were made by government projects would become even more dependant on the gold price's continued strength.

According to the study, exploitation of the huge, very deep Potch field would maintain SA's position as the world's dominant gold producer until at least the year 2040

The paper, by consulting geologist John Handley, shows that SA's known gold production from 1886 to 1988 is 40 225 tons. Estimated future gold production, based on 1,87m tons of ore, is 16 785 tons of gold

This means that SA has so far mined just over 70% of its known gold reserves. The estimates show that of the 16 785 tons of gold waiting to be mined, no less than 8 000 tons (47,7%) is expected to come from the Potch gold field

Second on the list is the OFS South field, with 2 800 tons, and third South Deep with 2 475 tons. To date, po-

ANALYSIS BARRY SERGEANT

tentials in the Potch gold field have been pooh-pooed by many because of the extreme depths (and therefore costs), inconclusive drilling results, and major geological inconsistencies in the area

A spokesman for Potchefstroom Gold Areas (PGA), which has rights to the area, says no firm announcement of a shaft-sinking can be expected for up to three years. But a number of factors suggest the announcement is inevitable

In his latest chairman's statement, Anglo American's Gavin Relly said about R200m was being spent on prospecting, most of which would be devoted to delineating new gold mining areas

The last goldfield developed in SA was Evander in 1952

Since 1965, however, there has been a surge in exploration. Today there are 11 companies on the JSE's mining exploration boards, with a combined market capitalisation of about R1,2bn

Activity on the Potch field is concentrated on the farm Gerhardminnebron, with other boreholes on Stompoorfontein (also known as Mooirivier), Vyfhoek, and Droogespruit

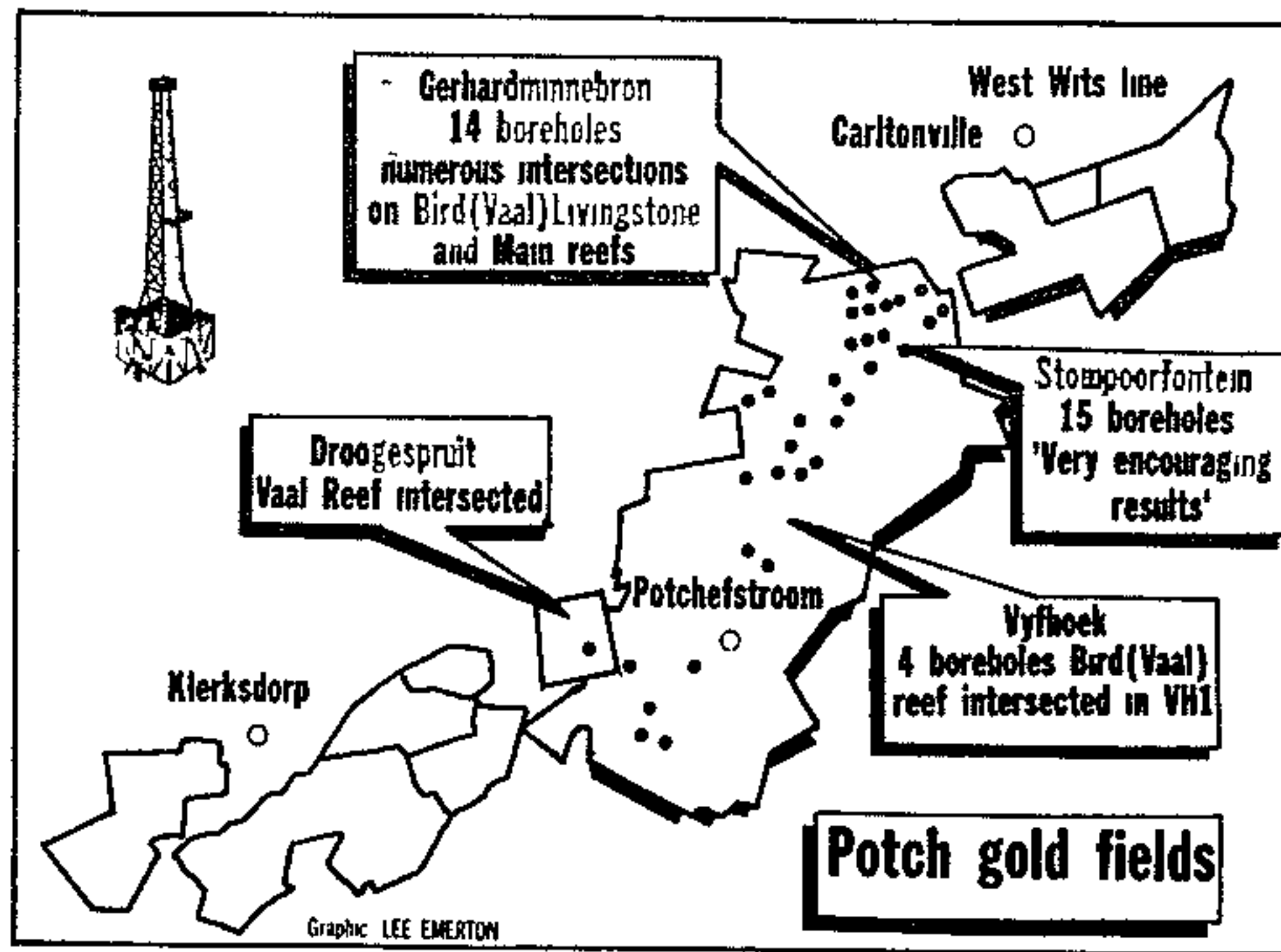
Anglo is the most active participant, although Gold Fields (GFS) and Gencor also own rights

The main non-principal participant in the exploration is JSE-listed Potchefstroom Gold Areas (PGA), in which non-listed Old Mutual and independent Southern Prospecting own big stakes

Anglo does not release borehole results for the Stompoorfontein farm, but results so far from Gerhardminnebron, Vyfhoek and Droogespruit are highly encouraging. Clues to this are given by Julian Ogilvie Thompson in his Amgold chairman's statement.

But to be fair to the cynics, the future in the Potch gold field is daunting

Tom Dale of stockbrokers Ed Hern, Rudolph, Inc, says the capital cost of a new 180 000 tons per month, deep level, stand-alone mine in mid-1990 terms is between R2,3bn and R2,7bn. The technology needed to get the gold out of Potch will be tantamount to re-inventing the wheel. Similar sentiment was expressed before the first ultra deep shaft went down at Western Deeps



Zandpan earnings dip

10/04/90

RIAAN SMIT

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ZANDPAN Gold Mining Company's interim earnings to December 31 1989 declined 18,9% to R14,2m.

This was a result of lower dividend income from its major interest, a 19,6% stake in Hartebeestfontein gold mine, Anglovaal said in a statement yesterday.

Hartebeestfontein did not declare a dividend for the three months to September 1989.

Zandpan's total income was R14,6m (R17,8m in 1988) of which R14,3m (R17,6m) was from the Hartebeestfontein dividends and the balance was from interest received.

Market value

Expenditure for the period amounted to R398 000 (R364 000)

The market value of the company's Harties shares rose to R720,5m (R519,2m) on December 31, while their book value was an unchanged R20,9m.

The market value of the company's other quoted investments was R2,3m (R2m) on that date, while their book value was R736 000 (R516 000).

The net asset value of Zandpan's 130 202 850 shares totalled 556c (401c) per share at the end of the interim period.

During December, Zandpan declared an interim dividend of 10,5c (13,3c) a share.

This is payable on or about February 9

Potch Gap holds 50% of SA's gold reserves

5/17/90
2/2/90
Finance Staff (214)

South Africa has already mined up to 70 percent of its known gold reserves, a paper released by the Wits University Economic Geology Research Unit states

Between 1886 and 1988 the country has mined 40 225 tons of gold and according to the Wits study, future production will be limited to 16 785 tons, based on 1,87 million tons of ore

However, this will maintain SA's position as the world's leading producer until at least 2040, it was reported today

The study by consulting engineer John Handley also states that almost 50 percent, or 8 000 tons, of the known reserves are situated in the Potchefstroom Gap

Contributions by other gold fields to future production are less significant

According to the study the Orange Free State South fields could yield 2 800 tons and the South Deep field 2 475 tons

A number of exploration firms have started drilling in the Potchefstroom Gap, but results so far have been inconclusive and no major mining development in the area is in the pipeline

Potchefstroom Gold Areas has most of the rights to the area

Incorrect inference

in Zandpan report

8104612/90
IT WAS incorrectly reported on Friday in an article about Zandpan gold mining company's interim result that Anglovaal's Hartebeestfontein gold mine did not declare a dividend for the three months to end-September.

The inference was that because no dividend was declared, Zandpan's earnings dropped.

In fact, the September quarter is a non-dividend quarter for Hartebeestfontein and Zandpan's earnings dropped because of lower Hartebeestfontein dividends for the whole six months to December 31. (214)

CMC to expand with launch of new gold dump

SMF 9/2/90 (214)

By Sven Lunsche
Consolidated Mining Corporation (CMC), which recently returned to profitability after the restructuring of Joe Berardo's beleaguered Johannesburg Mining & Finance group, is expanding further with the launch of a new gold dump and a R25 million rights issue

CMC is establishing a R35 million gold dump near Benoni, which could seek a listing on the JSE when the plant moves into full production next year

At the same time CMC has announced a rights offer to raise R25,1 million through the issue of 71,8 million shares at 35c each

The Benoni project, controlled by Southgo — CMC's gold mining arm — will be replicate Southgo's Knights recovery plant, which treats dumps in the Germiston area

The plant will begin production in October and aims at recovering gold and other min-

erals from sand and slime dumps at the old New Kleinfontein, Van Ryn and New Modder gold mines near Benoni

Site clearing and construction work on the Benoni Gold Mining Company's project has begun

It will treat about 175 000 tons of material a month at a grade of 0,57 grams per ton and, according to CMC, could yield up to 1 200 kg of gold a year by 1991

The estimated reserves are 24 million tons which, assuming no further reserves are acquired, gives the project a 12-year life

Operating costs are estimated at R18 400 per kg of gold recovered

Benoni is expected to produce annual profits of about R18,75 million by 1991 from annual turnover exceeding R40 million at an expected gold price of R34 000 a kg

A turnkey contract of R29,4 million for the construc-

tion of the plant has been awarded to LTA, which was responsible for the Knights project

Capital expenditure is an estimated R35 million, of which R30 million will be raised through the listing and the balance through borrowings

Syfrets will take up 26,3 million Benoni shares for R21 million and CMC 13,1 million shares for R10,5 million

A total 100 million shares are being issued, of which Southgo will have 60,5 percent, Syfrets 26,3 percent and CMC 13,2 percent

Subject to market conditions an application will be made to list Benoni on the JSE when the plant moves into full production next year

The listing will be made by the offer of shares in Benoni to Southgo, Egoli and CMC shareholders, the directors of CMC say

They add that the project should not have an effect on

Southgo's earnings in the current financial year to end-March, but that the group's net asset value per share will increase by 8c

CMC's rights offer of 71,8 million shares will be issued on the basis of 20 new shares for every 100 held by the close of trade on March 2

CMC's controlling shareholders, a consortium headed by attorney Gerald Rubenstein and stockbroker Norman Lowenthal, which holds 71,3 percent of its capital, will take up its entitlement to the rights offer for R17,92 million

The balance of R7,2 million has been underwritten by DMB Securities

"The purpose of the offer is to place CMC in a position to assist its subsidiary companies to take advantage of new investment opportunities and to maintain or increase its investment in the companies concerned," the directors say

Disclosure down (214)

More than a year after JCI started publishing abbreviated gold mine quarterly results some investors seem finally to have realised the practice could prejudice their interests

Anglo American has adopted a similar approach. Abridged quarterly figures are published in newspapers, with less operating and financial information and without development results. For example, Anglo excludes working cost per ton milled and JCI omits the gold price received. JCI has also stopped advertising full interim reports for its small holding companies instead placing ads saying the figures are available on request.

On the day of publication full statistics are provided to financial journalists, investment analysts and other interested parties. They are also posted to all shareholders.

The system has several drawbacks compared to immediate, full reporting practised by other houses. One is that most minority shareholders in Anglo and JCI mines get the full figures several days after professional analysts, whose clients have already been able to act on the information.

The missing information is essential for a full evaluation. There is no better indication of future grade than sampling results from development work.

Another problem is that prospective investors no longer have the full picture.

Both mining houses cite the cost of publishing unabridged results abroad as a main reason for publishing summarised figures. This is a dubious argument. How material can the costs be compared to dividends paid by a large gold mine?

Says Anglo gold division public affairs manager Adrian du Plessis: "Cost saving is balanced against the need to provide our various publics with relevant, comprehensible information. We continuously review our efforts in this regard."

He says shareholders feeling disadvantaged should ask Anglo to send them unabridged results directly. The gold division faxes the unabridged version to some people who have requested this. Helpful for those who own fax machines but not for others.

JCI PR manager Ann Dones says JCI is reviewing its quarterly reporting system.

JSE president Tony Norton says no investors have complained about the abbreviated

Not so fair

Almost to a man, low-cost housing developers wail about bureaucratic delays in approving and declaring areas for housing projects which, they say, harm productivity and cost shareholders dearly.

Faircape financial director Chris Vietri adds his voice to the chorus by saying this was a main reason for the dive in net operating income during 1989, despite a 37,5% rise in turnover. "Such delays cost us about R2m."

The rise in interest rates also slashed income. At the start of the year active projects, largely pre-sold, had been costed at an interest rate of 17,5%. When rates rose even higher there was nothing Faircape could do. So margins were seriously eroded. For these reasons pre-tax profits fell from R5,3m in 1988 to R1,6m, a drop of 69%.

A worrying feature is high gearing, almost 4 at end-1988, which Vietri undertook to reduce (*Companies* June 30). To a degree, it was. A total of R3,4m was raised by selling 25% of the stake in Health & Racquet Club (R2,4m) and associated properties (R1m), though the proceeds are due only on June 1 (Only 18 months ago Faircape bought 49,9% of Health & Racquet Club for R2,4m. After the sale it still owns 37,4%.)

Also, 860 ha stock land north of Milnerton was sold for R3m. Interest-bearing debt thus now totals R18m (R21m) — still high. Better gearing reflects an increase in shareholders' funds more than lower total debt.

FIM 9/2/90 (214) CH

statements. He adds there is no obligation to publish unabridged results. "Publication of quarterly results is a convention, not an absolute requirement. We accepted the changes because the press ads contain the heart of the financial information and full results are mailed to shareholders," he says. "If people feel they are losing out we would like to hear about it."

In the *FM's* view, this is a regrettable deterioration in disclosure standards. The changes raise problems of equity and fairness and the mining houses concerned should reconsider.

Brendan Ryan

CMC to expand with launch of new gold dump

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RAND MINES PROPERTIES

Seeking investments

(214)

FIM 912190

(214)

Activities: Reprocesses gold dumps and markets, develops and administers property

Control. Rand Mines has 76,4%

Chairman D T Watt, joint MDs J R Forbes, J P S Turner

Capital structure. 12,4m ords Market capitalisation R338m

Share market: Price 2 725c Yields 5,1% on dividend, 7,5% on earnings, PE ratio, 13,3, cover, 1,5 12-month high, 3 100c, low, 1 800c Trading volume last quarter, 96 000 shares

Year to Sep 30	'86	'87	'88	'89
Gold produced (t)	2,4	2,8	3,7	3,5
Turnover (Rm)	76	105	154	166
Operating profit				
Gold (Rm)	19,1	21,4	32,7	25,3
Property (Rm)	0,9	5,9	9,1	9,5
Taxed profit (Rm)	15,3	19,3	28,3	26,7
Earnings (c)	123	155	224	205
Dividends (c)	65	80	120	140

Chairman Dammy Watt speaks of another decline in profits, by about 20%, this year but his review is dated October 24, shortly after the gold price had risen from but remained below \$370. Though the rise in the rand gold price since then has been modest RMP's dump retreatment operation is low-cost and should benefit more than mines

Watt's expectation of 10% lower taxed profit last year was close to the actual 8%. Last year, 73% (78%) of operating profit was from gold recovery. Head grade of material treated at the two plants in Johannesburg — Crown Mines and City Deep — declined slightly, as did that of the high tonnage throughput of the Pilgrim's Rest plant, owned by Transvaal Gold Mining Estates (TGME), which is held 50/50 with Rand Mines. Throughput of that plant is only 3% of those in Johannesburg though grade is more than three times higher.

Joint MD James Forbes says no dramatic increase in tonnage throughput is expected in either location this year and grade should be maintained. Cost per ton treated increased by only 8,9% on Johannesburg plants but by 23% on the Pilgrim's Rest plant because of high employment costs and a



RMP's Watt ... wants to diversify

higher level of reagent consumption to achieve better extraction. Capex was — and is likely to remain — modest at all plants. Forbes says plants are adequate on present plans, another plant would be built on the West Rand only if the gold price justified a quicker rate of processing.

Drilling on Consolidated Main Reef and Crown Mines yielded disappointing results and negotiations about acquiring assets or shares of Durban Roodepoort Deep were stillborn. Drilling by Rand Mines in areas south of Johannesburg continued without known results, RMP would be involved only because it has freehold and some peripheral mineral rights.

TGME has large tracts of mineral rights between Long Tom Pass and Bourkes Luck. A drilling programme north and west of Pilgrim's Rest has not yielded pleasing results but Forbes feels this might not be an appropriate method of exploration for hydrothermal gold. Results of further exploration of identified ore bodies have been received but he won't comment on them. TGME is considering treatment of eluvial deposits with sand and slime.

Watt says the property market performed better than expected last year and sales to smaller investors were a prominent feature. Township and land sales totalled R19,3m (R16,6m). However, operating profit from property rose only 5%. He says there has been a noticeable softening of the market for vacant township land and smaller investors are now absent.

The cash pile rose to R51,2m (R15m) at year-end, which should lift interest earnings

substantially. Watt says the need to diversify RMP's interests, in mining or property, will be given priority. Emphasis will be on investments which will produce income in the short and medium terms.

Earnings should grow this year if the rand gold price holds. The dividend was 17% higher on the reduced cover last year. Considering RMP's high yield, compared with most pure gold shares, it may not yet be fully priced.

Teigue Payne

GUBB & INGGS

Profits shorn

Activities: Wool and hair sorters, carbonisers and combers and recoverers of woolgrease

Control Merwool (Pty) 50,4%

Chairman: R R Stucken

Capital structure: 2,03m ords, 0,75m cum red prefs. Market capitalisation R25,9m

Share market: Price 1 275c Yields 5,1% on dividend, 15,34% on earnings, PE ratio, 6,5, cover, 6,5 12-month high, 1 600c, low, 1 275c Trading volume last quarter, 6 325 shares

Year to June 30	'86	'87	'88	'89
ST debt (Rm)	70,7	63,4	101,9	104,7
LT debt (Rm)	4,1	2,8	1,9	1,4
Debt equity ratio	3,17	2,1	3,1	2,6
Shareholders interest	0,20	0,23	0,20	0,23
Int & leasing cover	1,4	2,9	2,2	1,5
Return on cap (%)	11,7	13,9	11,3	12,5
Turnover (Rm)	275,4	270,2	314,0	402,2
Pre-int profit (Rm)	13,8	18,6	22,9	25,7
Pre-int margin (%)	5,0	6,9	7,3	6,4
Earnings (c)	168,5	464,4	477,9	423,4
Dividends (c)	35	60	65	65
Net worth (c)	1 082	1 471	1 950	2 326

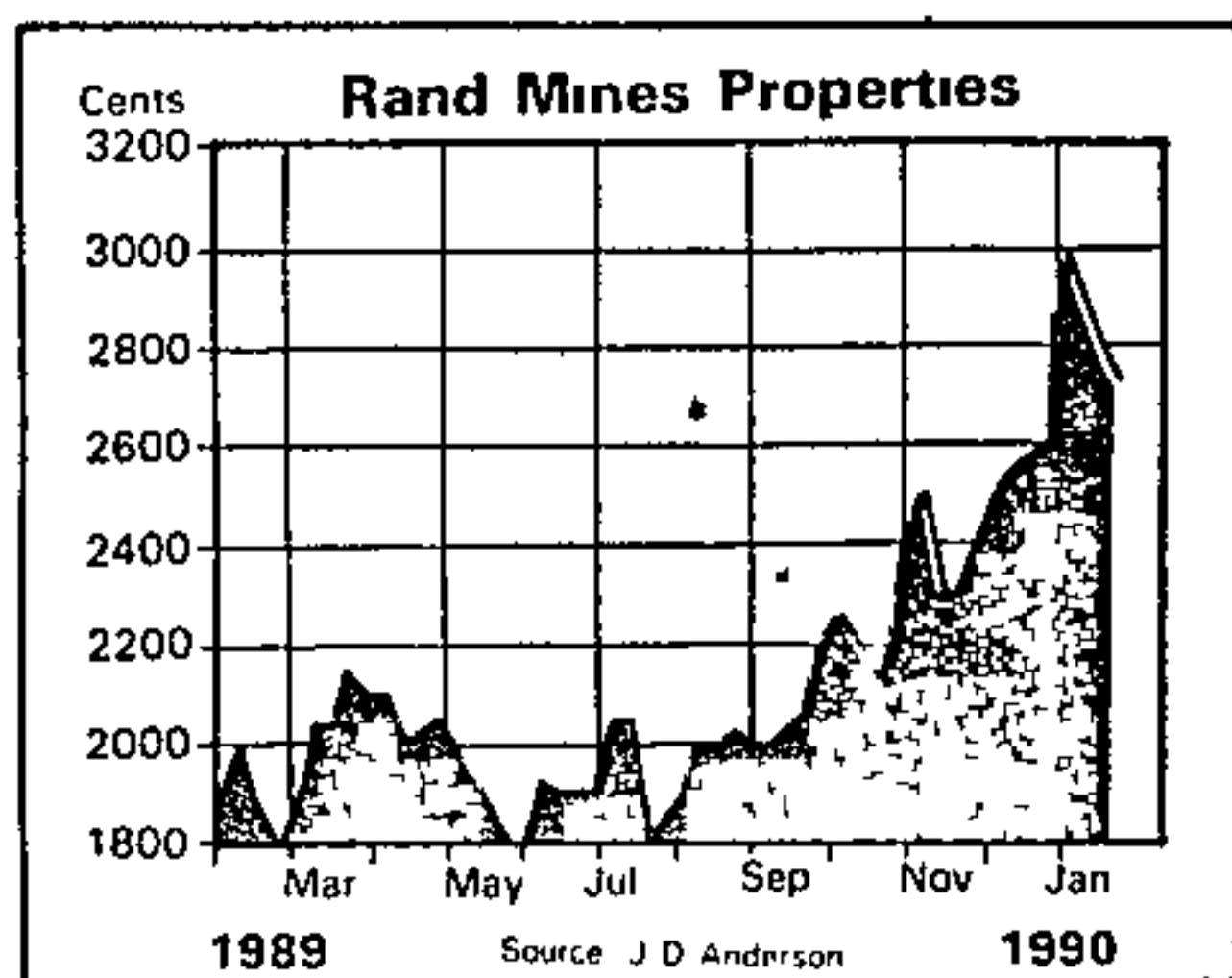
The People's Republic of China usually absorbs a large slice of international wool sales, by both SA and Australia, but last year's events at Tiananmen Square constricted and almost eliminated its wool buying. This in turn profoundly affected the international wool trade. FIM 912190

It occurred just when Australian production had expanded and both the Australian and SA wool boards have been obliged to buy in about 50% of local supplies to underpin the international price. The boards are now holding large stocks.

As a result, prospects for Gubb & Inggs are less than rosy. Wool and mohair processing volumes have fallen and capacity utilisation has been hit. The interest bill rose last year to R17,4m (R10,2m) while pre-tax income and EPS fell.

This year there should be some help from efficiency improvements after the expansion and modernisation of the plant at a cost of R25m over the past two years. No further

P.T.O



MINING FOR PROFITS

Gold Reef City, though still showing a poor return on investment, is starting to draw good crowds through the gate Management has spent R6m on new rides in the last year, with half going to the Golden Loop, which opened Tuesday.

The attendance at the theme park, located on the old Crown Mines site between Johannesburg and Soweto, was well under 600 000/year when First National Bank pulled out and wrote off R18m in loan finance on April 1 1988 Under the new owners — Southern Sun and Empire Amusements — attendance

MD Ben Schutte says the crowds started coming back when the management bought out the parking concession and made parking free

It also made all rides and attractions free once the R8 admission price is paid Schutte was ruthless with overheads he cut the staff from 320 to 187 and moved from a head office in nearby Crown Gardens to more modest premises at the park

“We are now making an operating profit but we depend on repeat business and the best way to bring that in is by strengthening the entertainment on offer”

But, he says, Gold Reef City won't become a pure amusement park because foreign visitors are attracted to the gold mining exhibits. He estimates that 80% of the foreign tourists who visit Johannesburg go to the site

The park's main problem is space Gold Reef City is on a 12,5 ha site and there is little prospect for expansion until the mine dump immediately behind it is removed — and that depends on the gold price Rand Mines holds the right to resume mining there.

There's no space for another major ride like the loop so plans for further attractions are more modest An organ being made in Holland for the park will be the only one of its kind in Africa It should be playing in the main square later this year



Latest attraction ...
the Golden Loop

increased by 18% in the first year and is expected to increase by another 15% in the year ending March 31 to top 800 000

Top LM RM

#/Day 9/2/90

Details of funding for Southgo plant

CHARLOTTE MATHEWS 214

DETAILS of the funding of Southgo's new Benoni gold recovery plant, which will cost around R35m to develop, have been released in two related announcements in today's Press

The directors of Consolidated Mining Corporation (CMC) — universally known as the old Joe Berardo operation — said they had decided to proceed with the construction of a plant to recover gold and other minerals from sand and slime dumps at the old New Kleinfontein, Van Ryn and New Modder gold mines near Benoni

Capital expenditure for the project would be around R35m, of which R31,5m would be raised by the issue of equity. The remainder would be funded from borrowings

Benoni is to issue 100-million shares, of which 60,5% would be owned by Southgo, 26,3% by Syfrets and 13,2% by CMC

CMC's contribution of R10,5m would be raised by a rights offer, which is announced today in a separate statement

In terms of the offer, CMC will raise R25,1m by the issue of 71-million shares on the basis of 20 new ordinary shares for every 100 ordinary shares, preferred ordinary shares and 100 convertible debentures held. The subscription price is 35c each.

Disappointment

The remainder of the financing raised would be kept in reserve to enable CMC to maintain or increase its investment in the companies concerned, the statement said

According to analysts, the financing of Benoni may come as a disappointment to some investors who had hoped the company would be floated on the JSE

Today's statement says Benoni will apply to be listed when the plant is in full operation. This would be early in 1991

The listing will be by offer of shares to Southgo, Egoli and CMC shareholders

The Benoni plant will be similar to Southgo-run Knights in being a low-risk above-ground project. Knights's milling costs of R8 a ton in December compare favourably with the double or treble figure recovery costs of other gold operations

Forecast operating costs for Benoni are R10,50 a ton and operating costs at full production are estimated at R18 375 a kilogram of gold recovered

Profits before appropriations and tax are projected at R18,75m. The operation will have approximately a 12-year life

Southgo's earnings a share for the financial period to March 1990 will not be affected but the net asset value will increase by 8c a share

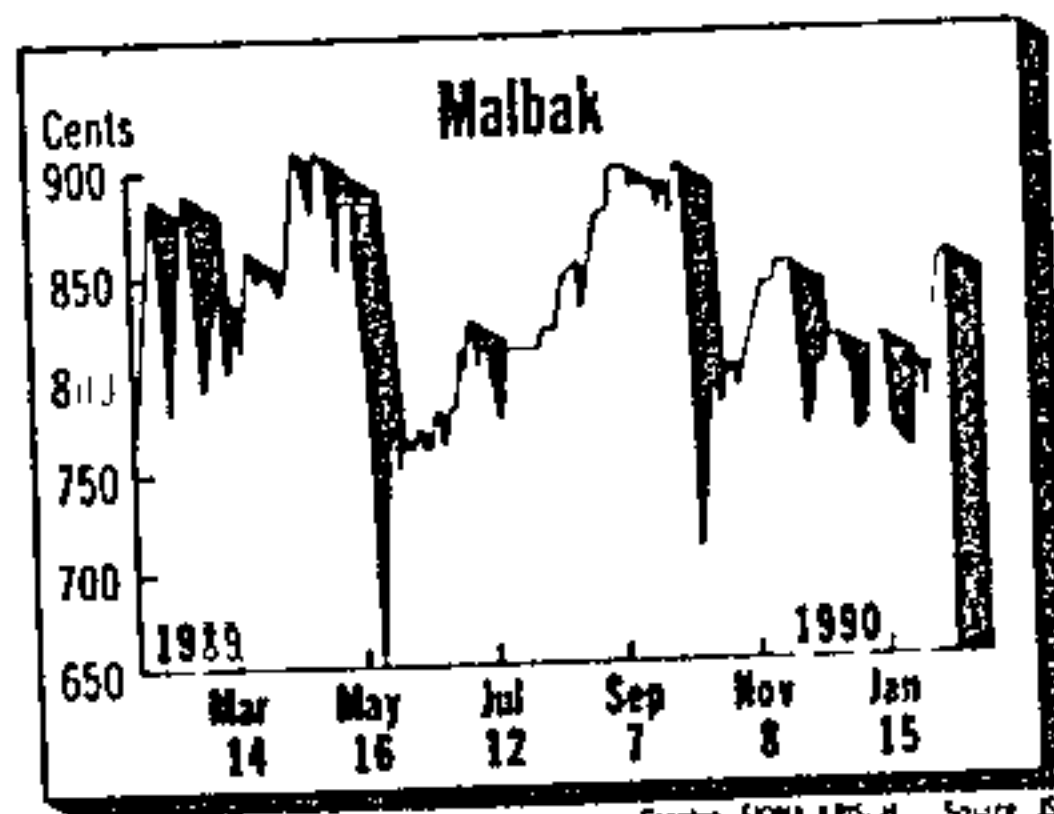
DISAPPOINTMENT at the failure of gold to breach resistance at the key \$425 level prompted profit-taking in gold shares in sluggish trading yesterday as the rest of the market took a breather after sharp recent gains

Smiles on the faces of dealers as they left the trading floor on Wednesday, when gold was heading towards \$425, were wiped off when they arrived at work yesterday morning to find the metal back below \$420.

Gold was set at \$418,50 at the London morning fix, after failing in its fifth attempt to penetrate above \$423. Analysts said the direction of Wall Street could help determine short-term movements of the metal.

In a session of featureless trading, the JSE overall index eased 15 points to 3 371 on a 15-point decline in the all gold index to 2 205, and a 12-point fall in the industrial index to 3 198

Calmer waters were also reflected in trading on the futures market. "There was a general easing in the all share, gold and industrial futures contracts, in line with the lower gold price and fears of firrand movements," Finansbank futures trader Sam Vogel said.



On Wednesday, the all share futures contract went below spot for the first time in more than a week

DE BEERS continued to attract good demand and the shares rose 75c to close at a new high of R70,25, with a little help from a weaker firrand

Mining holdings was the firm sector on the mining boards, with eight shares firmer and only two lower. AMGOLD rose 100c to R416, while MINORCO gained a similar amount to R59,50, which, dealers said, could be on the back of the joy-ride of associates Anglos and De Beers

Anglos was, however, weaker yesterday as the shares gave up 400c to R142 with RAND MINES, up 500c to a

DIAGONAL STREET

Dull trade as gold fails to breach \$425

new high of R140, the firm spot in the mining house sector.

Shares in the Free State sector held up relatively well on the gold board. OFSIL moved up 250c to close at a new high of R135,50 after touching R136,75, FREEGOLD firmed 25c to R58, and JOEL rose 15c to R10,65

Bellwether gold share VAAL REEFS eased 300c to R442, with the largest relative losses on the board ranging up to 8%, as in the case of MODDER, which fell 45c to 515c.

PLATE GLASS, which was in good demand among leading industrials, rose 300c to R60. This is just below its August high of R61. SASOL and ISCOR topped the most active volume lists, but Sasol ended 5c lower at R15,05, and Iscor shed 9c to 270c

Quality second-line industrial shares are still looking cheap relative to their big brothers, and dealers noted some nibbling of selected stocks. MALBAK continued to attract interest and the shares rose to a high of 885c before profit-taking emerged, to limit its gain to 5c, at 855c. The shares gained 30c on Wednesday.

DARLING & HODGSON (D & H) jumped 50c to 450c, and was well bid at that price, which suggests it could soon test its peak of 475c (in May last year). Edible oil processor and laundry soap manufacturer ELANGENI, which last week announced it will begin dividend payments in the second half of the financial year, rose 20c to 150c, the second largest price gain, of 15,4%, on the day Food sector leader TIGER OATS came off its peak on a fall of 100c to R29

Stores shares maintained their firm trend with several leading shares moving to higher ground. EDGARS firmed 200c to R39, WOOLTRU advanced 100c to R49, FOSCHINI gained 50c to R71,50 and PCKNPAY rose 25c to R15,25.

ABHOLD in the clothing and footwear sector fell 35c to a new 12-month low of 125c. This is less than half the August peak of 270c.

MERVYN HARRIS

Colfin Holdings earnings grow 37,5%

COLFIN Holdings' earnings grew 37,5% in the six months to October with the service and investment divisions achieving satisfactory results

The financial services and banking operation achieved attributable profits of R1,2m and earnings of 8,05c a share

The group, previously Cashworths Fashion Holdings, changed its name after the Colfin group of companies were injected into it. B W M 91 290

Chairman Harry Spain says the group's major operating subsidiaries

ZILLA EFRAT

underwent fundamental changes in their positioning during the past financial year following its change of control

MD Jeff Wiggel says the service division is benefiting from increased corporate activity. Together with a satisfactory performance from its investment portfolio, this should ensure earnings for the period to April are in line with forecasts of 18c a share

Cengold off the rocks

S/Times 11/2/90 214

CENGOLD Holdings' lot has not been a happy one since it was listed in 1988.

Pitched at 100c, the share went as low as 19c before rallying to 29c on news of a change of control.

Cengold's original management Metorex tried to pre-empt the pitfalls which befell other small mining groups around that time by listing a portfolio of new mines — not merely a single operation. The principle was sound, the execution imperfect.

The intention was to spread the risk of a new mining venture over several mines in case one turned sour.

FUNDAMENTAL

Metorex also manages and is the major shareholder in Primrose, which initially comprised several mines in Germiston and Nestor near Sabie in the Eastern Transvaal.

Nestor was taken out of Primrose and brought together with other small workings in its area. These formed Cengold.

Metorex and Cengold director Mike McChesney sees the lowdown on why

Cengold has stumbled so badly, and why it might get back on its feet under new control.

"Soon after listing we realised that Cengold had two fundamental problems. One was a shortage of hands-on management, and the other was that the group was never properly capitalised."

It was bad enough that mining problems arose at mainstay Nestor before the other mines had been developed well enough to make up the shortfall of ore.

Mr McChesney — a mining engineer — moved to Nestor to run the mine. Cengold was kept "bumping along the bottom", but losses were still incurred. A partial rights issue was held last year, the proceeds being used largely to settle current creditors.

Mr McChesney says the underlying assets are still sound, but he has been unable to persuade major shareholder Centurion plc to put more money into the struggling set-up.

So Cengold's major shareholders have gone for the next best thing and have accepted an offer from Christopher Mumby's Process Mining Consultants (PMC) — a young Sandton company.

An offer will be made to the Cengold minority at 30c a share. If more than 75% ac-

cept the offer, the remaining shareholders are bound to accept it. The offer includes a scheme of arrangement whereby all Cengold's creditors will be paid in full.

Mr McChesney says Centurion has accepted the offer, which will ensure Cengold's survival. He will stay on to manage the mines.

"It has been a two-year nightmare for me. But there is every chance Cengold will do well now that it is financially strong and the technical ability is available," says Mr McChesney.

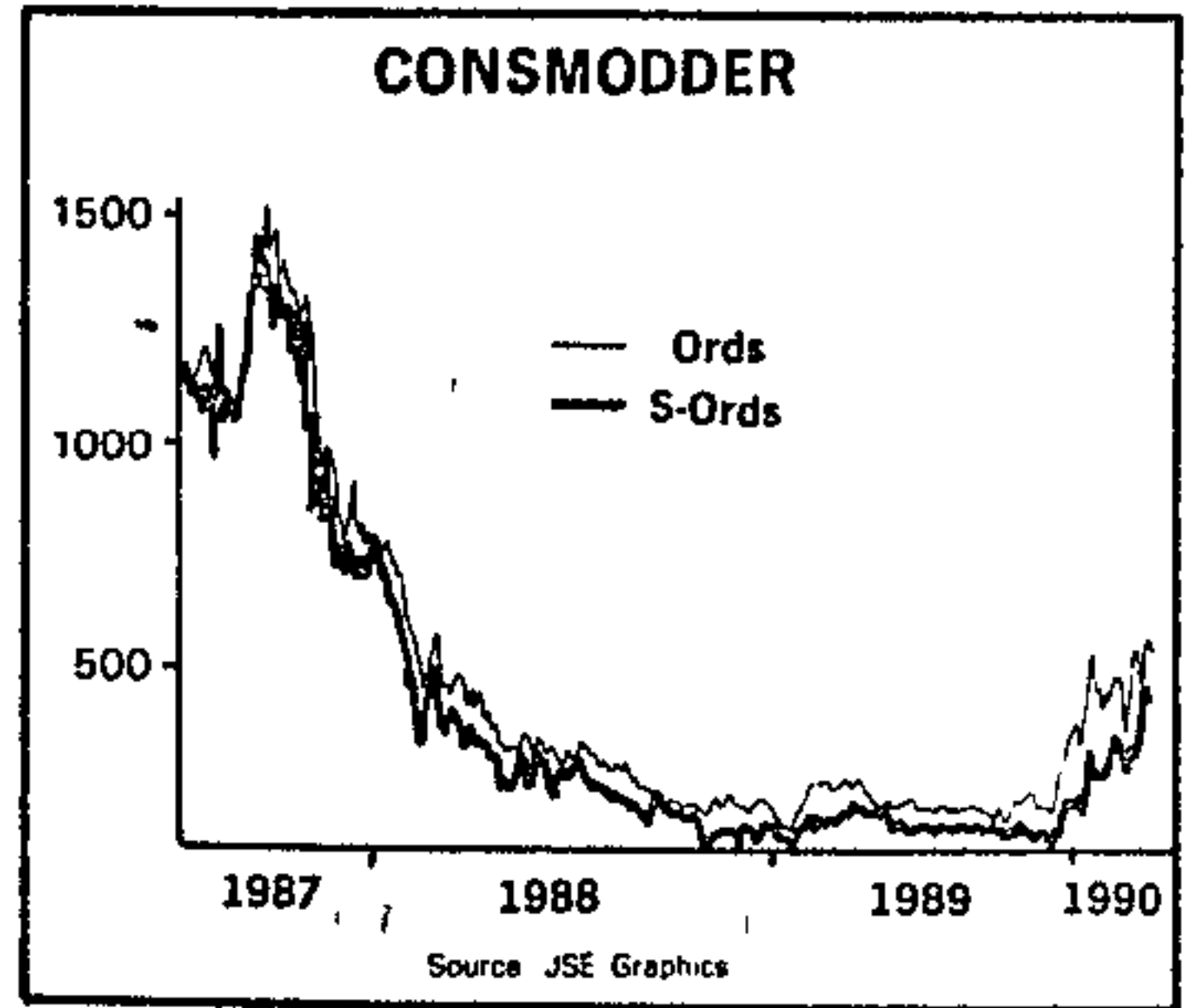
FOREIGN

Mr Mumby — also a mining engineer — says cash will be put in to Cengold to settle creditors and shareholders' loans, after which PMC will conduct a thorough investigation of the Cengold properties.

PMC acts on behalf of private foreign investors throughout the world, and has been exploring the Barberton area for many years.

Mr Mumby believes PMC will succeed because it has access to finance.

"Cengold was undercapitalised and tried to do too much with too little. But the intentions were right. We think it an interesting prospect."



Venture capital to clean up ir

FOLLOWING in British footsteps, Joe Schwenke and Kurt Illetschko are out to earn credibility for SA's venture capital industry.

Mr Illetschko has become executive director of the SA Venture Capital Association after scoring a marked success at the helm of the SA Franchise Association.

The British line was preferred to the American approach after Mr Schwenke — the association's chairman — visited England and saw how well the venture cap-

ital industry is doing there. Conferences are organised, and booklets and directories of vetted corporate members made available to venture capitalists and investors.

After keeping a low profile, SAVCA has been resurrected with a mission — that venture capital lose its dirty image.

In theory there is nothing wrong with investing in unlisted shares, and the idea of bringing investor and entrepreneur together for their mutual benefit in the long run is reasonable.

But SA's venture capital industry has attracted more than a few shysters who have enriched themselves

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a t Cor s c r c l i Th Mi

SA produces 15% of gold at loss — report

THE average cost of gold production in SA in rand terms has doubled in just three years, says London-based financial services house S G Warburg Securities in its latest mining review

In the past two years the margin between revenue and costs has fallen by more than 40% from just under R15 000 a kilogram to R7 000, Warburg precious metals analyst Michael Spriggs says

The true cost of SA gold production is currently averaging \$350 a troy ounce and "even at today's stronger gold price, about 15% of South African gold is produced at a loss", he says

His calculations take account of the high capex by SA gold producers — currently running at about R2,5bn, which is equivalent to \$49 an ounce of gold produced

"For the SA industry, much of this expenditure is earmarked for projects designed to keep the mines alive by maintaining production

RIAAN SMIT

"The majority of capex should therefore be considered more accurately as working costs, for the number of genuine expansion projects is very limited," Spriggs says

The industry continues to be squeezed by inflationary pressure and flat gold revenues

This has been caused by
 labour costs that have rocketed in recent years as a result of inflationary pay rises

attempts to mechanise the industry and improve productivity have met with limited success,

the progressive deepening of operations and increases in travelling times continue to push up real costs, and

the weakening of the rand and the imposition of tougher import tariffs have caused a sharp rise in the price of

imported items

But Spriggs says during the past year the industry average working costs have risen by 11% compared to SA's year-on-year change in CPI of 15%

This is a measure of the tough policies now being followed by the mining houses to contain cost rises

He warns that heroic management efforts cannot overcome the effect on cost per ounce of progressively falling grades

In the two years to June 1989 the industry average grade fell 10% to an all-time low of 5,04 g/t

Since last June, however, the trend has been reversed, illustrating "the industry's drive for revenue by striving to raise gold production by focusing on areas of higher grade ore, sometimes at the expense of tonnage"

He points out SA gold mines receive an almost constant local price of R1 000 to R1 050 an ounce for gold, but rand costs continue to rise

"Here is the real squeeze," he says

Costs

214

Biday 13/12/90

214 BIP 14/2/90

Soaring costs erode SA gold mine profits

SA gold mines experienced hardship in 1989, retaining only a fraction of the profits from gold sold because of high costs.

According to an analysis of all gold producers' performances by Nick Goodwin of E W Balderson, for the December 1989 quarter the average gold price, costs and gold profit for the gold mining industry were R1 013, R749 and R263 an ounce respectively.

While the average gold price remained the same, costs went up by 13% and profit came down by 22% compared with a year ago.

Cost increases in rand/ounce terms over the past year were below the CPI but the unchanged gold price resulted in the industry profit margin remaining very low at 26%.

Goodwin estimates that in the current March quarter industry costs are expected to increase to R760 an ounce and with the average gold price of R1 046 so far, the profit margin should improve to R286 an ounce (or 27,3% of revenue) before capital expenditure.

Of the 58 mines that reported, 12 were running at a loss for the December 1989 quarter.

These mines produce 48t or 8% of SA's annual gold production.

Goodwin says the hardships to date have made the industry leaner and more efficient, but there is still fat that can be trimmed.

It is possible that the industry has seen the bottom in terms of low margins from gold. Quarterly results could improve ahead if gold stays in an up-trend.

Over the December quarter, the highest gold price was achieved by Hartebeestfontein at R1 034 an ounce and the lowest by Kinross at R990 an ounce, a relative difference of 4%.

The Anglovaal group achieved the

LIZ ROUSE

highest average gold price of R1 031 an ounce.

Gencor had the lowest average at R1 008 an ounce, a relative difference of 3%.

This compares with the industry average of R1 013 and the theoretical daily average gold price of R997 an ounce.

Over the past year the best control, in rand/ounce terms, was achieved by Lindum (down 89%) and the worst by East Drie (up 63%).

The best group control was Golden Dumps (down 30%) and the worst GFSA (up 26%).

Rising

Mines with rising gold production over the past year were West Drie (up 6%), Doorns (up 7%), Venters (up 5%), Vlaks (up 7%), Harmony (up 2%), ET Cons (up 2%), Village (up 35%), Randfontein (up 3%), Western Areas (up 24%), Joel (up 196%), Beatrix (up 2%), Kinross (up 4%), Oryx (up 7%), St Helena (up 3%), Stilfontein (up 10%), Unisel (up 9%), Simmers (up 51%), Erfdeel (up 207%), South Freegold (up 10%), Freegold complex (up 5%), Aflease (up 34%), Elands (up 30%), Sallies (up 6%), Cons Modder (up 22%), South Roodepoort (up 33%), Knights (up 2 013%), Nigel (up 69%), Cengold (up 3%), Eersteling (up 101%), Gazgold (up 164%), Lindum (up more than tenfold), Primrose (up 2%) and Sub Nigel (up 6%).

Goodwin estimates that this year gold production should increase at East Drie, West Drie, Doorns, Kloof, Vlaks, ERPM, ET Cons, Randfontein, Western Areas, Joel, Oryx, Erfdeel, Aflease, Southvaal, Elands, Knights, Eersteling, Gazgold, Lindum, Primrose, Rand Leases and West Wits.

Half-year turnaround for new-look Afmin Holdings

RIAAAN SMIT

(214)

AFMIN Holdings, formerly Roodepoort Gold Holdings, reported a taxed profit of R815 000 for the half-year to end December, compared with a R194 000 loss for the corresponding period in 1988.

The company declared a maiden interim dividend of 0,5c a share.

During the period under review Afmin acquired Ventak, a supplier of fire proofing materials and ventilation equipment to the gold and platinum mining industries, and also Namib Lead, a zinc, lead and silver mine in Namibia. *By Day 14/2/90*

Afmin directors said in a statement they were involved in negotiating a further acquisition which, if successful, would result in further improvements in Afmin's profitability.

Money in muck (214)

Further growth in tougher market conditions from the high base established last year, justifies the recent rise in the share. After doubling EPS in the year to June, earnings in the first half were 25% higher.

About 60% of sales are to the mining industry. Chairman Peter Flack says there has been drastic cost cutting in gold mining and the slowdown in civil engineering means contractors compete in Fraser Alexander's market at the expense of margins.

But, he says, Fraser Alexander has been helped by longstanding contracts, mechanisation of some operations which has improved economies and contributions from the two new divisions, utility services and underground mining. Flack says the group previously depended on tailings for cash flow, while the concrete products and construction divisions were cyclical. The new divisions

FIM 16/2/90 (214)

give more balance, he believes utility services have the most short-term potential for growth, underground mining the most medium-term potential.

A prime activity for the underground mining division was to have been installation and operation of backfill systems. Flack says backfilling did not take off as envisaged, but other work more than compensated. The group is sinking a small shaft for Anglo American and operating a chrome mine for another client.

Underground mining

He expects Fraser Alexander will launch into its own underground mining, but stresses that it will seek small, high-grade deposits which do not interest the mining houses who are customers in other areas. It already has a coal mine near Middelburg.

Another longer-term development will probably be to list the concrete division, says Flack. But the group intends staying close to its core business of "moving muck" and is considering various acquisitions associated with this. Acquisitions would be, at least

GROWING ON

Six months to	Dec '88	Jun '89	Dec '89
Turnover (Rm)	82,7	93,8	98,1
Attributable (Rm)	6,1	10,3	7,7
Earnings (c)	50	83,8	62,5
Dividends (c)	11	27	14

partially, for paper, which might ease the share's marketability.

Flack is confident of at least maintaining the interim earnings increase for the full year to June. Gearing declined from 0,49 at year-end to 0,47 at half-year, he says, and is targeted to be about 0,35 by this year-end.

Trends towards care for the environment and privatisation by mines and institutions like Eskom and Iscor of peripheral activities put the group in the right place at the right time. Nobody else offers its mix of services — tailings and waste disposal and cleaning and building of associated plant. The share has risen steeply from about 500c at mid-1989 to 1 000c, where it yields 3,8%. It is likely to continue strongly. *Teigue Payne*

Blocking growth ~~300~~

To maintain gold production, now about 600 t a year, "SA needs to start several new deep-level mines before the end of the century," says the latest Bank of Lisbon *Economic Focus*. Mobilisation of capital resources to achieve this is, however, seriously hampered by lack of clarity on capital gains tax.

"Billions of rands of shares are not traded because holders are unsure whether the proceeds will be taxed. There is no definition in SA tax law of capital or income."

Large sums are at stake because the "long-term nature of investments by mining houses in mature operations means their book values are so small that, on sale, almost 50% of the proceeds could be subject to tax."

The situation is reflected in low turnover on the JSE, which averages about 4% of issued capital a year, compared with 35% in London, 57% in New York and a huge 380% in Taiwan. In a more favourable trading environment "substantial amounts of cash to fund new mines could be raised by selling tax-mature investments."

Ultimately, this would expand the tax base, as new mines created employment and eventually made greater profits which would be liable to tax.

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F/M 16/2/90 (214) ~~300~~

Economic Focus suggests "The answer is to reduce or abolish the 50% tax rate on dealing profits. Alternatively, the tax could be discarded where cash released from the sale of shares is directed into new projects. Another suggestion is to introduce a time ruling for the holding of shares, such as six or 12 months. A gain realised after this date would be nontaxable." ■

Gold exploration outlay 'an investment option'

RIAAN SMIT

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AN INVESTMENT in gold exploration resembled the purchase of an option on the gold price or on the development of new mining technology, Gencor executive director Brian Gilbertson said yesterday at the conference.

Speaking on "the climate for new mining investments in SA", he said the stock market, "strangely" placed no value on this option because mining houses always seemed to trade at a discount to their net asset values.

The drilling of the Potchefstroom Gap illustrated this option concept. It held gold ore, but it was at depths of between 3,5km and 6km. The massive capex required to open a mine at those depths was difficult to justify, given today's technology and gold price.

But a reasonable and sustained increase in the gold price would make those deposits an important investment opportunity, Gilbertson said.

In similar vein, the southern Free State area between Joel, Beatrix, Oryx, Unisel and Harmony would almost certainly be mined in years to come.

"Within our own (mining) house, our exploration programmes have created such options in the Rolspruit and Poplar areas of the Evander basin, while the Burnstone deposit of the South Rand Basin will support not only a new mine, but a new goldfield, given the right gold price."

He conceded it could take a long time, even decades, for the value of an option to be realised.

Exploration expenditure of the big six houses grew from R90m in 1983 to "probably R400m" this year.

He said first and foremost among non-technical issues that had an important bearing on new mining investments were a stable political climate and an economic system which encouraged entrepreneurs.

Major tax reforms for mines

Capex Tax

21/2/90

21/5

Own Correspondent

JOHANNESBURG — Finance Minister Barend du Plessis yesterday committed government to major tax reform for mines, and hinted that the changes could be included in next month's Budget

During question time at the Frankel Kruger Vinderine conference in Johannesburg, he said "Obviously we are over-taxing the mining industry

"Taxing a mine at 78% is terrible. That must certainly be addressed."

He said the tax package for the Budget would be finalised at the weekend, and added, to the obvious approval of conference delegates "So hold thumbs. Maybe something will happen.

"Our room for manoeuvre on the tax front is restricted — but we have accepted the gold mines are overtaxed"

He noted the "law of diminishing returns" was operating with regard to government's revenue from taxing the mining industry. Although the tax rate was high, the yield was dropping

However, adjustments in tax write-offs for capital spending in the mining industry would also have to be made

He was also asked which areas of government spending, other than on defence, were likely to yield savings during the next fiscal year. He responded by saying the full impact of the reduction in defence spending would only be felt in another two or three years' time

"But we will also see savings in Public Works and certain aspects of hospitals. We will stop building white hospitals," he said, noting that only 51% of beds were filled annually in hospitals reserved exclusively for whites

Du Plessis emphasised there would be a shift in spending emphasis, from non-social to social expenditures such as health and education

Earlier in his speech he said "We cannot effect changes overnight, but we are according high priority at present to the question of tax reform and the determination of priorities for government spending"

Minorco nearing its goal

LONDON — Minorco's \$705m deal with Freeport-McMoRan Gold Co this week puts the SA-controlled investment company well on the way to achieving its objective of becoming a major international natural resources group. Yet it will still have about \$1.8bn left in its cash chest.

"This is a meaningful acquisition, but it still leaves us with a lot of firepower," Roger Philmore, Minorco's commercial director, told the Financial Times.

Freeport Gold is 61% owned by Freeport McMoRan, the New Orleans-based natural resources group which last November announced it was putting up for sale the gold subsidiary and other assets, together worth about \$1.5bn. In future it is to concentrate on its copper-gold operations in Indonesia and sulphur production in the US.

Minorco, which is quoted in Luxembourg, will offer \$17 for each Freeport Gold share compared with Tuesday's market price before the announcement of just under \$14.

Last year Freeport Gold's net earnings were \$13m, which means Minorco is paying nearly 55 times historic earnings and a 20% premium on the market price.

Philmore said "We are attracted by the quality of the company's reserves and the

Own Correspondent

exploration potential. You have to factor in some 'blue sky' potential when buying North American gold companies."

Freeport is a pure gold company with interests in two mines in Nevada — Jerritt Canyon (70% owned) and the nearby Big Springs (60%). It is exploring for more reserves.

Smoothly

Last year's gold production attributable to Freeport was 244 100 troy ounces, putting it in the second division of North American gold companies. Output this year is forecast to rise to 300 000 ounces. Cash costs in 1989 were \$207 an ounce, in line with the North American average.

At the end of last year, Freeport-McMoRan had attributable proven and probable reserves of 2.2-million recoverable ounces at its two properties in Jerritt Canyon.

Philmore said Minorco expected the Freeport deal to go through smoothly and with the full approval of the US authorities. "We expect to wrap it up in a month."

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Minorco claims \$705m for US gold stake is 'fair price'

B1 pay 22/2/90

MINORCO claims it paid a fair price for its stake in gold producer Freeport-McMoRan, a company spokesman in London told Business Day. The offer price of \$705m is high in comparison with the cost of a stake in similar potential gold production in an SA mine.

If Minorco had made such an entry via the finrand, the offer price of \$705m to Freeport-McMoRan suggests that SA gold counters are trading at a 60%-70% discount on US gold stocks.

The Minorco spokesman argued that the offer price was "very fair" in the context of US gold producers, "where gold shares often trade at 30 times earnings". He said Minorco was buying more with a view to prospective earnings of the Freeport-McMoRan operation, rather than historical performance.

Freeport-McMoRan's interests include a 70% stake in Jerrit Canyon and 60% in Big Springs, both in Nevada. The attributable interest at group level for calendar 1989 was 244 100oz, at a cash cost of \$207/oz. Proven and probable

BARRY SERGEANT

reserves are 2.2-million ounces, giving the operation a life of 9.1 years at 1989 production levels.

Last month Freeport-McMoRan reported that it expected to mine 300 000 ounces this year. Assuming last night's gold price applies for calendar 1990, and costs remain at \$207 per ounce, this gives the operation untaxed profits of \$64m in 1990. This in turn translates to an 11 times earnings on the \$705m Minorco offer price.

Comparison

At this pre-tax level, the earnings yield is 9.1%, about the same. Minorco has been earning in interest on its \$2.5bn cash pile before the Freeport-McMoRan offer. While it is crude — if not impossible — to find comparable SA operations, Minorco could have bought a lot more potential gold production with its \$705m in SA.

Using 1989 figures for SA mines and Freeport-McMoRan, Minorco could

have bought the same annual gold production in Southvaal for \$356m (\$258m if entry is via the finrand, which it would have to be on current laws) at last night's price. Southvaal's 1989 December quarter costs were \$209 per ounce. Unlike the Freeport-McMoRan operation, however, it has a life of 20 years.

A similar comparison with Knights (even cruder, as it produces much less than Freeport-McMoRan) shows that Minorco could have bought the same annual gold production at \$297m (\$215m via the finrand). Knights' latest production costs were \$216, and its life is at least 15 years.

The comparisons, using the finrand figures, suggest that SA's political discount is 60%-70% on Minorco's offer to Freeport-McMoRan. On the plus side, Freeport-McMoRan probably has further as yet unproven reserves within a delineated 200km² area around its Jerrit Canyon position. The typical North American operations such as those conducted by Freeport-McMoRan carry lower risks than the typical SA mine.

● See Page 11

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'Minorco is paying too much for US group'

By Sven Lunsche

Minorco is paying too much for US mining group Freeport-McMoran Gold, when compared with the yields they could expect from a similar investment in South Africa, analysts claimed yesterday

Minorco announced on Tuesday that it was paying \$705 million, or \$17 a share, for complete control of Freeport-McMoran Gold

For the same amount Minorco could have acquired similar interests in SA at a discount of at least 70 percent, if the investments were made through the financial rand, a JSE analyst said yesterday

However, Minorco director Keith Irons said from London that the

offer price was fair, "considering the high PE ratios of US gold shares"

The US group has joint venture interests in two Nevada gold mining operations, Jerrit Canyon (70 percent) and Big Springs (60 percent), both of which it manages

Gold production at these two sites in 1989 was 244 100 ounces at a cost of \$207 per ounce and the group forecasts production of 300 000 ounces this year, Mr Irons said

Reserves are estimated at over 2,2 million ounces, giving the mine a life of nine years, and in addition, substantial mineral resources have been delineated within the 330 square kilometre land position at Jerrit Canyon

Mr Irons added that Freeport-McMoran controlled other substantial exploration licenses throughout North America and had a 50 percent stake in a copper deposit in Arizona

Mr Irons also clarified the position of possible court actions against the deal, after last year's bid by Minorco for Consolidated Gold Fields failed when a New York court ruled against it

He said that a similar case against the current deal was unlikely as Freeport-McMoran's reserves were minimal and anti-trust legislation, which stipulates that one company should not control more than 30 percent of a particular market, would not apply

15/04 22/2/00 (214)
CMC opens R1,2m heap leach plant

CONSOLIDATED Mining Corporation's (CMC) capex of R1,2m on a heap leach plant at its predominantly open-cast West Wits gold mine near Randfontein would be recovered in the next six weeks, MD Glenn Laing said yesterday.

The plant, which started production on December 24 last year, was officially opened yesterday by Mineral and Energy Affairs Deputy Minister Piet Welgemoed.

He said judging by the "encouraging provisional results" the low-cost plant was likely to pave the way for more plants of this type

"Given the high cost of underground mining and generally low metal prices,

RIAAN SMIT

as well as the abundance of low-grade ores, heap leaching, which is an easy and environmentally acceptable process, has become a most attractive metal extraction technique for gold, silver, and copper world-wide," Welgemoed said

The construction of four asphalt pads, each holding 9 200 tons of ore at 0,85 g/t, and the installation of equipment to spray diluted cyanide in water on the ore piles was completed in late December last year at a cost of R1,2m.

The plant has the capacity to treat 20 000 tons a month from an 800 000 ton

stockpile and produces about 12kg of gold a month. Leaching lasts up to 40 days and results in a 70% extraction rate. The mine does not have facilities to recover gold from activated carbon and is using facilities within the Southgo group as well as toll facilities from outside companies.

Although underground mining continues at No 16 Shaft, with an output of 20 000 t/m at 3,3 g/t, virtually the full mining thrust is now being directed to the lower-cost opencast operations in four pits with a present output of 100 000 t/m

West Wits has an estimated 12-million tons of reef available for opencast operations.

LYDEX

F/M 23/2/90

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Exploratory views

Activities: Exploration
Control: Old Mutual has ultimate control
Chairman: E P H Bieber
Capital structure: 68,3m ords Market capitalisation R126m
Share market: Price 185c 12-month high, 245c, low, 115c Trading volume last quarter, 3,8m shares

Year to Sep 30	'88	'89
Revenue (Rm)	0,5	3,6
Loss (Rm)	0,4	0,4
Accum loss (Rm)	0,4	0,7
Net worth (c)	55	54

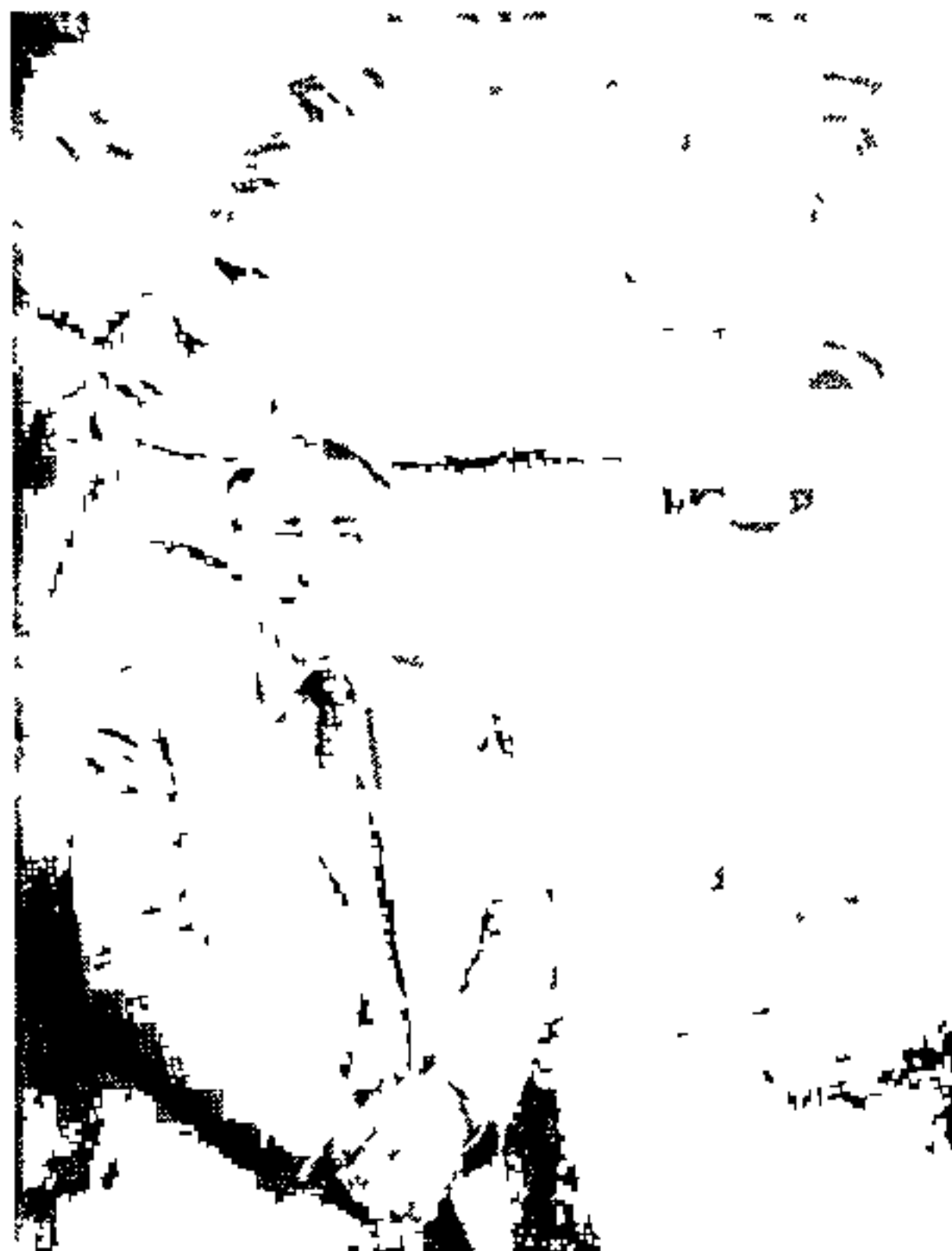
* Six months

The first determinant of the performance of exploration stocks is the current price of the metal — even though lead times between exploration and exploitation are long. This, and the speculative nature of the shares, is evidenced in the recent steep advance in Lydex. Most gold exploration stocks fared poorly for much of last year, though recovering spectacularly since the nadir in October.

Analysts try to assess the underlying value of the rights held by the various exploration companies to evaluate fundamental merit. Lydex's recent advance might also have been in response to Gencor's December announcement of the new Weltevreden gold mine in the southern Free State. Lydex has 7,6% and this will be its maiden involvement in a mine since listing in July 1988.

Lydex has said it would contribute its share of equity funding — an escalated R14,2m over the next few years. Chairman Peter Bieber says the company has resources to meet near-term commitments. Beyond that, and with other exploration costs, an injection may be necessary.

That Weltevreden will not start as a deep-level mine involving heavy capital outlays and risk, and that production will be built up quickly, must suit Lydex. But the scale will be modest — 30 000 t a month initially. First gold would be produced in the second half of 1992, with production rising to 90 000 t in a second phase once ore reserves have been proven, by 1995 or earlier.



Lydex's Bieber... looking for more cash?

discount of about 30%. On his calculations, this is in line with the average discount to value in the exploration sector. *Teigue Payne*

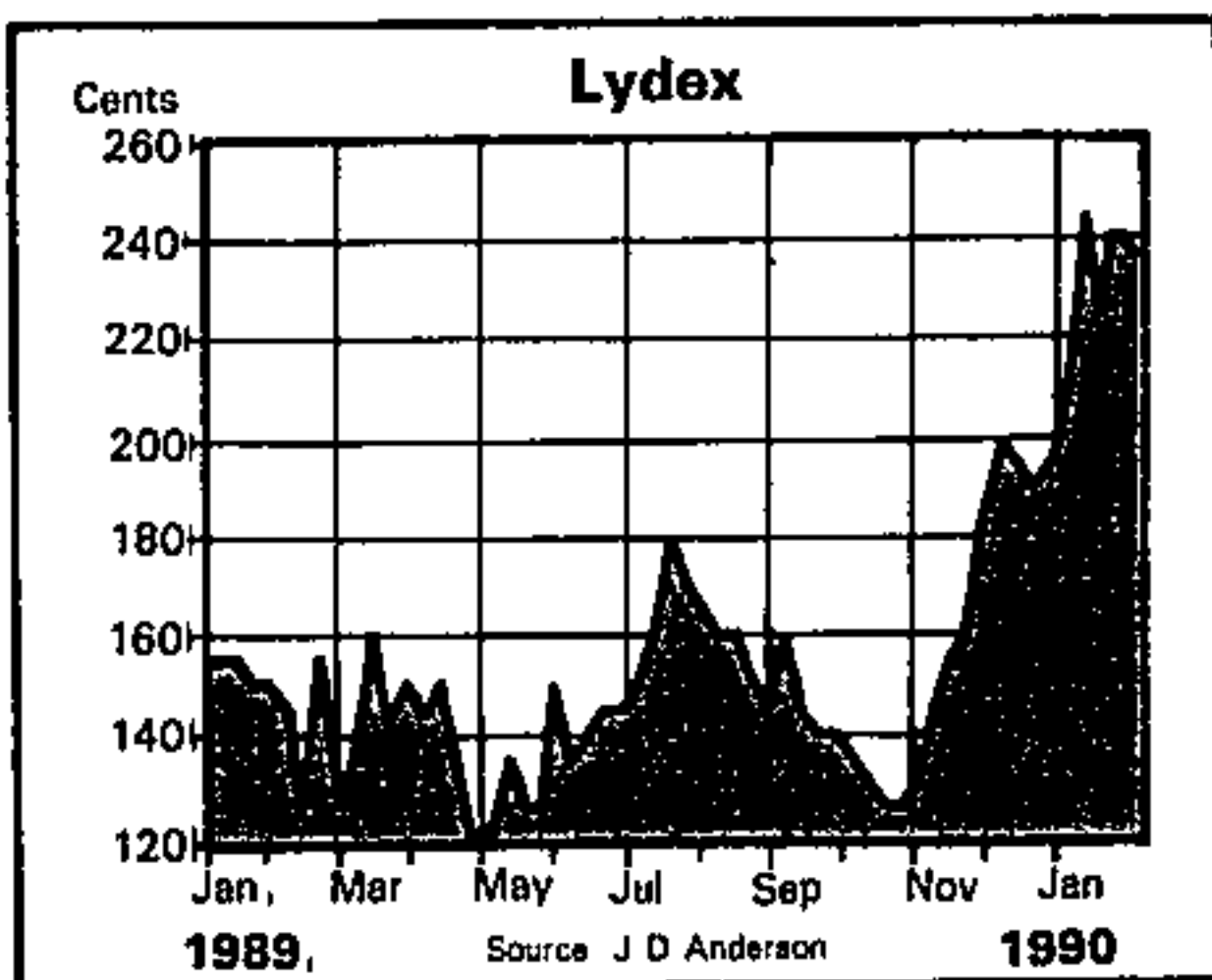
Lydex's next prospect is probably Vermeulenskraal Noord, where Gencor has been drilling. After an intensive drilling programme, final evaluation of the property, in which Lydex has 25%, is likely to be completed within two years. Different analysts rate the possibility of a go-ahead at between 40% and 90%. John Handley, of Kaplan & Stewart, believes it is Lydex's most valuable asset and could become the dominant part of a merger with Unisel. Rene Hochreiter, of Anderson, Wilson, agrees it is likely to go ahead as part of Unisel.

Lydex also has a 9,375% subscription right to Cyferfontein, which adjoins Vaal Reefs' South Lease area to the east, and "is likely to be included in any new mining venture that exploits the underlying Vaal reef," says Bieber. Lydex believes the Moab project will be announced this year and expects to receive shares for its rights.

Within three years, Lydex believes that Kalkoenkrans, being drilled by GFSA and in which it has 7,1%, will be announced. It regards this as one of its most exciting prospects, as GFSA has announced it has a gold resource in that area of 37m oz.

There are other prospects, mainly in the Free State. Lydex has a 6,7% interest in sea diamonds exploration company Benguela Concessions, that was listed in August.

On fundamentals, analysts value Lydex at 180c upwards, consultant Toby Anthrobus, of Mathison & Hollidge, valued it at 433c in the prospectus. Handley believes it is second only to Freddev in gold exploration counters and is a buy. Hochreiter values it at 265c, where its current 185c price would be at a



Exploring high costs

Exploration expenditure by the six major mining houses could hit R400m this year — compared with R254m in 1987 and R90m in 1983 — as the industry continues its investment in what could be a third great mining boom (214)

Addressing the Frankel Kruger Investment conference this week in Johannesburg, Brian Gilbertson, executive director in charge of Gencor's mining division, said exploration spending by his group had risen at an annual rate of 50%, from R16m in 1985 to R95m last year

Describing the exploration effort as a casino, because of the uncertainties involved, Gilbertson added "The six big mining houses are betting on the big pay-off and are determined to keep their places at the gambling tables"

He said Gencor had stepped up its commitment because it felt the rate of spending was too low in the early Eighties. The group's geologists had persuaded management that the pay-off could be within grasp, partly because of new exploration techniques such as seismic surveys and the application of tectonics

"In the past, major exploration successes have flowed from the application of new

FM 23/2/90

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technologies," Gilbertson said "It is our hope that the application of seismic techniques might trigger the next burst of exploration successes"

Investment in new mining projects, particularly deep-level gold mines, involved huge financial and technical risks. An important requirement, said Gilbertson, was an economic dispensation not too different from the one on which the mining industry was built

"Of one thing you may be certain — there will be no new deep-level gold mines in a nationalised industry, and I suspect that under that scenario funding for other exploration projects will collapse rapidly" ■

Midwits raises turnover 14%

blm 27/2/90
 MIDWITS, the tightly-held Anglo-vaal mining and exploration company, raised turnover 14% to R23,2m (R20,3m) in the six months to end December

Earnings per share and attributable profits were up 18% to 4,8c (4,1c) and R11,5m (R9,8m), respectively, while the dividend was unchanged at 2c a share

Investment income increased 30% to R14,6m (R11,2m)

The tax bill fell 99% to R28 000 (R2,3m) on pre-tax profits which fell 15% to R6,8m (R8m)

Yesterday the share shed 25c to close at 645c, reflecting a market capitalisation of about R1,6bn

The counter is well off its 800c high on January 11, after a strong rise on the December 7 announcement that the Midwits-De Beers joint venture R1,1bn Venetia diamond mine in the northern Transvaal is to proceed. For Midwits, full revenues from Venetia are five years away

The 18% increase in today's interims is attributable mainly to higher earnings and dividends from Midwits's base metal inter-

ests — including Associated Manganese, Lavinò chrome and Prieska copper

After the Venetia announcement, analysts put the net asset value (NAV) of Midwits at 740c, last month's premium on NAV has changed to a discount, reflecting the recent bearish sentiment in golds and the related mining and exploration sector

The focus now for Midwits is a possible firm announcement on its gold mining prospecting work

Midwits expects to spend R44m in financial 1990 on exploration

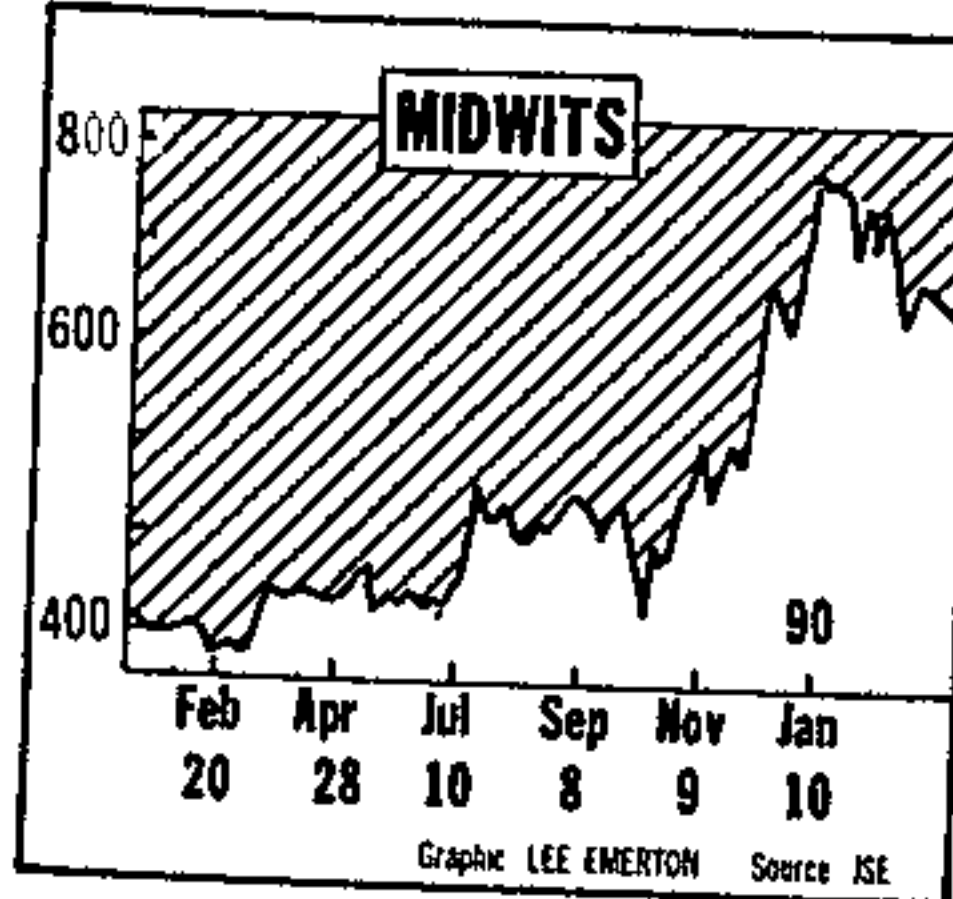
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 and the acquisition of mineral rights — R19,5m (R11,9m) actual in the interim period. Most of this spending is on the Sun and Oribi areas in the northern Free State

Midwits has previously reported that results obtained to mid-1989 in a detailed feasibility mine viability study in the southern area of the northern Free State "where mineral rights have already been acquired, have largely confirmed the existence of large exploitable ore bodies". The full results are now being assessed, while drilling continues in the northern area

In terms of the Venetia agreement with De Beers, Midwits will enjoy 32,8% of Venetia's profits after 1996

Broad estimates by analysts see Venetia's contribution to Midwits's taxed profits at R73m a year in current money terms

Overall, Midwits now seems to offer an inexpensive entry to a long-term lucrative diamond mine, with an option on future gold mining operations that appear to depend more on favourable tax developments than anything else.



DELTA

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21/1/77

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Weekend ARGUMENT

-Apartheid's Mr Goldfinger

Weekend FORGUS 3

“I AM entirely optimistic. Part of it may derive from the fact that all my adult life I have been unhappy with the system under which we live, and now one sees the opportunities of creating a new system which is not formally race-based. Any South African who does not find this exciting must be lacking in understanding.”

Gavin Relly is nothing if not a commercial statesman for his wretched country. And as head of Anglo American, itself a state within the state of South Africa and to some minds more powerful than the minority-elected government, Relly is straddling an awesome chasm

Anglo, the largest mining combine on Earth, owes much of its prodigious wealth and influence to the rigours of apartheid yet the company has long been a vigorous critic of the system. Some have regarded this as double-handed humbug, they seemingly include Nelson Mandela and the African National Congress

Anglo, whose interests extend from gold and diamonds to coal and uranium, and take in non-mining businesses as diverse as car assembly and sub-tropical fruit, is at the top of the ANC list for nationalisation should the day ever dawn to herald that party ascend to power.

RELLY, who succeeded Harry Oppenheimer, allegedly one of the world's richest men, as head of Anglo in 1983, has no reservations about the ANC. Seated in Anglo's London offices on the fringe of the city, he delivers a muted tirade against the evils of nationalisation, cites the current European fall-out from the experiment of communism as proof of the follies of

state-run economies and concludes "Anyway, I do not think it will come to that"

Externally, nerves are not so cool. The Johannesburg stock market, which accounts for about one percent of the global total — and Anglo, directly and indirectly, about 30 percent of that one percent — plunged heavily last week as foreign investors took fright at Mandela's stance over nationalisation. Only weeks ago the same foreigners brought out the cheque-books in the wake of President F W de Klerk's innovations. The ground rules now seem to be three steps forward and two steps back.

Relly, who incurred the wrath of P W Botha, De Klerk's predecessor, when he helped bring the ANC in from the cold with a furtive visit to its Zambian headquarters in 1985, has yet to meet Mandela. It is something he looks forward to. It is unlikely he will have to wait long.

Relly, 64, was not a surprise choice for succession when "Harry O" stepped down at the age of 73, since he comes from the heart of Anglo tradition.

The son of a grape farmer, Relly's roots in South Africa go back to the 1820s. A Rhodes scholar who studied at Oxford, Relly returned to South Africa from war service and Oxford to dabble fleetingly with opposition politics before being introduced to the fold.

Initially the private secretary to Sir Ernest Oppenheimer, aged just 23, he then assumed the same position with his son, Harry. Executive tasks quickly followed. Relly ran Anglo's Zambian copper mines when President Kaunda nationalised them and went on to run Anglo's North American operations. He may be one of the caretakers until Harry's son Nicky has his taste of nepotism at the top, but Relly, a man with no side, is anything but a passive one.

HE is to the centre of the right in South Africa, which by some reckoning equates Relly with Britain's Mrs Thatcher. He certainly has her ear on the question of sanctions and shares,



Anglo-American chief Gavin Relly, head of the world's largest mining combine, warns that sanctions against South Africa, together with the ANC policy of nationalisation, will drive the economy into a state where a future democratic government has no flexibility, writes LINDSAY VINCENT of the Observer from London.

her fears about a possible white backlash. "The worst aspect of the international community's attitude, to us", he says, "is the fact that the country's international banking relationships are constricted."

"It gives us very little flexibility in our monetary policy by not having the facilities of the International Monetary Fund and normal banking relationships at our disposal."

"And the sooner that stops the better because it is inhibiting growth and we all know, as night follows day, that unless we have a reasonably vital and growing economy we are not going to be able to pick up the costs of change and the costs of establishing a more equitable constitutional system."

He dismisses ANC suggestions that nationalisation measures will be workable and effective.

"There is still a great deal of rhetoric floating around which derives back naturally to the ANC's original charter which was a Marxist-type document. And the fact that they have either been out of the real world, talking only to Marxists, or they have been incarcerated in South Africa talking only to warders — neither of these relationships I would have thought was a great source of realism or inspiration."

HOW does he see there being more equality of wealth? "It is absolutely vital that there is, but I can see two things I can see a growing economy where the equality is achieved by dealing out the growth, so to speak, to those who have been deprived in terms of services, education, health and housing."

"The other scenario is to try to do the same thing in a stagnant economy where the only way you can distribute is by taking it substantially away from those who are maybe thought to enjoy it at present."

"When one discovers that that does not work because the economy starts going backwards further still, you resort to the control measures of a one-party state. And this is what the world,

in its sticking to sanctions, does not realise, if sanctions are really effective they will ultimately and inevitably drive the South African economy into a state where a successor government will find it has no flexibility — and we will end up with the conventional African reaction of a one-party state, which is ultimately a reflection of defeat."

He adds "The ANC would naturally hope to speak for all black people. Whether it does or not is completely unclear to me, and I think probably to most black people."

"I would have thought that to pretend there are no tribal differences in South Africa is simply flying in the face of reality. We have seven major tribal groupings and at least as many languages. I think any government's policy should be to emphasise the things that unite us."

"It is going to be a matter of great state-manship to cover these very real cultural, ethnic and linguistic differences. I hope they may be covered but in the meantime we have to deal with the practical world we find on the ground."

RELLY is not of the opinion that apartheid, with compound labour, derogatory wages and much else has been a marvellous fig-leaf.

Anglo has been making huge profits from a system which it says it purports to despise. "We would have made a damn sight more money if it were not for apartheid," he says.

"The economy has been inhibited from not allowing people to do their own thing, set up their businesses where they want, live where they want and have proper education. This has resulted in the bulk of the country's labour force being untrained, and incompetent in terms of modern standards."

"The whole country has been held back by this system. And as Anglo is very much a reflection of South Africa economically, it would have been a damn sight better if, over the last 40 years, we had lived in a more equitable society."

FOCUS

APARTHEID'S MR GOLDINGER

AM entirely optimistic.

Part of it may derive from the fact that all my adult life I have been unhappy with the system under which we live, and now one sees the opportunities of creating a new system which is not formally race-based. Any South African who does not find this exciting must be lacking in understanding."

Gavin Relly is nothing if not a commercial statesman for his wretched country. And as head of Anglo American, itself a state within the state of South Africa and to some minds more powerful than the minority-elected government, Relly is straddling an awesome chasm.

Anglo, the largest mining combine on Earth, owes much of its prodigious wealth and influence to the rigours of apartheid yet the company has long been a vigorous critic of the system. Some have regarded this as double-handed humbug, they seemingly include Nelson Mandela and the African National Congress.

Anglo, whose interests extend from gold and diamonds to coal and uranium, and take in non-mining businesses as diverse as car assembly and sub-tropical fruit, is at the top of the ANC list for nationalisation should the day ever dawn to herald that party ascend to power.

Relly, who succeeded Harry Oppenheimer, allegedly one of the world's richest men, as head of Anglo in 1983, has no reservations about the ANC. Seated in Anglo's London offices on the fringe of the city, he delivers a muted tirade against the evils of nationalisation, cites the current European fall-out from the experiment of communism as proof of the follies of

state-run economies and concludes: "Anyway, I do not think it will come to that."

Externally, nerves are not so cool. The Johannesburg stock market, which accounts for about one percent of the global total — and Anglo, directly and indirectly, about 30 percent of that one percent — plunged heavily last week as foreign investors took fright at Mandela's stance over nationalisation. Only weeks ago the same foreigners brought out the cheque-books in the wake of President F W de Klerk's innovations. The ground rules now seem to be three steps forward and two steps back.

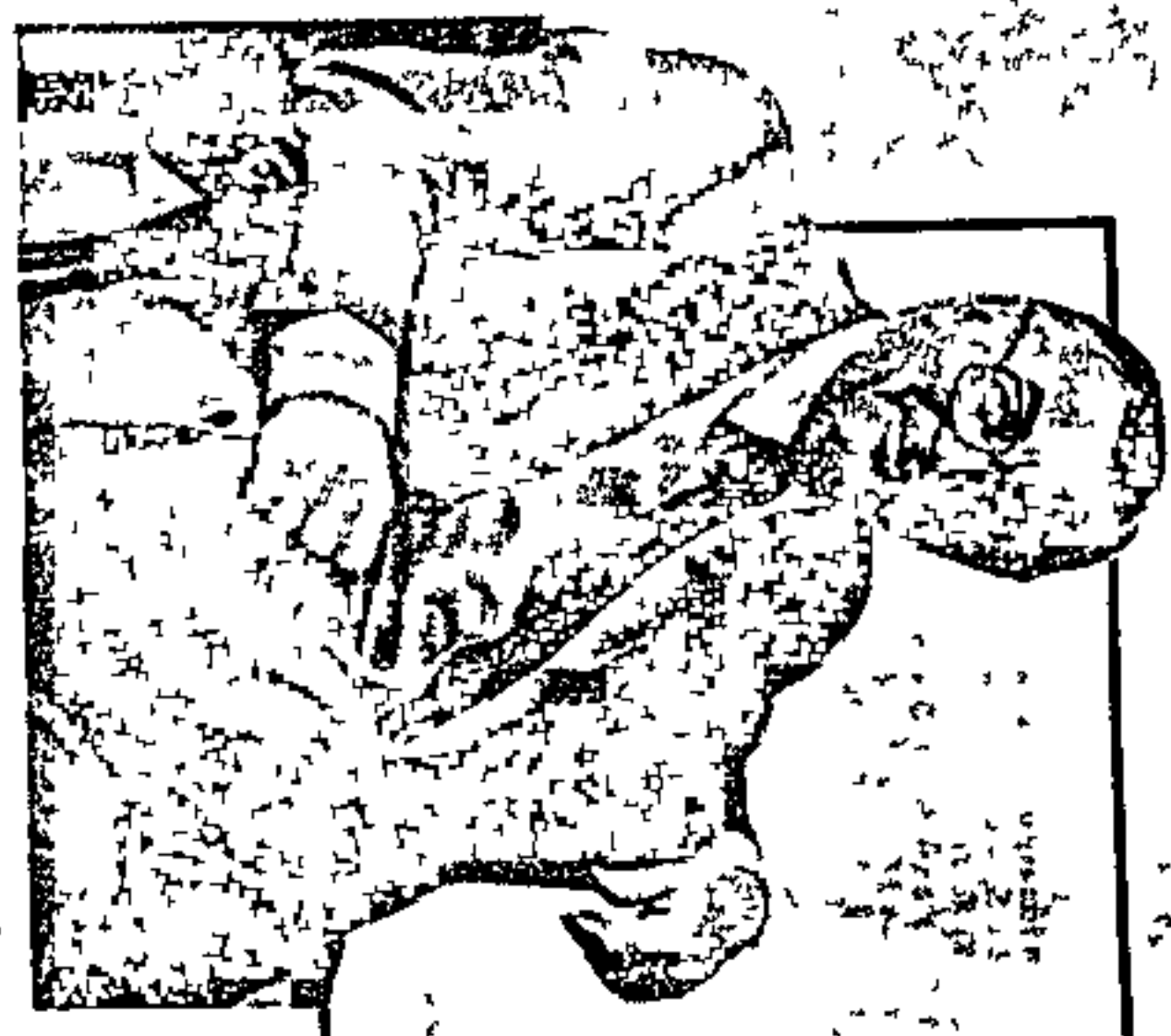
Relly, who incurred the wrath of P W Botha, De Klerk's predecessor, when he helped bring the ANC in from the cold with a furtive visit to his Zambian headquarters in 1985, has yet to meet Mandela. It is something he looks forward to. It is unlikely he will have to wait long.

Relly, 64, was not a surprise choice for succession when "Harry O" stepped down at the age of 73, since he comes from the heart of Anglo tradition.

The son of a grape farmer, Relly's roots in South Africa go back to the 1820s. A Rhodes scholar who studied at Oxford, Relly returned to South Africa from war service and Oxford to dabble fleetingly with opposition politics before being introduced to the fold.

Initially the private secretary to Sir Ernest Oppenheimer, aged just 23, he then assumed the same position with his son, Harry. Executive tasks quickly followed. Relly ran Anglo's Zambian copper mines when President Kaunda nationalised them and went on to run Anglo's North American operations. He may be one of the caretakers until Harry's son Nicky has his taste of nepotism at the top, but Relly, a man with no side, is anything but a passive one.

HE is to the centre of the right in South Africa, which by some reckoning equates Relly with Britain's Mrs Thatcher. He certainly has her ear on the question of sanctions and shares,



Anglo-American chief Gavin Relly, head of the world's largest mining combine, warns that sanctions against South Africa, together with the ANC policy of nationalisation, will drive the economy into a state where a future democratic government has no flexibility, writes LINDSAY VINCENT of the Observer from London.

her fears about a possible white backlash.

"The worst aspect of the international community's attitude to us," he says, "is the fact that the country's international banking relationships are constricted."

"It gives us very little flexibility in our monetary policy by not having the facilities of the International Monetary Fund and normal banking relationships at our disposal."

"And the sooner that stops the better because it is inhibiting growth and we all know, as might follow from day, that unless we have a reasonably vital and growing economy we are not going to be able to pick up the costs of change and the costs of establishing a more equitable constitutional system."

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Dividends from gold producers look promising

FEBRUARY 26/2/90

LIZ ROUSE (214)

GOLD producers' dividend prospects are looking more promising, according to mining analysts' projections for the next round of dividend declarations

Harmony, which passed its interim dividend in September last year, should declare a final dividend in March, following its recent turnaround

Davis Borkum Hare's gold mining analyst David Giese projects a final of 100c from Harmony. The gold producer's 1989 final dividend was 60c

Gerhard Potgieter of Max Pollak & Freemantle projects the same amount. He says the turnaround at Harmony indicates that it could earn as much as 85c a quarter, but that the gold producer might want to keep something in the kitty for possible dips in earnings

In general, Giese expects that gold producers' distributable earnings will improve because December quarterly results showed that unit costs were being contained.

Giese estimates that Beatrix, which is due to declare its interim before the end of this month, could raise distribution to 40c. It paid a 15c interim last year and a 30c final. Potgieter projects a 45c interim

Levels

Most Gencor mines, which declare interims in April, should raise their distribution. Potgieter is inclined to put payments at higher levels than Giese

Kinross should increase its interim to 160c/190c (150c), Leshe to 25c/30c (15c), Unsel to 60c/65c (45c) and Winkelhaak to 155/175c (165c). Giese expects that Bracken's interim will be pegged at 15c, but Potgieter puts the payment at 17.5c

Anglo's Freegold and Ergo are not expected to improve on their final dividends although Giese expects they will better their interims. He projects a final dividend of 155c for Freegold, whose 1989 final was 160c, and its interim payment 150c. Potgieter projects a final payment of 150c for Freegold.

Ergo's final will be unchanged from its interim payment of 50c, according to both analysts. Its 1989 final payment amounted to 75c

Giese estimates that Of-sil should pay a final of 402c, down from last year's 418c final payment. It paid an interim of 390c. Potgieter predicts a payment of 385c

Welkom's final should be slightly lower at 105c from last year's 108c, according to Giese. A 100c interim was paid. Potgieter scales the final down to 96c

New mine held up by Inland Revenue

B/10/94 28/2/90

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THE announcement of a new R2,5bn deep-level gold mine, Moab, in the Klerksdorp area is being held up by Inland Revenue deliberations on tax shield status

Lionel Hewitt, MD of Vaal Reefs, which would manage Moab, said an official decision was being awaited anxiously

Hewitt said the mine would cost about R2,5bn in today's money. He was clarifying a statement in Vaal Reefs's annual report, released today, which said "The feasibility study of Moab was completed during the year... the project would be viable as an extension of Vaal Reefs."

Hewitt said the decision rested with the Mining Leases Board. Johannesburg stockbrokers J D Anderson mining analyst Bruce Williamson said the mine was "totally viable but for the tax factor". Inland Revenue is represented on the Mining Leases Board, where the decision rests.

Vaal Reefs is one of the world's largest heavyweight gold mines, with 55 000 employees, R7bn market capitalisation and nine shafts in operation, with No 10 under construction.

It earned R603,5m taxed profits in the year to December 31 and will produce an estimated 75 000kg of gold this year.

The Vaal Reefs annual report states "For technical reasons, the shaft would be situated within the South Lease Area (of

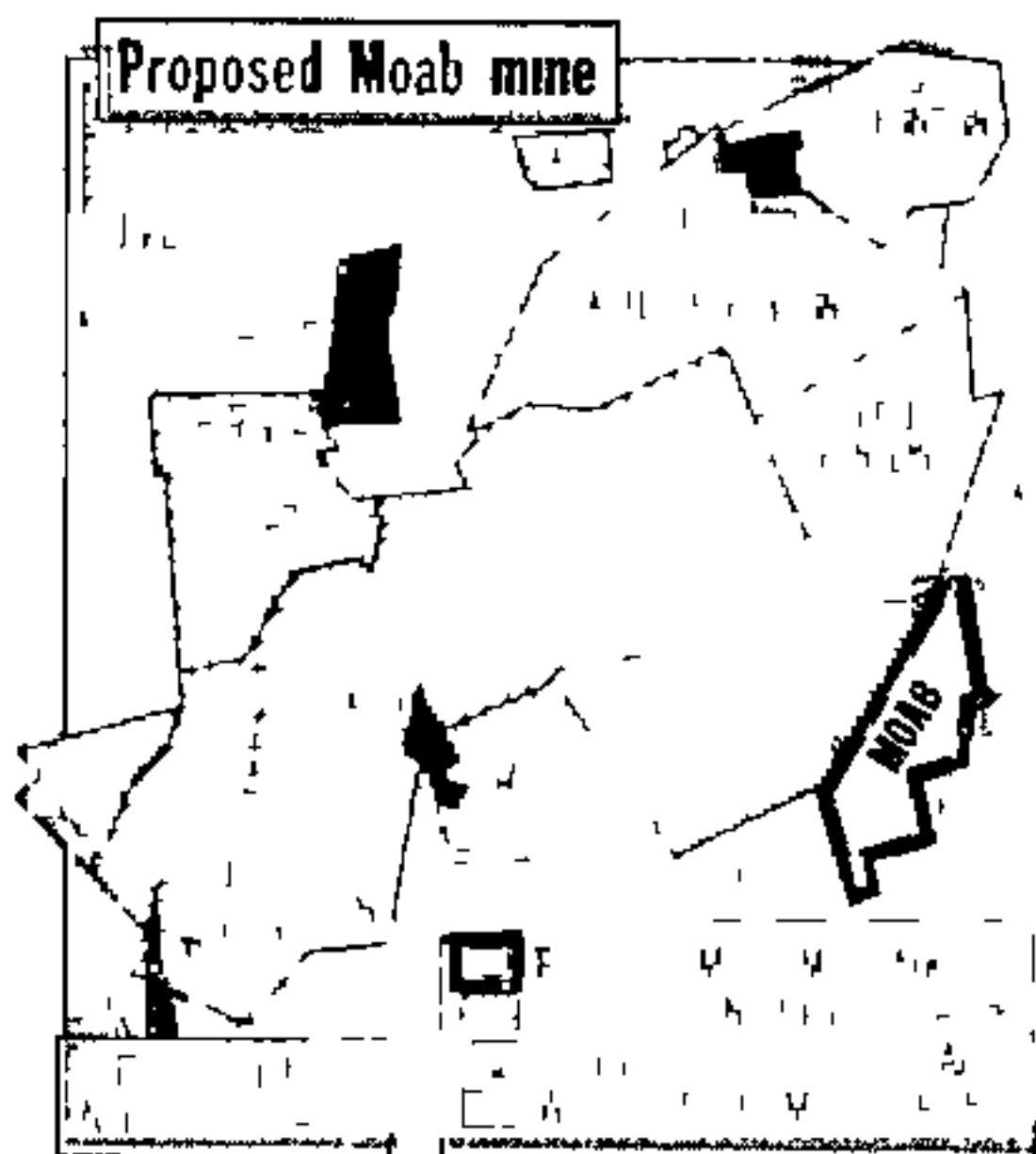
BARRY SERGEANT

Vaal Reefs) and would benefit from the extensive Vaal Reefs infrastructure.

"Discussions are presently underway with the appropriate authorities for their approval of the project as an extension to Vaal Reefs's lease."

Williamson interprets this as a desperate attempt to qualify the Moab mine for

□ To Page 2



Legal papers 'vindicate' Minorco's US mine deal

ANALYSTS who expressed confidence in Minorco's \$705m bid for Freeport-McMoran Gold (FMG) have been vindicated by the disclosure in New York yesterday of new information relating to the operation.

Papers filed for legal purposes with the Securities & Exchange Commission show 5,462-million ounces of gold in proven and probable reserves as well as geological resources. This is almost twice the previous estimate of reserves of 2,542-million (about 2,216m ounces recoverable).

The breakdown of the 5,462m ounces shows proven and probable reserves at December 31 1989 of 2,542m ounces, and 2,921m ounces of geological resources at January 31 1990. The papers state that "Geological resources are estimates that are substantially less certain than provable and probable reserves and FMG has previously not disclosed such estimates".

Moreover, 271 000 attributable geological ounces at Jerritt Canyon (FMG's main interest) "have recently been outlined by deep drilling and were disclosed on February 15 1990", but excluded from the geological figures given in the papers.

BARRY SERGEANT

FMC states that the geological resources disclosed have not been classified as proven and provable for a number of reasons, including insufficient drilling and cost evaluation.

Geological resources at Jerritt Canyon have an average grade of 0,070 ounces of gold per ton, or 58% of the average grade of its proven and probable reserves, such geological resources at Big Springs have an average grade of 0,064 ounces of gold per ton, or 47% of its proven and probable reserves.

Prior to seeing the US papers, Trixie Ingram of Davis Borkum Hare in Johannesburg said Minorco's investment could be considered as a strategic in-

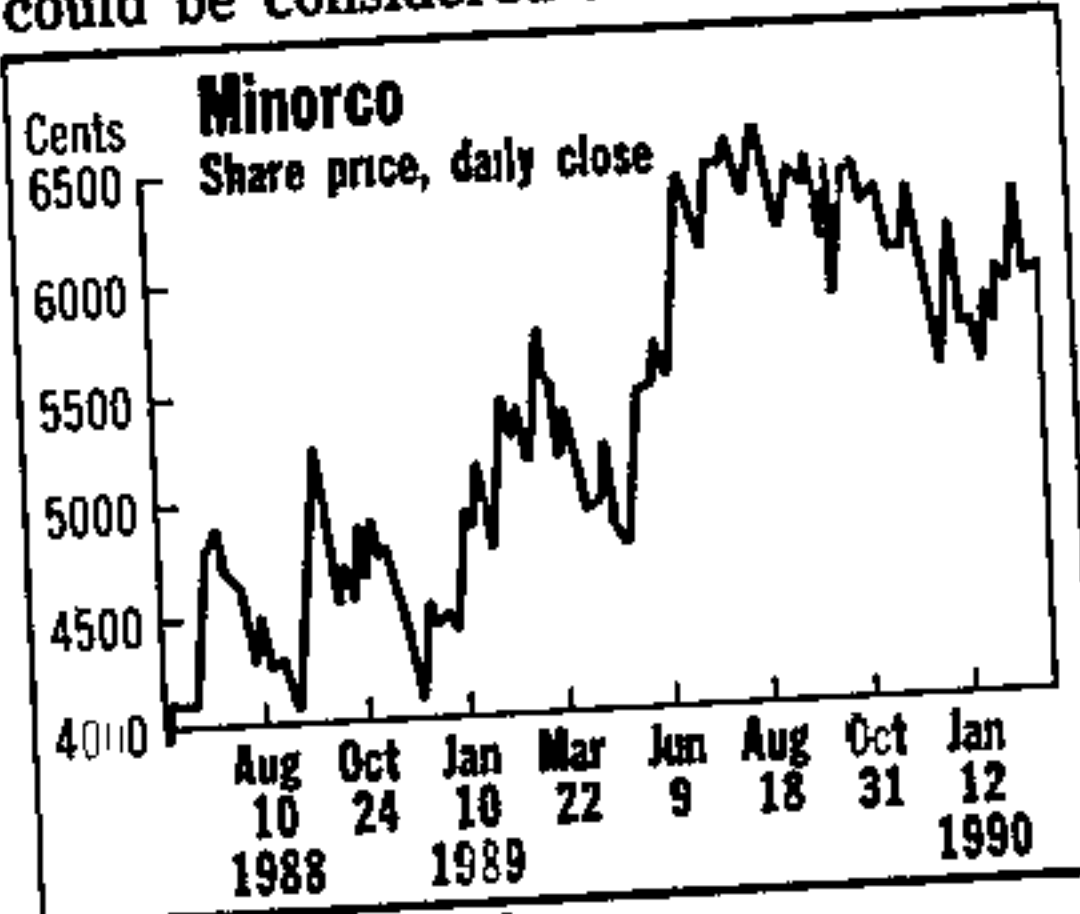
vestment in the US

Mark Wood, analyst at Kleinwort Benson Securities in London, told Business Day that "it could be expected that Minorco would pay a premium for buying a gold operation in the US. I'm not as surprised as many other analysts at the price offered. While FMG is not the jewel in the US gold mining scene, it's certainly not the worst, and the price offered is the price paid for risk-free dollars earned by the gold produced."

"The positive outcome of this deal," said Ingram, "could lead to further acquisitions, a possible candidate being FMC Gold." Minorco, said Ingram, "could be accumulated as a long-term investment."

Wood added that prior to its offer for FMG, Minorco had a cash pile of \$2,5bn, and "it had continually stated that it was looking for acquisitions. If it had backed out of the FMG deal, and the gold price rose steeply, it would hardly look good."

The new potential reserves outlined in the New York papers vindicate the confidence in Minorco's decision. Proven and probable reserves of 2,541m ounces are worth \$1bn at present. Geological reserves — where exploitation depends heavily on the gold price — are worth a further \$1,2bn.



Graphic: FIONA KRISCH Source: ISE

B/P/par 28/2/90

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Making sure

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The US\$705m cash offer made by Minorco for US gold mining company Freeport McMoran Gold (FAU) has been widely criticised by analysts as being too high. However, there may be a number of strategic factors making it worthwhile for Minorco to pay above the odds.

Not least of these is the acquisition by Minorco of a sizeable gold mining and exploration operating base in North America, with considerable potential for further expansion. FIM 2/3/90

This approach would tie in well with the international aims of the Anglo American

75

PIM 213190

Corp/De Beers group, which controls Minorco. In typical (local) mining house style, Anglo management would consider such long-term gains worth the initial short-term costs to Minorco, which can in any event afford them. Minorco is holding \$2.5bn cash, currently earning interest at a rate of at least \$550 000 a day.

The bid has been accepted by FAU's controlling shareholder, Freeport McMoran, which holds 61% of the stock. That helps make the deal a clean *fait accompli* though it has yet to be approved by US regulatory authorities. The last thing Minorco management wants is another US legal wrangle after the court action which halted its bid for Cons Gold Fields. One analyst suggests Minorco bid a high price to get Freeport McMoran's acceptance and thus pre-empt a possible auction of FAU among competing bidders.

Minorco's offer of \$17 a share for FAU amounted to a 21% premium on the market price of \$14 when the bid was announced. The offer puts FAU on a historical p/e ratio of 54 times, on 1989 earnings of \$13m. That compares with historical average p/e ratios of 37 for North American gold shares. However, FAU's attributable gold output is forecast to rise to 300 000 oz from 244 100 oz and forecasts on prospective earnings put FAU on a much more attractive forward p/e of between 26 and 31.

FAU has controlling stakes in two producing gold mines — Jerritt Canyon (70%) and Big Springs (60%) — in Nevada. The Jerritt Canyon area is the interesting one in terms of future developments. The Minorco statement says "substantial mineral resources

have been delineated within the 120 square mile land position at Jerritt Canyon"

UK brokers Lang & Cruikshank point out FAU has a strong exploration programme underway and spent \$12.7m on this during 1988. They say that since 1980 FAU has produced 1,356m oz of gold and added 1,824m oz of recoverable gold to reserves, meaning recoverable reserves are 468 000 oz higher than at the end of 1980.

General reaction of UK analysts has been to carp at the price, but final judgment must be reserved until formal offer documents are

out. Minorco may have more information on FAU's prospects than we know.

Brendan Ryan

Sallies hit by fewer dumps

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2/31/90

RIAAN SMIT

214

THE withdrawal of 65% of all economic dump reserves available to Anglo American's Sallies waste retreatment operation has had a major impact on the future profitability and life of the mine, chairman Lionel Hewitt said in his annual review for the year ended December 1989.

Two dumps were withdrawn for treatment from December 31 1989, after October's merger of Johannesburg Mining and Finance Corporation (JMF) and Southgo to form Consolidated Mining Corporation.

These dumps constituted 47% of total tonnage treated in 1989, Hewitt said.

Reserves

"Efforts to secure additional reserves suitable for treatment by the company have so far been unsuccessful, consequently we have taken this opportunity to improve metallurgical efficiency and prolong the life of the operation by reducing the treatment rate during 1990 and in succeeding years by 12% to approximately 2,34-million tons."

He said at this rate reserves were sufficient for about three years.

Gold production for 1989 at 1 427kg was almost the same as the previous year (1 433kg), but working costs increased by 19% to R34,8m.

The effect of increased working costs in relation to a static rand gold price was a 26% decline in operating profit to R5,2m (1988: R6,9m) and taxed profit dropped from R4,6m to R4,1

Krugers in SIT mes 4/3/90 copper con 214 the careless

By Charmain Naidoo

THE SA Gold Coin Exchange has warned the public to watch out for perfectly minted 1989 Gold Reef City proof Krugerrands — made of copper

The copper version is so like the authentic gold one-ounce coin that it has fooled even experts, says SAGCE deputy chairman Deborah Davis

Only the weights are different. The gold coin weighs 34 grams and the copper one 18 grams.

Destroyed

But SA Mint managing director Hennie Bester says the coins are not forgeries because they were minted on the same machine used for the gold ones. However, the copper coins are not legal tender.

"The coins are minted on the old Paul Kruger press at the Gold Reef City mint. Before every use the machine has to be set up and copper blanks are used for the test run. Then the gold blanks are used.

"The copper coins are destroyed. But someone has stolen blanks and is trying to pass them off as the real thing.

"I have now insisted that gold blanks be used — at great cost to us — even for the test run. We can remelt the gold and reshape the blanks."

Mr Bester says that he knows of only one coin in circulation — sent to the SA Mint by the SAGCE.

"We don't know how many copper blanks were taken. If more pop up, we will have to look more closely into the matter." (214)

though the SA Mint has not reported the matter to the police, he is speaking to workers at Gold Reef City "to find out what their control measures are"

Danger

The SAGCE gained possession of one copper Krugerrand, neatly packed in a Gold Reef City presentation case.

Miss Davis says "From the information we have, the seller of this coin claimed to have two other copper Krugerrands as well. It appears that the coin has been minted from genuine dies.

"The copper coin is identical to the proof gold coin, right down to the tiny GRC initials below the springbok design."

Miss Davis says the danger is that "the public, not knowing to check the weight difference, could pay the proof GRC price of more than R3 000 or the prevailing Krugerrand price of about R1 200 for a coin.

"The copper coin is worth about 10c, the intrinsic value of the metal."

Barnib

The first coin produced at Gold Reef City was the Barnib in 1987. Only 120 inaugural coins were minted.

Three months later the first of a limited number of GRC coins was minted.

Last year 1987 one-ounce proof gold coins were minted at Gold Reef City.

Miss Davis says "A GRC one-ounce coin minted in 1989 scores an average of 100 points on the SAGCE's evaluation system. It trades among investors at R3 465.

"The copper coin was evaluated at 97 points, a grading that would make it worth R3 045 if it had been made of gold."

Mr Bester says that al-

Nationalisation: ²¹⁴ Third World path

DANIEL SIMON

THE nationalisation of banks and gold mines for the purpose of redistributing wealth would be the surest way of reducing SA's economy to Third World status, Human Sciences Research Council's (HSRC) Prof. D. J. J. Botha said.

This was because these industries were not compatible with political interference.

Botha, who heads the HSRC's Centre for Economic Analysis, also called on politicians not to embrace the concept as it would amount to nothing more than a programme of "national hand-outs".

He was speaking at the HSRC sponsored Population Trends and Consequences in Southern Africa seminar in Pretoria on Friday.

It seemed "some politicians" had not been able to adapt to the new world situation, hence their claims that banking and the gold mining industry should be nationalised.

"This is the surest way of quickly reducing the whole SA economy to the level of a Third World country. Few industries could be less suited to nationalisation than these two.

"Not only self-interest but also, and especially, the very precise and criti-

cal calculations of margins and productivity are absolutely essential in both these industries," Botha said.

"The development of new technology is not something that one associates with a nationalised industry."

Botha said nationalisation had been suggested as part of a general strategy of redistributing wealth.

"It has been suggested that this be done in what can only be described as a crude manner: taking away from the rich to give to the poor.

"If this was done once only, the net effect would be negligibly small.

"If done repeatedly, entrepreneurship would be discouraged, production disrupted, unemployment would increase and in due course the economy would settle at a lower level of activity, productivity and wealth."

A reduction in the "wide disparities" in income should receive the priority from whoever was in power.

"It should not be done by decreasing the wealth of some to the benefit of others. It should be done as part of a programme of increasing wealth all round by putting more people to productive employment," he said.

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ANIES

Marievale gold mine to close within 18 months

6/10/90 5/27/90 RIAAN SMIT
THE 50-year-old Marievale gold mine was near the end of its productive life and would close within the next 18 months, Genmin spokesman Laing Geldenhuys said on Friday.

The mine, near Springs on the East Rand, obtained a landmark court interdict last week restraining National Union of Mineworkers (NUM) members from striking on the grounds that it might force the permanent closure of the mine.

Geldenhuys said haulage pillars were being mined and once this had been completed, working areas would collapse.

Declined

The Genmin managed mine, which is a wholly owned subsidiary of exploration company Randex, first mined gold in November 1939 and produced a total of 270 410kg up to 1988, says the Chamber of Mines' 1988 annual report.

Brokers Ed Hern Rudolph Inc's January 1990 Gold Share Review and Forecast says Marievale's annual gold output has declined steadily from 1 368kg in 1980 to 434kg last year.

Strike action at Marievale was taken when management and the NUM deadlocked over retrenchment benefits.

Geldenhuys said 398 black and white employees were retrenched in September last year, which reduced the number of employees to 509. A further 136 employees would be retrenched this month and in April.

Gengold MD Gary Maude said on Friday about 200 retrenched employees would be offered jobs on other Genmin mines.

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Rand gold price keeps rein on profits at Anglo mines

310m 6/3/90

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INCREASED working costs and a static rand gold price reduced profit available for distribution at all of Anglo American's Transvaal gold mines.

Gold output at Western Deep Levels, on the far West Rand, was the highest in nine years at 40 569 kg (1988 39 223), but profit available for distribution declined 13% to R131,3m and dividends a share from 550c to 480c

Chairman Peter Gush said profit margins continued to narrow as the increase in the rand gold price of 0,5% was far lower than the 19,5% increase in working costs

The 0,5% increase in the rand gold price compares with a 9,9% increase from 1987 to 1988, 7,3% from 1986 to 1987, and 19,7% from 1985 to 1986, while working costs increased 23%, 28,1% and 34,7% respectively

Elandsrand was in a similar position last year. Although gold production rose to a record 12 971 kg, available profit also declined 13% to R77,4m and dividends a share from 90c to 80c due to a 15,2% increase in working costs

Increases in the gold price received by Elandsrand from 1986 to 1988 were

RIAAN SMIT

much the same as for Western Deep Levels, compared with increases in working costs of 21,1%, 23,4% and 29,4% respectively

Profit available for distribution at Vaal Reefs was reduced by 19% to R296,3m due to 16,6% higher working costs and a five-ton drop in output which reduced revenue

Gush said the increased working costs were due to the deployment of additional labour to accelerate development which increased by 21%

Taxation

"It is of concern that, while mechanised development is progressing well, the alarming increase in the cost of machines and spares could well jeopardise the chances of extending this method of mining

Production at the Klerksdorp mine, which produced 12% of SA's total gold output last year, was adversely affected by severe faulting and seismic activity

Profit from gold declined 28% to R918m and uranium profit was R13,7m lower at R68m, reflecting lower sales

volumes, Gush said

Tribute profit improved by R4,3m to R11,2m and, after taking account of net sundry income of R102,7m — which included dividends from Southvaal Holdings — profit before taxation was 26% lower at R821,4m

Taxation dropped by R218,6m to R217,9m largely as a result of the lower profit from gold and uranium

At Western Deep Levels, profit declined 15% to R486m and, after taking account of a uranium oxide profit of R1m (R0,7m) and net sundry income of R23,5m, pretax profit was 14% lower at R510,5m

The lower profit and higher capex reduced taxation by about half to R89,2m, leaving taxed profit slightly higher at R421,3m

Gold production was adversely affected by two underground fires in high-grade areas, Gush said

The area surrounding the second fire, which was in an old area on the Carbon Leader reef horizon, would remain sealed for part of the year and production would be further affected

Elandsrand's taxed profit decreased by only 2% to R163m due to higher-than-forecast gold production

Settlement reached in dispute over Consmine shares

A MULTIMILLION-share deal between Egoi Consolidated Mines and Taiwanese trust company Kruger International Investment Company was cancelled in the Rand Supreme Court yesterday.

Egoi had instituted action by edictal citation against Kruger in May 1988 claiming payment of R30m, the balance of the purchase price of shares in the Johannesburg Mining and Finance Corporation (JMF), in terms of a contract signed in January of that year.

The sale had gone sour when the Taiwanese buyers did not pay for most of

THEO RAWANA

the shares

In an action presided over by Mr Justice Moll, Egoi had claimed R30m — the purchase price of shares in JMF, which has changed its name to Consolidated Mining Corporation (Consmine)

Of such shares, the subject shares (10,725-million ordinary issued shares in Consmine) had been transferred to Kruger by Egoi

In a settlement which was made an order of court yesterday, the parties

agreed on Egoi's claim that the transfer to Kruger of 6,435-million shares (settlement shares) in Consmine should be cancelled and the settlement shares should be re-transferred to Egoi.

Kruger would deliver to Consmine signed and completed transfer forms for the transfer of settlement shares to Egoi

This would constitute Egoi as Kruger's agent, with authority to deliver the share certificates for the subject shares to the transfer secretaries of Consmine and carry out all other acts necessary to procure the registration of the settlement shares in the

name of Egoi

Kruger would retain the remaining 4,290-million shares (the retained subject shares). *8/10 am 6/3/90*

Kruger acknowledged all rights, title and interest to participate in the proposed rights issue (announced on February 9) which might attach to the settlement shares vested in Egoi be vested in Egoi. It also renounced in favour of Egoi all rights, title and interest to follow the rights which would attach to the retained subject shares

Each party will pay its own costs

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Countdown as Minorco goes for gold

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6/3/90

MINORCO took just 10 weeks from its first contact to close a \$705m deal to buy Nevada gold operation Freeport-McMoran Gold Company (FMG). The details, contained in the offer document filed earlier this week with the Securities & Exchange Commission in New York, are a showcase of international finance.

In the end, Minorco and FMG reached an agreement whereby Minorco is to acquire 100% of FMG by a tender offer of \$17 a share in cash. The total cost to Minorco will be about \$705m. Freeport-McMoran Inc (FMG Inc) holds about 61% of FMG and has agreed to tender its interest. If the tender offer is not completed, the shares will be sold to Minorco separately.

Interest

In late October or early November, the legal papers state, Reuben Richards, a Minorco executive, telephoned James R Moffett, FMG Inc's most senior executive, to ask whether FMG Inc was "interested in a transaction involving FMG".

Moffett told Richards that he was not prepared to entertain a proposal relating to FMG at that time. He added that if FMG Inc decided to sell its interest in the Jerritt Canyon Joint Venture, it was required to negotiate first with FMC Corporation, its partner in the joint venture.

Minorco's initial bid to buy the Freeport-McMoran Gold Company elicited a hostile response. Yet 10 weeks later it had concluded the \$705m deal. BARRY SERGEANT reports

On November 29 FMG Inc announced a corporate restructuring among other things, beginning in January 1990, it would seek a buyer for the shares owned by it and the public following this announcement, Minorco requested Lazard Freres, its investment adviser in the US, to contact FMG Inc to convey Minorco's interest in considering an acquisition of FMG Inc's 61% interest in FMG.

FMG Inc told Lazard that it would not be prepared to discuss a transaction concerning FMG until early 1990. FMG Inc also informed Lazard that, at such a time, FMG Inc contemplated contacting a number of potential purchasers of FMG. Moreover, FMG Inc informed Minorco, through Lazard, that until the beginning of this sales process, FMG Inc would be available to answer any questions concerning publicly available information regarding FMG.

On or about December 4 Minorco was contacted by an investment banking firm which inquired whether Minorco would be interested in entering discussions with FMC Corporation to structure a joint proposal for the acquisition of FMG.

Following such contact, in a tele-

phone conversation on December 11, joint Minorco MD Roger Phillimore discussed the possibility of a joint acquisition proposal with an FMC Corporation executive, Art Lyons.

There was no further contact between FMC Corporation or Minorco until January 3, when Phillimore informed Lyons that Minorco did not wish to pursue a joint acquisition proposal with FMC. Discussions between Minorco and FMC Corporation ceased.

On December 23, Richards telephoned Moffett again to re-emphasise Minorco's interest in FMG. Moffett again said that he would not be prepared to discuss a possible transaction until January.

On January 5, Phillimore, in a telephone conversation and subsequent letter, reiterated to Charles Goodyear, vice president corporate finance for FMG Inc, Minorco's desire to discuss the possible acquisition of FMG Inc's interest in the company and asked whether FMG Inc could provide additional information to enable Minorco to better evaluate FMG's assets and potential.

During the conversation Phillimore indicated that Minorco might be prepared to consider consummating a

transaction concerning FMG Inc's interests in FMG prior to FMG Inc beginning formal discussions with other potential purchasers. During the week of January 8, FMG Inc delivered to Minorco certain public information concerning FMG.

During the following week the parties had several discussions during which FMG Inc indicated a willingness to provide additional information to Minorco in connection with its interest in acquiring FMG. On January 22, representatives of Minorco met with representatives of FMG at FMG Inc's offices and received geological and financial presentations concerning FMG.

Approved

At the January 22 meeting, representatives of Minorco were informed by Milton Ward, president chief operating officer of FMG Inc and chairman and chief executive officer of FMG, that FMG Inc would require any offer, in order for it to be viewed as pre-emptive, to be for the entire equity interest of FMG, in cash, and in the range of \$16 per share or above.

On January 30, FMG and Minorco entered into a confidentiality agreement, after which various confidential documents were provided to Minorco and Minorco's advisors. Representatives of Minorco were also given access to certain of FMG's facilities and employees.

Based on the information and a due diligence investigation Minorco's board of directors approved negotiations on February 15 with a view to acquiring the entire equity interest in FMG prior to FMG Inc's commencement of a formal auction process.

On February 15 Richards and Moffett began the paperwork needed to achieve the objective of the Minorco board decision. The next day Ward, Moffett and other executives of FMG Inc met with Richards and a partner in Shearman & Sterling, counsel for Minorco. It was agreed that all parties would meet the next day to start documentation. Minorco's representatives confirmed that of such date, the proposed sale of shares to Minorco at \$17 per share was not subject to any right of first negotiation with FMC Corporation. Definitive legal documentation was tied up from February 17 to 19.

There was some debate about whether there should be a "market test" to see whether another buyer might offer a higher price. Minorco hinted that it might pull out if such a course of action was taken. During the afternoon of February 19, the board of directors of FMG met to consider Minorco's proposal.

On February 20, during a telephonic conversation, FMG's board of directors agreed unanimously to accept FMG's offer. Thereafter, advised Minorco of its decision. The definitive agreements were executed and the transaction was announced.

Fate of six new gold mines hinges on Budget

By Derek Tommey

By this time next week executives at several of South Africa's great mining houses could be doing the initial planning for up to six new gold mines involving the expenditure of billions of rands and the employment of thousands of people

Whether this happens depends on the attitude Minister of Finance Barend du Plessis takes in his Budget speech towards the request of the mining industry to relax the provisions of "ring fencing" and so make it easier to finance new mines

The tax authorities allow gold mines to finance capital expenditure from taxable profits, which reduces their tax bill and in effect means that the Government bears the cost of the capital expenditure

Profitable mines

In the past, certain highly profitable mines have used this provision and their tax bases to participate in the financing of new mines, some several kilometres from their own operations

The tax authorities objected to this and now allow gold mines to finance new mines only on ground adjoining their own lease areas — the origin of the expression "ring fencing"

But lately the gold mining industry has been pressing the Government to ease the ring-fencing provisions on the grounds that the cost of new mines is so high that many can only be started with assistance from existing producers

Mining officials argue that the tax system has become rigid and believe that if a potential new mine is not too far from an existing lease area, ring fencing should not be applied

They also argue that using one mine's tax base to finance another mine does not deprive it of tax, but merely defers tax payments

Moreover, the money invested in new mines stimulates the economy and boosts other tax revenues

The industry argues that easily mined gold deposits have already been found, remaining deposits are going to be much more expensive to work

It needs help from the Government to open these deposits and relaxing ring fencing would be the best way of doing so

One of the mines that could be given impetus by the easing of ring fencing provisions is South Deep, which is near Western Areas

Market sources say the easing of ring fencing would probably

lead to Western Areas and Randfontein assisting in the financing of the mine

Another potential beneficiary of easier ring fencing is Gencor's proposed Poplar mine in the Evander area Winkelhaak is seen as the supplier of capital

The development of the Moab area, which adjoins Southvaal's lease area, also appears to be waiting for the Budget

Vaal Reefs, which is in the Anglo American group and mines the Southvaal area, also wants to mine Moab

But because Moab is not contiguous with Vaal Reef's lease area, the ring fencing provisions apply

Anglo American has two other projects which could benefit from lifting ring fencing One is the Jonkersrust, Du Preez Leger venture in the Free State

Freegold and Free State Development & Investment have plans to exploit it as a joint venture

But the venture has been put into abeyance "until such time as the mineral-right holders are able to negotiate a satisfactory mining lease", say Anglo directors

They add "It is important that the Government should realise the need to relax the provisions of ring fencing in order

to enhance the viability of some new mining projects"

A second mining prospect is on the farm Gerhardminnebron, some 10km to the west of the Doornfontein and Deelkraal mines in the Potchefstroom district

Drilling operations are still continuing in the area

Easing ring fencing could also help Anglovaal develop one of its three potential mines in Bothaville Gap in the northern Free State

Anglovaal has spent R163 million prospecting in this area in the past six years and is planning to spend a further R101 million in the current year.

Promising area

The area is obviously a promising one. Market sources say that if Hartbeestfontein were to become a capital contributor, a start could be made on one of the three mines expected in the area

But Basil Hersov, chairman of Anglovaal, would also like to see in next Wednesday's Budget a change in the way surpluses on the sale of shares are taxed in the seller's hands

The current practice sterilises large amounts of capital urgently required for new mining developments and the creation of employment

Second phase

The mining industry is hoping that the Government will continue with the second phase of its plan to tax the gold mines at the same rates as industrial companies

So far the Government has reduced the industry maximum effective tax rate from about 77 percent to around 65 percent

But it is still some way above the maximum 50 percent paid by industrial companies — and which the Government has promised ultimately to lower to 40 percent

Amgold hit by depressed conditions

By Derek Tommey

Amgold, the gold share investment company in the Anglo group, has cut its final dividend from 700c to 600c a share

This brings the total payment for 1989 to 1 250c — a 7,4 percent cut on the 1 350c paid in 1988.

In view of depressed conditions in the gold mining industry, the company did well to hold the drop in its investment income last year to 3,5 percent — from R352,4 million R339,9 million

But an increase in prospecting expenditure from R28,7 million to R35,5 million reduced net income further

The net profit for the year was R308,5 million, a drop of 6,6 percent on the R330,3 million earned in 1988. No tax was payable

Earnings a share dropped from 1 505c in 1988 to 1 405c last year

But the good news for shareholders is that the net asset value a share rose 37,1 percent last year from R279,79 to R383,67

The market value of listed investments rose from R5,79 billion to R8,13 billion

In view of its large shareholders, it seems Amgold could be a major beneficiary if the Government announces measures to reduce or eliminate the tax payable on profits from the sale of long-held equity shares

The money realised from such sales could help Amgold finance some of the new mines due to be developed in the next few years

Final Amgold dividend drops by 100c

RIAN SMIT

ANGLO American Gold Investment Company's dividend for the year to February dropped 100c to 1 250c a share

After maintaining the interim dividend at 650c, the final dividend declared yesterday decreased from 700c to 600c. This follows the decline in earnings from 1 505c a share to 1 405c. *By 8/31/90*

The lower dividend and earnings reflected a decline in total investment income to R339,9m (R352,4m) due primarily to the combined effects on gold mine profits of an almost static rand gold price and escalating production costs, Amgold said in a statement yesterday.

Investments and loans increased to

R531,7m (R376,5m) due to increased investments — most notably in Goldfields by following its rights at a cost in excess of R100m in that company's rights issue

The increase in loans to fund these new investments resulted in a change from a net current asset position of R22,2m at the end of the 1989 financial year to a net current liability position of R103,8m at the end of the 1990 financial year, Amgold said.

The net asset value, after providing for the dividend, increased by 37,1% from 27 979c a share to 38 367c. Amgold's share price shed 600c to R370 yesterday.

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Gencor refinery set for R1,2bn growth

BID 813/90 (214)

ZILLA EFRAT

THE capacity of Gencor's Genref refinery will be expanded at a cost of at least R1,2bn to refine oil for Trek Beleggings, for competing oil companies and for export by 1995.

Durban-based Genref, formerly Wentworth Refinery, is part of the Mobil interests Gencor acquired last year.

Along with Gencor's other energy interests, it will be injected into Trek to form Engen, which will have an annual turnover of more than R5bn.

Engen CE Robert Angel says the first phase of upgrading Genref, which supplies Mobil and Sonap, will cost between R600m and R800m and is aimed at expanding capacity to take on Trek's refining.

This work is done by Sapref, which is jointly owned by BP Southern Africa and Shell SA, but that agreement ends in two and a half years time.

Genref is also looking at a second phase to expand capacity for refining competing companies' oil and for exports into Africa.

This phase will push up costs to between R1,2bn and R1,5bn by 1995. The first phase will expand capacity by 50% and the second by 25%.

Angel says the petrol industry has shown

an annual real growth rate of 8% to 10% over past years. He expects it to show future growth of about 4% to 5% a year.

Angel says SA's refinery capacity could become tight in the next few years. Refining margins worldwide have been strong as demand has been higher than expected without extra capacity being added. He expects this trend to continue.

Genref MD Errol Martin says over the years, Genref, SA's first refinery, has been upgraded to produce added value and speciality products.

It now produces 101 refined products and its lube oil blending plant provides 530 packaged products, he says.

Genref has consistently undergone expansion projects since it came on stream in 1954. The largest of these developments was in 1974 when oil prices started escalating. At the time, allowance was built in for future capacity expansion.

In the early 1980s, when Sasol I and II came on stream, the quantities of crude oil processed in SA declined and Genref's

□ To Page 2

Genref expands

BID 813/90 (214)

□ From Page 1

crude oil distillation area, built in 1954, was closed.

Genref director and projects venture manager Peter Dymott says the first expansion phase will take advantage of the forward thinking of the 1974 expansion and will involve modification of the 1954 distillation area.

On the environmental side, sulphur recovery will be improved with new equip-

ment and the effluent treatment facilities will be upgraded.

At the end of the project, Genref will have a refinery that will be most competitive on a world scale, says Dymott.

Angel says Genref is set to become a major contributor to Engen's earnings and will provide it with a platform to spring into the future.

OFS sit-in signals relaunch of campaign

Star 9/3/98 Drew Forrest (AIC)

Conflict over hoisting schedules at Anglo American's Free State gold mines — including a six-hour underground sit-in this week — signals the apparent relaunch of the National Union of Mineworkers' anti-segregation campaign on the mines (FA)

Confirming the sit-in by 3 000 workers at Western Holdings, Anglo said workers had also tried to prevent the preferential hoisting of supervisors at the

group's President Steyn and Saaiplaas mines.

It denied National Union of Mineworkers' charges that the use of cages was racially discriminatory, saying supervisors were hoisted first because of their seniority.

NUM press officer Mr Jerry Majatladi said worker action was part of a campaign for "justice, peace and democracy" on the mines which also focused on segregated facilities, single-sex hostels and curbs on union

meetings.

The NUM says some white miners at President Steyn have refused to work in reaction to "emerging democracy on the mines". It denied claims that whites had been assaulted.

Mr Majatladi said the NUM's campaign in the Free State goldfields had received a powerful filip at a 30 000-strong rally in Thabong at the weekend to mark the 35th anniversary of Sactu, the ANC's labour wing

B/day 9/3/90

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FINANCE

Promise of new gold field

PERTH — Major new gold discoveries in SA in the 1990s would help the country retain its title as the world's largest gold producer, SA Chamber of Mines CE Tom Main said yesterday.

"Indications suggest that a new gold field might emerge in more than one area, and if it does, it is likely to be big from previous experience," Main told the 1990 Australian gold conference.

The most promising new region was the Potchefstroom gap, a 50km break between the western end of the West Wits line and the Klerksdorp gold fields.

"Here significant, good gold values have been found and the likelihood of a new gold field is very real," Main said.

Preliminary exploration had already identified nearly 17 000 tons of gold for exploitation in new areas. SA produced 40%, or 606 tons, of the world's gold in 1989.

"The Witwatersrand basin remains by far the biggest potential source of new gold," Main added.

However, deposits in the Witwatersrand, which contains an estimated 40 000 tons, lie in thin deep reefs, often 3 000m or more below the surface, and are costly to mine.

Nationalisation, falling grades and rising costs were the three major obstacles facing the SA gold mining industry in the 1990s, he said.

"We have the task of convincing blacks that despite being largely excluded from the free enterprise system for so long, a free enterprise mining industry is the best bet for the future prosperity of all the people of SA," he added.

"The threat of the adoption of socialist

principles by a future majority government is real," Main said.

Many of the country's mines were old and incapable of improving grades.

"It is generally agreed that the key to the future in SA's gold mining is improved productivity," he added.

Labour costs represented more than 25% of the total expenditure in a mine.

"The unions must realise that wage increases must be rewarded by productivity gains," Main said.

Continuing high inflation of about 14% was also fuelling mining costs and was expected to remain in the double-digit figures well into the 1990s.

"It is imperative that inflation is finally brought under control in SA," Main said.

While changes to SA's apartheid system were occurring rapidly, overseas investment would remain thin as sanctions would remain in place for some time.

"I hope that the political initiatives now under way in SA will bring an end to sanctions against the SA mining industry."

Reduce

"However, for the time being, mining will need to be financed from domestic capital with limited participation from foreign investors," Main said.

Changes in SA's tax laws in 1989 would effectively reduce tax to a flat 50% for the industry, freeing up an estimated R40m.

"The increased profitability will allow mines to increase cash reserves for exploration on new mines development and, of course, profitable mining encourages capital expansion," he added — Reuter

Early psychological victory in Minoreo's bid for FMG

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BARRY SERGEANT

MINORCO has received early termination under the US Hart-Scott-Rodino Act in connection with its offer for Freeport-McMoran Gold Company (FMG). *Blum 9/31/90*

An announcement in Luxembourg yesterday said that its \$705m tender offer for FMG had been given early termination of the waiting period under the Act by the Federal Trade Commission.

This moved the stumbling block to Minorco's bid for ConsGold, the Hart-Scott-Rodino Antitrust Improvements Act, out of the picture.

The tender offer is scheduled to expire on March 23 at midnight, New York City time.

Analysts said last night that the go-ahead by the FTC represented a major

psychological victory for Minorco after its failed bid for ConsGold, which was thwarted by US antitrust laws.

Analysts added that the go-ahead effectively meant the acquisition of FMG as a wholly owned subsidiary was to all intents and purposes complete. The only other legal formality was power given to the US president to intervene is an acquisition undermined strategic US interests.

Analysts said this was highly unlikely, as Minorco had repeatedly restated its intention to expand its mineral resources business by acquisition.

The acquisition of FMG was seen as a strategic step into the US, and a springboard for further acquisitions.

Foreign holdings give many companies potential to go

De Beers route

ROBERT GENTLE

trading companies, amounts to R969m

A Simpson McKie mining analyst estimates the market value to be twice as high.

It is Anglo American that emerges as the most widely-spread SA company. Its latest annual report shows it has 39.1% of Luxembourg-based Minorco, whose own interests were enhanced only last month with the \$705m acquisition of US gold mining company Freeport-McMoran.

Anglo also holds a 40% stake in Anglo American South America, a mining com-

pany with interests in Brazil, Chile and Argentina. Its net 1988 income was \$130m.

Gencor holds what it calls a "significant interest" in Sao Bento Gold mine in Brazil. The list is seemingly endless. Malbak has a stake in UK-listed MY Holdings. FSI has cash-flush UK offshore vehicle AAF Investments currently on the acquisition trail. Liberty Life's 48%-owned UK investment vehicle TransAtlantic holds 75% of UK property company Capital & Counties and 29.9% of Sun Life Assurance.

Analysts have little doubt that SA companies so inclined could park off-shore interests under the wing of a neatly created foreign vehicle.

holds a controlling interest in UK-listed computer group Telemetrix, which in turn holds interests in related companies.

Anglovaal holds a 29.9% interest (acquired early last year for £16.5m) in UK-listed mineral resources company North Sea & General, since renamed Anglo Pacific Resources to reflect the dominance of its key shareholder and the main area of its operations (Australia).

Johannesburg Consolidated Investments, in its latest annual report, says the market value of its holding in De Beers (since De Beers-Centenary), with holdings in various unlisted and listed diamond

MANY SA companies, whose cumulative foreign holdings run into billions of rand, have the potential to go the De Beers staple route by having off these holdings into distinct, foreign-based corporate entities.

They include companies on all sectors of the JSE board. Their interests span four continents, from Canada to Brazil, Belgium to Denmark, Hong Kong to Australia.

SA industrial conglomerate Barlows, for example, holds 86% of UK-listed industrial and agricultural group J Bibby, which in 1989 brought in R93m (9.3%) of Barlow's R1bn attributable profit.

Information technology grant Altron

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The resulting separation, which would merely formalise the existing difference between foreign and local interests, could be reflected in a stapled unit of indeterminate longevity.

The chances of an SA company admitting to plans of this sort are clearly nil, if the example of the PG Group (whose extensive inter-national glass and wood interests traditionally account for 50% of net earnings) is anything to go by.

Asked if PG would contemplate doing a De Beers to avoid nationalisation, financial director Michael Read said: "Any restructuring would be for economic reasons, not political."

Call to cut tax burden on gold mines

CAPL
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Own Correspondent

JOHANNESBURG. — The government could secure 120 000 new jobs in the gold mining industry affecting up to 750 000 dependants during the next decade if bold tax reform is announced in Wednesday's Budget.

Tom Dale, head of research at stockbrokers Ed Hern, Rudolph, Inc, argues that "immediate abolition of lease and tax surcharge liabilities for gold mines and a new deal on ring fencing would improve the return on several gold mining projects to above the hurdle rate which investors require for the high risks of deep level mining".

He says that as a result, JCI's South Deep, Anglovaal's Sun project, Vaal Reefs' Moab shaft and Freegold's Du Preez Leger Jonkers Rust would all probably get an immediate go-ahead from the mining houses "These projects could produce more than 8-million tons of gold-bearing ore a year by the turn of the century, increasing to about 15-million tons a year during the following decade."

The four potential mines are being held up by tax obstacles, as the mining houses involved have consistently stressed. Major arguments are that deep level hard-rock mining is high risk, the gold price is set in international markets, SA costs are rising faster than competitors' and the only real variable in the equation is the tax system.

Dale says that from operating gold mines' figures, it can be assumed that

a 180 000 tons per month (tpm) deep-level mine would employ about 12 000 "The resultant direct employment opportunity could be 46 000 by the year 2 000, possibly rising to 82 000 men by the year 2 010

"If we accept an employment multiplier of 1,5 for the hard-rock mining industry, total employment stimulated by these mines (including secondary industry) could grow from 69 000 to 123 000 over a 20-year period Using a dependency ratio of 6 1, almost 750 000 individuals could be affected by hopeful bold mining tax reform in the forthcoming Budget."

Dale says a mining rate of 15-million tons a year would cost some R2bn a year in real terms in wages, consumables and power. He argues that this expenditure would provide enormous stimulus to secondary industry

"Moreover, the total capital cost of establishing 15-million tons a year output is probably around R15bn in current terms This additional expenditure of about R750m a year in real terms over 20 years would provide further stimulus to secondary industries"

Dale argues that further down the line, tax neutrality for gold mines could well lead to development of the virgin "Potch Gap" gold fields, and large areas of the OFS which are unattractive to investors in the current tax environment.

"I believe there is real potential for the government to address the burning issue of job creation during the next 20 years in the 1990 Budget," he said.

Bold tax relief in Budget is key

Mines could offer '120 000 more jobs'

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B/Dam
12/13/90

GOVERNMENT could secure, during the next decade, 120 000 new jobs in the gold mining industry, affecting up to 750 000 dependants, if bold tax reform is announced in Wednesday's Budget.

Tom Dale, head of research at stockbrokers Ed Hern, Rudolph, Inc, argues that "immediate abolition of lease and tax surcharge liabilities for gold mines, and a new deal on ring fencing, would improve return on several gold mining projects to above the rate which investors require for the high risks of deep level mining".

Gold mines paid an overall average tax rate for the December 1989 quarter of 52% on taxable profits of R674m

"This disguises the fact that some mines are currently paying combined lease and tax rates of up to 65%," said Dale.

In their annual reviews recently, Peter Gush and Lionel Hewitt, chairmen of Anglo American's operating mines, said: "There is no doubt that the current system of ring fencing is the single biggest factor inhibiting the development of gold mines."

Ring fencing prohibits the absorption of a developing mine's tax losses by a sister mine with taxable profits

Dale said that bold tax reform could mean that JCI's South Deep, Anglovaal's Sun project, Vaal Reefs' Moab shaft and Freegolds' Du Preez Leger Jonkers Rust would each, probably, get an immediate go-ahead from the mining houses

"These projects could produce more than 8-million tons of gold-bearing ore a year by the turn of the century, increasing to about 15-million tons a year during the following decade"

BARRY SERGEANT

The four potential mines are being held up by tax obstacles, the mining houses involved have consistently stressed. Gush and Hewitt, too, have argued that "further bold reforms were required for the mining tax system."

Finance Minister Barend du Plessis has hinted that ring fencing may be addressed. This was acknowledged by Gush and Hewitt.

Dale welcomed the report from the Tax Advisory Committee on the definition of capital gain versus revenue, which was handed recently to Du Plessis "This issue has constantly constituted further uncertainty in a business environment already fraught with risk."

Dale calculated that of the R32bn worth of gold mining investments held by the six major mining houses, about R14bn at Friday's closing share prices could be classified as "mature".

He explained that if a clear definition of capital gains was made, some of these mature investments could be realised and the proceeds used to finance new mining ventures.

Major arguments for bold mining tax reform are that deep level, hard rock mining is high risk, the gold price is set in international markets, SA costs are rising faster than competitors; and the only real variable in the equation is the tax system applicable

Dale says that from operating gold mines' figures, it can be assumed that a

To Page 2

Tax reform

180 000 tons per month (tpm) deep level mine would employ about 12 000 "The resultant direct employment opportunity could be 46 000 by the year 2000, possibly rising to 82 000 men by the year 2010

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Dale argues that further down the line, tax neutrality for gold mines could well lead to development of the virgin "Potch Gap" goldfields, and large areas of the Free State which are unattractive to investors in the current tax environment

Dale says the additional projects — an estimated seven deep-level mines — have the potential to employ more than double the 123 000 men that would be employed by the four projects that are being held up by tax obstacles

From Page 1

DRD reports turnaround

Star 13/3/90

Finance Staff

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Durban Roodepoort Deep (DRD) has returned to profitability and could do even better in the coming months, says chairman Clive Knobbs in his annual report.

Reorganisation resulted in a taxed profit of R1 million in the December quarter. He says further measures have been identified to improve performance.

The company will achieve a significant turnaround in profitability should the budgeted gold price and grades be attained.

Sufficient ore reserves are to be developed and maintained in the high-grade, low-cost sections to sustain underground operations at the current rate of mining.

The sand treatment operation will continue at current production levels and a reliable flow of profits is expected.

One of the objectives for 1990 is the repayment of medium-term bank loans. The company has received R19 million from the Transvaal Provincial Administration which has expropriated the remaining part of the surface of the Doornkop farm to establish a black township.

Capital expenditure is to be limited to R6,6 million for statutory and essential production requirements. It will be aimed primarily at development in the Saxon-Roodepoort area.

Harmony has declared a final dividend of 50c after passing its interim. Last year the company paid out a total of 115c.

Mr Knobbs says the 50c is well below earnings because the company has taken into account a lower gold price and possible labour problems over wages.

Optimism over (214) gold mine's future

RIAAN SMIT

A SIGNIFICANT turnaround in profitability of marginal gold mine Durban Roodepoort Deep (DRD), on the brink of closure in May last year, was possible, chairman Clive Knobbs said yesterday.

In his annual statement, Knobbs said the turnaround was envisaged "should the budgeted gold price and recovery grade parameters be attained".

He said some weakening of the rand against the US dollar was necessary if certain SA gold producers and other exporters were to survive.

A delicate balance in exchange rate policy was required which, at present, "appears tilted more towards combating inflation through cheaper imports".

"This may be achieved at considerable cost if exporters who are large earners of foreign exchange and employers of large numbers of people are forced to close their doors," he said.

Although the mine's loss increased 245% to R20,1m for the year to end December 1989 (1988 R5,8m), it recorded a taxed profit of R1m for the fourth quarter after mining was concentrated in high-grade low-cost areas.

DRD secured a medium term bank loan facility of R35m which enabled it to continue mining last year of which the company utilised R26,8m at December 31, according to its fourth quarter results.

The loan was being repaid with the proceeds from expropriated land and cash-flow from operations, Knobbs said.

DRD has sold 1 012kg of gold in hedging transactions for between R3 000 and R7 000 per kg above the current rand price. *510m 13/3/90*

Assuming the rand gold price remains static at around R32 000 a kg for the first half of the year, DRD could earn a premium of roughly R2m.

Minorco plans defence against lawsuit

MINORCO, which closed near a 12-month high on the JSE yesterday, says it will "vigorously" contest a lawsuit bought against it in a New York Supreme Court

Minorco is being sued by Asarco over Minorco's \$705m offer for Nevada minerals operation Freeport-McMoran Gold Company (FMG) Minorco issued a statement in London saying "We believe the suit is without merit and we will contest it vigorously"

"The tender offer for all outstanding shares of FMG is proceeding It should be noted that the joint venture interest in question is a very small part of FMG It has not accounted for any sales, and

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BARRY SERGEANT

in value, represents an insignificant proportion of the total asset value of FMG" *BIDCOM 14/3/90*

Asarco said in a statement the venture was engaged in a research project supported by the US Bureau of Mines and 75% funded by the US government to test feasibility of "novel" *in situ* mining technology for extraction of copper from a deep underground copper deposit

Sources in London and North America said last night that the copper deposit was low-grade, too deep for cost-effective conventional mining, and that

Asarco was experimenting with an acid leaching process

Asarco said it had filed suit against FMG, Freeport-McMoran Inc, and Minorco and its units, challenging Freeport-McMoran's sale of its 50% interest in the Santz Cruz copper project to Minorco Asarco alleged that the transfer to Minorco would damage the joint venture and "did not comply with the joint venture agreement"

FMG is 61% owned by Freeport-McMoran The suit asks the court to enjoin, until Asarco's interests have been protected, completion of the sale by Freeport-McMoran of its shares in FMG to Minorco

Genmin 'heads for elephant country'

BIDAM 14/3/90

TO HUNT elephant, go to elephant country, new Genmin chairman Brian Gilbertson told the recent Frankel Kruger investment conference shortly before he succeeded Steve Ellis on March 2.

He quickly explained that he was referring to an old saying used by exploration geologists to guide their efforts

"By extension if you wish to make new mining investments, go to mining country Southern Africa is surely the greatest mining country in the world," he added

When asked in an interview last week what factors he saw inhibiting growth of Gencor's mining arm, which has just celebrated its first year as a separate division, he replied with a grin "I didn't know there were any obstacles"

He said the biggest obstacle in gold mining was finding deposits that were financially viable "at today's relatively depressed rand gold price", high tax rates and ring-fencing

If ring-fencing was lifted, it would

RIAAN SMIT

be easier to finance large and expensive ventures

"When you have to put down R2bn on the table in order to get a project going, it is much less attractive than putting down half of it with a tax shield," he said

Gilbertson said in the areas of the industry which were more supply/demand driven, such as platinum, ferro-alloys and coal, it was a question of trying to get the capacity and production to grow in line with what was appropriate in the market place and to do it cost effectively

The important area in which deci-



● GILBERTSON

sions would be made in the next few years was "clearly in Samancor with the stainless steel project decision due mid-year"

"In the rest of the ferro-alloy industry, we are cost competitive with anyone in the world," he said

Gilbertson, who completed an MSc at Rhodes University in 1969, got an MBL from Unisa in 1973 and joined Gencor in 1988 as executive director after 17 years with JCI, said "How our prices for coal compare with overseas producers is an unfortunate part of our business" (214)

He said he would rather under supply and see a higher price than expand output

"SA coal still has a substantial political discount attached to it I say political discount because it actually emerged and grew very large when sanctions were imposed"

He said when SA lost markets in Europe the competition for market share rose and the prices came down and did not recover.

Gold price prospects look very bright

214

Sowetan 15/3/90

PROSPECTS for the gold price looked considerably brighter than in the previous year, the Minister of Finance, Mr Barend du Plessis, said in his budgetary review yesterday

He said the dollar price of gold had increased sharply since November 1989 and notwithstanding various short term fluctuations, the gold price could rise even further. A greater investment demand for gold was caused by uncertainty over exchange rate movements as well as political events in Eastern Europe.

Last-minute futures rush lifts the JSE

B10cm
10/3/90 MERVYN HARRIS

FORCEFUL buying of leading shares ahead of the expiration of March futures contracts enabled the JSE overall index to trim losses and close 20 points higher at 3 324

Most of the buying spree came shortly before the close with 31 of the 56 points gain in the industrial index to 3 046 coming in the last few minutes of trading

The activity came after trading on the market had been stifled by a firmer firrand. After weakening almost 100 points to R4,11 in the past five weeks, the firrand firmed to R4 to the dollar as selling slackened and demand increased in a thin and nervous market

The currency's strength and a weak gold price pulled down gold shares with some leading counters easing after rising on Wednesday in what dealers said was an overreaction to the Budget news on tax relief and other benefits for mines.

The all gold index trimmed losses to end 47 points lower at 2 025.

ROBERT GENTLE reports that the biggest close-out in the SA futures market — about R500m — saw frantic activity in March futures as contract holders rode on the back of a roaring all share index right up till the final minutes of trade

Traders said JSE brokers, thought to be acting on behalf of institutional clients holding long, or bullish, futures positions, ramped up share prices in a last-ditch effort to get the futures to follow.

This resulted in key blue chips like Anglos, Richemont and Dries being bid at unusually high prices in the closing minutes of trade, pushing the all share index up about 20 points between 3 50pm and 4pm to close at 3 324

"It was a bunfight out there towards the end," said a trader from Greenwich Futures

"There was definitely much more activity by the institutions this time around," said a trader from First Financial Futures.

A trader from Holcom sounded a note of caution, saying that many had been caught on the wrong side of the rising market. "It's a zero sum game For every winner, there's a loser."

ConsGold sale boosts Minorco earnings

RIAAAN SMIT

MINORCO's interim earnings from operations increased 19,6% to \$98,9m thanks to the higher contribution from interest earned after the sale of ConsGold for \$1,6bn, the company said yesterday.

Dividend a share for the half-year to December 31 rose 14,3% to 16c.

A fall in dividend income, reflected in a decrease from \$136,1m to \$102,3m in earnings before extraordinary items, was entirely due to the sale of its stake in ConsGold, Minorco said. *B/Dam*

Net asset value a share dropped margin-

ally from \$21,17 to \$20,91c.

Its share of equity accounted undistributed earnings of investments decreased by \$50m of which \$28m was also attributable to the disposal of ConsGold.

Minorco said the contributions from Adobe Resources Corp and Inspiration Resources Corp were both negative.

Adobe's results were depressed by write-downs of international exploration

To Page 2

Minorco earnings

B/Dam 16/3/90

costs and weak US gas prices, while Inspiration was affected by nonrecurring charges in its agribusiness subsidiary and start-up problems at a Canadian nickel mine, Minorco said

Engelhard's results, before restructuring charges, were significantly improved mainly due to gains arising from asset sales. It also made a restructuring provision of \$160m after tax in line with its decision to refocus its business on core operations

The company in future would be concentrating its activities on operations in catalysts, pigments and additives, platinum products and precious metals management services, Minorco said

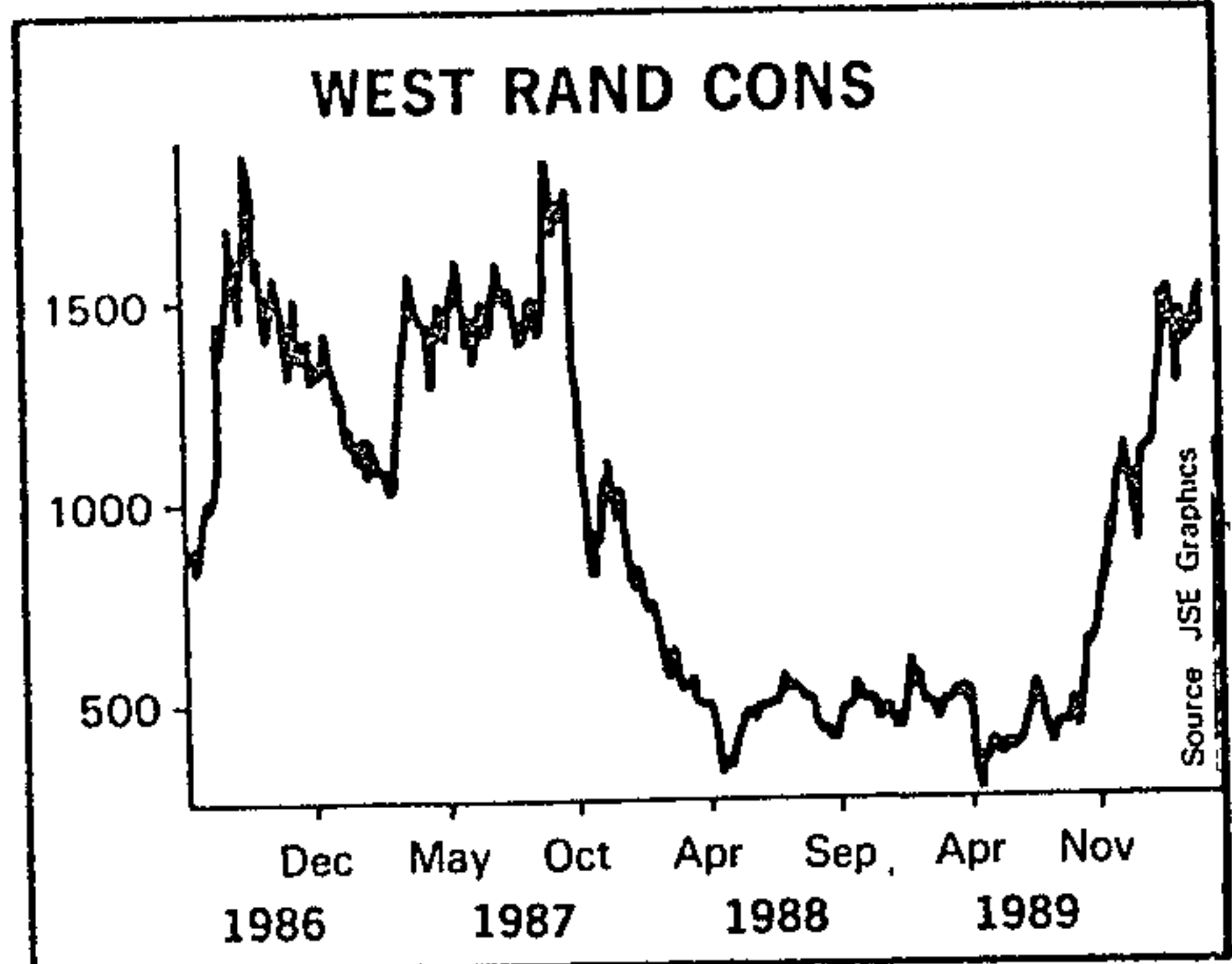
Charter's increased earnings resulted from improved contributions from all its operating divisions and Anglo American Corp of South America greatly improved its contribution, with base metal mining in Chile and Brazil, as well as Brazilian gold interests being major earners.

From Page 1

DIAGONAL STREET

West Cons looks good

214
S/Time,
18/3/90



WEST Rand Cons is a buy at the current price of R15, according to stockbroker Kaplan & Stewart (K&S)

Only a year ago the ageing West rand gold mine incurred substantial losses. In the December 1988 quarter these totalled R4.1-million, and in the following three months R5.2-million made another red mark.

By June 1989 the loss was down to R218 000, and the December 1989 quarter showed a profit of R3.5-million.

K&S notes that part of the losses were due to retrenchment payouts after cuts in labour because of reduced mill throughput.

While rationalisation was taking place, the development results took an upturn. The average gold value in centimetre-grams a ton rose from 843 in 1988 to 1 540 in 1989. In 1986 the figure was only 554.

The December 1989 quarter was a bumper time. The channel width over 561 metres sampled was 155cm, and the average gold grade 14.8g/t.

The report says it is still too soon for the improved results and reserves to make an impact on the mill head grades. But the overall improvement should make it possible for West Rand Cons to continue to mill a million tons a year, sourced evenly

between underground and surface tonnage.

If the underground ore yields 6g/t and the surface material 0.5g/t, overall recovery might rise from the 2.2g/t achieved in 1989 to 3.25g/t. At that level, West Rand Cons would be highly profitable.

The mine has an assessed loss which will be used up by the end of 1990, but this year's profits could be nicely sweetened. The company has cash, no debt and last year's sundry income was R5-million.

There are 4.25-million ordinary shares in issue, and 25 000 deferred shares entitled to 25% of declared dividends.

Using a gold price of R34 000 a kilogram, K&S forecasts a total dividend of 260c a share, which would yield 17% at the current share price.

The forecasts for the next three years look rosy at R34 000 a kilo — 300c in 1991 and 340c in 1992. If the forecasts are accurate, growth in the share price is assured.

Blue chips not k

ARE blue-chip industrials overpriced? The market has adopted a cautious approach to them for the first time in years.

The managements of several leading groups have sounded more than a note of alarm over the last few weeks and the share prices are sharply off their highs.

Anglo American Investment Corporation (Amic) chairman Graham Boustred's statement, issued with the results a week ago, heralds a difficult year ahead. The short-term effect of efforts to reduce inflation is to restrain business activity.

The current high value of the rand, coupled with subdued commodity prices will put further pressure on Amic's profit margins.

Mr Boustred says it is difficult to sustain earnings level, although management is to try.

Amic's share price fell from R112 in mid-February while Barlows has been battered, from R54.75 to

Analysts doubt the recovery in the last few years can be sustained because of Barlows' late start in the motor industry and lower profits from M&S.

Nor does Barlows seem to be in step with the trade union which often petitions the JSE. In the long run, however, the low price is fine, but 1990

SA Breweries, at R34 a share, price of 17 times earnings

Sapa

CVI 7411 20/3/80

Anglo's new advert drive

20/3/80 (214)
Own Correspondent

LONDON. — Anglo American yesterday launched its overseas ambassadorial offensive to raise the group's international profile in the politico-economic debate.

Two full-page advertisements in both The Times and The Guardian signalled the start of a campaign disclosed when Anglo's chairman, Mr Gavin Relly, announced his retirement and his new role as an unofficial ambassador for the group and South Africa.

Minorco court victory 'good for SA business'

B1049 20/3/90

(214)

MINORCO president Hank Slack says the company's victory in the New York Supreme Court on Friday night "is good not only for Minorco but for all South Africans doing business in the US"

He was referring to a New York Supreme Court decision which refused Asarco a preliminary injunction restraining the sale of certain US shares to Minorco and its associates

Asarco decided within hours of the decision that it would not appeal

In an interview in Johannesburg, Slack said "We're not that surprised with the outcome, but we're especially pleased with the favourable reference to SA shareholders."

Slack said the result in the Asarco case represented a "very nice precedent for Minorco in the US", and suggested that it would give the multinational new confidence in its bid to narrow the discount between its share price and its net asset value

Minorco was sued by Asarco over Minorco's \$705m offer for Nevada minerals operation Freeport-McMoran Gold Company (FMG)

Asarco filed a suit against FMG, Freeport-McMoran Inc, and Minorco and its units, challenging Freeport-McMoran Inc's sale of its 50% interest in the Santz Cruz copper project to Min-

BARRY SERGEANT

orco Asarco alleged the transfer to Minorco would damage the joint venture and "did not comply with the joint venture agreement".

In the New York Supreme Court on Friday, the judge said the plaintiffs — Asarco Inc and Asarco Santa Cruz Inc — "failed to establish that they will be irreparably harmed in the absence of injunctive relief".

The judge said "(The plaintiffs) also claim government funding for the joint venture is imperilled.

"Both of these claims are speculative . . . There is no indication at this time that the joint venture would lose its government funding because South Africans own a controlling interest in Minorco."

The judge also said the SA shareholders of Minorco had been outspoken foes of apartheid

Other affidavits were submitted indicating the speculative nature of plaintiffs' fears regarding the negative effect of Minorco's involvement in a business. In addition, it had been stated that if a problem did arise as a result of Minorco's acquisition of Freeport Gold, Minorco would relinquish its interests in Freeport Copper.

Budget moves set to trigger mine projects

214

31 Day 20/3/90

THE 25% drop in the ring fence, together with the scrapping of capital gains tax on investments older than 10 years, will trigger the development of a number of mining projects this year.

Max Pollak & Freemantle's Gerhard Potgieter predicts development will start at South Deep, Sun, Doornrivier, east of Doornrivier, north of Joel, Vermeulenskraal-Noord, Jonkersrust-Du Preezleger and south of Harmony. Other sites are could join the list soon.

Potgieter lists the benefits of Budget proposals for mining companies: the introduction of Phase 2 of the Marais Committee proposals (which he predicts will be improved upon by the authorities); the increase of capital allowances from 10% to 15%, the use of 25% of a mine's taxable income to develop new projects and, the reduction in the surcharge on imported mining equipment from 15% to 10%.

The graph shows the full effect of the

LIZ ROUSE

new SA mining tax formula on taxed profits of mining companies, which will rise from under R2bn to R2,3bn in the 1995/1996 tax year.

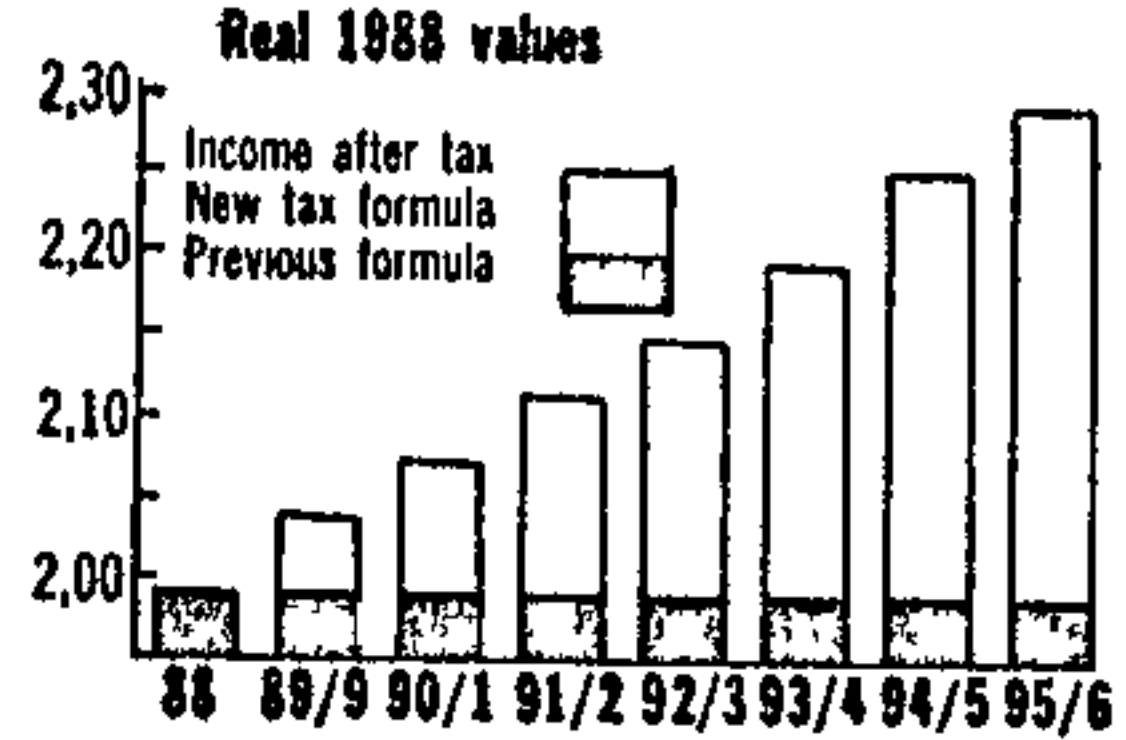
In fact, says Potgieter, the mines can expect even greater tax benefits in future as policy tends towards a reduction in mining tax to below 60%.

Potgieter predicts ring fencing will eventually be scrapped entirely, simply because the contribution from the indirect tax of mining supply companies, employees and general businesses when a new mine is established will far outweigh the loss in direct tax.

He says the raising of capital allowances is an unexpected windfall for mines, and will no doubt encourage capital spending.

Shares that will benefit most from the gold projects are the exploration sector: Randex, East Dagga, Lydex, Barnex and South Wits; the mining holding companies. Genbel, Amgold, New

New SA mining tax formula
Effect of the phased introduction



Graphic: LEE EMERTON Source: CHAMBER OF MINES

Wits and New Central Wits and; the mining houses Genmin, Anglos, JCI, Anglovaal and Rand Mines.

As far as the gold share market in general is concerned, the Phase 2 introduction of the mine tax formula is already discounted in share prices.

Potgieter scotches the fear that share prices will come under pressure because of large-scale selling. He says the scrapping of the capital gains tax on shares held longer than 10 years should lead to a controlled sell-off of a number of mature investments held in mining house, mining holding and large insurance company portfolios.

A mining house's mission is to develop new mines and derive income from these mines, rather than be holding companies of gold shares.

The scrapping of dividend tax is also expected to favour dividend-stripping of high yielding shares.

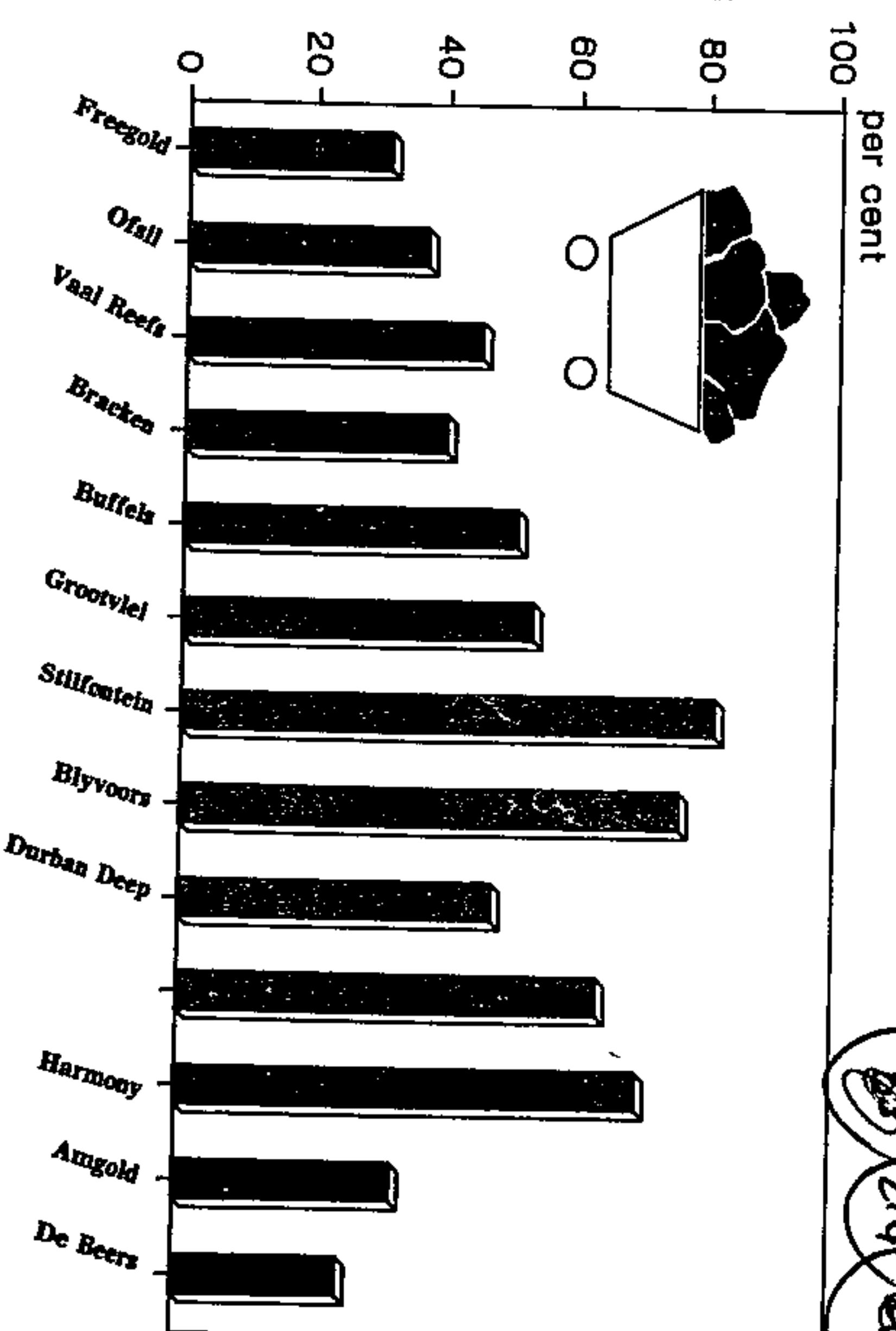
Lastly, the scrapping of MST over the next four years will free up the JSE by reducing the financial penalties on the trading of shares.

SA investors grab golds

South African mines

Foreign investment

W/L Africa 24/3/90
214



By TREVOR WALKER
 Business Staff

SOUTH African investors now own more of the country's gold shares than ever before and Mr Mandela's pronouncements concerning nationalisation have pushed the process apace

Stock Brokers Davis Borkum and Hare said in a paper at the beginning of the year that from a peak of 42 percent in 1979, foreign holdings in the country's gold shares had progressively declined to 24.24 percent by 1989

The broking house said then that "this phase of gold share sales has left the foreign involvement in the South African mining industry, as far as can be established, at an all time low."

Analysts at Davis Borkum were this week of the opinion that this trend had strengthened following the ANC's reasserted policy of nationalisation

The market bounded ahead following the government's decision to release Mr Mandela and all that this entailed, but this was sharply curtailed by subsequent ANC policy statements.

So once again South African institutions are "buying back the farm" but on a scale largely different from that which pertained following Sharpsville and the Soweto school riots.

South African institutions, with their huge daily cash inflows, are prohibited from investing abroad and thus captive money has to be placed in land, buildings and shares in South Africa

Analysts said that the investor returns shown by the majors in recent years had been phenomenal and the next round of plusses could come from selling gold shares back into the market when it improved

Namibia was showing what moderation might produce and Mr De Klerk's discussions with leading southern African politicians in Windhoek should not be underestimated

South African investors had a tradition of being bullish supporters of gold shares and, given the present trends in in Eastern Europe, Mrs Thatcher's difficulties and the excessively strong dollar, the reverse side of the investment coin could yet prove to be very profitable for investors in traditional hedge instruments

According to Davis Borkum the four Rand Mines gold mines have a foreign ownership made up, as follows — Blyvoors 76 percent, Durban Deep 48 percent, ERPM 65 percent and Harmony 70 percent

Certainly talking to institutional investment managers in the City this week it was immediately clear that they were all in the market for gold shares and that in the shorter-term were looking to raise the portion of their total invested funds into gold

DIAGONAL STREET

LLOYD PENGILLY, mining analyst at stockbroker Martin & Co, told the International Gold Conference in New York recently that there is still as much gold in the ground in SA as has already been mined.

In 103 years, SA has produced 42 000 tons of gold, but a study by Wits' Economic Geology Research Unit estimates reserves at 39 800 tons at 8,5 g/t — far more than in the rest of the world put together

Existing mines are projected to produce 23 000 tons, and new mines 17 000 tons of gold

But there are three stumbling blocks to the development of these new mines — depth, funding and the ANC

The deepest reserves cannot be tapped until technological hurdles are overcome

The mining houses have enough resources, or the ability to raise capital to fund new mines, but there is always a considerable risk. There could be no return for 10 years until deep-level mines begin production.

Mr Pengilly believes that ring-fencing is a key issue here. Since his speech, the Government has partly relaxed its policy whereby a developing mine's expenditure can be offset against an existing mine's profits

WARNING

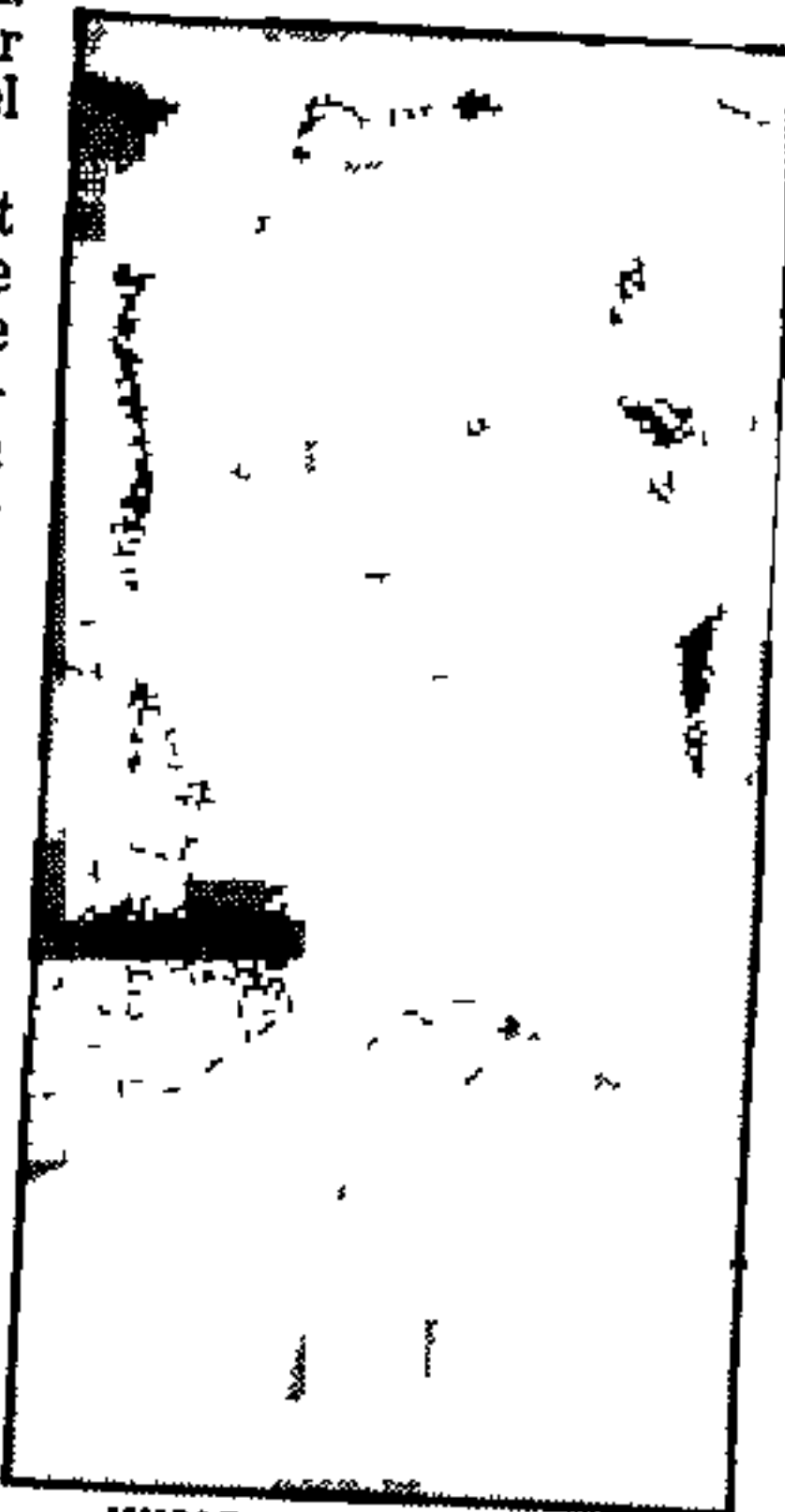
"But, tax aside, vast sums will still be required to develop these massive new fields. In the 1950s and 1960s, foreign capital played a major role in funding those huge developments. For optimum exploitation of the potential, this would again be a prerequisite"

This is where the third stumbling block crops up. "Unless the threat to nationalise the mines is dropped at an early stage, most of the new development will never get off the drawing board"

Mr Pengilly showed the effect on future gold production under a number of scenarios. A best case, where access to foreign capital and continued private management are in place, projects

SA's ²¹⁴ golden future faces three hurdles

St Times 25/3/90



WINSTON FLOQUET

jects gold production at 48 tonnes a year

This is less than a sixth of the most optimistic scenario

His colleague, Winston Floquet, enlarged on the consequences of nationalisation, but closed on a note of optimism. He believes that over time, SA will achieve a political settlement which will satisfy the majority of the country

Redistribution of wealth is inevitable, but can be achieved in a number of ways which are not necessarily detrimental to the economy

"Without the burden of fighting a war, without sanctions, with the renewed availability of foreign capital and with the removal of excessive regulatory measures now in place, the potential of SA and indeed the whole sub-continent remains attractive"

But he does warn that the mood of the market will be volatile, swinging from hope to despair

Investors who take advantage of these changes in sentiment, buying on the inevitable sharp downturns, will capitalise on a great opportunity

annual production of 324 tonnes

The worst case, where nationalisation takes its toll through excessive increases in wages, negative cash flow followed by closure of marginal mines, the departure of skilled personnel and the inevitable production cuts, pro-

Gold dives on world markets

BARRY SERGEANT (214)

THE gold price fell sharply across the world on Friday, confirmed by a lower closing in Hong Kong on Saturday. In New York gold traded at a five-month low.

Of 56 SA gold equities traded last week, 46 had lost ground by market closing on Friday, confirming bearish sentiment for bullion. One factor in the immediate outlook is tomorrow's scheduled meeting of the policy-making US Federal Open Market Committee to discuss the US economy and interest rates.

US analysts say recent economic data suggests Fed executives will be in no position to change US interest rates. On Friday in New York gold settled \$5.15 lower at \$388.60/\$389.10 an ounce, its lowest close since November. Gold fell \$5.10 a troy ounce on the Commodity Exchange in New York, closing at \$388.90.

Later, Republic National Bank of New York quoted a bid of \$389.10 a troy ounce, down \$4.90. The Hong Kong gold price fell the equivalent of \$3.22/oz on Saturday, closing at \$390.43, compared to Friday's \$393.65. Prices ranged narrowly in moderate trade on bearish sentiment, dealers said.

26/3/90
Dealers saw the dollar's rise as being coincident with rising stocks prices, sending the gold price tumbling. In London, gold slipped nearly \$4 in a late sell-off.

New York Comex futures fell across the board, ranging between drops of \$5.10 and \$5.80 for contracts between April and December. In London on Friday, gold was fixed at \$393.50/oz, down from \$393.60 in the morning. Traders said gold's near-term fate depended on currency markets.

Minorco successful in \$705m US bid

214

JOHN CAVILL

LONDON — Minorco's \$705m bid for Freeport-McMoRan Gold (FMG) of the US was successfully completed on Friday.

Minorco spokesman Keith Irons said yesterday the final count would be completed today "But we know we have acceptances for more than 90% and now, Minorco will be able to move in."

Minorco had secured 61% of FMG from its parent Freeport-McMoRan Inc already and was able to clear all regulatory hurdles in the US and an attempted court action by copper producer Asarco

Last week the New York Supreme Court dismissed Asarco's claim that Minorco's SA parentage (39% Anglo American and 21% De Beers) would put at risk US government funding of a joint venture copper development with FMG in Arizona

Minorco has thus taken its first big step since failing to win the take-over of Consolidated Gold Fields (ConsGold) towards increasing its actively managed assets

FMG has 70% of Jerritt Canyon gold mine (which will produce 267 300oz this year) and 60% of Big Springs (38 744oz), both in Nevada. The total proven and probable reserves attributable to FMG's share amount to 2,54-million ounces and geological resources to another 2,92-million

Completion of the deal wipes out the ConsGold defence which alleged that Minorco's SA connection would damage its US operations. Minorco executive director Hank Slack said "Freeport-McMoRan does not support the notion that we cannot do business in the US" 6/04/87 26/3/87

Shift of mining shares into SA hands accelerates

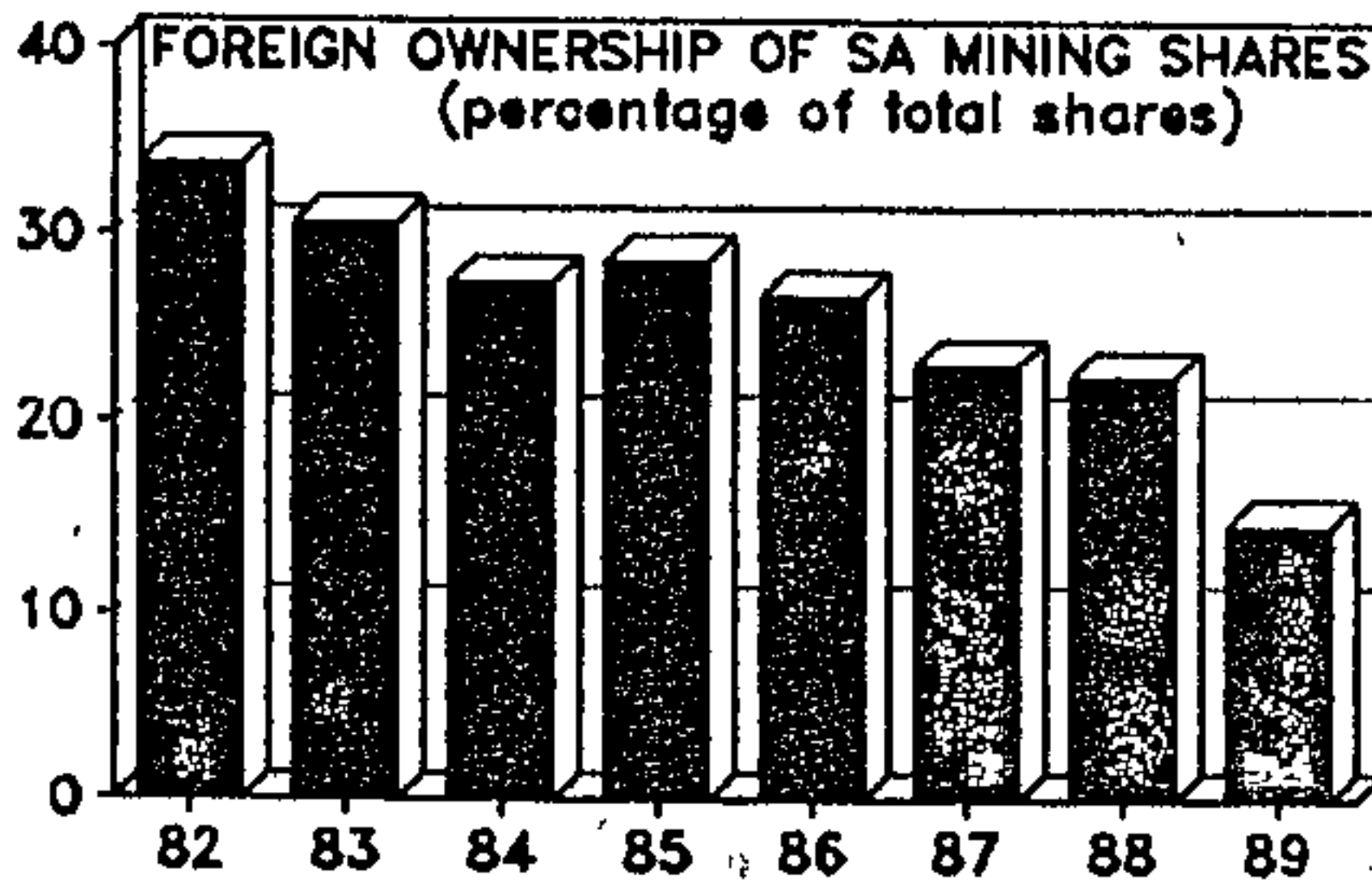
By Trevor Walker
 CAPE TOWN — South African investors now own more of the country's gold shares than ever before.

Stockbrokers Davis Borkum Hare said in a paper at the beginning of the year that from a peak of 42 percent in 1979, foreign holdings in the country's mining shares had progressively declined to 14,5 percent by 1989.

Analysts at Davis Borkum this week expressed the opinion that this trend had strengthened after the ANC reasserted its policy of nationalisation and, in particular, the recent slump in the gold price.

The market bounded ahead after the government's decision to release Mr Mandela and all that this entailed, but this was sharply curtailed by subsequent ANC policy statements.

So once again South African institutions are "buying back the farm" but on a scale largely different from that which pertained after Sharpeville and the Soweto riots.



South African institutions, with their huge daily cash inflows, are prohibited from investing abroad and this captive money has to be placed in land, buildings and shares in South Africa.

Analysts say the investor returns shown by the big institutions in recent years has been phenomenal and the next round of profits could come from selling gold shares back into the

market if and when it improves.

South African investors have a tradition of being bullish supporters of gold shares and, given the present trends in Eastern Europe, Mrs Thatcher's difficulties and the excessively strong dollar, the reverse side of the investment coin could yet prove to be very profitable for investors in traditional hedge instruments.

French investors, probably

the largest number of small European investors in South African gold shares, have remained fully committed and still constitute a formidable interest in Rand Mines gold mining companies.

According to Davis Borkum Hare, the four Rand Mines gold mines have a foreign ownership made up, as follows — Blyvoors 76 percent, Durban Deep 48 percent, ERPM 65 percent and Harmony 70 percent.

An analyst at the firm says these investor interests have historically proved to be very solid and have based their ideas not so much on dividend return as gold price leverage.

At present this could prove to be a profitable bet and local financial institutions appear to be taking a similar view.

Institutional investment managers in the City this week were all in the market for gold shares and said that in the shorter-term they were looking to raise the proportion of their total invested funds in gold.

JCI chief says South Deep project will cost about R2bn

214

B/Day 28/3/90

RIAAAN SMIT

THE Johannesburg Consolidated Investment (JCI) South Deep gold mine project would cost "just under R2bn" at a milling rate of "a couple of hundred thousand" tons a month, new JCI chairman Pat Retief said yesterday

Various analysts have estimated that the mine on the West Witwatersrand could cost R4bn to develop, but Retief said the figure was either in inflated money terms or an over-estimate of the scale of the project

Capex depended on the final numbers JCI decided on, for example tons per month milled, Retief said

"It depends whether we do it in one or two tranches

"Also, we have the twin haulage going through from Western Areas, which will help us"

Retief said lifting of the ring-fencing provision by 25% in the Budget would not benefit the project because JCI did not own the property

He was reluctant to reveal details of the project, saying an announcement would be made "within the next few months"

"We have done a lot of work on South Deep over a number of years

"We are reaching a point where we feel confident about making decisions"

Announcement

He said "Tonnes are enormous, absolutely enormous

"It is a deposit which has to be mined

"It is a question of when and how and in what circumstances

"Because it is quite deep, there are mining methods which have to be taken into account"

On the group's platinum interests, Retief said "We have declared our intent to expand our production and that remains very much in place

"We will probably make an an-

nouncement in the next month or so"

He said JCI had to do a lot of homework because of various possible routes for expansion

"We wanted to make sure we expand in the right areas," he said

Analyst John Rogers of Edey Rogers said in a report on JCI in January that South Deep was expected to cost R2bn, spread over five or six years

Retief declined to say what JCI's stake in the mine was, but Rogers said the group had a 35,5% direct interest and indirect interests through Elsburg, Western Areas and Freddie's

Another Edey Rogers analyst Peter Hibberd estimated the group's total interest at about 49%

Rogers said part of the finance was expected to be raised through a listing this year, and the cash strain on JCI should not be acute

Hibberd added that early capex was normally of such a nature that JCI could delay a rights issue for 18 months



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Balanced spread of interests in Rembrandt's portfolio

COMPANIES

THE Rembrandt Group has achieved a well-balanced spread of interests, with high cash-generator tobacco interlinked with large mining and other operations, estimates show.

Mining interests are now valued at R3,57bn, 44,8% of total group assets of just under R8bn, but they only contribute 32,15% of forecast earnings of R724,17m in 1990, according to Davis Borkum Hare (DBH) estimates.



The tobacco interest and smaller interests in liquor are valued at R2,59bn, 32,52% of total assets, but represent

32,6% of forecast earnings for 1990. DBH analyst Pierre Greyvensteyn says the tobacco interests should not be underestimated in their contribution to growth.

These interests are currently growing at about 17% per annum, much in line with the downturn in consumer spending.

He estimates that market share is still 80% and expects growth to resume at a higher rate from 1991 onwards as the black market expands.

Greyvensteyn says statistics show that Third World countries are experiencing real growth in cigarette consumption. The standard of living of the black population should increase at a steady rate.

Coupled with the fact that the black

LIZ ROUSE

market already represents the major portion, growth in future tobacco sales should be sustained in real terms.

The Rembrandt Group has planned for future expansion, which is evident in its acquisition of a new cigarette production facility in Brits.

The group's mining interests comprise Gencor Beherende, valued at more than R1,85bn, GFSA at more than R1,54bn and Transhex at R173m.

The much-improved performance of Gencor (contributing an estimated R170,95m or 23,6% of forecast earnings) has had a profound effect on Rembrandt's investment portfolio evaluation, says Greyvensteyn.

The improved contribution from non-

goldmining interests has given Rembrandt a far greater spread of indirect interests - Sappi, Malbak, Implats, Samancor and the newly formed Engen.

GFSA's contribution to total earnings should increase from 5,3% to R51,13m or 7,1% in 1990. GFSA's contribution to Rembrandt's underlying asset value of 1 536c amounts to 19,3%, which has had a significant effect on the share's performance in recent months.

Greyvensteyn expects growth to slow down in the short to medium term as a result of the huge capital expenditure programme, but in the longer term benefits should emerge. Forecasts are based on a rand gold price of R1 050.

He says there may be a misconception among some investors about Rem-

brandt's high dividend cover (5,76 times for 1989). The higher cover has come about as a result of the large portion of equity accounted earnings. Once these have been excluded, the dividend cover in respect of normal earnings in fact amounts to 3,66 times.

The additional investment in GFSA this current year, amounting to R911m, has been financed from the group's existing cash resources.

Financial interests (Volkskas, Momentum, Stanbic, Bokaq Bank and Sage) are estimated to contribute R52,44m or 7,38% to Rembrandt's total 1990 income, while industrial interests (Fralex, Hupicor, Metkor, Dorbyl and Henkel) should contribute R128,96m or 17,81%.

Download market prices to your PC. R15 per month to Star subscribers. Phone 640-5104.

Market recovers

Finance Staff *Star 29/3/90* (214)
The stockmarket closed firmer yesterday, having recouped further lost ground after Tuesday's rally, but trading was generally thin and cautious, dealers said

Gold shares led the advance on a spillover from Tuesday's selective demand at the lows amid perceptions that the gold price was set to recover after its recent heavy losses.

Gold held relatively well above \$370 after dropping sharply to almost \$360 recently, while a weaker financial rand provided added support for share prices, dealers said.

Gold's afternoon fixing of \$372 in London was slightly down from the morning fixing of \$373,20, but \$4 higher than Tuesday's close of \$368.

The gold index closed 57 points up at 1975 from Tuesday's 1918 close, while the industrial index was up 16 points to 2987.

Combined, they pushed the overall index up 66 points, or 2,1 percent, to 3264.

The overall index has now made up 99 points of its 3,8 percent, or 126-point, slide on Monday when gold fell by almost \$25 to a six-month low.

Heavyweight gold share VAAL REEFS ended 600c higher at R393, but off its day's high of R398, while BEATRIX closed 200c up at R31,50.

Mining financials had ANGLOS 675c higher at R136,75.

Among other leading minings, diamond share DE BEERS gained 375c at R86 and RUSTENBURG PLATINUM 100c to R79

Among industrial leaders, AMIC and BARLOWS firmed 100c each at R95 and R44 respectively

● The volume of shares traded was 15,336 million valued at R95,737 million. The number of securities active was 407. The five most active stocks were Dalgig, Saambou, Gants, Oryx and D-Glo.

7
Talk of mine
closures is
premature

Finance Staff

To speak of gold mines closing as a result of the drop in the gold price, was premature, a spokesman for the Chamber of Mines said yesterday

He was reacting to a news report that if the gold price remained at current levels, 25 percent of the country's gold mines will be threatened

When the gold price reaches levels which affect mine viability, then certain mines can be affected, but to speak of closure of 25 percent of the gold mines, is premature. Besides, mines do not shut down just because of a temporary drop in the gold price," the spokesman said

At the current gold price, the industry's pre-tax profit margin is at an all time low of R216 per ounce before capital expenditure, report said

A minimum pre-tax profit margin of 35 percent before capex and tax is required to provide the industry with sufficient cash flow to continue a satisfactory capital expenditure programme on existing mines

Depreciating rand not the answer to viability of gold mines — Amgold

876-29/3/90

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Finance Staff and Sapa

A continual depreciation of the rand was not the answer to maintaining the viability of the gold mining industry, says Mr Julian Ogilvie Thompson, chairman of Anglo American Gold Investment Company (Amgold), in his annual review

This was all the more pertinent in view of the extraordinarily courageous changes which had taken place politically, and in terms of economic policies and priorities which, if sensible counsels prevail, offer remarkable opportunities for renewed growth without inflation

In this context, he says, the authorities' commitment to maintaining a more stable exchange rate implies some appreciation of the rand against a weaker dollar at times

While this is not comfortable for the industry in the short term, it was a salutary reminder that all have a part to play in reversing the inflationary process. This heightened challenge must be met, says Mr Ogilvie Thompson.

Turning to the gold market, Mr Ogilvie Thompson said the careful assessment by gold analysts during the past year seems to have been realistically based although much depended on unpredictable geo-political factors "A degree of caution is always warranted"

Economic role

The possibilities for greater prosperity in Europe — and the world — can only benefit jewellery demand. At the same time, he says, the uncertain transition in Eastern Europe underlines the hedging qualities of gold

Against this, the 'Gorbachev factor', allied to the inexorable problems of adjustment in the Soviet Union, could lead to further instability and perhaps a flight into the dollar. In any event, he says, interest rates will remain

relatively high

Nevertheless, despite prevailing nervousness, the major economic role of Japan seems assured and changes in insurance industry portfolio regulations and other needs augur well for continued demand for gold in that country

Given this, says Mr Ogilvie Thompson, and the more sanguine statistical background, the US proposal for the IMF to dispose of three million ounces of its holdings of 103 million ounces to assist defaulting debtor nations could prove a double-edged sword

Leaving aside current opposition to the idea, and an inevitable delay in any implementation, the plan underscores an ultimate dependence on gold, he says.

While mine production is unlikely to expand in the near future, recent experience has demonstrated that there is no cornucopia of new gold for a world still beset by profound anxieties. The resilience of the market confirms a deeper appreciation of the reasons why mankind places such

value on this rare metal, says Mr Ogilvie Thompson

Commenting on mining tax legislation tabled in the Budget he says that the lifting, by 25 percent, the 'ring fence' on an existing mine's taxable income will be of benefit to smaller projects but a bolder move will be necessary to encourage the development of large new mines

It is hoped that this was only a first step towards total abolition of 'ring fencing'

On a positive note, he says, the increased capital allowance for new gold mines will compensate partially for the limited relaxation of 'ring fencing' and was welcomed in a time of rising capital costs

He adds that the new 'safe haven' rules, which allows the tax-free disposal of shares that have been held for 10 years, should enable Amgold and other major investors to mobilise mature investments more efficiently from time to time to reinvest the proceeds in new projects



Mr Nicholas Oppenheimer has been elected by the board of Amgold to succeed Mr Julian Ogilvie Thompson as chairman of the company with effect from April 21

Mr Oppenheimer is a deputy chairman of Anglo American Corporation and chairman of De Beers' Central Selling Organisation in London.

He will stay on as chairman of the CSO but will move to Johannesburg following the appointment to spend his time equally in both centres, a CSO spokesman said.

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6 754 jobs lost at three Genmin mines in 1989

RIAAN SMIT

A TOTAL of 6 754 people lost jobs at three Genmin mines in 1989 as a result of cost-cutting, annual reports released yesterday disclose.

Grootvlei and Stilfontein chairman Gary Maude said 1 700 jobs were lost at Grootvlei, while St Helena and West Rand Cons chairman Brian Gilbertson said 1 865 employees lost jobs at St Helena and 3 389 at West Rand Cons.

They said cost inflation and a constant rand gold price were either reducing profit margins or threatening continued viability of operations.

Maude said the 1,3% increase in the rand price of gold to R32 115/kg was not sufficient to offset Stilfontein's 13,5% increase in working costs to R30 161.

This increase was due mainly to reduced tonnage "from the ever-diminishing higher grade Vaal Reef ore reserves". The mine was also forced to treat waste rock material, while the Margaret shaft was out of commissioning, which further diluted average grade from 3,6g/t to 2,5g/t.

Working income from the mine consequently fell from R23,3m to R9,9m.

"In view of the virtual depletion of Vaal Reef ore reserves, the mine is becoming increasingly dependent on the lower grade Ventersdorp Contact Reef. The VCR has proved to be highly erratic in value and it is expected that this will lead to a reduction in gold output in 1990," Maude said.

At Grootvlei square metres mined were

reduced 35,4%, but gold recovered dropped only 25,7%, reflecting a slight increase in average grade from 3,3g/t to 3,6g/t.

As a result of eliminating the mining of unpayable ore, Grootvlei was well placed to either take advantage of any increase in the gold price or to weather a depressed rand gold price in the short term, he said.

"However, at current gold prices, the area remaining to be developed is limited and the potential for opening up and mining new areas is restricted."

Gilbertson said at West Rand Cons the production level of 996 000 tons would be maintained until July 1990, after which production from the richer VCR at the Montana shaft was expected to decline as ore reserves became depleted.

The lower grade and shortfall in gold production would be offset by increasing the underground production rate from 32 000 to 39 000 tons a month.

At St Helena major emphasis would be placed on developing the No 10 shaft to offset the anticipated decrease in the available ore reserves at the No 8 shaft during the next two years, he said.

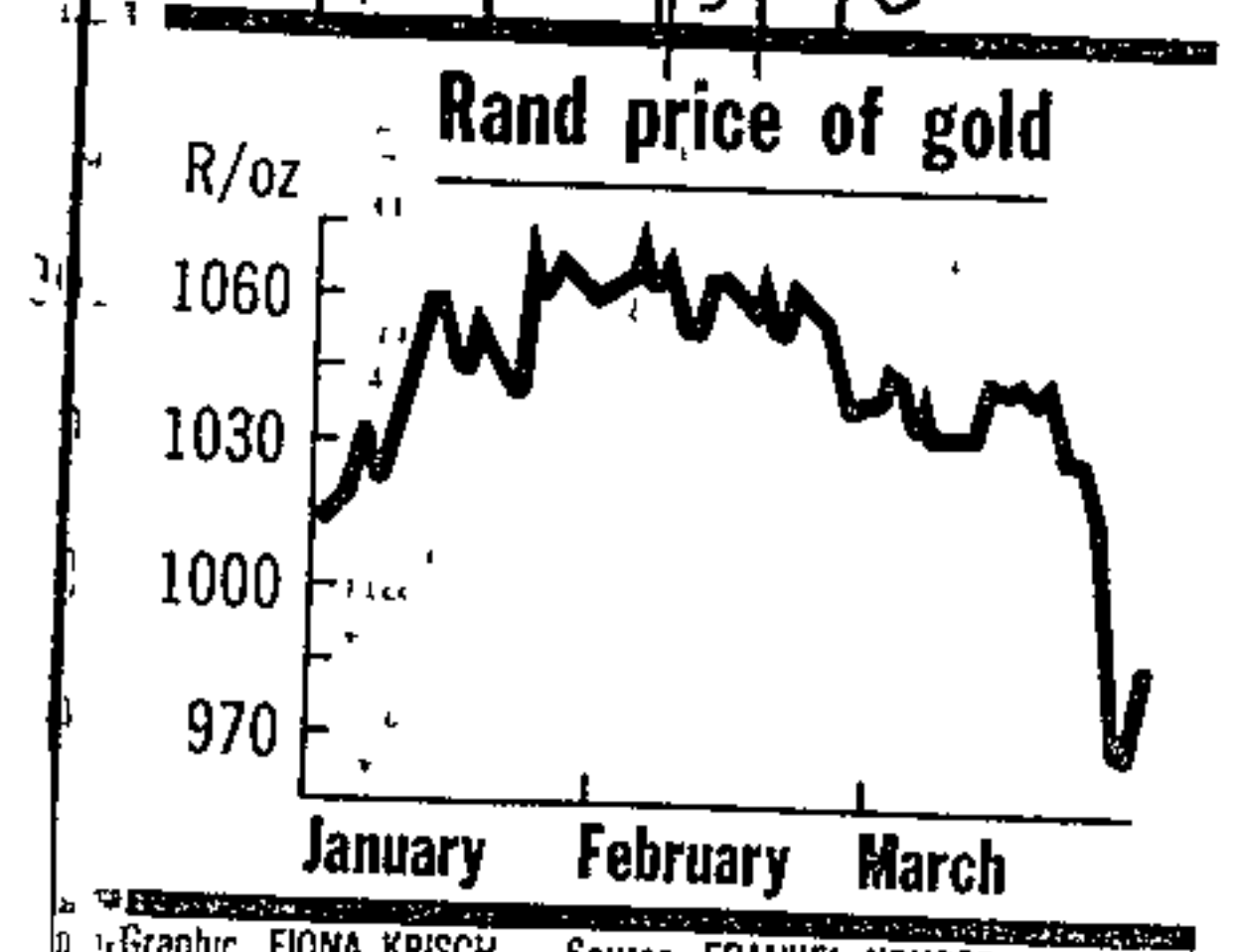
The No 1B ventilation shaft at Oryx had been bored to its final depth of 965m below surface, making it the deepest mechanically bored shaft in the world and a first for SA. Ore production was set to begin in the third quarter of 1991, building up to 100 000 tons a month in 1994, he said.

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Graphic: FIONA KRISCH Source: FRANKEL KRUGER

Gold mines cash in on forward sales

ROBERT GENTLE

GOLD mines that hedged their production by selling forward or using the international futures and options markets are set to get a better gold price this quarter than those that did not. They will have avoided the erratic spot price that has prevailed since the start of the year, oscillating between \$428 and \$370 an ounce.

Mines that sold at spot rates (usually done at regular intervals throughout the quarter) would have been exposed to these swings — as well as to the uncertainty in the rand dollar exchange rate.

Mines that have already locked in acceptable rand prices for the March quarter are Anglovaal's Hartebeestfontein, ET Cons and Loraine.

"Anglovaal have far and away the best track record on hedging in recent years," said an analyst from Edey Rogers. "They are also the most aggressive."

An analyst from Frankel Kruger Vinderne echoed this view, saying that Anglovaal used hedging as an overall strategy for all its mines.

Harties, for example, has already sold forward 1 633kg of gold for the March quarter (about 25% of quarterly production) at R34 015 a kg.

That compares with R32 890 a kg, the average of the quarter's low and high spot price.

ET Cons, Loraine and Village Reefs have similar proportions of quarterly production sold forward at prices in excess of R34 000. They have also sold forward production for the September 1990 and December 1990 quarters at prices in excess of R35 000.

Rand Mines' Durban Roodeport Deep, a price-sensitive marginal mine, will also reap the benefits of hedging this quarter. It has already sold forward 1 199kg (about 20% of quarterly production) at a price of R35 006.

Durban Deep has also covered itself well for the rest of the year, having already sold forward 271kg for both the September and December quarters at respective kg prices of R37 899 and R39 299 (equivalent to \$461 an ounce at yesterday's exchange rate).

"Our hedging should help offset the bad news recently seen on the gold market," a Rand Mines spokesman said.

Hedging typically involves a simple forward sale on a principal-to-principal basis. Alternatively, futures contracts can be taken out to hedge exposure to the prevailing spot gold price.

Options are used to expose gold which has already sold forward to unexpected market upswings.

Nicholas O is new Amgold chairman

RIAAN SMIT

NICHOLAS Oppenheimer will succeed Julian Ogilvie Thompson as chairman of Anglo American Gold Investment Company (Amgold) with effect from April 21, the company announced yesterday

Oppenheimer is a deputy chairman of Anglo American Corporation and chairman of the CSO in London

He was visiting De Beers diamond mines in Botswana yesterday and could not be reached for comment, but a CSO spokesman in London said Oppenheimer would not be moving back to SA following the appointment

"He remains chairman of the CSO. However, he will be dividing his time more equally between London and Johannesburg in order to fulfil his duties at Amgold and as deputy chairman of Anglo American," the spokesman said

Ogilvie Thompson was chairman of Amgold for 14 years, during which the company assets grew from R787m to R8,4bn

In his last chairman's review, published today, he said 10 gold mines — accounting for 11% of total production by Chamber of Mines members and 16% of employment — would become marginal at a gold price of below R32 000 a kilogram

The afternoon fixing in London yesterday of \$372 translates into a price of R31 694 a kilogram at an exchange rate of R2,65 to the dollar

Ogilvie Thompson* said that since November, gold has become subject to conflicting and more volatile influences



Nicholas Oppenheimer, right, succeeds Julian Ogilvie Thompson at Amgold

Renewed fears about inflation had adversely influenced bond markets, especially in the US and Japan, followed by a severe drop in share prices in Tokyo at the end of February

He said higher real interest rates, the sensitivity of policy formulation to inflation threats and the remarkable strength of the Deutsch Mark were elements less conducive to investor interest in gold

Against this, he said, there were a myriad of uncertainties about world economic and political prospects which had renewed diversification into gold

While physical gold was in plentiful supply, the underlying trends in the gold market were more reassuring

Demand for jewellery had advanced strongly from its record 1988 levels, bringing gold consumption in jewellery close to the level of newly mined Western production, Ogilvie Thompson said

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Anglovaal, Mid Wits seek to raise R1,2-bn

30/3/90 214

By Derek Tommey
Anglovaal and associate Mid Wits are seeking to raise more than R1 billion in new capital by way of a rights issue

Between them they intend to raise R1,2 billion from shareholders

The terms of the rights offer will be published on April 5

Anglovaal says it needs the money to ensure the group will be able to follow up future investment opportunities, including new gold mine developments and to follow its rights in Mid Wits

Mid Wits wants money for new investments and new gold mine developments

However, the market will be a little disappointed with the vagueness of today's statements

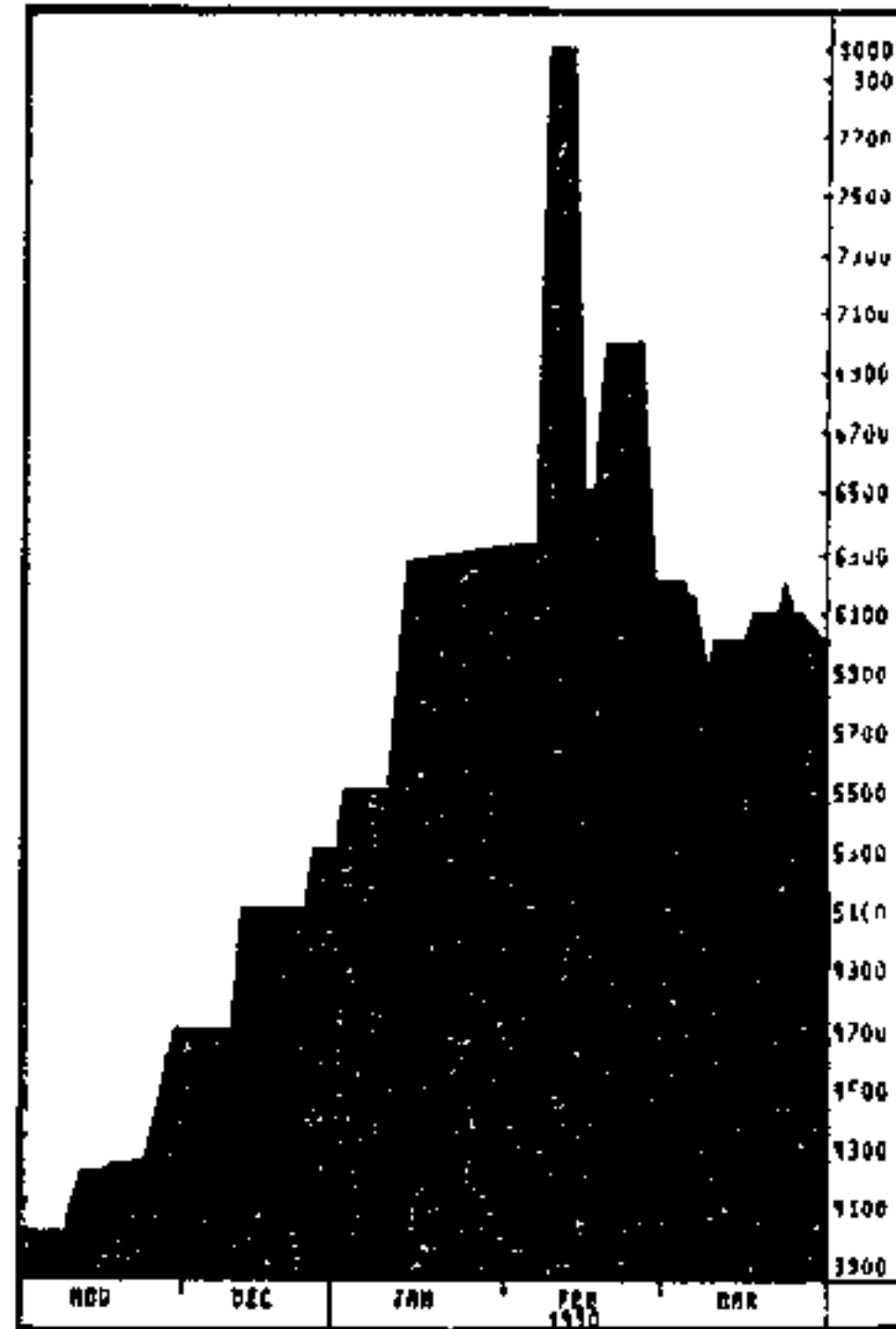
It was expecting the announcement of the rights issue to be accompanied by news of the proposed new gold mine on the Sun prospect in the Bothaville gap

Anglovaal and Mid Wits have already spent several hundreds of millions drilling the prospect, which is believed to be extremely promising

Final dividend

Because Anglovaal will not receive the money from the rights issue until May, the new shares will not rank for the final dividend for the current year

Anglovaal expects to pay a final of not less than 60c, against last year's 51c. This would make the total dividend for the year not less than 90c — 18,4 percent more than the 76 percent paid



Anglovaal shares rose strongly towards the end of last year only to dip sharply after the ANC call for nationalisation of the mining industry

last year

Anglovaal's call on its shareholders comes not long after another large mining house, Gencor, raised R1,5 billion

The huge sums being raised from shareholders reflects a number of things, including the enormous costs of new ventures, the large cash holdings of insti-

tutions and, last but not least, the steep decline in the value of money

Anglovaal should have no difficulty in obtaining the money it is seeking. It has an excellent track record

Earnings have increased by an average of 28 percent and assets by an average of 54 percent annually over the past five years

Anglovaal has been preparing for the rights issue for some time and has changed its share structure

This was done so that the two families running the group could retain control without having to take up 50 percent of Anglovaal's shares every time there was a rights issue

This has been achieved by creating two classes of shares — the 5c ordinaries and the 0,01c N shares. Both shares have the same rights and privileges, with one exception — their issued value measures their voting rights

The 5c ordinary, therefore, has 500 more votes than the 0,01c ordinary N share. The Anglovaal rights issue will be in N shares

Anglovaal expects to raise

R800 million to R900 million while Mid Wits, in which Anglovaal has a 53 percent stake, will raise R400 million to R500 million

The Anglovaal issue will be underwritten by UAL Merchant Bank and the Mid Wits issue by Anglovaal

Shopping spree

Anglovaal has an urgent need to replenish its coffers, especially if it's planning to finance a huge mining project

In the past 12 months or so it has been on an extensive shopping spree, paying more than R1 billion, mainly in cash, for many important acquisitions

These included Goodyear Tyre & Rubber, AA Life Assurance, a British acquisition, North Sea & General, Lavino SA, M&PD Electronics and Mooi River Textiles

It also increased its stake in Associated Manganese Mines, Ferralloys and Prieska

And it bought out the minority shareholders in TW Beckett, Globe Engineering, Steelmetals and South Atlantic

Genbel share split ^{Sapa} 30/3/90

Shareholders in Genbel Investments will be asked to approve the company's 10-for-1 share split on April 24. If sanctioned the split will come into effect on April 30 and the split shares will trade from that date.

Genbel shareholders are likely to give the 10-way sub-division the go-ahead as it will make Genbel shares more affordable for investors.

Currently trading at around R79 ⁽²¹⁴⁾ a share, after the split Genbel should trade around R7,90 a share, a price which is very close to its March 25 net asset value of R8,85 a split share.— Sapa

Two rights issues to raise over R1bn

B/D 30/3/90

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BARRY SERGEANT

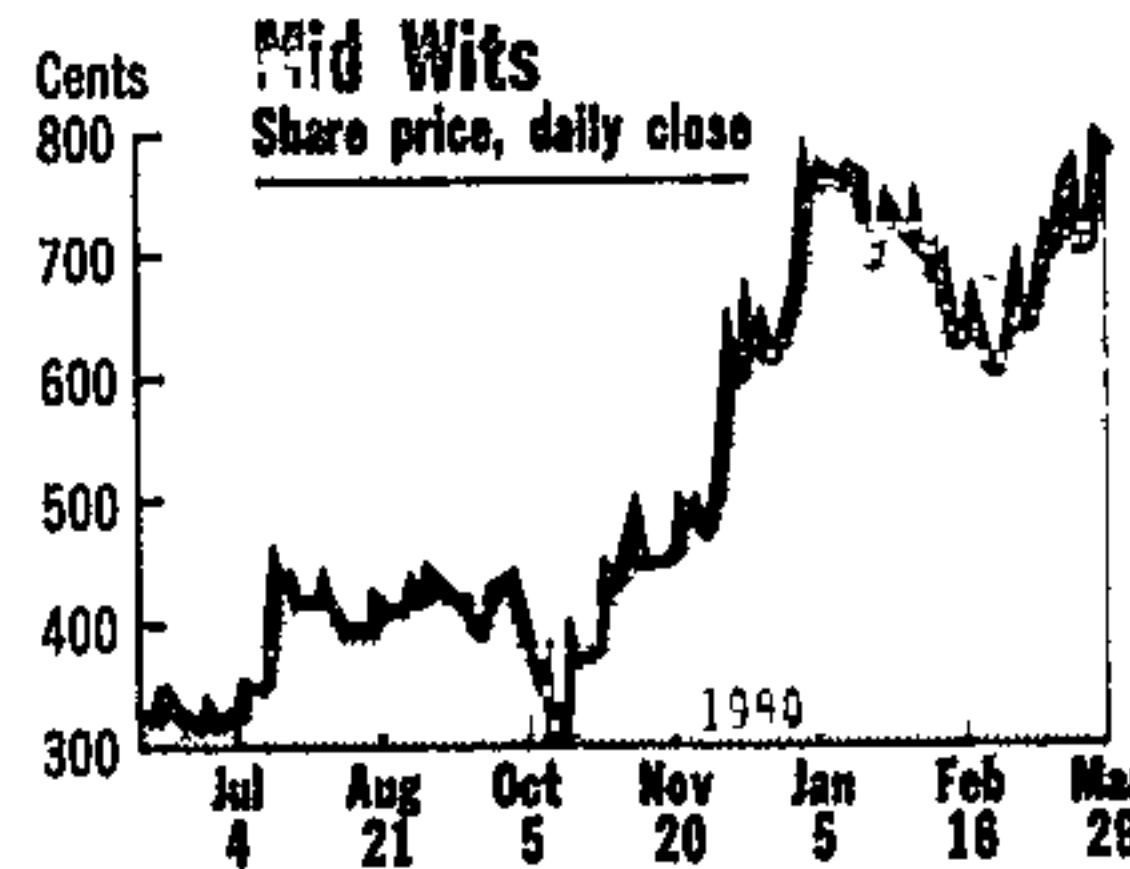
ANGLOVAAL Limited and its 53% subsidiary MidWits are to bank between R988m and R1,135bn after rights issues by the two companies.

The cash is to be used to help fund more than R1bn worth of acquisitions in 1989 by Anglovaal, and to enable MidWits to "take advantage of future investment opportunities, including the field of new gold mine developments".

Analysts said last night that it was surprising an announcement of Anglovaal's Free State Sun gold mine prospect was not made as well.

Statements issued this morning say Anglovaal will raise R800m-R900m and MidWits R400m-R500m in separate rights issues. The exact amounts raised will be determined by prevailing share prices at the offer time, and a ratio to be decided by the Anglovaal board of directors. The terms of the Anglovaal offer will be published on April 5.

Because Anglovaal will follow its rights in MidWits, the amount of cash actually banked at the end of the operation will be R988m-R1,135bn. The gross amount of cash



Graphic: FIONA KILPATRICK Source: JSE

raised will be between R1,2bn and R1,4bn.

Anglovaal will raise R800m-R900m through a rights offer of its "N" ordinary shares to holders of its ordinary shares, "N" ordinary shares and unsecured variable rate subordinated loan stock. The offer is to be underwritten by UAL Merchant Bank.

Holding company Anglovaal Holdings has announced that it intends to renounce its rights — covering an estimated 15% of the "N" ordinary shares to be issued — in

□ To Page 2

Rights issue

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□ From Page 1

favour of its ordinary shareholders

MidWits proposes to raise R400m-R500m. Arrangements are to be made for Anglovaal to underwrite this offer.

During 1989 Anglovaal and its subsidiaries spent more than R1bn on major new investments, including Goodyear Tyre and Rubber Company, AA Life Assurance Association, North Sea and General PLC, Lavino SA, M & PD Electronics and Mool River Textiles.

The group's holdings in Associated Manganese Mines, Feralloys and Prieska were augmented. Moreover, the Anglovaal industries group, through schemes of arrangement, acquired all the ordinary

shares not held by that group in T W Beckett and Company, Globe Engineering Works, Steelmetals and South Atlantic Corporation. Payment for these investments was primarily in cash.

MidWits indicates that the purpose of its rights offer is to ensure it "has adequate funds available for it to take advantage of future investment opportunities".

Turning to the final dividend, Anglovaal states that this will be not less than 60c per share, against last year's final of 51c. This would give a total for the year of at least 90c per share (76c). The final dividend announcement will be published in June and the dividend paid during August.

FIM 30/3/90

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FIM 30/3/90

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In January, Cons Durham threw in the towel, cutting annual sulphide supply by 4 000 t. If Murchison drops out another 9 000 t of 60% concentrates will be lost, leaving the market dominated by China and Bolivia.

Murchison probably has little choice but to close, removing another 8 800 t equivalent to more than 10% of the total supply. In 1989's December quarter, poorer antimony and gold sales pushed Murchison into a R3,44m operating loss and cash resources were further depleted by the quarter's R1,42m capital expenditure. End-June's net current assets of R6,5m were more than eliminated by the operating loss of R4,93m and R2,37m capex notched up in the six months to end-December. This March's results will be even worse.

Jim Jones

MINORCO FIM 30/3/90 (214)

Laying the ghost

Perhaps the most satisfying aspect of Minorco's winning \$705m agreed bid for America's Freeport-McMoRan Gold (FMG) is that it laid the ghost of the bitter eight-month battle for Consolidated Gold Fields. The Cons Gold defence, that Minorco's SA parentage would damage any business it acquired in the US, stuck in the public mind, even though this was never established.

Minorco's bid for Cons Gold was cleared by every US regulatory authority, the UK Monopolies and Mergers Commission and European Commission. It foundered on the London Takeover Panel's timetable rules and an American judge's insistence, however weak, that there was an anti-trust case to

answer in a full trial.

This week, having hurdled parallel obstacles including a suit by ASARCO, which was emphatically thrown out by the New York Supreme Court, Minorco wound up the merger with FMG. With 98% acceptances from FMG shareholders, including the committed 61% from its parent, the merger was completed a little over two months after Minorco started serious negotiations.

Minorco joint MD Tony Lea says "This proves beyond doubt that Minorco can do business in the US. The acquisition of FMG is a significant step in Minorco's strategy. We will be looking for other opportunities (and) still have about \$1,8bn and are committed to deploying these funds into actively managed operations."

FMG offers more than the potential of 5,46m ounces of proven and probable resources of gold in Nevada. It comes with a full team of management and local expertise to form the base for a new US mining house.

Minorco found itself welcome in Nevada precisely because Anglo American Corp and De Beers had established track records as long-term investors. The family name did it no harm at all. Perhaps, as some suggested, the perceived need to demonstrate fiercely Minorco's independence of 44 Main Street in the Cons Gold situation was never really necessary.

John Cavill

MYNKAR FIM 30/3/90

(214)

Wasting away

The sale of Mynkar's businesses might be welcomed by some minority shareholders after the group's slump into losses in the

FIM 30/3/90 (214) (214)

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(214)

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(214)

The sale of Mynkar's businesses might be welcomed by some minority shareholders after the group's slump into losses in the

half-year to end-December. But investors who shelled out 70c a share when the company was listed in 1987 may be less than enchanted.

Turnover was higher in the past half-year but sales of sanitation products were below expectations while overhead and finance costs were higher. Financial director Nick Steenkamp says the gold mining industry and the army, two major customers, are buying less. A per share loss of 1,3c resulted in the half-year, against a 5,8c profit in the comparable period and 9,8c in the full-year ended June.

Against this, the 45c sale price, two thirds higher than the latest net tangible worth figure of 27,4c, looks sensible. The buyer, Transport Technical Industries, is already involved in waste disposal and expects significant rationalisation benefits.

Mynkar was started by executive chairman Peter Brown and listed in November 1987 after a private placing raised R2,1m. The share touched 70c only once thereafter, in early 1989, though the earnings performance in the first year was well ahead of prospectus forecast. Earnings began deteriorating in the second half of the last financial year. Now the assets are being sold and Brown is collecting a R550 000 restraint-of-trade pay-out.

Large payments are often used to reduce payments to minorities but Brown's business expertise might justify his payment even if the latest results are terrible. Also, of course, Brown owns about half of Mynkar's shares.

The deal leaves a cash shell which, Steenkamp says, has been the subject of some negotiations. Let's hope there will be news on a sale of it before minorities have to decide on the 45c.

Teigue Payne

Toying with Diagonal Street



Inside
Out

ANN
CROTTY

THERE wasn't much happening in the market this week, the drop in the gold price seemed to subdue things and people are apparently already winding down to the Easter holiday

But there was a lot happening just outside the market including: an anti-privatisation march to the JSE; a marathon Spareco agm; reports of a UAL client reneging on a financial rand deal leaving UAL exposed to a fairly large loss and; more personnel moves at Nedcor.

Myles thought it was a great idea to put another Liebenberg at the head of Nedcor as it's bound to minimise the disruption with staff and clients in a couple of months time perhaps nobody will even remember that there's been a change

The fact that Hennie van der Merwe surfaced at Bankorp didn't surprise too many people and although the press releases were a bit vague about his position vis-a-vis Chris van Wyk, the feeling is that Hennie will probably tip the scales after a respectable period has lapsed.

Bankorp's problems

Mr P Liebenberg's move to Bankorp has certainly enhanced that group's rating. But Myles points out that the problems at Bankorp are of a far more fundamental and long-term nature than those suffered by Nedbank during the mid-80s

The Spareco agm was quite an event. It started at 10am yesterday. At 10.10 it was adjourned for five minutes by the chairman who said he wanted that time to go off and consider the shareholders' questions (which had to be in writing on this occasion)

An hour passed and all was quiet as the few shareholders present (notably Peter George and Horace Sammel) entertained the media contingent (far outnumbering the shareholders) with gruesome tales of what has been going on between Lysatt,

Spareco, Juorum and Fleishmans

After a while news came that the meeting would not be reconvened until 12.30pm. The last that Myles heard was that at 2pm it was still going strong. He assumes that it has finished by now

The UAL finrand-Projec story seems to have everyone perplexed (or almost everyone). The precise nature of the goings-on remains a puzzle. At one stage it looked as though an overseas party had bought twice as many Projec shares as officially existed. But now it seems that the shares that were bought on the JSE were then sold to an SA resident outside the market

Presumably (and on the basis of scant information) this would only make sense if the non-resident sold them at a profit to the resident and then repatriated the profit. But if paying a price/earnings of 240 times for Projec in the market (i.e. R11) seems a bit strange then paying over R11 outside the market looks almost dodgy

Without doubt the major event of the week was the "nationalisation" march of the "workers" on the JSE on Thursday. It seemed like a real jolly occasion with lots of singing and toy-toying and waving of hands. But Tony and the boys didn't seem one bit inclined to join in the fun

Myles reckons that all these people who are so mad keen on nationalisation should be shipped off to Rumania (all transport costs paid) and all the Rumanians who are keen for a taste of the delights of free-market capitalism should be shipped down here — shades of Stalinism!

THE OPPENHEIMER EMPIRE IN CRISIS . . . JOHN CAVILL REPORTS ON A BOOK THAT WILL RAISE HACKLES AT ANGLO

Inside 44 Main St and the Cons Gold Fiasco

AT Times 114/193
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PARE a sympathetic thought for Bill Jamieson, deputy City editor of the Sunday Telegraph, London, and author of Goldstrike! The Oppenheimer Empire in Crisis, to be published on April 5

The final chapter of the 52 pages, in which Anglo American, De Beers and Minoro are closely examined in the context of the failure to win the £3.5-billion bid for Consolidated Gold Fields, details three crises

The first relates to the "investment crisis" facing Anglo. On Jamieson's judgment Minoro is a cash-laden flying Dutchman, stigmatised by the Cons Gold defeat, doomed to sail the world seas forever with every investment port closed to it

DEBACLE

Regrettably for the author, on March 23 Minoro received acceptance for 98% of the shares in Freeport-McMohan Gold (FMC), a US gold producer after a \$705-million bid. This week the merger was completed. Minoro took its first big step towards establishing, with no let or hindrance from any US regulatory authority, a size-

able base for a new mining house in North America

Crisis No 2, says Jamieson, is the "management succession". After the "Minoro debacle" Anglo American's High Command never looked more undecided or unsure of itself. The loss of the Cons Gold battle shattered "the unity and sense of omnipotence of the inner elite of Oppenheimer Inc."

He writes of the "reticence" of Nicholas Oppenheimer, "settled with his family in Britain" compounding "the sense of a fast-developing vacuum at the top with (Gavin) Relyly due to retire in two years"

In this "gathering crisis of management succession", Jamieson saw "not just a vacuum of personality, but a vacuum of ideas"

Sadly for the author, on March 1 Mr Relyly announced his retirement and the accession of Julian Ogilvie Thompson to the chair of Anglo — along with De Beers and Minoro, as correctly anticipated earlier in the book. Indeed, during his researches in SA, Jamieson had gleaned Mr Relyly's imminent departure and published it in the Sunday Telegraph

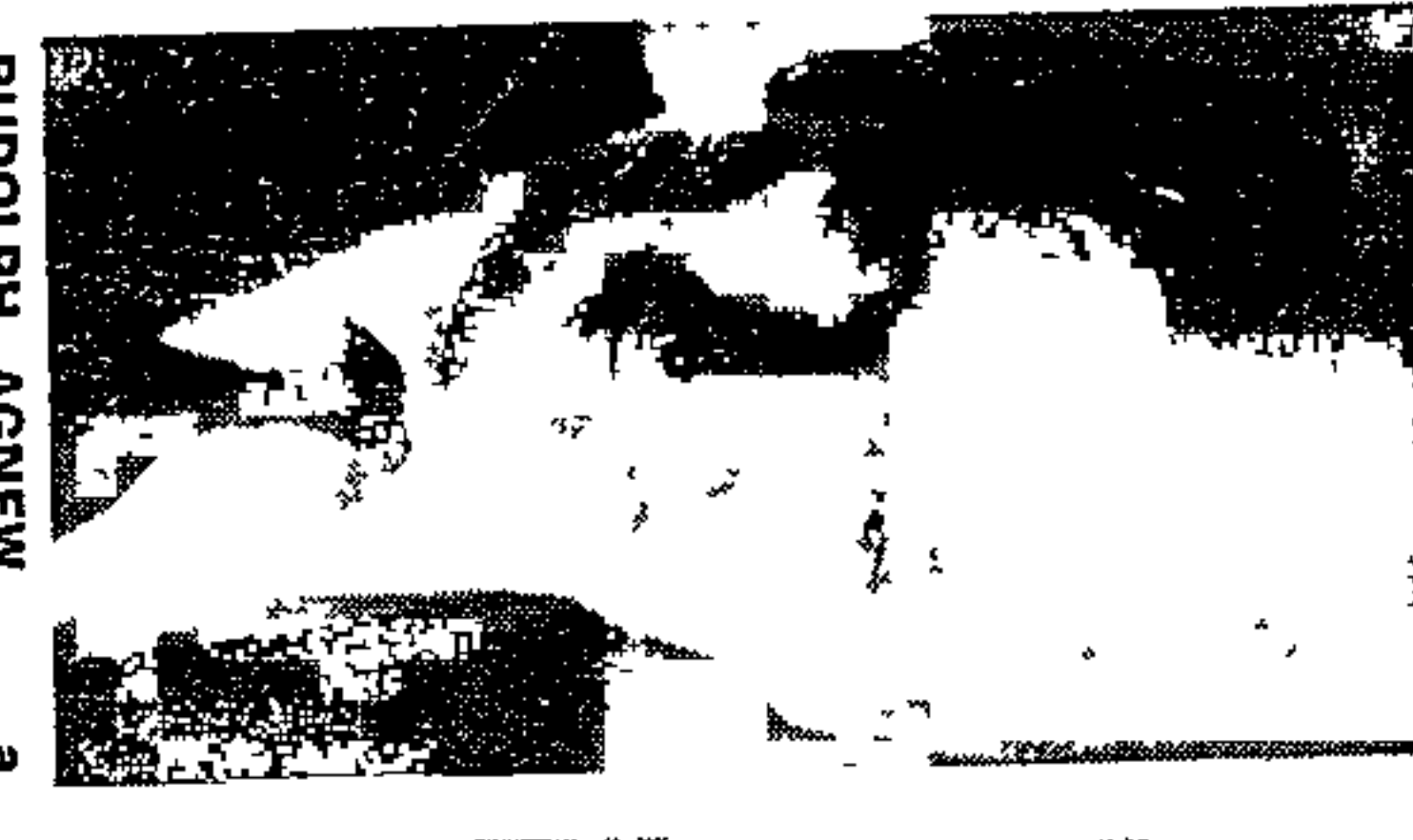
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HARRY OPPENHEIMER, led up the garden path



JULIAN OGILVIE THOMPSON, facing realities



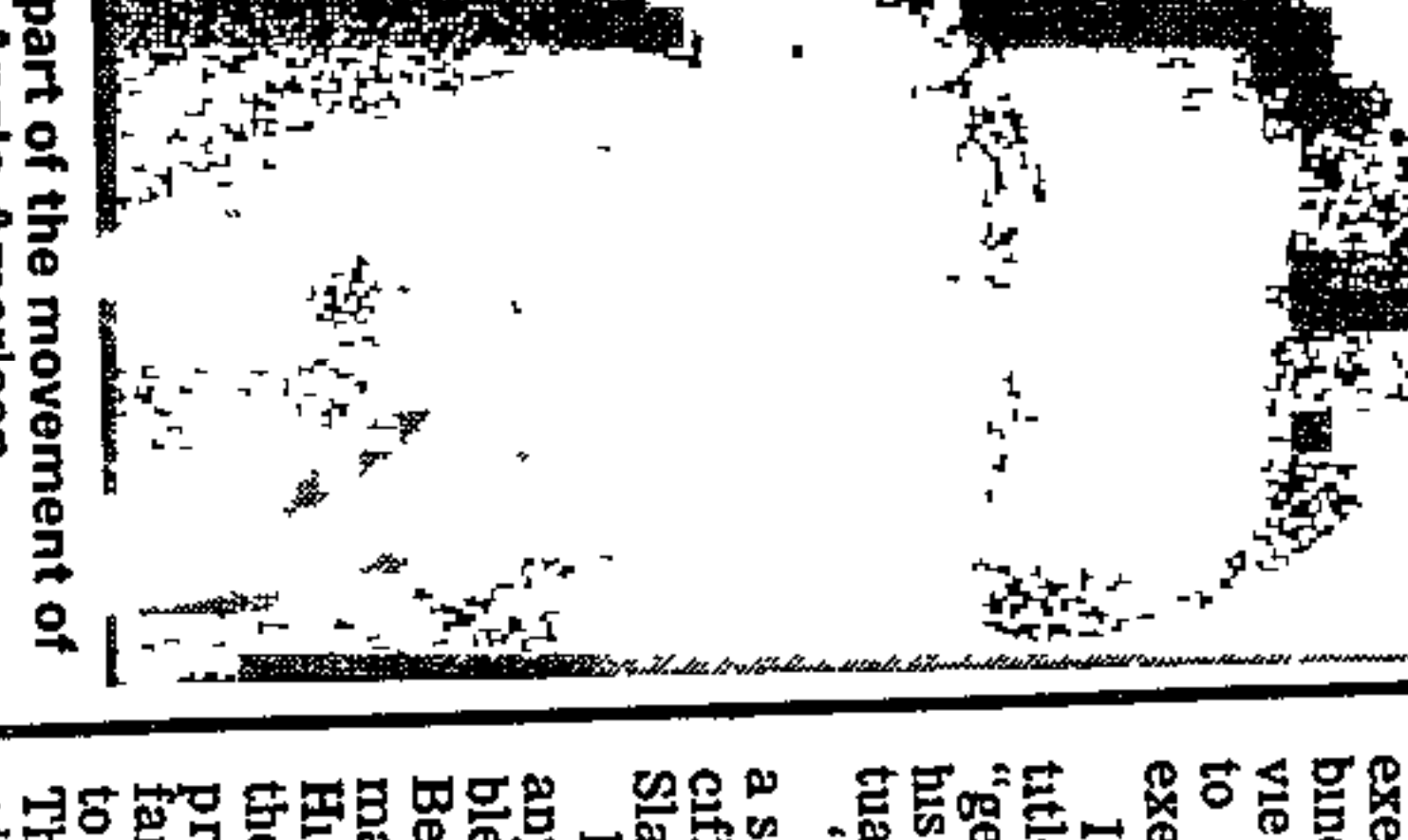
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Others involved offer their own reasons. The deal, for example, was sprung on Mr Plumbridge fresh off a flight to London from the US. JOT is quoted "Perhaps I should have spoken more with the independent directors. That is one of my regrets now. But I didn't want to do anything behind Rudolph's back"

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PATNETIC

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 mer Empire in Crisis, by Bill
 Jamieson UK price £15.95.
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S/Times

THE OPPENHEIMER EMPIRE IN CRISIS . . . JOHN CAVILL REPORTS ON A BOOK THAT WILL RAISE HA

Inside 44 Main Street the Coms C

SPARE a sympathetic thought for Bill Jamieson, deputy City editor of the Sunday Telegraph, London, and author of Goldstrike! The Oppenheimer Empire in Crisis, to be published on April 5.

The final chapter of the 252 pages, in which Anglo American, De Beers and Minoro are closely examined in the context of the failure to win the £3.5-billion bid for Consolidated Gold Fields, details three crises.

The first relates to the "investment crisis" facing Anglo. On Jamieson's judgment Minoro is a cash-laden Flying Dutchman, stigmatised by the Cons Gold defeat, doomed to sail the world seas forever with every investment port closed to it.

DEBACLE
Regrettably for the author, on March 23 Minoro received acceptances for 98% of the shares in Freeport-McMohan Gold (FMG), a US gold producer, after a \$705-million bid. This week the merger was completed. Minoro took its first big step towards establishing, with no let or hindrance from any US regulatory authority, a sizeable base for a new mining house in North America.

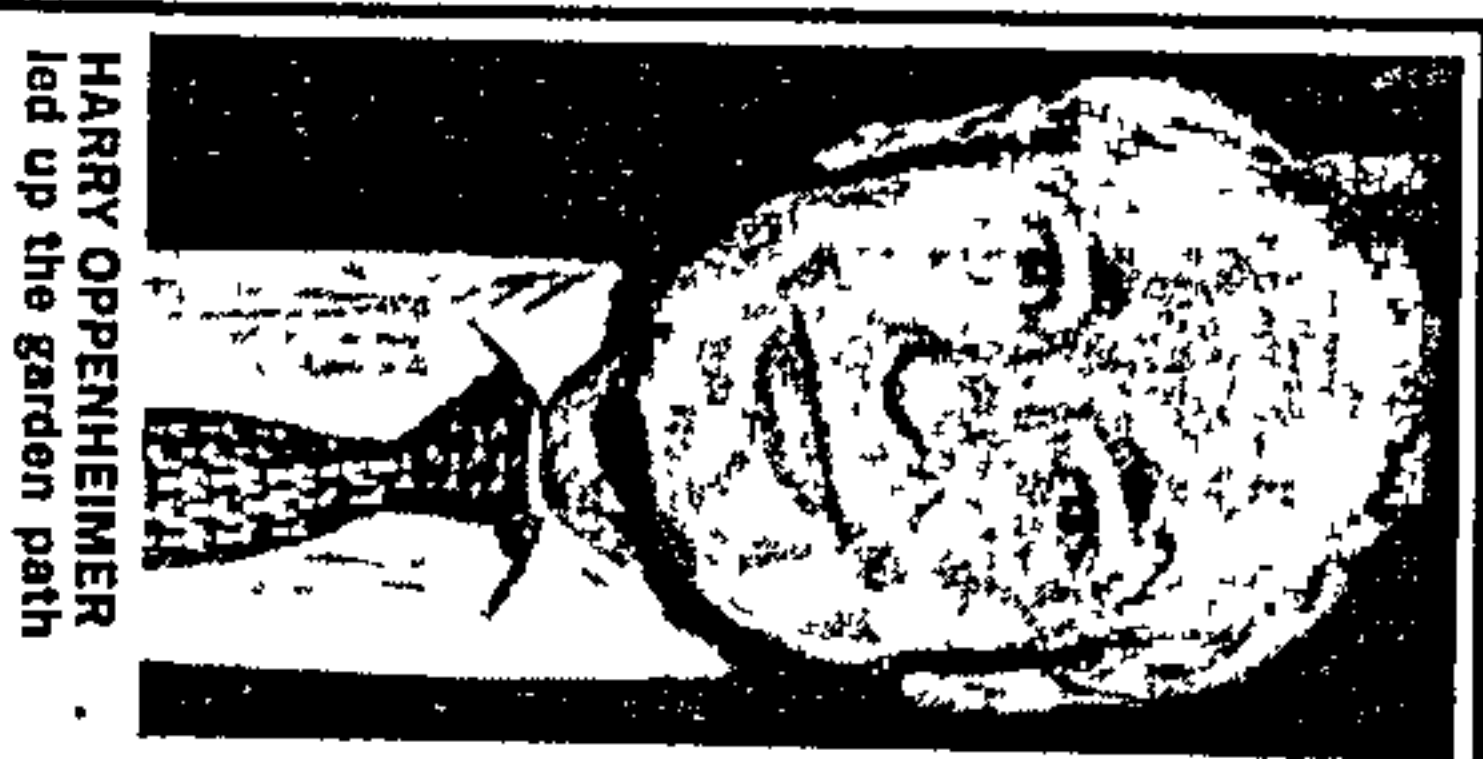
Chris No 2, says Jamieson, is the "management succession". After the "Minoro debacle" Anglo American's Hugo Command never looked more undecided or unsure of itself. The loss of the Cons Gold battle shattered "the unity and sense of omnipotence of the inner elite of Oppenheimer Inc."

He writes of the "reticence" of Nicholas Oppenheimer, "settled with his family in Britain" compounding "the sense of a fast-developing vacuum at the top with (Gavin) Relyly due to retire in two years".

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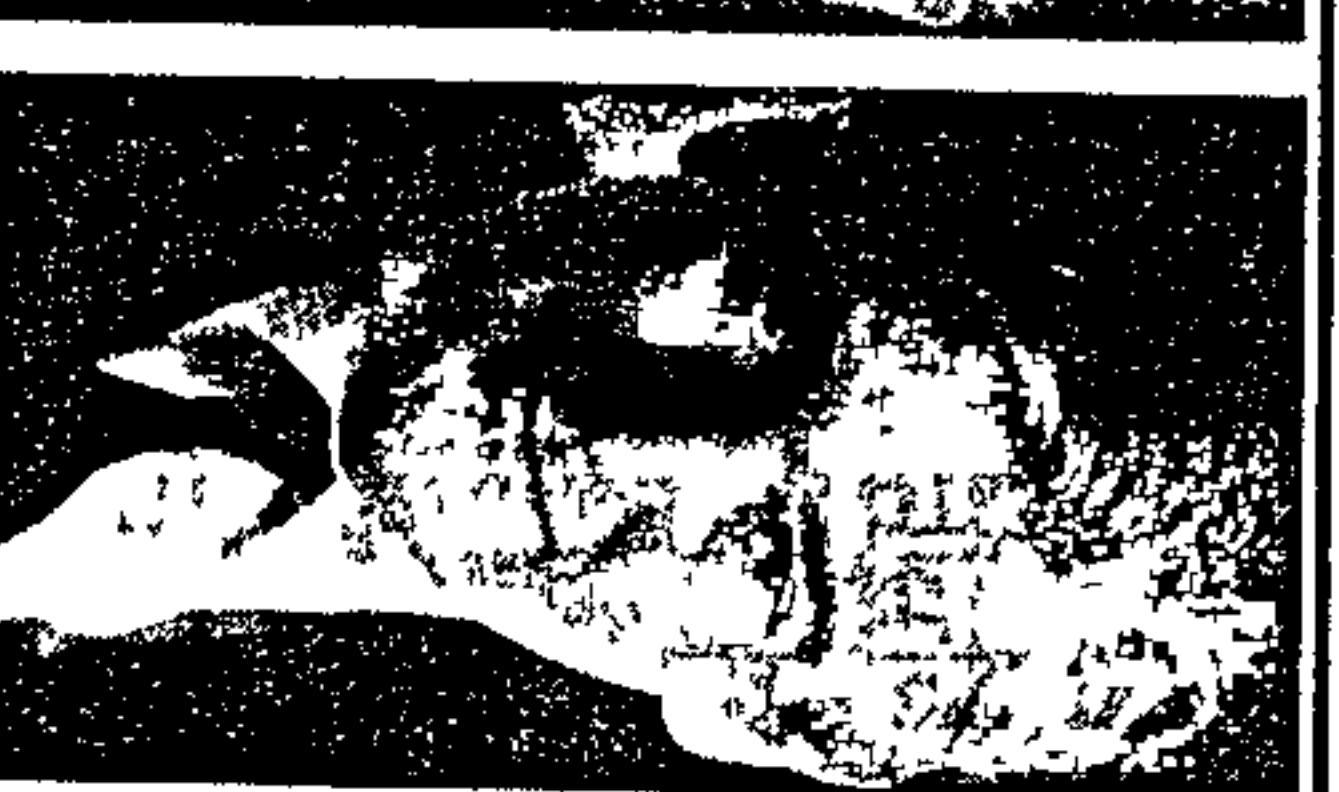
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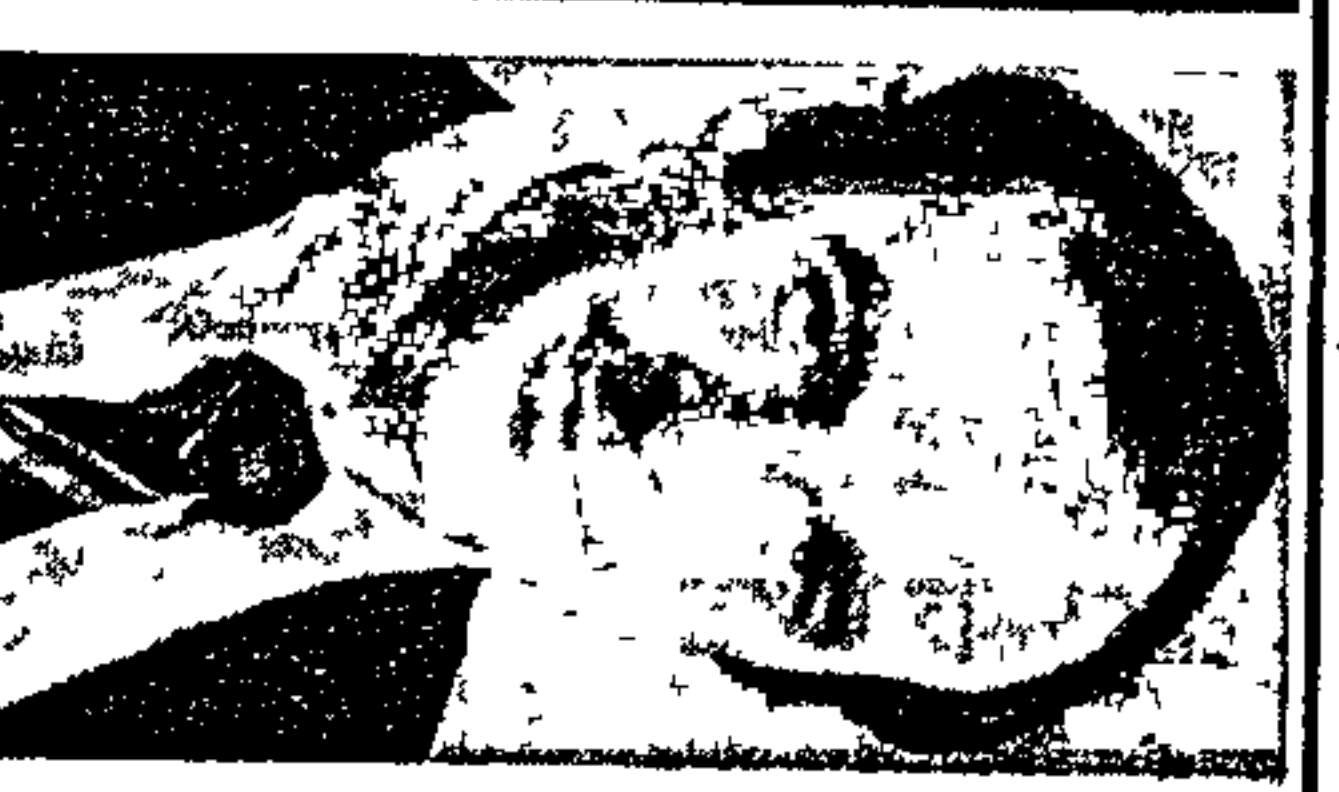
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CLEM SUNTER, BOBBY GODSELL and MICHAEL SPICER. The idealist monkeys into the key seats of power at Anglo American



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In JOT's book a business has to be run and realities accepted — including dealing with disagreeable governments and laws.

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These insights aside — and one assumes that when Jamieson uses quotation marks he is being accurate — Goldstrike focuses largely on the epic drama of the Cons Gold war.

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Operation Friends sank when JOT put the proposals formally to the full Cons Gold board, including the hostile Gordon Parker, head of Newmont Mining of the US, and GFSA chairman Robin Plumbridge. But the biggest surprise was when Mr Agnew himself spoke out against the deal because of the SA connection.

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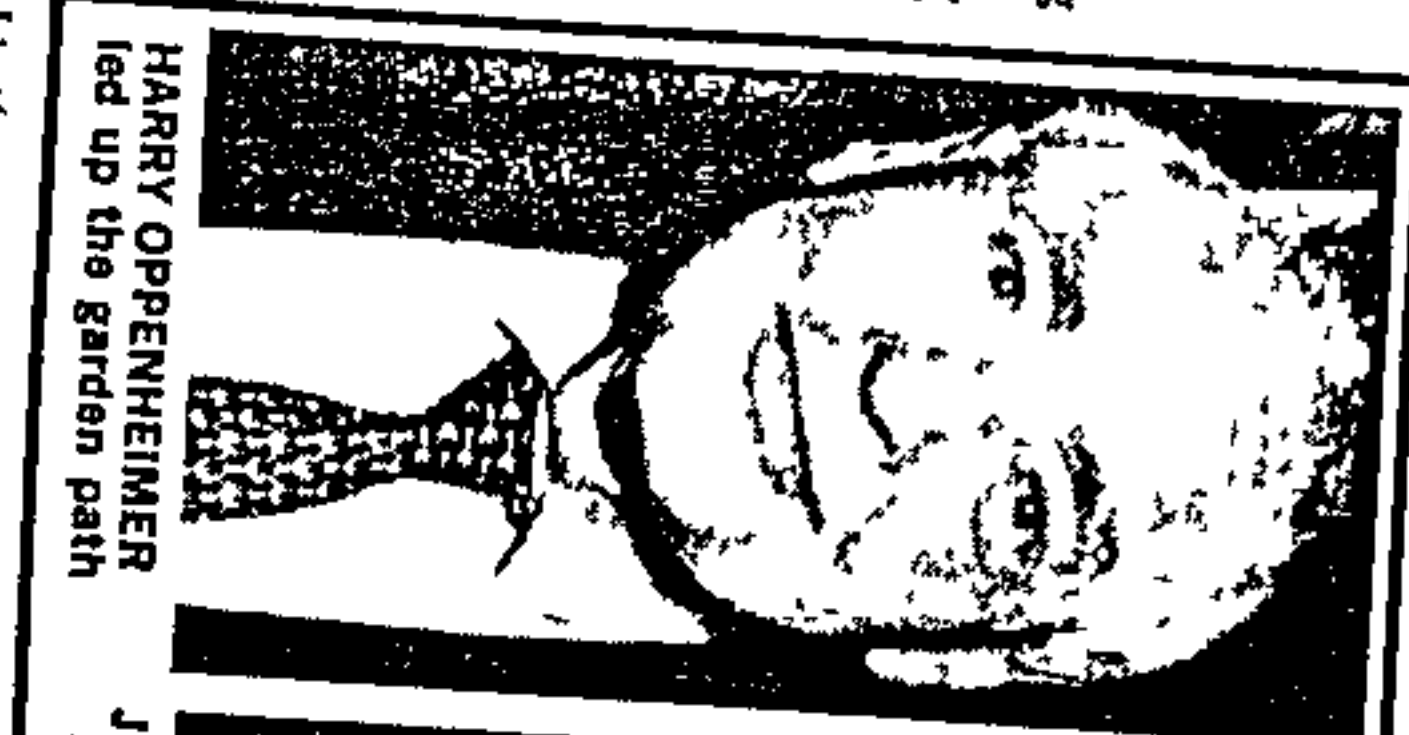
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Hank Slack, one of Minoro's troika of joint managing

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44 Main St and the Cons Gold

BOOK THAT WILL RAISE HACKLES AT ANGLO



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Hank Slack, one of Minorco's toika of joint managing

directors, suggests: "Rudolph wanted to be called chief executive officer (of the combined group) and Julian Ogilvie Thompson was not going to be pushed aside as non-executive chairman."

In addition to Mr Agnew's title there was Minorco's "gentlemanly" approach to his salary (nobody talked actual numbers).

"We should have given him a specific title and a big specific salary," according to Mr Slack.

But would it have made any difference? An implacable opponent of the Anglo-De Beers family, Cons Gold joint managing director Anthony Hitchens, is quoted: "Behind the public company is the private (Oppenheimer) family agenda. Rudolph had to be as crafty as they were along. He played a very subtle hand and in extraordinary, difficult conditions."

Mr Agnew, of course, tells Jamieson: "We bent over backwards to find a sensible solution. I was not stringing JOT along. I feel sorry for him now — very sad."

Mr Oppenheimer is quoted: "It was a sad end. But you see, the perceptions people have of each other are always so much more important than the reality."

The aborting of Friends led inevitably to the virulently contested 1988 bid, spearheaded by Sir Michael Edwards, to its failure because of US court actions and the timetable rules of the London Take-Over Panel, and to the membership hands of the Hansson Group, when Minorco (only half sadly) accepted second prize of \$1.6-billion cash for its stake.

POLITICS

Doubtless Anglo American feels able to indulge Goldstrike in its perceptions of the first two of its crises. And apart from some irritatingly unnecessary factual faux pas, the book offers an enthralling read of one of the great takeover dramas of the 1980s.

The third, however, will raise hackles. It is the "political crisis" and Anglo's Catch-22 situation: trying to help political change and yet protect itself from the cons-

quences which might include socialist solutions.

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"What I felt depressing was that fundamental change was required to avoid bloodshed. But these views were held by a very small minority in the (Anglo) corporate hierarchy. Business has been a force for change but has it done all it should have done? My answer is, 'No.'"

One wonders what the first three people named in the book — who Jamieson met during his research — will make of it.

For it is dedicated to Paulang Mobe, Nkosiyke Mungwana, Polao Kheola — 61/VI stoppage machine operators, Western Deep — and all their children.

Goldstrike: The Oppenheimer Empire in Crisis, by Bill Jamieson. UK price £15.95. Published by Hutchinson Business Books, London.

Crash takes the shine off gold

214

31 Day 2/490
A TOP SA mining official has described as probably "wishful thinking" hopes he harboured a few weeks ago that the world gold price would rise to between \$430-\$450 an ounce this year

"That now looks like wishful thinking," Chamber of Mines president Kennedy Maxwell told the AGM of the Association of Mine Managers

Gold was fixed at \$372,20 an ounce in London on Friday morning, having rebounded from a crash to \$362,50 in world markets last Monday. But it remained well below its 14-month high of \$423 early last month

Even if gold were to reach the levels hoped for only weeks ago, he said, it was crucial that the rand remained at current levels against the dollar so that

the local price could be realised

Economists note that although gold's weighted average dollar price fell to \$382 last year from \$437 in 1988, its rand price rose slightly because of an overall depreciation in the rand of about 15% against the dollar.

In the context of costs, Maxwell cited a gold price prediction for the year of R33 400 a kg, which at current exchange rates would equal around \$391,95 an ounce

He said that by the start of next July, 15 of 31 gold mines which are members of the chamber would be incurring production costs exceeding this cost

These estimates, he added, made no allowance for capital expenditure. During the 1980s, he said, SA had

moved from being the lowest-cost producer among the world's major mining countries, to the highest-cost producer. Moreover, since 1980 real annual profits had fallen each year, he added

Maxwell said the coal mining industry performed encouragingly last year, producing 176-million tons of which nearly 48-million tons were sold abroad

"This established a new record for coal exports and at a price of R27 per ton brought in more than R3,6bn -- about 50% of total coal mining revenue for the year," he said

Export prospects looked good for the current year, although a major headache facing the industry was the prospect of a substantial rise in rail tariffs -- Reuter

The West notches up a record in gold production for 1989

214

1990

B/Dam 2/4/90

THE Western world produced a record 1 656 tons of newly mined gold last year, 8% more than in 1988, the SA Chamber of Mines said

Output from SA fell to 606 tons from 619 tons, reflecting a decline in grades which took the average of chamber member mines down to 4,99g/t from 5,13g/t, the chamber said.

It said in its 1989 annual review that net gold sales to Western markets by the Soviet Union, China and North Korea came to about 340 tons, well above the previous year's 260 tons.

Of this, about 235 tons was supplied by the Soviet Union

It said Soviet supplies jumped sharply after mid-year to meet urgent foreign exchange need, before subsiding, during the latter part of the year. Soviet sales nevertheless represent-

ed about 75% of that country's newly mined annual output, it said.

The review said the biggest increment to total supply during the past two years came from future mine output "thrust onto the market by the aggressive use of forward sales in gold financing by the mining industry"

Such transactions during that period brought forward into current supply about 770 tons of gold that had not yet been mined and in many cases, would not be mined until the 1990s, it said

"This influx of gold, much of which

was borrowed from central banks and bullion dealers, was a major bearish element depressing the price during the past two years," it said

However, the quantity of metal entering the market from gold financing activity and forward sales diminished in 1989 and was probably 190 tons

It said jewellery provided the linchpin for demand in 1989, absorbing a record 1 600 tons

Gold jewellery purchases in the six major markets — the US, Japan, France, West Germany, Italy and the UK — reached 550 tons — Reuter.

6 Day 214/90
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Gold trust faces uncertain future

Own Correspondent

LONDON — The ambitious new gold investment trust planned by merchant banker Robert Fleming and stockbroker James Capel, which has former JCI chief Gordon Waddell on its board, is hanging in the balance

It could be aborted after the shock plunge in the gold price which has seen the precious metal fall \$15.40 to \$374 over the past week.

The Fleming-managed trust, the first of its kind in the UK since the early 1970s, was designed to fill the gap in institutional portfolios left by Hanson's takeover of Consolidated Gold Fields

But it has been hit by a sharp downturn in the gold market which has shaken confidence — and left many would-be investors with cold feet.

Also on the Gold Investment Trust board is Anglo American investment manager Jack Desmidt.

Initial plans for the trust were laid when gold was more than \$400 and looked to be headed for \$450.

At one point last week it touched a six-month low of \$364.70. Dealers blamed a three-million-ounce sell order from Middle East investors worth about £1bn.

But for Capel's gold guru Julian Baring, this slump provides a classic buying opportunity.

One option for investors unsure of their timing is to make use of the Fleming monthly saving facility, enabling them to spread their purchase cost and benefit from pound cost averaging.

The trust intends to invest about 25% in SA gold shares, 20% apiece in the US and Canada and 10% in physical bullion.

Many gold mines face tough times

Stc # 2/4/90 214

By Sven Lunsche

By the middle of this year, 15 of 31 gold mines are likely to run into financial trouble, with production costs exceeding the predicted gold price of R33 400 per kg (\$390 per ounce at current exchange rates), says Kennedy Maxwell, president of the Chamber of Mines.

He told the AGM of the Association of Mine Managers last week that these estimates did not make allowance for capital expenditure. When capex was included, the number of mines with production costs exceeding the predicted gold price could rise to 18.

"A few weeks ago I had hoped we would see gold rise to \$430 to \$450 during the year.

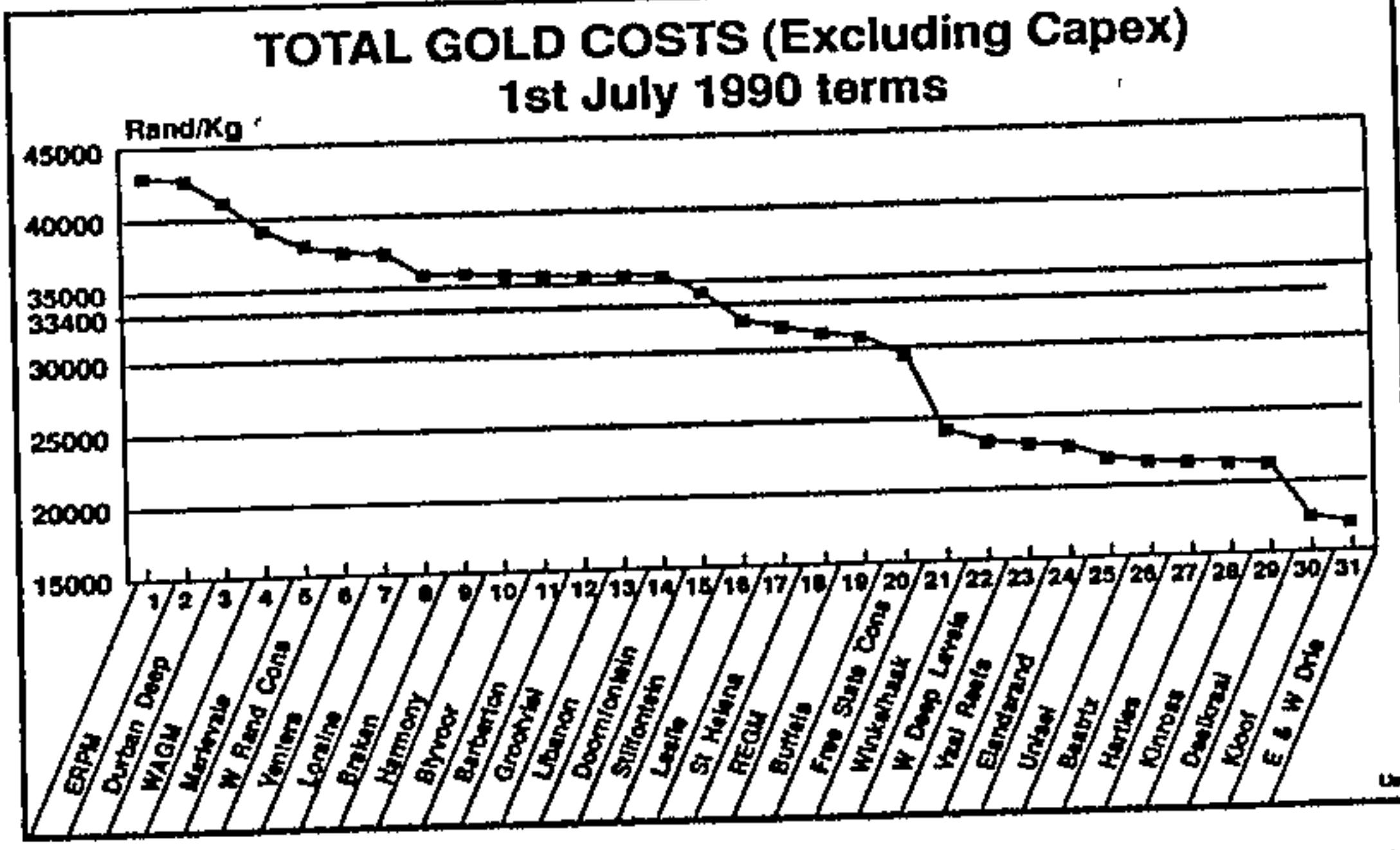
"That now looks like wishful thinking. But even if it were to occur, our industry would be crucially dependent on the dollar/rand exchange rate remaining at its present level if we are to realise the sort of rand price for gold we so desperately need," he said.

"The message is clear. We are simply going to have to find ways of further improving productivity and efficiency."

Identifying inflation as a major contributor to increasing production costs, Mr Maxwell impressed upon the Government the need to bring it down.

"I must say that the new Cabinet and the new Governor of the Reserve Bank are now equally concerned. Nonetheless, double-digit inflation is still with us and it continues to have a destructive effect on our operating costs and, consequently, our profits."

Mr Maxwell said the 1980s had



not been good for gold mining. It was in this decade that SA gold mines had moved from being the lowest-cost producer of gold in the world to the highest. Since 1980 real annual profits had depreciated every year.

Mr Maxwell said the performance of the coal mining sector in 1989 had been encouraging. Total production had amounted over 176 million tons, with close to 48 million being sold abroad.

"This established a record for coal exports and at a price of R27 per ton brought in more than R3,6 billion — about 50 percent of total coal mining revenue for the year."

Export potential for the current year looked good, but a headache facing the coal industry was the prospect of a substantial hike in rail tariffs on the line between Witbank and Richards Bay.

On the ANC's call for the nationalisation of certain industry assets, including the mines, he said it was

the duty of the business community to search for alternatives and convince black leaders that nationalisation was not the best way.

Dismissing these perceptions as fallacious, Mr Maxwell said there were many examples in Europe and Africa which clearly showed that state control of the means of production invariably led to significant financial losses.

"Unfortunately though, it is not enough for us to point to African and European failures and expect black leaders to accept that having foundered in other countries, nationalisation must automatically be abandoned as an option for South Africa."

It had become increasingly necessary for business to start discussions with the people and organisations that were poised to shape the political and economic future. Black leaders had to be convinced that nationalisation was the wrong means to the right end, he said.

GfSA reports R20m decrease in net profits

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JOHANNESBURG — Gold Fields of SA (GfSA) announced yesterday that the combined net profit of its seven gold mines slipped to R253,3m in the quarter ended March 31, from R273,3m the preceding quarter

It reported a dip in gold output to 26 278 kg from 27 942 kg as a result of a drop in average yield and a decline in tonnage milled.

The average yield fell to 7,2 g/t from 7,4 g/t. Mill throughput fell to 3,65m tons from 3,79m tons

The average price received per kg of gold rose to R33 678 from R32 709

However, revenue fell to R886,2m from R915,1m due to the drop in production

It reported well contained working costs, with total costs for the quarter at R547,8m showing a 0,5% rise above those of the preceding quarter

Aggregate pre-tax profit slipped to R386,3m from R408,7m. Tax and the

state's share of profit fell slightly to R132,9m from R135,5m

Deelkraal became liable for the first time during the past quarter for the formula tax applied to mines

Capital expenditure fell R29,1m to R158,5m

The drop in the average milling rate was due in part to fires at East Driefontein and Libanon which affected output. Venterspost meantime cut its milling rate as planned from an average 140 000 tons per month to 130 000 tons

In addition the pending sale of Droogebult and a drop in tonnage treated from the surface at Vlakfontein accounted for a fall of about 87 000 tons milled during the quarter

The reclamation plant at West Driefontein, which operated at half capacity during the previous quarter, is now in full production at some 200 000 tons a month, it said — Reuter

GFFSA reports overall working costs up

Ripley 4/14/90

(2/14)

RIAMAN SMIT

OVERALL working costs of Gold Fields of SA (GFFSA) increased by 0,5% for the March quarter, but working cost a ton of ore milled increased 4,5% on 144 200 fewer tons milled.

March quarterly results released yesterday show overall working costs up from R544,9m to R547,8m and cost a ton milled up from R143,69 to R150,15

Cost a kilogram of gold produced, excluding Vlakfontein for which GFFSA only reported figures from surface throughput, increased 3,3%. Reduced tonnage combined with a decline in average grade from 7,4g/t to 7,2g/t caused a

1 664 kilogram drop in gold production
Gold revenue as a result declined to R915,1m (December R886,2m) and the taxed profit decreased 7,3% to R253,3m (R273,3m)

Tax and the state's share of profit dropped from R135,5m to R132,9m, while capex was lower at R158,5m (December R187,6m)

GFFSA Precious Metals executive director Alan Wright said yesterday no results for Droogebuit were reported because of the provisional sale of the mine to Nigel for 32-million Nigel shares. Shareholders were expected to approve the sale at a meeting on April 17, Wright said

The GFFSA board had three options in deciding what to do with the shares if the sale was approved, he said. It could hand over the shares to Vlakfontein shareholders, sell them and distribute the proceeds to shareholders, or it could retain the shares as an investment

Wright said grades at East and West Driefontein dropped mainly because of fires in December last year and February

this year. Throughput at West Driefontein's reclamation plant rose from 423 600 tons to 607 400. At this rate the plant had enough material to operate for 18 months, he said

Kloof's grade dropped from 12,6g/t to 10,8g/t because of an intrusion by inter-reef lava which diluted the grade

"We initially thought we could mine through it, but we are now merely developing through the intrusion and establishing long-walls on the other side." While developing was carried on, as much as 20% of throughput was mined from the lower-grade Kloof Reef, he said

A fire at Libanon which started on March 13 had already resulted in a 20 000-ton loss and a further loss of 10 000 to 15 000 tons was expected, Wright said

"This mine certainly has a difficult time ahead. Without a higher gold price it cannot do better than break even. We just have to soldier on."

But it was "early days" to talk of a cutback at Libanon. Deelkraal would be liable for formula tax in the fourth quarter this year, he said, while Dooornfontein was "at last coming into play"

GOLD FIELDS OF SA March Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Drie Cones	—	—	—	—	—	—	114 562	73 271	35,9
December	—	—	—	—	—	—	119 000	64 233	31
West Drie	705	9,8	6 919,4	165,75	16 888	33 668	—	—	—
December	705	10,1	7 112,9	164,99	16 353	32 817	—	—	—
East Drie	680	8,2	5 591,0	145,08	17 646	33 654	—	—	—
December	692	8,6	5 925,8	142,93	16 691	32 653	—	—	—
Kloof	540	10,8	5 814,0	167,51	18 345	33 652	95 261	10 550	8,7
December	540	12,6	6 822,5	186,96	14 799	32 751	112 516	26 008	21,5
Libanon	415	4,2	1 749,9	143,37	34 000	33 742	277	(4 227)	(10,6)
December	435	4,1	1 801,1	132,28	31 950	32 631	2 341	(1 884)	(5)
Venterspost	390	4,1	1 588,5	129,79	31 865	33 765	4 013	+3 751	+18,6
December	415	3,7	1 526,1	119,73	32 574	32 593	2 000	1 618	13,1
Deelkraal	405	5,0	2 421,3	122,88	20 953	33 444	29 539	15 707	15,8
December	405	5,9	2 379,9	119,30	20 302	32 778	32 198	12 275	12,3
Dooornfontein	390	5,3	2 052,5	155,77	29 599	33 985	9 732	3 314	8,3
December	390	5,3	2 065,2	163,09	30 799	32 472	4 444	(4 003)	(10)
Vlakfontein	*123	1,2	141,5	40,25	34 989	34 030	(37)	(71)	(1)
December	210	1,5	308,0	45,45	30 990	32 394	762	436	6,4

* Figures for surface sources only

† Old mine only

Capex of R1,2bn for platinum venture

Blind
2/14/90 RIAAN SMIT (214)

GOLD Fields of SA's (GFSA) Northam platinum venture will have a total capex of about R1,2bn and a R600m final rights issue will be undertaken in the fourth quarter to bring the mine to production, Precious Metals executive director Alan Wright said yesterday.

The group's March quarterly results released yesterday show overall working cost at the group's gold mines up 0,5% compared with December, but the cost per ton of ore milled increased 4,5% on 144 200 tons less of ore milled

There was a 1 664kg drop in gold production and consequently a drop in gold revenue from R915,1m to R886,2m and the taxed profit decreased 7,3% to R253,3m from R273,3m compared with R265,5m in September.

● See Page 8

GfSA bullish on long term gold price

By Derek Tommey

Gold Fields of South Africa is bullish about the medium and long-term prospects for gold and for this reason was not reducing production at its marginal mine, Libanon

This was stated last night by Mr Alan Wright, the group's executive director, precious metals, who was commenting on some of the group's gold mining quarterlies

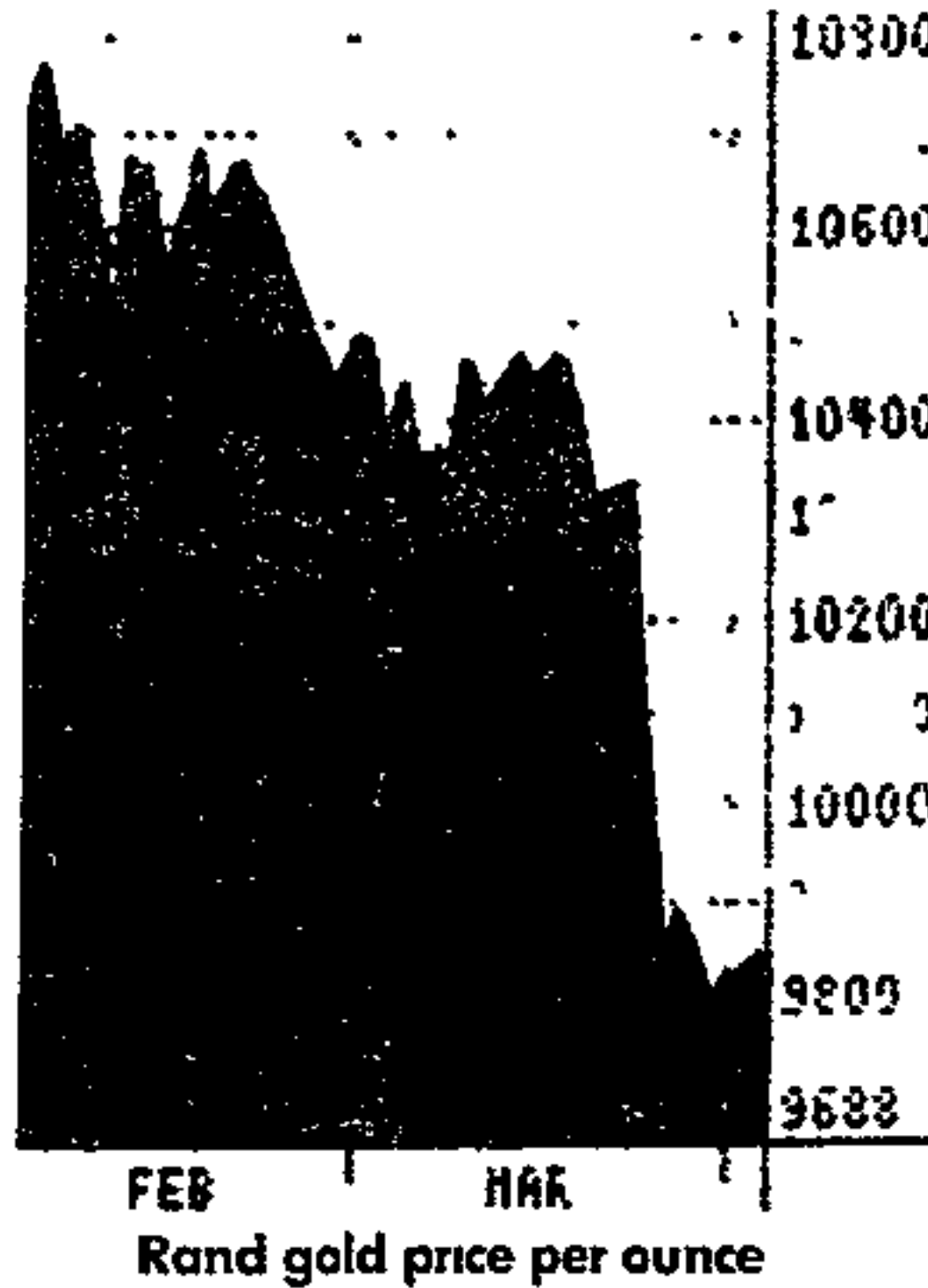
He said that as a result of new development at Doornfontein the mine had turned the corner to better days, that the Northam platinum mine would be making a final rights issue shortly to raise about R600 million, and that Deelkraal was approaching the tax-paying stage

Mr Wright said that Libanon had a difficult time ahead of it, and at the current gold price could only break even

In this situation a mine could run out of money But there was no intention of reducing production, cutting costs and "high-grading" to make a big profit and then shutting down Libanon The group had tried to keep some sort of financial reserve back for such times and Libanon could also borrow money to keep going

Mr Wright said that the industry was not concerned with next quarter's gold price but what it would be in a year or two's time

He believed the way the market had absorbed the reported



dumping by Saudi Arabia last week of some 2 million ounces had demonstrated that it had considerable strength

During the quarter the tonnage milled by the gold mines in the group dropped by 144 000 tons to 3,6 million Fires at East Driefontein and Libanon, a decrease in the milling rate at Venterspost, the pending sale of Droogebult and the drop in the surface tonnage treated at Vlaktefontein were mainly responsible for the drop Against this, the reclamation plant at West Driefontein treated 607 400 tons against 423 600 tons in the December quarter

The lower mine tonnage resulted in gold production dropping from 27 942 kg in the December quarter to 26 278 kg and although

the average gold price received rose from R32 709 to R33 678 a kg, gold revenue dropped from R915,1 million to R886,2 million

Working costs were well contained, rising only half a percent in cash terms to R547,8 million But owing to the lower tonnage milled, costs-a-ton milled rose from R143,69 to R150,15

Working profits dropped to R338,5 million (R370,2 million) and taxed profit was R253,3 million (R273,3 million) Capital expenditure was R158,5 million (R187,6 million)

Driefontein Consolidated, which lost production following a fire, increased its pre-taxed profit slightly from R230,5 million to R235,0 million But taxed profit dropped to R114,6 million (R119,0 million) Capital expenditure was R41,3 million (R54,8 million)

Grade fell sharply at Kloof from 12,6g/t to 10,8g/t owing to the need to abandon some low-grade stopes and an intrusion which is delaying mining on the 53 line level Pre-taxed profit dropped to R97,2 million (R132,0 million) and taxed profit dropped to R95,3 million (R86,5 million) Capital expenditure was R84,7 million (R86,5 million)

Grade at Kloof was expected to recover in the June quarter The Leeudoorn section is expected to start producing ore at a rate of 60 000 tons a month in the October-December quarter

Vlaktefontein shareholders will be asked to approve the sale of the Droogebult area on April 17. Mr Wright said no decision had been taken on what would be done with the shares to be received for Droogebult The options were to distribute them to shareholders or sell the shares and distribute the proceeds instead, or even to retain the shares The break-up of the Vlaktefontein plant was expected to produce a small profit.

Deelkraal earned R35,6 million (R35,2 million) before tax and R29,5 million (R32,2 million) after tax Capital expenditure was R13,8 million (R19,9 million)

The holding through by Doornfontein on the 38 level, which opens up the southern portion of the mine, means that it can move ahead with some confidence in the future, said Mr Wright He estimated that Doornfontein still had a life of about 15 years A drop in working costs resulted in taxed profit jumping from R4,4 million to R9,7 million.

Venterspost increased its grade from 3,7g/t to 4,1g/t and reduced its milling rate to 130 000 tons a month Working profit from gold rose from R107 000 to R3,1 million

Everything was going well at Northam, said Mr Wright, and the final rights issue to raise "R600 million-plus" would be made shortly The estimated final cost of the mine would be about R1,2 billion

Anglovaal to raise R822m via rights offer

Financial Staff

THE financial, industrial and mining Group, Anglovaal Ltd, is to raise R822,1m by means of a rights offer of its "N" ordinary shares to shareholders and loan stock holders.

The company is to offer 30 "N" ordinaries at 4 900c each for every 100 ordinary or "N" ordinary shares held and 21 "N" ordinaries also at 4 900c for every 100 units of loan stock held.

The offer is underwritten by UAL Merchant Bank and the last day of register will be April 12, the day on which Anglovaal will publish the listing and other salient dates of the offer.

In terms of the Anglovaal rights offer, Anglovaal Holdings (Avhold)

Cap 7/1/15 5/4/90

is entitled to 2 690 217 "N" ordinary shares, but it is to renounce its entitlement over 2 654 408 of these (for no consideration) in favour of its shareholders.

This will be achieved through a renounceable rights offer of 29 "N" ordinaries for every 100 Avhold shares held. The balance of 35 809 "N" ordinaries will be sold for the benefit of Avhold.

Last week Anglovaal and Middle Witwaterstrand (Western Areas) announced that, between them, they were to raise some R1,2bn through rights offers.

However, because Mid Wits does not have a sufficient reserve of ordinary shares for such an offer, it is to call a general meeting of share-

2/4

holders to authorise the creation of additional shares.

Further details of its proposed rights offer will be made known when the meeting is convened.

The reason for Anglovaal's offer is that it, together with certain of its subsidiaries, spent more than R1bn on acquisitions in 1989.

The board has decided to raise new permanent equity to ensure that adequate funds would be available to enable the group to take advantage of any future investment opportunities, including new gold mine developments, as well as following its rights in Mid Wits.

Because funds from the offer will only be received in May, the "N" ordinaries to be issued in terms of

the offer will not rank for Anglovaal's final dividend in the current financial year.

Thus the registration date for the final dividend will be the same as that for the rights offer (April 12), so all shares traded after that date will be both ex-rights and ex-dividend.

Anglovaal expects that its final dividend will be at least 60c a share, compared with the previous financial year's final of 51c, thereby giving a total for the year of at least 90c (1989 76c).

During its last financial year, Anglovaal's earnings rose by 26% to R183m (1988 R145m), equivalent to 4 265c (3 395c) a share. This covered

the 76c (65c) a share dividend 5,6 times (5,2 times).

The average annual rise in earnings over the last five years has been 28% while the average annual increase in dividends was 19% for the same period.

In its interim report published in March, Anglovaal revealed that consolidated earnings had risen by a further 34% to a record R105,6m in the six months ended December 31, from R78,6m in the first half of 1988/89.

Furthermore, the board stated that it expects satisfactory earnings growth in the current half year, although this was unlikely to match the growth in the first half.

Anglo American Gold Investment Company Limited

Company registration No 05 09084 06

Chairman's review

Despite the more sanguine statistical background for gold, a degree of caution is always warranted

An abridgement of the annual review in respect of the year ended February 28 1990, by Mr J Ogilvie Thompson, Chairman of Anglo American Gold Investment Company Limited

Profits for the year at R308,5 million were R21,8 million (6,6 per cent) lower than the previous year.

Earnings per share declined by 6,6 per cent to 1 405 cents (1989: 1 505 cents) and dividends declared were reduced by 7,4 per cent to 1 250 cents per share, absorbing R274,4 million.

Gold

The dollar price of gold continued to decline during the first nine months of 1989 but recovered significantly in the final quarter. It closed the year at \$401 an ounce compared with \$410 at end-December 1988, having fallen to a three-year low of \$355 in mid-September. After the slippage from \$400 in January, rallies above \$390 in March and around \$380 in July were not sustained, but a firmer tendency appeared in late September and gold reached \$420 in November. Since then the market has been volatile and gold has traded in a \$395 - \$425 price range.

The average dollar price for the past calendar year was \$381, 12,8 per cent below the average of \$437 for 1988. However, the rand price received by the industry was fractionally higher than in 1988 as a result of a 13 per cent appreciation of the dollar against the rand during the year. Gold production dropped by 2 per cent to 606 tons, ore milled rose marginally but grade was down by 2,7 per cent. Working revenue declined by 1,8 per cent to R18 257 million. The rate of increase in costs per ton milled slowed further to 9,3 per cent as against 12,5 per cent and 18,3 per cent in the previous two years, respectively, but lower production and the static level of rand proceeds meant a decline of 24,4 per cent in working profit to R5 046 million. Total profit, which includes uranium and sundry

income, fell by 22 per cent to R5 449 million. Despite this, capital expenditure was reduced by only 2,8 per cent to R2 630 million, some R840 million of this being financed from sources other than from current profits. Taxation and State's share of profits at R1 535 million was 36,5 per cent below that in the previous year, while dividends were reduced by 4,2 per cent to R2 129 million.

The gold price once again moved inversely with the value of the dollar in terms of Deutschmarks, although not proportionately, and the price in Deutschmarks declined over the year. However, the yen price improved and has risen sharply as the dollar price recovered. These contrasting developments arise from the relative strength of the dollar during most of 1989, the weakness of the yen and the remarkable vigour displayed by the Deutschmark in recent months.

The firmer dollar during the first nine months of 1989 reflected a combination of factors which were also responsible for the pressure on the gold price during that period. The dollar remained in favour despite the rapid disappearance of the positive interest rate differentials against Deutschmark-denominated assets. Continued buoyancy in world stock markets was evidence, in part, of the belief in a well-managed soft landing for the US economy and of further progress in reducing its trade deficit. Some acceleration in inflation in America was shrugged off, as was the trend of rising oil prices. Nevertheless, real interest rates generally were still relatively high and investment in equities and financial assets continued to command most attention.

In retrospect, the gold market coped well in these difficult circumstances. On the evidence of stretched refinery capacity, there was the appearance of strong physical demand in the early months of the year. However, while jewellery demand was advancing, investor interest waned. Activity on the futures markets reached a low ebb by mid-year as greater satisfaction with the inflationary outlook in the US and West Germany emerged, and the civil upheaval in China had only a transitory effect. But an underlying

interest in bullion in the Far East at lower price levels placed a floor under the price of gold of around \$360 an ounce

Although there was some disappointment that the optimistic tone at the Financial Times World Gold Conference in June was not translated promptly into reality, the view that fundamentals were pointing to a resurgence of interest in bullion was to be confirmed by events. Real interest rate differentials had become negative for the dollar, oil prices were moving up again and the trade deficit improvement had begun to slow down. Conditions were ripe for a dollar retreat, and the trigger for this appears to have been the G-7 decision in September to intervene to prevent the dollar breaching the two-mark level again.

While the gold price was slow initially to react to this adjustment, to firmer oil prices or to the tremors on world stock markets in October, the elevation of the price by \$50 in two months to the \$420 trading level in November reflected an eventual market response to these underlying factors. Comex traders and US commission houses had reacted favourably to chart signals and to the clear indication of price support at around \$360. Strong and steady buying interest returned to the futures markets in September, followed by speculators and portfolio managers, particularly in the Middle East, wishing to participate in a livelier market. The subsequent emergence of substantial activity on the Tokyo Commodities Exchange was encouraged by the stronger yen price and by concern about the earlier losses on the Tokyo stock market. The gold price was driven up essentially by professionals in the paper market and physical investment has been notably subdued.

Since November gold has become subject to conflicting and more volatile influences. Renewed fears about inflation have impacted adversely on bond markets, especially in the US and Japan, followed by a severe drop in share prices in Tokyo at the end of February. Higher real interest rates, the sensitivity of policy formulation to inflation threats and the remarkable strength of the Deutschmark are elements less conducive to investor interest in gold. Against this, there are a myriad of uncertainties about world economic and political prospects which have encouraged some renewed diversification into gold. This is manifest, inter alia, by the recent spurt in demand for gold jewellery in the Soviet Union.

Although statistics for the calendar year cannot capture important movements during different periods, most observers believe that while physical gold was in plentiful supply the underlying trends in the gold market were more reassuring. Jewellery demand advanced strongly from its record 1988 levels, bringing gold consumption in jewellery close to the level of newly-mined Western production. This production increased at a slower rate than in 1988 but in the absence of final figures for sales from the Eastern bloc or scrap supplies it is difficult to be certain about the extent of the net supply surplus.

Although bar hoarding was lower, evidenced by diminished bullion imports into Japan, and more especially Taiwan, this was offset by an abatement in gold loan activity and forward sales.

The more bullish pronouncements on gold by commentators during the year stemmed from perceptions about the future supply position and about sustained growth in jewellery consumption, as well as from technical interpretations and views on an eventual fall in real interest rates, all of which are apposite to gold as an alternative investment medium. In light of this approach, the attention now devoted to the mortgaging of future output and related estimates of production capacity outside South Africa is particularly significant. Gold loans and forward sales reached unexpected heights in 1988, predicated on optimistic assessments of the ability of smaller mines in North America and Australia to bring new ventures to production. This type of activity, which

impacts on both the spot and futures price of gold diminished considerably in 1989, largely as a result of the lower dollar price. While gold loans and forward selling will no doubt remain a feature of a more sophisticated market, they are unlikely to revert to earlier levels. Apart from a greater awareness of the credit risks involved, the extent of the longer-term growth of output from new mines in North America, Australia and elsewhere is under question as a result of geological limitations, rising costs, changing tax regimes and other factors. As is well known, output in South Africa cannot be increased easily, and production in the Soviet Union is believed to have peaked, irrespective of foreign exchange requirements.

At the time of writing, relatively high interest rates and bond yields have contained the recent wave of enthusiasm for gold. There cannot be any doubt that sufficient supplies of the metal are available, as evidenced by the contrasting behaviour of the physical and futures markets. But this in itself says much about inflationary expectations – possibly misplaced – and other concerns about financial market stability, as well as perceptions of longer-term supply potential.

Taxation

Last year I discussed the recommendations of the Technical Committee on Mining Tax. To recount, the most important of these recommendations was that the present system of formula tax for gold mines will remain but there will be a phased conversion of all gold mines to a new and uniform formula which, effectively, will reduce the average rate of taxation to that of other industries. It was recommended that lease payments should be abolished, that the full capital-redemption system should continue with limited exceptions and a flexible system of 'ring fencing' and that capital allowances should be maintained.

Since then, the recommendations regarding the capital redemption system have been implemented, as have the first two phases of the conversion of the formula tax. It is most important that there should be government commitment to complete the conversion.

In addition, the Minister of Finance announced three related developments in his 1990 Budget speech. These were the partial lifting of 'ring fencing', the increase in the capital allowance from 10 per cent to 12 per cent and the creation of 'safe haven' investment criteria. Of these, the first is disappointing while the other two are to be welcomed. The disappointment stems from the fact that government, having accepted that 'ring fencing' is a serious obstacle impeding the development of new gold mines, chose to lift the 'ring fence' by only 25 per cent of an existing mine's taxable income. This measure will be of benefit to smaller projects but a bolder move will be necessary to encourage the development of large new mines. It is hoped that this is only a first step towards the total abolition of 'ring fencing'. On a positive note, the increased capital allowance for new gold mines will compensate partially for the limited relaxation of 'ring fencing' and is welcomed in a time of rising capital costs. The new 'safe haven' rules provide that investors may, if they elect, dispose of shares listed on The Johannesburg Stock Exchange which have been held for at least ten years without any tax liability. This should enable Anglo and other major investors to mobilise mature investments more efficiently from time to time to reinvest proceeds in new projects. Unfortunately, shares previously subject to exchanges in terms of Section 24A of the Income Tax Act cannot be granted 'safe haven' status. This materially restricts the positive impact of this measure.

A new development during the past year was the imposition of a 'one-off' loan levy on all companies. This amounted to R65 million in respect of gold mining companies to which Anglo American

Corporation of South Africa Limited (AAC) provides administrative and technical advisory services. Whilst the loan levy has not been repeated, the Minister mentioned in his 1990 Budget speech that a minimum tax on companies is under consideration. The imposition of ad hoc taxes of this nature creates uncertainties with regard to long-term financial planning and must be condemned.

Labour

The relatively stable industrial relations climate that prevailed in the gold mining industry in 1988 continued in 1989. Once again, salary and wage negotiations were concluded with the various unions without recourse to strike ballots or strike action. Salary increases for the officials' associations were successfully concluded after negotiation, although increases for members of the Council of Mining Unions (CMU) and of the National Union of Mineworkers (NUM) were only settled at Conciliation Board level. Relations with the NUM, which represents 58 per cent of the semi-skilled and unskilled workforce of gold mining companies to which AAC provides services, were placed on a more constructive footing with the successful conclusion of negotiations for the establishment of the Mineworkers' Provident Fund which provides substantial benefits on retirement for employees in the semi-skilled and unskilled categories. A further reflection of constructive relationships has been the concluding of a number of safety and health agreements. These agreements are to be welcomed as employees, through elected safety representatives, are now more directly involved in safety matters. Even though there has been a welcome decrease in violence on the mines, discussions with the NUM on a code of conduct are being pursued to ensure that norms of acceptable behaviour are introduced, maintained and jointly monitored.

The unsatisfactory impediments contained in the Mines and Works regulations removing the last legal restrictions on the promotion of employees, irrespective of race, to which I referred last year, were set aside by the Supreme Court and subsequently the Minister's leave to appeal was also refused. The Minister's petition to the Chief Justice for leave to appeal has since been successful. Intensive training of eligible candidates has continued and, to date, 117 black employees of gold mining companies to which AAC provides services have been awarded blasting certificates and they are now at various stages of training in this more senior echelon. During 1989 an agreement with the Federation of Mining Unions (FMU) opened the way for the appointment of semi-skilled operators in the engineering trades. The training of black candidates for these posts has been started.

The gradual dismantling of migrant labour and provision of opportunities for employees of gold mining companies to which AAC provides services to live with their families near their place of work is continuing. Some 27 300 employees now own or rent family accommodation on or near these mines, of whom 8 734 are black.

Mining law

The draft minerals bill, to which I referred last year, has been introduced and is expected to be adopted during the current Parliamentary session. Since the publication of the first draft in December 1988, the Bill has undergone considerable revision, and the version which has been introduced is in most respects acceptable to the mining industry. Nevertheless, it is not yet clear whether the Bill will achieve all the objects for which it was created: deregulation, privatisation and reduction of State involvement in the mining industry. In particular, the mining industry is troubled by the failure of the Bill to indicate clearly how the privatisation of State-owned mineral rights will be achieved. The existing laws

provide satisfactory mechanisms for the granting of mining leases or other rights to mine over State-owned mineral rights. Until now, the industry has relied on these provisions and has expended large sums of money over the years on acquiring from private individuals and companies the entitlement to mining leases in respect of State-owned mineral rights. This expenditure is now in jeopardy as the proposed legislation will not preserve the right to be granted a mining lease in respect of State-owned mineral rights. Further representations are accordingly being made for continued recognition of the rights so acquired by the mining industry.

Exploration

Amgold maintained its 20 per cent participation in Anglo American Corporation's gold exploration programme. The full-time acquisition of seismic data by means of Vibroseis survey was stopped in October. This technique in future will be used only for the acquisition of data in specific areas of interest.

Drilling to the south of the Orange Free State mines has now been completed. A preliminary feasibility study of the Bloemhoek/Welgelegen prospect immediately to the north of Beatrix mine has shown that this is a marginal proposition at current gold prices and under the existing tax regime. Exploration is now being concentrated on the Kroonstad Gap between the Erfdeel mine and Kroonstad where the main targets will be the Basal, Leader and 'B' reefs.

Extensive drilling operations are being carried out in the Potchefstroom Gap where the three prime target areas are the New Central Witwatersrand Areas Joint Venture, Stompoorfontein and Vyfhoek. In April the Corporation decided that the results received so far from Phase 1 drilling in the New Central Witwatersrand Areas Joint Venture were sufficiently encouraging to warrant the commencement of Phase 2, and eight boreholes in this phase are now under way. Further to the south at Stompoorfontein, six rigs are following up on the discovery hole. Future emphasis will be directed at the northern part of the farm where the target Cobble Reef is developed at shallower depths. Drilling adjacent to the northern boundary of the Vyfhoek Joint Venture has intersected the Bird and Carbon Leader reefs with encouraging gold values. Further to the south at Vyfhoek, five boreholes are in progress and the drilling tempo will be maintained during the current financial year. The programme is directed at following up on intersections of the Vaal Reef in the northern and southern parts of the area and to resolving the structure in the central sector. To the south of Westonaria at Kalbasfontein, drilling problems have hampered progress throughout the year.

The heavily channelled nature of the Kimberley Reef in the Evander goldfield has resulted in an extension of the drilling programme and it is now anticipated that Phase 1 for the three areas of interest will be completed towards the end of the year. Encouraging results were returned from the first borehole drilled outside the Witwatersrand Basin in a large area to the north of Ventersdorp. A follow-up programme consisting of nine boreholes is in progress.

A number of interesting prospects have been delineated in southern Europe where gold exploration programmes being conducted by Anglo American Corporation, in which Amgold participates, will continue during the current year. In South America, AMSA's gold exploration programmes in Brazil, Chile and Argentina continued to show generally promising results during the year.

Conclusion

The welcome revival in the price of gold should not induce any sense of complacency in the industry. It is true that the average depreciation in the rand since its precipitous fall in

1985 has more than compensated for the gyrations in the dollar price of gold since then. Yet an average annual 9 per cent rise in the rand price per kilogram over this period was not sufficient to compensate for inevitable cost escalation in an environment in which producer price inflation ran at 15,4 per cent per annum. The situation became even more acute in 1989 when a lower average dollar price was only just offset by another drop in the external value of the rand. The further decline in the rate of cost escalation to 9,3 per cent per ton milled was certainly very encouraging but, with the virtually static rand price and lower output, greater pressure on margins was unavoidable. Indeed, with the rand gold price running below R32 000 per kilogram during a large part of last year, it was estimated that 10 gold mines, accounting for 11 per cent of total production by members of the Chamber of Mines, and 16 per cent of employment, would become marginal if there were no improvement. The position has been alleviated since then, though at R33 567 per kilogram on March 14 1990 the rand price was not much above that prevailing at the end of 1989.

I said last year that a continual depreciation of the currency was not the answer to maintaining the viability of the gold mining industry. This observation is all the more pertinent in view of the extraordinarily courageous changes which have taken place politically, and in terms of economic policies and priorities which, if sensible counsels prevail, offer remarkable opportunities for renewed growth with reduced inflation. In this context, the authorities' commitment to maintaining a more stable exchange rate implies some appreciation of the rand against a weaker dollar at times. While this is not comfortable for the industry in the short term, it is a salutary reminder that all have a part to play in reversing the inflationary process. This heightened challenge must be met. In this respect, the more constructive relationship established with the CMU and NUM over the past two years is extremely important, as is the progress towards the final elimination of all vestiges of racial discrimination in regard to labour mobility and work opportunity.

The careful assessment by gold analysts during the past year seems to have been realistically based although much depends on unpredictable geo-political factors. A degree of caution is always warranted. The possibilities for greater prosperity in Europe – and the world – can only benefit jewellery demand, and the World Gold Council is focusing its efforts in this direction. At the same time, the uncertain transition in Eastern Europe underlines the hedging qualities of gold. Against this, the 'Gorbachev factor', allied to inexorable problems of adjustment in the Soviet Union, could lead to further instability and perhaps a flight into the dollar. In any event, interest rates will remain relatively high. Nevertheless, despite prevailing nervousness, the major economic role of Japan seems assured and changes in insurance industry portfolio regulations and other needs augur well for continued demand for gold in that country.

Given this, and the more sanguine statistical background, the US proposal for the IMF to dispose of three million ounces of its holdings of 103 million ounces to assist defaulting debtor nations could prove a double-edged sword. Leaving aside current opposition to the idea, and an inevitable delay in any implementation, the plan underscores an ultimate dependence on gold. In the past, IMF and US Treasury gold auctions appeared to engender a new willingness to absorb additional supplies of bullion, eventually at higher prices. Admittedly, circumstances are different from 1979/80 when the previous programmes were suspended, and central bank gold stocks are not now regarded as permanently immobile. However, while mine production is still likely to expand in the near future, recent experience has demonstrated that there is no cornucopia of new gold for a world still beset by profound anxieties. The resilience of the market

confirms a deeper appreciation of the reasons why mankind places such value on this rare metal.

I shall be retiring as Chairman of Amgold after the annual general meeting and the board has elected Mr Nicholas Oppenheimer to succeed me. I have been Chairman for 14 years during which the assets of the company have grown from R797 million to R8 422 million. It has been a period of great developments in the gold market and in the South African gold mining industry, and it has been stimulating to chair this great company over this period. I am most grateful for the support I have enjoyed from the board.

J Ogilvie Thompson
Chairman

March 15 1990

FINANCIAL SUMMARY		
(figures specified)		
	Year to end 1990	
Earnings and dividends		
Income over the year	308,5	330
cents per share	1 405	
	1 250	
Balance sheet		
Share capital	<u>152,9</u>	
Investments	486,1	
Mineral rights	25,0	
Loans	45,6	
Net current (liabilities) assets	(103,8)	
	<u>452,9</u>	418,5
Net asset value		
Including investments at market and directors' valuations	8 422,3	6 711
cents per share	38 367	27 074



Charter sells its 3.8% stake in Minorco

LONDON — Charter Consolidated is selling its 3.8% stake in Minorco

JOHN CAVILL

On Friday, Charter said it had sold 2.7 million Minorco shares for £27.7m — boosting cash holdings to £70m — and plans to sell its remaining 3.6 million

Minorco's 36% holding in Charter is unaffected by the move which is part of the British industrial holding group's strategy to re-focus and concentrate its operations

Last year Charter disposed of its construction subsidiaries, an engineering company and 50% of the loss-making Cleveland Potash to Anglo American.

Charter said it made "no sense" to continue holding a small stake in Minorco which was yielding only 2.6%

However the group will keep its 38.7% of Johnson Matthey, while building up four main industrial divisions.

These are rail equipment (Pandrol), mining machinery (Anderson Strathclyde), fire protection and building products (Cape Industries), and mining and quarrying

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Potch Gap drills again hit rich reef

B/Dam 9/4/90

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ANOTHER borehole of the 25 being drilled in the Potch Gap has struck the rich Bird Reef at a very deep 4 079m

This has fuelled hopes that a major new gold mine may have been discovered, but emphasises the difficulties of deep-level mining that have to be overcome

The strike, made two months ago, is disclosed in the annual report of JSE-listed exploration company Potchefstroom Gold Areas (PGA), released today

The strike ties up with others 20km to the north and 2,2km to the west, adding to expectations that the Potch Gap is the world's last great unmined goldfield

Industry spokesmen say, however, new mine development may depend on government fiscal incentives

PGA chairman Ken Whyte says "Eight new gold mines could be initiated within the next three to four years if appropriate fiscal encouragement is forthcoming from the authorities"

Mines in the Potch Gap would be over and above these

Stockbrokers Kaplan & Stewart consulting geologist John Handley says the new intersection gives width to the mineralised Bird Reef in the Potch Gap

"The strike has already been proved by a number of very widely spaced boreholes between the farms Gerhardminnebron and Droogespruit

"The forecast that a major goldfield exists in this area has now received added

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confirmation"

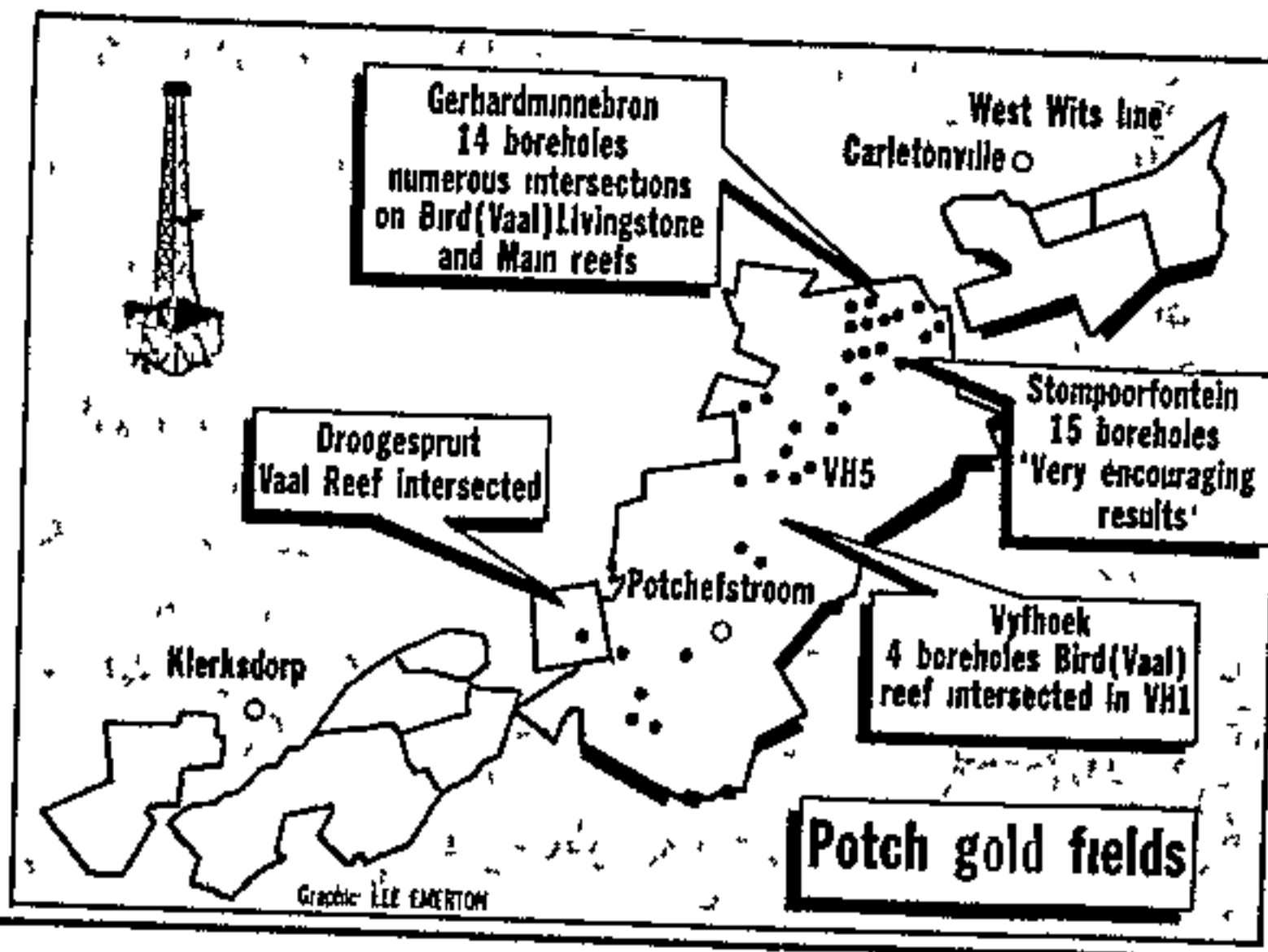
PGA director Chris von Christierson says the Potch Gap is currently subject to one of the most intensive deep-level drilling programmes in history

"It represents the future hopes of much of SA's gold industry," he said

The Potch Gap, which has never been mined, contains 12,2% (8 000 tons) of known remaining world gold reserves, according to an authoritative study by Handley

Says Von Christierson "Mining in the Potch Gap will be conducted at a minimum of about 2 500m, going down to world-record levels in excess of 4 000m. Many technical challenges remain to be solved, including new methods for shaft sinking, hoisting, ventilation, refrigeration and backfilling"

□ To Page 2



Drilling strike

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□ From Page 1

Whyte says borehole VH5 on the farm Vyfhoek intersected Bird Reef conglomerates at 4 079m below collar, yielding initial assay results of gold values similar to those discovered in borehole VH1, about 2,2km to the West

These in situ grades, says Von Christierson, are more than twice the industry average of 4,99g/t in 1989 — the lowest in SA history.

He says such yields from the new strike at VH5 mean that mining at "ultra-ultra" depths required in the Potch Gap could be economic, even at the current gold price. This applies "provided necessary fiscal support for new mines is given by government"

PGA holds prospecting rights with Anglo American Corporation in the Vyf-

hoek and Mooirivier venture areas in the Potch Gap. Anglo and New Central Wits hold rights for the farm Gerhardminnebron, situated some 20km to the north of Vyfhoek, where encouraging results have been found at shallower depths (2 000m-3 000m) on the Bird Reef

Anglo has not disclosed results in the area adjoining the Mooirivier venture where a number of holes are being drilled, mainly on the farm Stompoorfontein, where the rich discovery hole had been drilled

Six boreholes on Stompoorfontein (to the north of Vyfhoek) are following up on the discovery hole, which according to the 1989 Amgold annual report intersected "very encouraging" values on the Bird Reef

● See Page 5

Tax 'holding up' new mines

EIGHT new gold mines could be initiated within the next three to four years if "appropriate fiscal encouragement is forthcoming from the authorities", argues Ken Whyte, chairman of JSE-listed exploration company Potchefstroom Gold Areas (PGA)

Without this, says a leading stockbroking gold analyst, multiple mine closures, tens of thousands of jobs and hundreds of millions of rands in foreign exchange could be at stake

In the PGA annual report released today, Whyte suggests that the tax breaks announced for mines in last month's Budget will do little to encourage these mines to go ahead. PGA director Chris von Christierson tells Business Day that marginal tax changes, and the 25% relaxation on so-called tax ring-fencing are "simply not enough"

"The only variable in the gold-mining industry is tax. Other factors, such as relentless working cost increases, the rand gold price and on-going labour demands, are virtually unchangeable"

Whyte says the gold mining industry's average operating margins declined in 1989 by 26,8% to R8 696 per kilogram produced. The causes were a combination of lower grades, rising working costs and static rand gold prices.

The decline in average grade of Chamber of Mines producers fell from

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BARRY SERGEANT

5,13 grams per ton (g/t) to 4,99g/t, the "lowest level in history". The net result was production had decreased by 13 tons in 1989 to 606 tons

A top gold mining stockbroking analyst said that, all else being equal, SA gold production would fall by an estimated 50 tons in calendar 1990, and by a further 100 tons in 1991

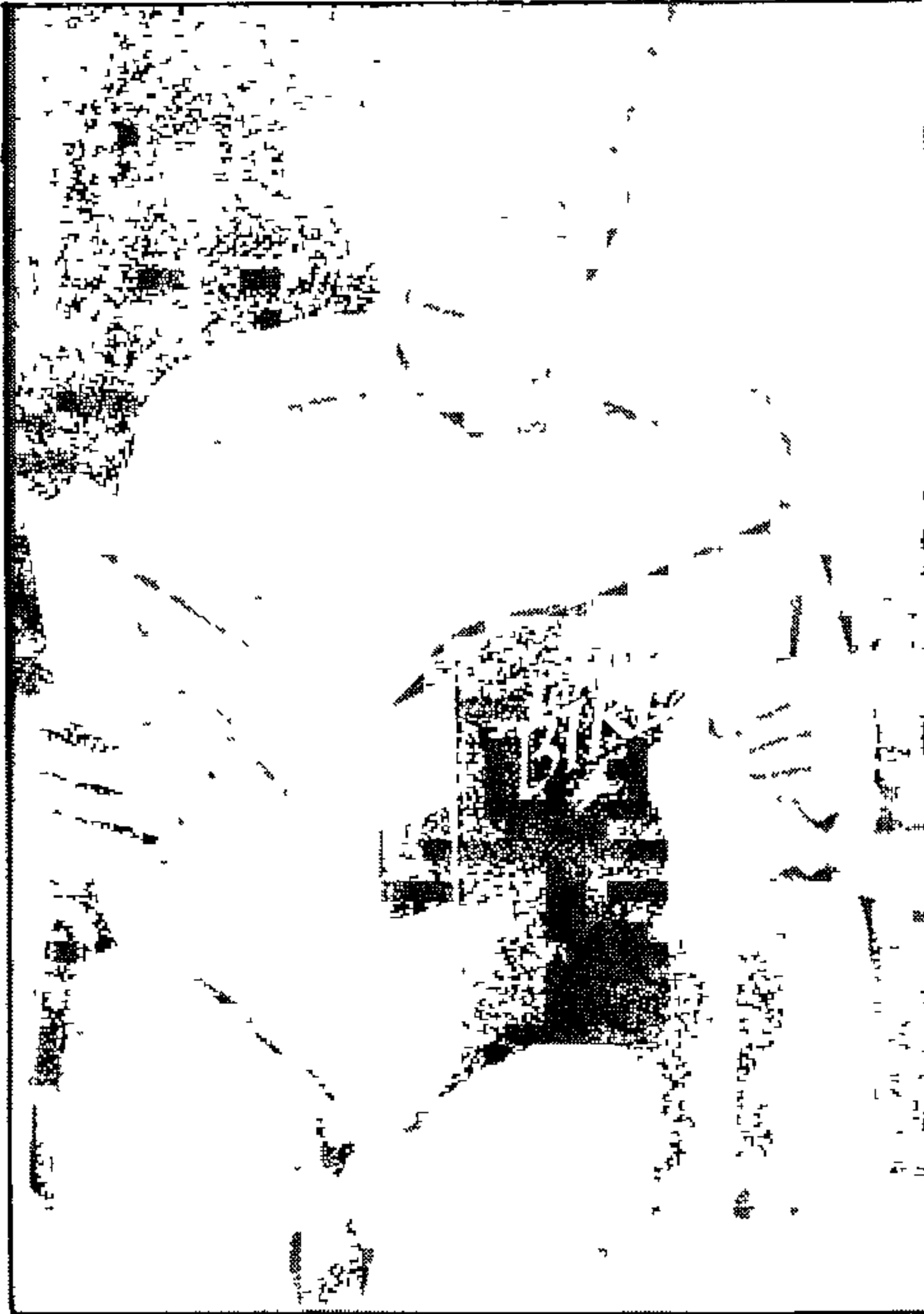
Ready

Whyte says the massive fall in operating margins "will render a number of mines unprofitable", but with appropriate fiscal encouragement, the green light for eight new gold mines would help stop SA's declining production

Von Christierson says the eight ventures which are literally ready to proceed are Anglo's Moab (off Vaal Reefs), JCI's South Deep, Anglovaal's OFS Sun, Anglo's Du Preez Leger (off Freegold), Genmin's Genmin's Poplar, Goldfield's Kalkoenkrans, and JCI's Doornrivier and Anglo's Welgelegen projects.

"Moreover, a fairer fiscal package would no doubt encourage the first ultra-ultra deep mine in the Potch, Gap. This in all likelihood would be an Anglo mine on the farm Gerhardminnebron"

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Mr Abe Hyman, a retired attorney . . . wrote about experiences in PoW camps during World War 2.

Graaff's 'bid to nationalise gold mines' is recalled

By Joe Openshaw

Sir de Villiers Graaff was once leader of a party which proposed the nationalisation of the gold mines

This vignette comes to light in the March issue of De Rebus, the South African Attorneys' Journal, in an account by Mr Abe Hyman (76), a retired attorney writing about his experiences in PoW camps after being captured outside Tobruk during World War 2, the day before the garrison fell to the Afrika Korps

Interviewed by The Star, Mr Hyman said that as a lieutenant in the Cape Field Artillery he and most South African officer PoWs were taken to Italy and held in PG 47 at Modena

"We realised that faced with a long period of idleness it was essential for stability to keep their minds as active as possible and the lawyers among us immediately formed the Modena Law Society," he recalls

Members included Sir de Villiers Graaff, Bill Seymour, a Natal lecturer and rugby player, Gordon Beale, who had

been in the Attorney General's office, and Morris Kaplan and Ronnie Millin who later became leading Johannesburg attorneys

"We lawyers were prominent in the Modena parliament with Div Graaff as the Prime Minister and I as leader of the radical opposition

'Universities'

"When he and his governing party proposed the nationalisation of the gold mines we opposed the Bill on the grounds that the capitalists had extracted every last ounce of gold from the mines and now wished to palm a valueless shell on to the people

'Universities' were set up at camps in Italy, Czechoslovakia and Germany and lawyers played a big part in directing the university activities — lecturing on 'Law for the layman', 'Law for the farmer', and 'Law for the policeman', the latter for the benefit of members of the South African Police Brigade in the camp

Gold mining heartened by jewellery demand

9/14/90 214

By Derek Tommey

The latest collapse in the gold price to \$368 — \$50 below its peak earlier this year — and its painful struggle to recover to \$381 in Hong Kong on Saturday has left ordinary investors with little enthusiasm to increase their stake in gold shares

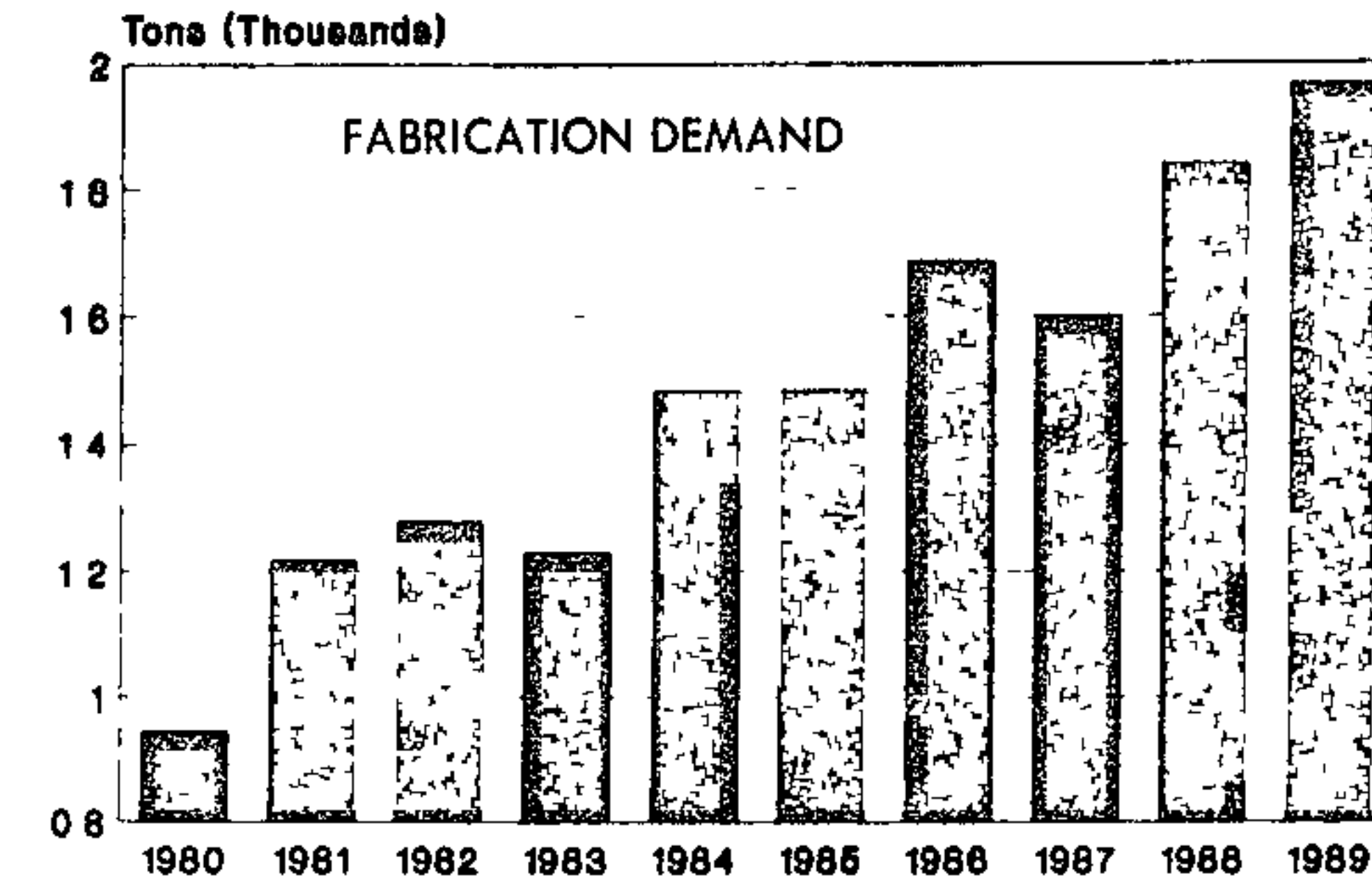
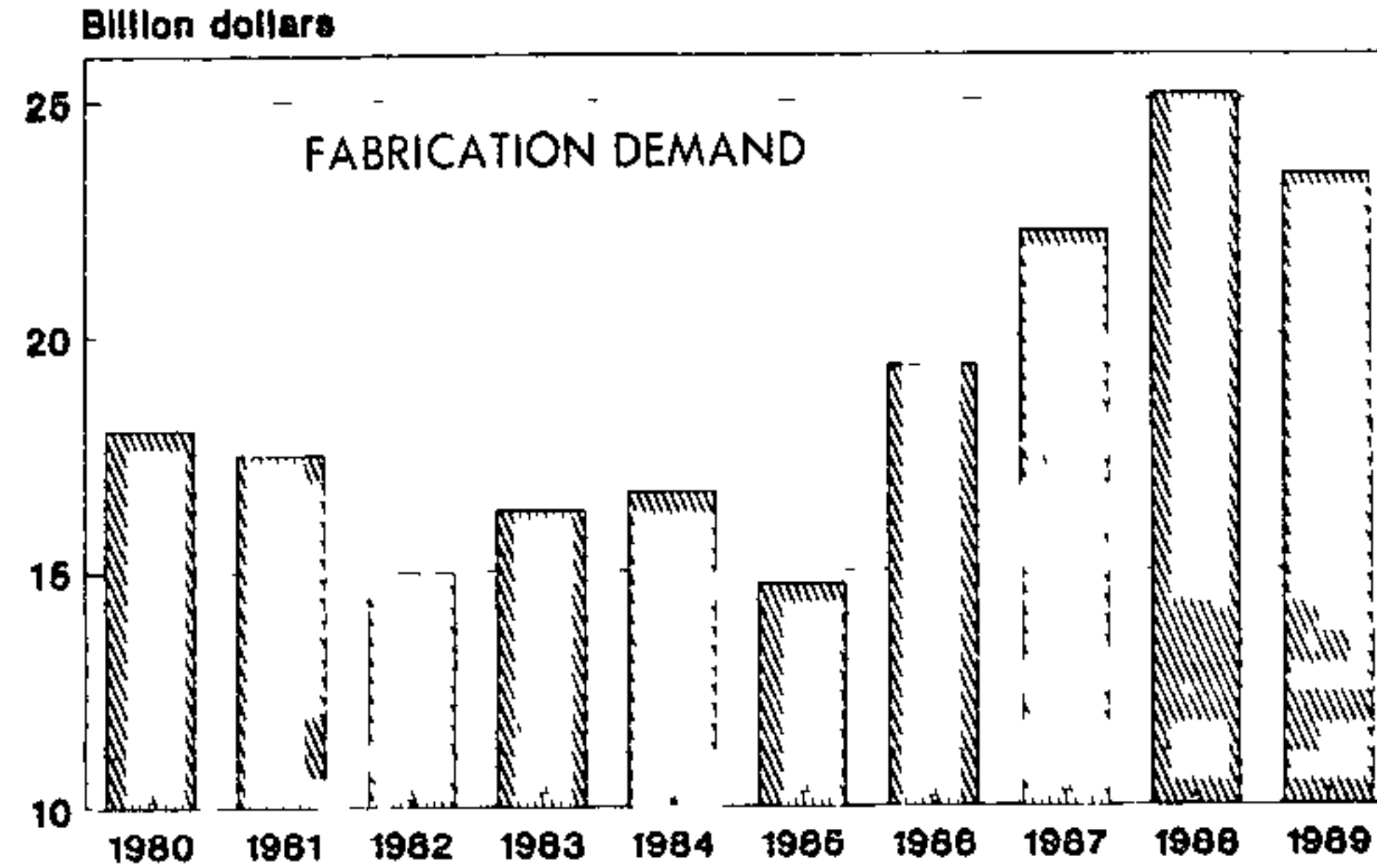
In fact, the failure of the gold price to show growth in the past 12 months (this time last year it was \$385), the continued high level of inflation in SA and the more stable behaviour of the rand exchange rate taken together suggest any investment in gold shares at this stage is not a good bet

Yet in sharp contrast to the gloom surrounding ordinary gold share investors, officials at the mining houses seem reasonably optimistic about the outlook

They are at least optimistic enough to be spending hundreds of millions of rand on preparing to open up to eight new mines, some of which are likely to cost R1,2 billion to R1,5 billion and will require a higher gold price than the one prevailing today. Recent supply and demand statistics tend to support their optimism

Figures show that in recent years there has been a strong increase in the amount of gold absorbed by the jewellery industry

In the past two years jewellery offtake is estimated to have risen 39 percent from 1 152 tons in 1987 and 1 484 tons in 1988 to 1 600 tons last year, which is al-



most double the 1983 figure. This pushed up the fabrication demand for gold from 1 596 tons in 1987 to 1 965 tons last year, a figure almost equal to new Western and communist mine production

Providing there are no major wars, demand for gold for jewellery is expected to continue to grow at a fairly rapid

pace. After 40 years of peace the West has become extremely wealthy

It is also a known economic fact that as disposable incomes grow, the amount people spend on luxury goods accelerates, which is what the jewellery industry has been discovering. All signs point to this trend continuing

The economic and political revolution in Eastern Europe and to some extent Russia should accelerate wealth accumulation throughout the Northern Hemisphere and demand for gold jewellery should rise further. This is just as well

Gold was running into a dead end. Central banks have stopped buying it. The rich inhabitants of troubled countries these days no longer keep their wealth in gold in boxes under their beds, but in US bank accounts

And speculators have been burnt so often that gold no longer has much attraction for them

On the other hand, Metals & Minerals Research Services, a major US research organisation, while forecasting an 8,8 percent rise in new Western gold production this year, expects only a 4,3 percent rise next year and a 1,9 percent and a one percent increase in 1992 and 1993 respectively

It estimates that free world gold production should rise from 1 823 tons this year to only 1 945 tons by 1993

Set against the expected increase in jewellery demand, it seems that gold could be in short supply in two or three years time, with jewellers having to rely on disharding to fill the gap

It is this prospect that is giving the local mining industry, which has to plan five to 10 years ahead, sufficient confidence to proceed with its huge new ventures

Old Mutual's unit trusts grow to a record R2,5bn

A RECORD R215m flowed into Old Mutual's four unit trusts in the March quarter, bringing total investments at market value to a new high of R2,5bn, twice as large as its closest rival.

The Gold Fund, launched in February this year, attracted over 7 000 account holders and an inflow of R49m in its first two months.

These are remarkable achievements, seen against volatile equity market conditions during the quarter. Old Mutual portfolio managers, who are now looking after 250 000 account holders, took a positive view on longer-term prospects, retaining liquidity at fairly low levels.

The latest University of Pretoria unit trust survey indicates that Old Mutual Investors' Fund achieved the highest investment returns in the industry over the five, seven, 10 and 12-year periods and second over the one and three-year periods.

The Investors Fund has declared a record distribution of 53,69c a unit, which brings distribution for the year to 105,73c. This is 34,8% higher than the year before.

Its 10 largest holdings are Anamint/De Beers, Richemont, Rem-

LIZ ROUSE

brandt Group, Anglos, Safren, Sasol, JCI, Gencor, Rand Mines and AVI. Liquid assets accounted for R326,9m (14,62%) of total assets of over R2,2bn.

The Gold Fund followed the fully invested policy it committed itself to and closed the quarter with R26,2m (59,6%) in direct gold shares, R15,5m (35,2%) in gold related mining financials and a liquidity of only 5,1% (R2,25m). Total assets amounted to nearly R44m.

Its 10 largest holdings are Kloof, Amgold, New Central Wits, GFSA, Anglos, Dries, Southvaal, Elands, Vaal Reefs and Zandpan.

The portfolio has a good spread across the gold/mining finance board, including holdings in Eersteling, Gazgold, Knights in golds, and Southgo and Wit Deep in mining financials.

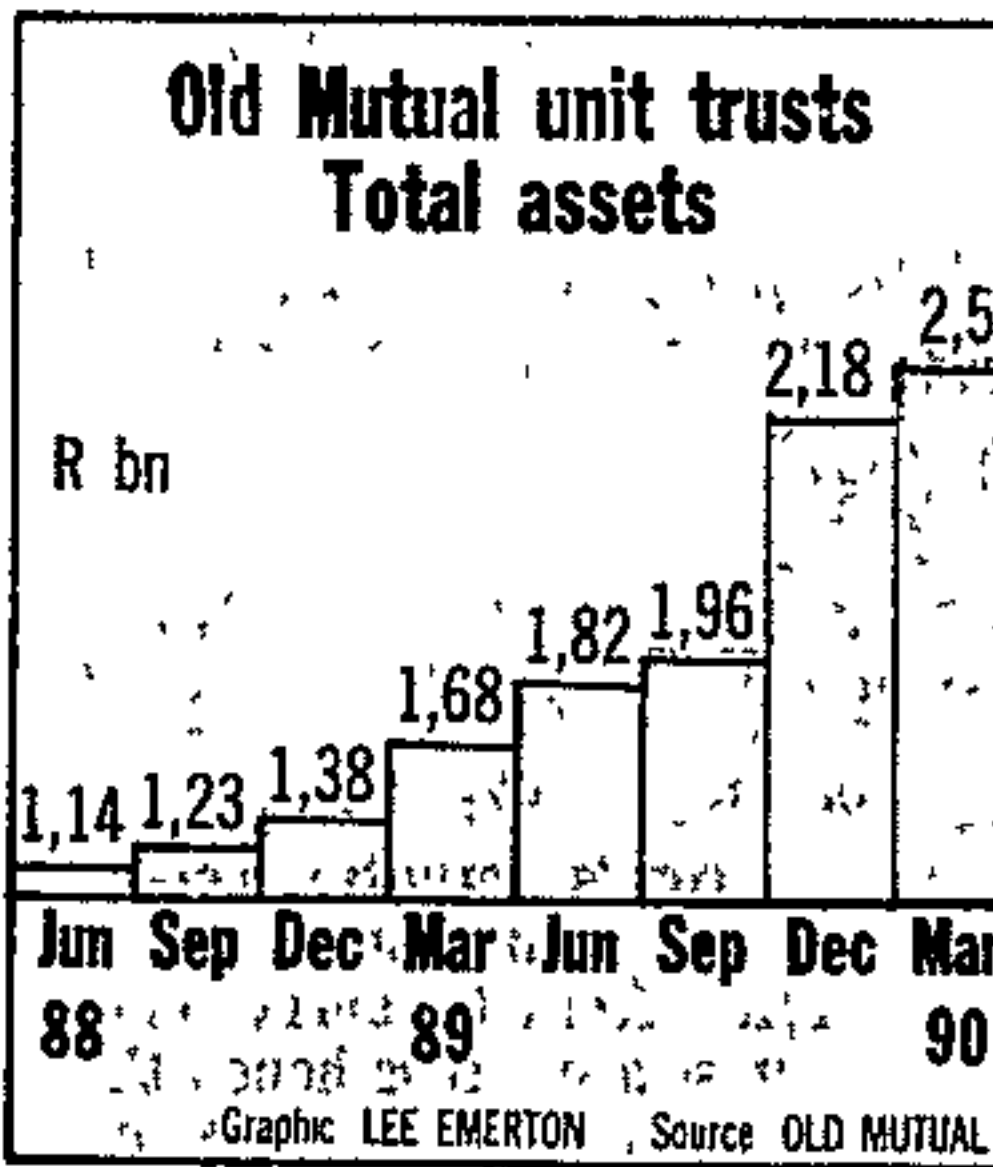
The Mining Fund reduced liquidity to 11,37% — R22,9m out of total assets of nearly R202m — riding the volatile market to utilise buying opportunities.

Significant buying took place in De Beers, Southvaal, Venters, East Dagg, Samancor, New Central Wits and Lydex.

Its 10 largest holdings are Anamint/De Beers, Anglos, JCI, Genbel, Sasol, Gencor, ET Cons, Dries, Rand Mines and Lebowa Plat.

Old Mutual Income Fund has declared a distribution of 4,75c a unit for the quarter, bringing the total for the year to 17,43c, representing an effective income return of 17,2%.

Major activity during the quarter involved taking advantage of the high interest rates offered. Liquid assets amounted to R16,4m (77,68%) of total assets of nearly R21,1m.



Confidence returning to gold market

Business Day Reporter

^{21 Dec 914/90}
IT APPEARS that confidence is returning to the international gold bullion market after the recent sharp falls.

In weekend trading in Hong Kong, yellow metal received a boost from heavy Swiss short-covering, which stimulated late trading. It ended at \$379.15.

The market was also influenced by heavy European short-covering, while the dollar's easing against the Japanese yen encouraged gold bullion buying.

Stock prices drifted lower on Wall Street on Friday as the Dow Jones industrial

average dropped 4.08 to 2717. In Tokyo, popular stock averages zigzagged amid rumours of speculators' financial woes.

Diagonal Street investors appeared reluctant to take positions ahead of the long weekend. The firmer gold price did little to generate confidence in the market. The overall market index had difficulty making progress as the all gold index remained near its recent lows, while industrials were under pressure from the poor performance of foreign equity markets.

Golden Dumps lands mixed bag for March quarter

GOLDEN Dumps has turned in a mixed bag for the quarter ending March, with a good performance at South Roodepoort being off-set by an equally sharp deterioration at sister mine Consolidated Modderfontein

South Roodepoort made taxed profits of R1,07m, a marked turn-around on the loss of R308 000 notched up in the previous quarter *81 Days 11/4/90*

Gold recovered rose 17% to 308,5kg (263,5kg) due to increased grades — from 3,17 to 3,68 g/t — on a tonnage of ore milled that remained essentially unchanged at just under 84 000 tons

ROBERT GENTLE

Increased overall revenue from gold and silver, combined with well contained working costs — within 0,2% of those of the previous quarter — and increased sundry revenue turned the previous quarter's operating loss of R172 000 into a profit of R1,26m

Unexpended balance of capital expenditure authorised by the board at the end of the quarter was R34 000

Sister mine Consolidated Modderfontein saw a reversal of fortunes as a result of lower yields — 4,88 g/t com-

pared to 5,84 g/t — on tonnage milled of 128 240 tons (123 885 tons)

Gold recovered consequently dropped by 96,5kg — equivalent to a loss of revenue of R3,2m at the gold price received — to 627,2kg

Coupled with essentially unchanged working costs and a slight fall in sundry revenue, this saw an effective halving of operating profit to R3,69m (R7,41m)

A hefty interest bill of R2,1m — the result of interest bearing borrowings of about R37m — took the already mauled operating profit down to a mere R1,54m (R5,53m) at the pre-tax level

Cengold posts seventh quarterly loss

ROBERT GENTLE

CENGOLD, the small eastern Transvaal gold producer dogged by misfortune since its listing in 1988, has gone R8,13m into the red after tax for the quarter to February — its seventh successive quarterly loss.

The bulk of that loss was attributable to a R7,61m write-off, representing the excess cost of investment over net assets acquired in subsidiaries.

The reason given by the directors for the write-off was that the expected improvements in the operating activities of the mines did not materialise during the year.

This extraordinary item notwithstanding, operating results showed no improvement over the previous quarter; the quarterly loss before taking the write-off, into account widened from R472 000 to R519 000.

Underground grades improved to 3,03 g/t (2,11 g/t), but lower tonnage milled resulted in higher unit working costs. This yielded a slight fall in gold produced from 28,5kg to 25,7kg.

Despite a near doubling of ore milled on surface operations, a lower grade — 0,58g/t compared to 0,69g/t — meant only 6,5kg (4,1kg) of gold was produced.

The directors say that increased production from the dump retreatment operation resulted in sharply increased costs, and that this operation was terminated on February 28 1990.

Overall, underground and surface operations produced a working loss of R360 000 (R393 000).

Cengold has never paid dividends.

Mixed results by Golden Dumps

Star 11/4/90

Finance Staff

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Mines in the Golden Dumps stable reported mixed results in the first quarter this year

South Roodeport reported a net profit of R1,072 million a marked improvement on the R308 000 loss in the December quarter. While the gold price received per kg was only up by R500 to R32 969, an improved yield of 3,68 g/ton (3,17 g/ton) and lower working costs of R29 031 per kg (R33 279) allowed the mine to report the improved results. Ore milled was virtually unchanged at 84 000 tons.

Cons Modder, however, saw a decline in attributable earnings from R5,527 million to R1,536 million, despite an increase in the tonnage milled from 123 885 tons to 128 240 tons.

The yield dropped substantially to 4,88 g/ton (5,84 g/ton) resulting in a decrease of over 50 percent in working profits per ton milled of R26,84 (R56,90).

Small Eastern Transvaal gold producer Cen-gold reported its seventh successive quarterly loss in the first three months of the year. Its losses are now at R8,13 million, the bulk of which is attributable to a R7,61 million write off.

Miners received more ²¹⁴

^{50 million 1214190}
Maseru - The South African gold mining industry paid out more than R109 million to Basuto mine workers during the first quarter of this year, an increase of 23,3 percent over the corresponding period last year. ²⁰¹

Figures released here by the Employment Bureau of Africa (Teba) disclosed that in the first three months of this year a total of R109 082 404 was paid to Basuto mine workers on the gold mines in the form of deferred pay, remittance payment and other payments during the first quarter of this year

Gold trust's JSE listing 'will aid capital inflow'

THE mooted Gold Investment Trust (GIT) will be listed in London and on the JSE, subject to SA regulatory authorities' approval and the finding of an acceptable financial structure

SA sponsoring stockbrokers George Huysamer and Partners Inc say the £100m which is expected to be raised in the first tranche would provide investors with a new and specialist investment opportunity

According to Huysamer's John Clemmow, GIT could mean a material inflow into JSE gold equities

"The fund will have investments in SA, Australia, Canada and the US. Given the green light, one of the most important aspects of GIT would be SA's re-acceptance by the international gold investing community"

Bargain

For years foreigners have been unloading SA equities, inevitably under pressure from anti-apartheid forces. One result is that today's price earnings multiples on the JSE have been forced down to bargain basement prices

By the same token, gold equity PEs are significantly lower than gold equities with operations on other continents, particularly North America

The idea for GIT originated in London with stockbrokers James Capel, although there were then no plans for a JSE listing. George Huysamer and Partners learned of GIT via its close contacts with James Capel and asked whether the company would consider having GIT listed in SA

Clemmow felt there would be strong institutional demand for such a fund. "Capel was a little hesitant about accepting the offer at first, but as the advantages of an SA listing were spelt out for them they became far more interested"

At this stage it is understood the JSE has given the go-ahead for GIT, subject to exchange control approval. George Huysamer and Partners has been negotiating

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BARRY SERGEANT

with other regulatory authorities for about three weeks on an acceptable way to list GIT

Says Clemmow "We understand the various authorities taking their time. But we are optimistic, given that GIT will encourage investment in SA gold equities". Clemmow argues GIT will be the only pure gold investment with a diversified geographical spread available to the SA investor. Trustees would be experts in the international gold bullion and equities markets

Clemmow says GIT will be managed by James Capel and merchant bankers Robert Fleming. Sponsoring brokers will be George Huysamer and Partners in SA and James Capel in London

Clemmow points out that GIT will bring with it a number of advantages to SA and the JSE. "It would improve marketability on the JSE and general market turnover. Its international interests would offer both a rand hedge and an entry into a fund that is highly geared to the gold price"

Clemmow points out that James Capel has been seeking an alternative investment medium for its clients since ConsGold was taken over by Hanson

Result

"Perhaps more important, the fund, by nature of the James Capel world gold index, would result in a net inflow of capital into SA

"It is well known that attracting foreigners into any SA stocks is no easy task. GIT, with its international spread of gold equities, would have an obvious bias towards SA. On the basis of a world index, it is likely that GIT would invest 25% to 40% of its funds in SA gold equities"

GIT's listing in both SA and London would not be new. Northam Platinum is the most recent example of an equity listed on both markets

12/4/90

Sub-Nigel posts income of R837 000

ROBERT GENTLE

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TRANSVAAL gold mining company Sub-Nigel has started the year in good form by posting a largely unexpected sevenfold increase in taxed income to R837 000 (R119 000) for the quarter ending March.

This came about despite a slight fall in grade to 3,60 g/t (3,76 g/t) and a dip in the average gold price received — from R33 210/kg to R32 967/kg.

Instrumental in the good performance was a firm hand on working costs, which were well contained throughout the quarter. These were R4,83m (R4,95m) — despite 16% increase in ore milled to 50 000 tons (43 000 tons).

The directors said these benefits arose from the decision taken last quarter to cease milling operations at its own plant and transfer them to Gencor's nearby Marievale mine.

The economies of scale attainable at Marievale impacted favourably on Sub Nigel's working costs.

Sub Nigel's own milling plant, plagued by technical problems, is expected to be recommissioned next year.

The increased ore milled compensated for the slight fall in grade, and allowed the recovery of 180 kg of gold, an increase of 18,3 kg (worth R603 000) on the previous quarter.

The bottom line profit of R837 000 was reduced by capex of R104 000 — related to further exploration of the erosion channel — leaving a clear R733 000.

One analyst said this would probably go towards paying off the company's debts of about R8m.

Potch Gap drilling to be extended by NCW

B/D am 12/14/90 *(214)*

BARRY SERGEANT

NEW Central Witwatersrand (NCW), Anglo American's mining exploration investment arm, has announced it is to extend its Phase I drilling programme in the Potch Gap.

Latest borehole results provided in today's interim statement reflected some "disappointing" results, but others were "acceptable," NCW said.

Earlier this week, exploration company Potchefstroom Gold Areas (PGA) disclosed that one of 25 boreholes drilling the Potch Gap had struck the Bird Reef two months ago at a depth of 4 079m.

The Potch Gap — which has never been mined — contains 12,2% (8 000 tonnes) of remaining world gold reserves, according to an authoritative study.

Some critics have said the Potch Gap drilling results have yet to show real payable yields, mining is expected to be very deep, ranging from 2 000m to in excess of 4 000m.

Many technical challenges remain to be solved, including new methods for shaft-sinking, hoisting, ventilation, refrigeration and backfilling.

The PGA results from VH5 on the farm Vyfhoek yielded initial assay results of gold values similar to those discovered in borehole VH1, about 2,2 km to the West.

NCW says Phase II of its prospecting programme — started in 1989 ahead of the completion of Phase I on the farm Gerhardminnebron — is progressing

Seven boreholes are drilling, with an additional three in the pre-drilling stage. Phase II involves the drilling of up to 16 boreholes at an estimated cost of R50m in 1989.

NCW says deflection drilling in borehole MGM4A on the Bird reef is now complete, "with acceptable assay results for the Cobble Reef ranging from 149 to 532 cm.g/t at a depth of 2 459m".

The results indicated that the tenor of gold mineralisation for this reef decreased in the eastern part.

The borehole has been deepened to 3 623m.

In borehole MGM10, NCW said deflection drilling for the Bird reef had been completed and available assay results for the Cobble reef (part of the Bird reef) were "very disappointing with a peak gold value of 2,19 g/t over a width of 62,8cm".

□ NCW has declared an unchanged dividend of 47c for the six months to end-March. Investment income was up 13,7% to R1,5bn (R1,3bn), but higher interest and/or lower administration costs, along with a small tax credit, saw EPS increase 23,9% to 78,8c (63,6c).

The market value of NCW's listed investments was R87,4m (R64,1m) Net asset value — after providing for the dividend and based on listed investments at market value — was 4 987c a share against 3 651c a year ago — an increase of 36,6%. Net current assets were 63,3% up on a year ago to R730m (R430m).

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Shots injure mine staff

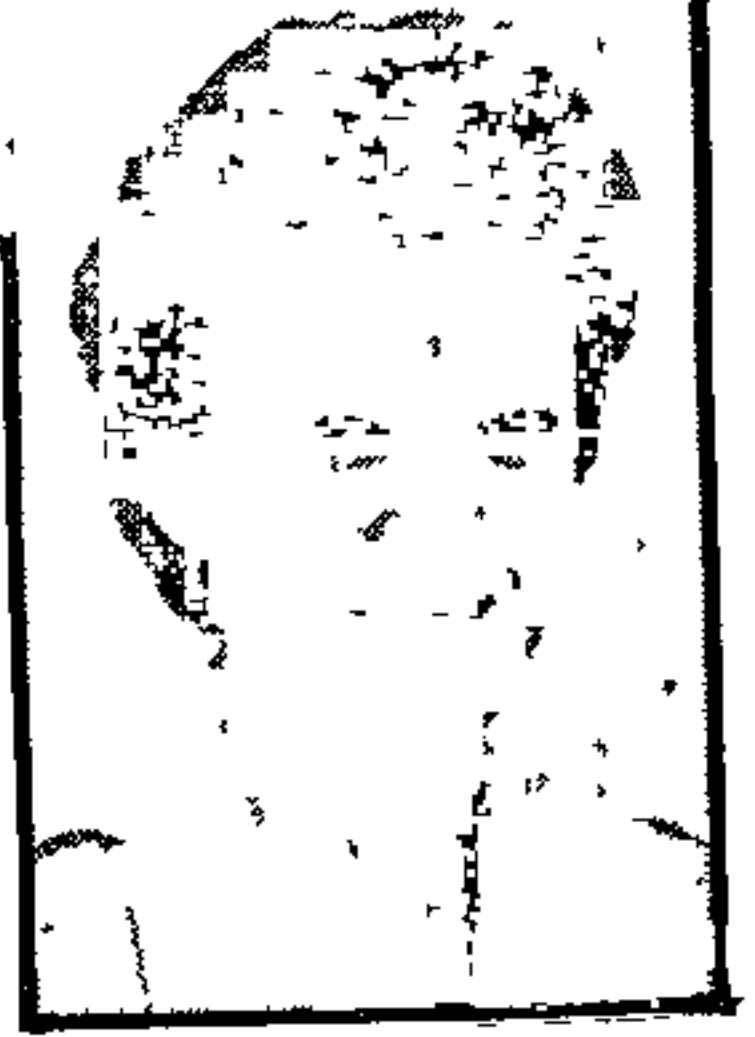
Two mine employees were injured this week after a mine security officer opened fire "under personal threat" at the Freegold mines near Welkom, Anglo American said in a statement.

Anglo said the incident took place on Tuesday when a group of employees allegedly blocked a thoroughfare close to an area where a mass meeting was to be held at Saaiplaas Mine. When told to disperse, they became threatening, Anglo said.

A mine security officer, "isolated" by the crowd, was "required under personal threat to fire at assailants". Two employees were resultantly hospitalised.

At Freddie's Mine, mine security dispersed employees on Tuesday when they began an illegal march, Anglo said. No injuries were reported.

By JULIE WALKER



De Kaap's boss finds scapegoat

(214) S/Times 15/4/90

PETER de Jager, chief executive of the De Kaap Gold Mining Company which was put into provisional liquidation by the House of Investments, blames the Sunday Times for its demise

On March 16 we received a fax from Mr De Jager to say

that the company had been placed in provisional liquidation. He volunteered to reply to written questions by fax.

Our first fax was not received, but a repeat sent this week yielded these replies:

- Mr De Jager is De Kaap's biggest shareholder, controlling 89%, and its biggest creditor, owed R982 000

- Mining at New Machavie, its principal business, ceased

on March 9 and will not be resumed because losses of R28 000 a month are being incurred

- Members of the public paid in R5,2-million through the issue of De Kaap-New Machavie shares between 1981 and 1987

Mr De Jager says all the money has been spent on the recovery plant and equipment. Shareholders will get a

return only if current negotiations to sell certain assets are successful — "Assets far exceed the total liabilities of the group"

We asked him how he could defend his actions because only three years ago he spoke in public about how building societies ripped off depositors by paying lower interest than the rate of inflation.

At least capital is preserved on fixed deposit, whereas shareholders will suffer heavy losses through De Kaap.

Mr De Jager replies that he did not use the term "ripped off", but "simply repeated some information he had read relating to the difference between their rates then and the rate of inflation."

He does not need to defend his actions "as you imply". He says that in 1989 he sold his house and institutional assets and lent more than R400 000 to the group.

Shareholders were asked to contribute to the cost of mining and expansion, but failed to do so.

He blames a series of "blatantly untrue" articles in the Business Times in 1984 as being responsible for discrediting every attempt he or De Kaap made at proving their worth as an entrepreneurial small gold-mining group.

He says De Kaap could not

raise money from traditional institutional sources because of the articles.

If in discredit, blame the newspapers. This is the common way out. The truth remains creditworthiness lies in the eyes of the lender.

Mr De Jager says he never personally sold a De Kaap share in the past eight years, but registered various offer documents in terms of section 141 of the Companies Act. Section 141 provides for the sale of existing shares.

Mr De Jager says he owns 50% of the international rights to a patent application for a company called Rotaburn. No shares in Rotaburn have been sold, but a few De Kaap shareholders have options.

Mr De Jager says he is taking advice about various rights in law "for a very substantial claim for damages" against the House of Investments. This arises from an agreement entered into in 1988 when House of Investments briefly acquired control of the De Kaap Group.

"Part of your question relating to the shareholders will be answered when this matter is finally resolved in the courts."

House of Investments is a Rosebank, Johannesburg, company with control of listed Lanchem as well as interests, some of which were previously held by delisted Turf Holdings.

NC Wits and PGA differ

51 Times 15/4/90

Over 'gap', 214

NEW Central Wits improved earnings by 24% from its portfolio of mining holdings and maintained dividends at 47c in the six months to March.

Investor interest lies largely in NCW's mineral rights. The results refer to its joint venture agreement with Anglo American regarding deep-level drilling. It has been shown that the "tenor of gold mineralisation" for the Cobble Reef decreases towards the east of the property.

Failure

Several deflections of the MGM10 borehole failed to intersect the Cobble Reef because of faulting, and the best gold grade was only 2.19g/t over a width of 63cm. Caving ground is hampering the deepening of this borehole.

Phase I of the drilling of 10 boreholes has not been completed, but the results encouraged Anglo about the merits of phase II. Up to 16 holes will be drilled at a cost of R50-million in 1989 money. The tone of the comments accompanying these results is at odds with those of Potchefstroom Gold Areas, whose

By Julie Walker

annual report carries significantly more optimism.

PGA is a participant in several drilling ventures in the Potchefstroom gap — the gap referring to an unmined stretch between the West Rand and Far Western Transvaal goldfields.

NCW's shares were unchanged at R64 after its results, but PGA added 20c to 250c, offered at 260c. PGA option holders may exercise some of their holdings by the end of May at 200c. The options are 95c.

Score Food Holdings got back on track after slipping during 1989. In the year to February 1988 Score made 100c a share, but only 80c the following year, mainly because of shortcomings at Grand Supermarkets.

Remedied

This year's 99.6c was achieved through "strong remedial measures" taken at Grand, and the reduction of shrinkage to acceptable levels.

Managing director Carlos Dos Santos says Score bought market share at the expense of margins in some instances. Sales grew by 24% to R1,36-

5 billion, and earnings growth kept pace. The dividend has been raised by 3c to 40c.

Management says Score will continue to expand on both the retail and cash-and-carry sides, but unrest-related disruptions could affect trading.

The price of Score shares jumped ahead of the results. Score was bid at 410c — 45c up on the week.

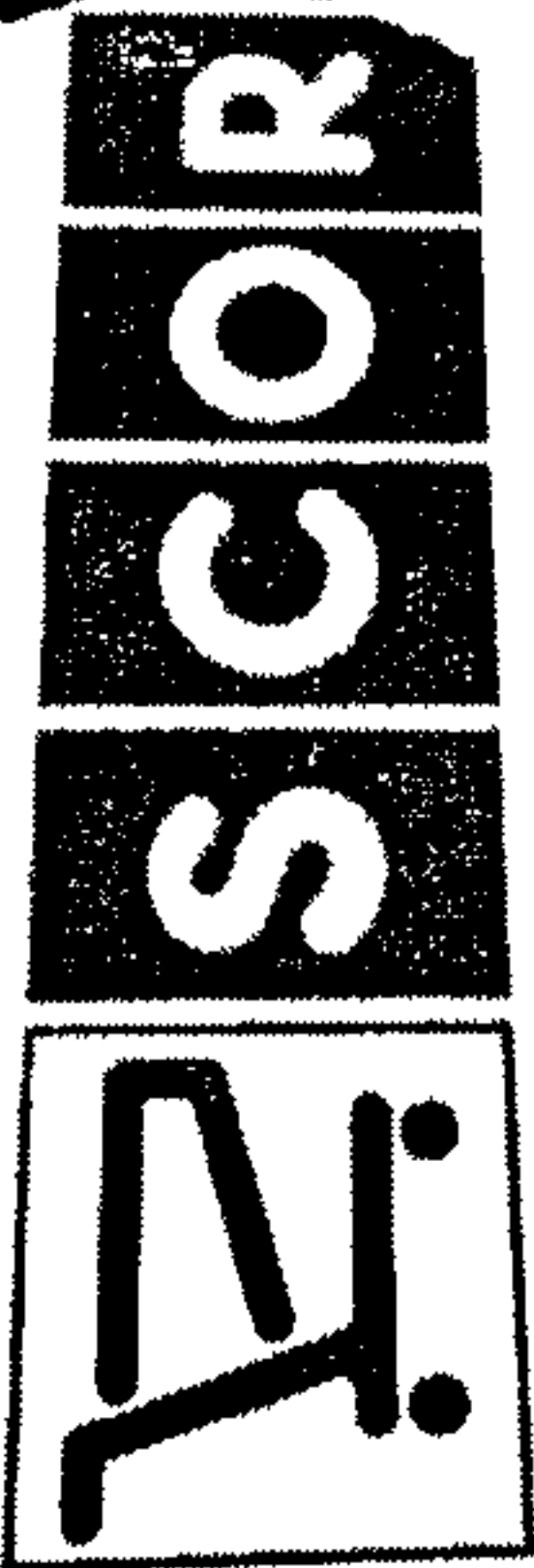
Losers

Several companies reporting this week showed losses or reduced earnings. Pichold lost 44c a share for the half-year to December after a poor showing from major subsidiary Picapli.

Pichold earned 171c a share in the year to June 1989, although a marked slowdown was reported in the second half.

Tedelex's operating income fell much faster than its turnover did. Sales of R195-million were only 4% below those of the last interim period to February. But profit before interest and tax dropped by more than a quarter to R16.2-million.

Higher interest knocked the bottom line by a third to earnings a share of 16.4c. The dividend was cut from 7c to 5c.



CARLOS DOS SANTOS ... Score buys market share at expense of margins

Management says that although hire-purchase terms have been eased, they come at a time when the economy is slowing. Tedelex's business — selling electrical goods — is particularly vulnerable to adverse economic conditions.

Earnings for the second half year should be about the same as in the first.

Another loser was tanner Silveroak. Its losses for the six months to December were not as high as management expected. Relocations and streamlining caused part of the losses.

Silveroak is to open a vegetable leather tannery and a fellmongery. It is moving towards smaller operations. Molyslip was nailed by

higher finance costs in the year to February 1990. Sales of the car-care company topped R13-million, but pre-tax profit was reduced to only R500 000, or 8.8c a share, compared with 11.4c.

A 3c-dividend was maintained. Molyslip's shares are 75c, a 50% premium to net asset value of 50c.

Protea Chemicals continued to wither. The six months to February brought a 63% dive in earnings to 4.3c a share and a dividend cut of 54% to 1.5c, even though sales added 8% to R191-million.

In spite of labour instability and restrictive monetary policies, Protea expects to do better in the second half, but earnings will be lower than in 1989.

JOHN SAWILL REPORTS ON THE 'BLOOD-STAINED BULLION' CAMPAIGN

IT has taken a long time, but Britain's anti-apartheid lobby has finally gone for South Africa's jugular — sales of gold jewellery

Only nine days before ANC deputy president Nelson Mandela was due to receive a rapturous welcome at the Wenbley concert in his honour, half a dozen pickets congregated outside the Oxford Street branch of Ratners, Britain's biggest jewellery chain with 1 000 stores

Wearing gold-painted shackles on their ankles and wrists, they carried placards proclaiming, "Don't buy apartheid gold", "SA gold is 100% filthy lucre" and so on

After protests from Ratners staff members, police asked the pickets to keep moving and not cause an obstruction — which they did, threading through the throng on London's busiest shopping street

SHACKLES
It was a quiet affair — a relief after the anti-poll tax battle of Trafalgar Square a week earlier. Only one national newspaper reported the event. A few hundred metres away in Regent Street, Garrard's, the Queen's jewellers, traded on blissful ignorance. Gold has been in the boycotters' sights for some time

214 Mission impossible as protesters go for gold

But as possibly the most formidable of SA's exports it is a difficult target. Some would say it is an impossible one to hit. Gold is an element and an ounce of 0.9999 fine bullion from SA is indistinguishable from any other

REMOVED
In the past 18 months the World Gold Commission (WGC), an affiliate of the Anti-Apartheid Movement, has been trying to persuade a bemused Italian jewellery industry — the world's biggest, consuming 256 tons a year — not to use "bullion with blood on it". Evidently it has not met with much success

European refiners supplying the range of caratage from 9ct to 24ct to jewellery makers will do so from gold from many sources

So the campaigners are going for a more vulnerable objective. Taking their cue from Mr Mandela's appeal for international pressure to

be sustained, the End Loans to South Africa (ELTSa) group and the WGC have nailed Ratners

It was not a random choice. In past campaigns the boycott lobby has made choices for specific reasons. Barclays Bank was singled out because of its presence on almost every British high street and big share of the student market (22% before it fell to 16%). Standard Chartered was left alone — it is not a retail bank in the UK

CLOTHING
Shell was preferred to British Petroleum because it was bigger in Europe and the US. The Next chain of clothing shops, which sold Rex Truform-tailored suits, was more visible and had a greater preponderance of young customers than Harrods or Selfridges

Ratners meets similar criteria. Expanding rapidly

through takeover from sales of £32-million five years ago to £635-million, a quarter of the UK's £2.2-billion jewellery business, Ratners (and its other stores like the H Saimel chain) is a household name and sells to the mass (young) market

BIBLHELY
It has also moved into the US where 317 shops have captured 2% of a market worth \$18-billion

Chairman Gerald Ratner boasts of being able to capture half of the British and 10% of the American markets by the mid-1990s

As a result, says Elitsa, "No British retailer does more to finance the apartheid regime"

The Anti-Apartheid Movement does so on rings made from Nicaraguan gold

It was shown the door for plainly asking the impossible. Ratners is a retailer and has no control over its suppliers

But the WGC biblively insists it can be done

"Retailers can tell the manufacturers that they want a certificate of origin to prove the gold isn't South African," says Ian Lepper of the WGC

"The factories that make jewellery for Ratners can get 'apartheid-free' gold. But they continue to use gold stained with the blood of the victims of the brutal apartheid system," says the Elitsa propaganda

Dave Crane at ELTSA is confident the campaign will pick up support from anti-apartheid groups all over Britain and in the US

DIRTY
He says "I'm sure it could eventually have the effect of cutting Ratners' sales by 15% and if that happens they are in trouble"

"When people buy a ring it is a personal matter — they don't want dirty gold. This is going to be the big campaign"

Mr Crane says "It doesn't make sense to go for them. They don't have the buying power of Ratners. But if Ratners gets the message, they will"

CRUSADE
On the face of things this last crusade of the boycott brigade has not been auspiciously timed. The left in Britain is now focused on bashing Margaret Thatcher's policies and has more support than at any time since the Conservatives came to power

Mr Mandela will be seen free in London tomorrow

Apart from the shootings at Sebokeng, all the headlines from SA are dominated by the butchery in Natal which does not stir popular emotions to the same extent. I rang Gerald Ratner to ask if he was worried, only to be told "Mr Ratner has gone on holiday"



ERPMM posts 'disastrous' March results

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17/4/96
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From BARRY SERGEANT

JOHANNESBURG — Rand Mines marginal gold producer East Rand Proprietary Mines (ERPMM) has posted disastrous results for the March quarter, and various plans are being considered for the mine's survival.

But Rand Mines results are balanced by a R18,7m injection at Durban Deep after a property sale, and very good results from the coal division. Moreover, rationalisations and labour cutbacks enabled three of five gold mines in the Rand Mines stable to increase profits in the March quarter — Harmony, Blyvooruitzicht and Durban Deep earned taxed profits of R31m (December quarter R24m).

ERPMM was hit on every front, including a fall in grade recovered, and posted a net loss of R20,2m (December quarter loss of R7m). Further rationalisation plans are afoot for the mine, which has now drawn R297m of R300m available to it from the government and institutions.

Overall Rand Mines gold mines' profits after tax fell 36,8% to R10,9m (R17,2m). For the March quarter, Harmony posted EPS after capex of 49c (60c), Blyvooruitzicht 44c (6c), Durban Deep 873c (27c) and ERPMM a loss of 136c (loss of 85c). Developing mine Barbrook did not reach planned output levels in the quarter due to production problems. Borrowings were up to R34m (R21,3m) and a number of financing options are being evaluated as the mine requires additional facilities.

Rand Mines' coal division, Witbank Colliery, produced exceptionally strong results in the first six months of its financial year to end-March. It has

declared a 20% higher interim dividend of 210c (175c), on the back of a 12% quarterly increase in taxed profits to R44,4m (R39,7m).

Gold mine Durban Deep benefited from an extraordinary R18,7m injection after some of its valuable land holdings were expropriated by the Transvaal Provincial Administration. Its bottom line earnings were up to R2,5m (R1m).

Blyvooruitzicht recorded a dramatic turnaround with net profits increasing fivefold to R11,4m (2,1m). Tons milled, yield recovered and revenue per ton increased, while working costs per ton fell materially to R115,87 (R125,32).

The March quarter comparison of Rand Mines' coal division operational results reflects for the first time the increased tonnage and additional profit from Middelburg Mine, in which Rand Mines increased its stake at end-December. Middelburg, previously controlled by BP, is now a JCI-Rand Mines joint venture in which Rand Mines has a 60% stake.

Says Allen Cook, deputy chairman of the coal division: "The strong results were achieved despite a strengthening of the rand-dollar exchange rate from an average of R2,62 for the first quarter of Witbank's financial year to an average of R2,57 for the second quarter."

Working profit of R58m was 30% higher than in the previous quarter. Net sundry expenditure was much higher due to finance charges incurred on borrowings necessary for the Middelburg investment. The coal divisions capital expenditure for March was R62,8m (R335,1m), estimated capital expenditure for the balance of the financial year is R126,3m.

ERPМ's R20m loss threatens survival

13 10 am
17/4/90

214

RAND MINES's marginal gold producer East Rand Proprietary Mines (ERPМ) has posted a disastrous loss of R20,2m for the March quarter, and various plans are being considered for the mine's survival.

No decision has been reached and a Rand Mines spokesman was unable to provide any further details yesterday.

Rand Mines overall results are, however, balanced by a R18,7m injection at Durban Deep after a property sale, and very good results from the coal division.

Moreover, rationalisations and labour cutbacks enabled three of five gold mines in the Rand Mines stable to increase profits in the March quarter. Harmony, Blyvooruitzicht and Durban Deep earned taxed profits of R31m (December quarter R24m).

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Further rationalisation plans are afoot for the mine, which has now drawn R297m of R300m available to it from government and institutions.

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BARRY SERGEANT

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□ To Page 2

ERPМ loss

13 10 am
17/4/90

214

its stake at end-December. Middelburg, previously controlled by BP, is now a JCI-Rand Mines joint venture in which Rand Mines has a 60% stake.

Coal division deputy chairman Allen Cook says "The strong results were achieved despite a strengthening of the rand-dollar exchange rate from an average of R2,62 for the first quarter of Witbank's financial year to an average of R2,57 for the second quarter."

214 □ From Page 1

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● See Page 6

Conflict growing over protests on Free State mines

Blom 17/4/70
214

ADELE BALETA

PROTESTS against alleged racial injustices have led to an intensification of conflict between miners and employers on Free State gold mines over the past week.

There have also been reports of confrontations between black miners and AWB supporters spilling into the mining towns.

The protest against, among other things, hoisting procedures, the compound system, segregated kitchen and toilet facilities and the alleged denial of the right to stage peaceful protest is part of the NUM "democracy, justice and peace" campaign.

The recent wave of protest mainly on Anglo American mines in Welkom has taken the form of underground sit-ins, protest marches, mass meetings and work stoppages. The NUM said the action would continue as long as workers' demands remained unaddressed.

Attacked

Management has said the unprocedural action necessitated the intervention of mine security personnel.

In a statement at the weekend the NUM alleged a miner was attacked by AWB members at a cafe next to President Steyn mine. Three other workers were allegedly abducted from the cafe and assaulted by a group of whites.

On Monday last week more than 1 000 miners at President Brand No 5 shaft staged an underground sit-in demanding an end to apartheid on the mines.

The NUM said workers were tear-gassed and rubber bullets were fired when they surfaced. Anglo management said mine security dispersed miners after they became violent. There was stone-throwing, and attempts were made forcibly to prevent the night shift from working, Anglo said.

The NUM said workers who took part in a mass meeting at Saaplaas No 4 shaft on Tuesday were fired on

by security personnel. Forty workers were taken to hospital.

Anglo management said two workers were admitted to hospital after a mine security employee isolated by the crowd was forced to fire.

Anglo management said that in a separate incident at Freddie's Mine workers were dispersed by mine security after an illegal march. There were no injuries.

The NUM, however, said 19 people were injured by mine security and visitors in the waiting room at No 5 shaft were tear-gassed.

Anglo public affairs manager Adrian du Plessis said management would not tolerate unprocedural conduct as this often led to violence.

The company believed in a non-racial and democratic SA, was totally opposed to racial discrimination and was committed to its removal, in consultation with those involved.

Where issues had been raised formally they had been or were being addressed. Many mines had reached agreement with employees over expressed grievances. Management had been talking to employees and the union at all levels. Where conflicts had arisen affecting the broader community, discussions with community leaders had taken place.

NUM assistant general secretary Marcel Golding accused management of lagging behind recent political reforms.

While President F W de Klerk was committed to negotiating the dismantling of institutions and structures that perpetuated apartheid, the Chamber of Mines and the mining industry had not made a statement of intent about removing discriminatory practices, Golding said.

The NUM was concerned at the "excessive use of force" by mine security personnel, and selective dismissals. "Should these issues not be addressed, the cycle of conflict and tension was likely to be exacerbated," Golding said.

ERPMM mining costs spoil results of Rand Mines 214

MARCH quarterly results for the five gold mines in the Rand Mines group were spoilt by East Rand Proprietary Mines (ERPMM), where a large increase in working costs was accompanied by a fall in yield recovered

ERPMM posted a net loss of R20,2m (December quarter R7m loss), partially offset by materially better results from Durban Deep, which benefited from an extraordinary property transaction, and sharply better figures at Blyvooruitzicht

Rand Mines' coal division produced exceptionally strong results in the first six months of its financial year to end-March. It has declared a 20% higher interim dividend of 210c (175c), on the back of a 12% quarterly increase in taxed profits to R44,4m (R39,7m)

The overall quarterly gold results show profits before tax falling to R15,9m (R20,4m), and after tax to R10,9m (R17,1m). Average costs for the five gold mines increased just 1,17% for the quarter to R107,01 (R105,77), while gold produced and tons milled remained stable at 12 257kg (12 313kg) and 3,64-million (3,64-million), respectively. The average gold price received increased 2,2% to R33 730 (R32 998)

At Harmony — SA's seventh largest gold producer — the yield remained constant at 3,05 grams/ton (g/t) but a fall in tons milled, and costs increasing faster proportionately than revenues,

BARRY SERGEANT

saw net profit fall to R17,2m (R21m). Harmony posted a 49c (60c) EPS after capex

Blyvooruitzicht recorded a dramatic turnaround with net profits increasing fivefold to R11,4m (R2,1m). Tons milled, yield recovered and revenue per ton increased, while working costs per ton fell materially to R115,87 (R125,32). The margin between cost per kilogram of R28 860 and gold price received of R33 886 per kilogram was R5 000 (R1 200). Blyvooruitzicht's working profit for the quarter was up from R2,8m to R12,2m. The mine posted a 44c (6c) EPS after capex

Improvement

At Durban Deep net profits increased to R2,5m (R1m), with determining factors remaining relatively constant. Quarter-to-quarter EPS increased to 873c (27c), reflecting a strong turnaround in the marginal mine's overall financial position after a property transaction

An improvement in grade for the quarter to 3,35g/t (3,26g/t) pushed production up to 817kg (799kg), and bottom-line profits were increased to R2,5m (R1m)

At ERPMM costs jumped sharply for the quarter to R150,40 (R134,05) per ton, and further plans for rationalisation of

the mine's underground operations are again being considered. On a straight cash-flow basis costs left the mine in the red against revenues of R107,19 (R119,38) per ton

Moreover, grade recovered was down to 3,19g/t (3,64g/t), tonnage 17 000 tons lower at 419 000 tons, and gold production down to 1 318kg (1 566kg)

Surface sand treatment results deteriorated with gold production down to 251kg (273kg)

Total costs for the quarter exceeded revenue by about R14m (R2,4m), with interest of R7,3m (R5m) taking the net loss for the quarter to R20,2m (R7m). EPS after capex was a loss of 136c (85c loss)

Developing mine Barbrook did not reach planned output levels in the quarter due to production problems. Borrowings were up to R34m (R21,3m) and a number of financing options are being evaluated as the mine requires additional facilities

A roasting circuit problem resulted in a "considerable quantity of gold concentrates accumulating, which can only be processed once further modifications have been completed", says Rand Mines

The unforeseen delay of some six weeks in processing the concentrates has resulted in an accumulation of untreated material containing about 80kg of gold — against 69,5kgs produced in the March quarter

Barbrook falls short (24)

While tonnage rose 15 per cent to 45 000 tons and gold production was more than five times higher at 6,5kg, RM's developing Barbrook gold mine did not reach planned production levels

A roasting circuit problem resulted in a considerable quantity of gold concentrate accumulating, which can only be processed once further modifications have been completed

On a gold price received of R33 683 per kg, Barbrook's revenue was R2,3 million, but operating costs

rose to R8,6 million (December quarter R6,1 million), leaving a working loss of R6,3 million (R5,6 million)

Net sundry expenditure, including interest, was R1,3 million, leaving a net pre-production expenditure (capitalised) of R7,5 million for the quarter (R6,2 million)

As the mine is still in the pre-production phase, all costs less revenue are capitalised

Capex for the quarter was R10,4 million (R12,5 million)

JCI takes in mixed mining results

JOHANNESBURG Consolidated Investment Company's (JCI) Randfontein Estates gold mine raised March quarter taxed profit marginally, while Western Areas operations pushed gold losses for the nine months to end-March to R18,6m

Decreased revenue from gold at Randfontein was offset by lower overall working costs resulting in marginally higher profits from gold at R41,3m compared with December's R40,9m figure.

JCI gold division chairman Kennedy Maxwell said yesterday there would be a switch to a carbon-in-pulp treatment plant

RIAAN SMIT

at Randfontein in mid-May. Profit after capex and tax was 88,2% higher at R27,3m because of an R11,4m drop in quarter-on-quarter capex

Western Areas made a R975 000 loss from gold, opposed to a R637 000 profit

This was due to an 8,3% increase in cost per ton milled on a lower throughput in spite of an increase in yield from 4,22g/t to 4,43g/t, but showed a R1,7m taxed profit due to profit from uranium sales.

● See Page 7

18/4/70
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214

Anglovaal keeps operational costs under control

ROBERT GENTLE

214

THE four gold mines in the Anglovaal stable have turned in good performances on the operational level for the March quarter, especially with regard to working costs, which were well contained.

Hedging operations — as detailed in the last set of quarterlies — also helped obtain prices in excess of R34 000/kg for significant portions of quarterly production.

The four mines have since closed out all forward gold sales contracts, even though the gloom surrounding gold would suggest they should still be in the forward market.

Asked to clarify this, an Anglovaal spokesman said: "It was a decision taken at management level." He did not elaborate.

□ HARTIES: Sustained tonnages milled and grades equal to or better than those of the previous quarter saw 8 043 kg of gold produced, 623 kg of which came from the low-grade gold plant. *B10cm 18/4/90*

This total quantity of gold recovered was 54kg up on the previous quarter. A further plus was the improved gold price received — R33 848 (R33 299) and R34 112 (R32 597) for the low-grade plant.

□ ET CONS: Bucking the trend of its three sister mines, ET Cons saw its gold production fall 45 kg to 867 kg, largely the result of a fall in grade from 9,8 to 9,3 g/ton.

An Anglovaal spokesman said there was nothing unexpected about the drop in grade, which was essentially in keeping with previous quarterly fluctuations.

Although the pre-tax profit was only 14% lower, a slightly higher tax bill — the result of changes announced in the recent Budget — saw a 27% fall on the after-tax level to R7,5m (R10,3m)

□ VILLAGE MAIN: Slightly higher tonnage treated and an improved grade saw 15% rise in the amount of gold recovered to 219 kg (191 kg).

— Although this produced a 45% rise in pre-tax profits to R2,32m (R1,6m), a tripling of the tax bill — the result of Village Main having to pay mining tax precisely because of the improved revenue — saw the after-tax profit fall 23% to R867 000 (R1,13m).

□ LORAINÉ: Unit working costs fell despite tonnage staying the same. The almost negligible drop in grade was more than compensated for by the increased kilogram gold price of R33 184 (R32 860) and a sevenfold jump in profits from pyrite sales.

Tax bill blunts Anglovaal results

ANGLOVAAL has turned in good operational results for the quarter ending March, with higher gold prices and well-contained working costs boosting pre-tax profits at three of its four gold mines

These were Hartebeestfontein (Harties), Village Main Reef and Loraine. The odd man out was Eastern Transvaal Consolidated (ET Cons), where a falling grade led to a slight drop in gold recovered.

The higher rand prices obtained were helped along by hedging operations, an area in which Anglovaal is the acknowledged leader among SA mining houses

The proportion of March quarter production sold forward ranged from 13% at Village Reef to almost 40% at Loraine, and at prices in excess of R34 000/kg

The well-contained working costs benefited from what a spokesman described as "good management and a general tightening down"

However, the good operational results were partially blunted at bottom-line level as a result of increased tax bills.

In the case of ET Cons, for example, a change in the amount of stores that could be written off against tax — announced at the recent budget — saw the overall tax bill increase slightly despite lower operational revenue

Village Reef found itself in the unenviable position of having to pay mining tax this quarter, precisely because of the in-

ROBERT GENTLE

creased operational revenue

This saw a tripling of the overall tax bill, effectively nullifying the gains on the bottom line

Overall, therefore, only Harties and Loraine saw increases in earnings a share after deductions for capital expenditure

Analysts canvassed for opinion were impressed, nevertheless, by the overall results, particularly the way in which working costs were contained.

Anglovaal also released the quarterly results for Prieska Copper Mines and Consolidated Murchison (Cons Murch), the antimony producer

Prieska posted a R1,66m turnaround from loss into profit on the back of higher production of copper and zinc concentrate. Taxed profit was R1,32m, wiping out the previous quarter's loss of R345 000.

Cons Murch, however, posted a loss after tax of R2,03m, a slight improvement on the previous quarter's loss of R3,45m. This comes as no surprise in view of the over-traded world antimony market, characterised by continued weak dollar prices.

A cash-strapped Cons Murch alerted shareholders on March 26 that "all available options" were being studied as to the viability of future operations

● See Page 7

Gold investments give JCI mixed results in earnings

16 Day 18/4/90 (214)

JOHANNESBURG Consolidated Investment Company's (JCI) Randfontein Estates gold mine increased taxed profit marginally for the March quarter, but Western Areas gold operations made a loss

This loss pushed accumulated losses from gold for the nine months to end March to R18,6m.

Randfontein's revenue from gold dropped to R233,8m (December R238,1m) on a 112 000 tons lower ore throughput from underground and a decrease in yield from 3,20g/t to 3,05g/t

Although the underground grade improved from 3,75g/t to 3,84g/t, the grade from surface waste material dropped marginally and surface material throughput was increased by 151 000 tons

JCI gold division chairman Kennedy Maxwell said yesterday a switch to a carbon-in-pulp treatment plant at Randfontein in mid-May would result in

RIAAN SMIT

a significant increase in extraction and would cut costs

The mine's lower revenue from gold was offset by lower overall working costs, resulting in marginally higher profit from gold at R41,3m (R40,9m)

Restricted

Sundry revenue was higher due to R1,9m from the sale of nil-paid letters allotted to the company in terms of the Venterspost rights issue

But no profit from uranium sales and slightly higher tax restricted net profit to R45,4m (R44,1m) Only one further sale of uranium, in the June quarter, would be made this year, Maxwell said

The Randfontein mine has made R2,4m from uranium sales for the nine months to end-March

Profit after capex and tax was 88,2% higher at R27,3m due to a R11,4m drop in quarter-on-quarter capex

Western Areas made a R975 000 loss from gold (R637 000 profit) due to an 8,3% increase in cost per ton milled on a lower throughput in spite of an increase in yield from 4,22g/t to 4,43g/t

The mine paid R2,8m interest, but this had been offset by a R5,5m profit from uranium sales leaving a taxed profit of R1,7m

An R18,6m accumulated loss over nine months to end-March and R10,2m interest paid over this period, offset by a R12,6m profit from uranium sales, left a loss of R16,2m

No figures were reported for its surface waste treatment operation because the mine had run out of economically viable material to treat

Maxwell said the mine hoped to increase underground tonnage and to maintain grade above 4,3g/t

Fate of ERPM to be decided

BARRY SERGEANT **214**

RAND Mines executive and East Rand Proprietary Mines (ERPM) chairman Clive Knobbs says a decision on the future of the stricken marginal gold producer ERPM will be made "within weeks"

Industry experts say the options include large-scale retrenchments accompanied by concentration on ERPM's higher-grade ores, conversion of debt to equity, or yet another financial aid package from government and institutions.

ERPM last made a profit and paid tax and dividends in 1980

The mine, which employs about 10 500 and effectively supports 60 000 mouths in the Boksburg area, is now carrying debt of R350m Yesterday ERPM announced a R20,2m loss for the March quarter, after the December quarter's R7m loss

"Rand Mines is determined to keep the mine going, and has been considering every possible option over the past few weeks," says Knobbs

"ERPM's importance in the Boksburg area has diminished over the years, but for almost a century ERPM and Boksburg have been virtually synonymous"

Yesterday ERPM shed 150c to 1500c on the March quarter's results, but the counter still reflects a considerable market capitalisation of over R250m. Analysts say the market's sullied reaction to disastrous results suggests a belief that ERPM will not be closed down *BIDAM 18/4/90*

Knobbs says that in the March quarter the far east vertical shaft at ERPM "had simply not produced the grades expected by either the mine or independent parties which had investigated the ore. Yields can be erratic at any mine, but ERPM hardly has the financial structure to cope"

ERPM is seen as representing most

□ To Page 2

ERPM's fate *BIDAM 18/4/90* **214**

□ From Page 1

problems facing the entire gold mining industry

ERPM's government-sponsored aid package was limited — ERPM now states that "additional sources of funding will be necessary to enable the mine to continue as an on-going concern"

In the December quarter, ERPM produced 1 566kg of gold from underground operations, worth R51,4m

In the March quarter, its underground grade recovered fell 12,4%, working costs increased 12,2%, and production fell 15,8% to 1 318kg, earning R44,2m in foreign exchange

Analysts were unanimous that the December quarterly operational results were disappointing During the December quarter, R40m of ERPM's Rand Mines's loan was converted into R70m "B" class variable rate redeemable preference shares

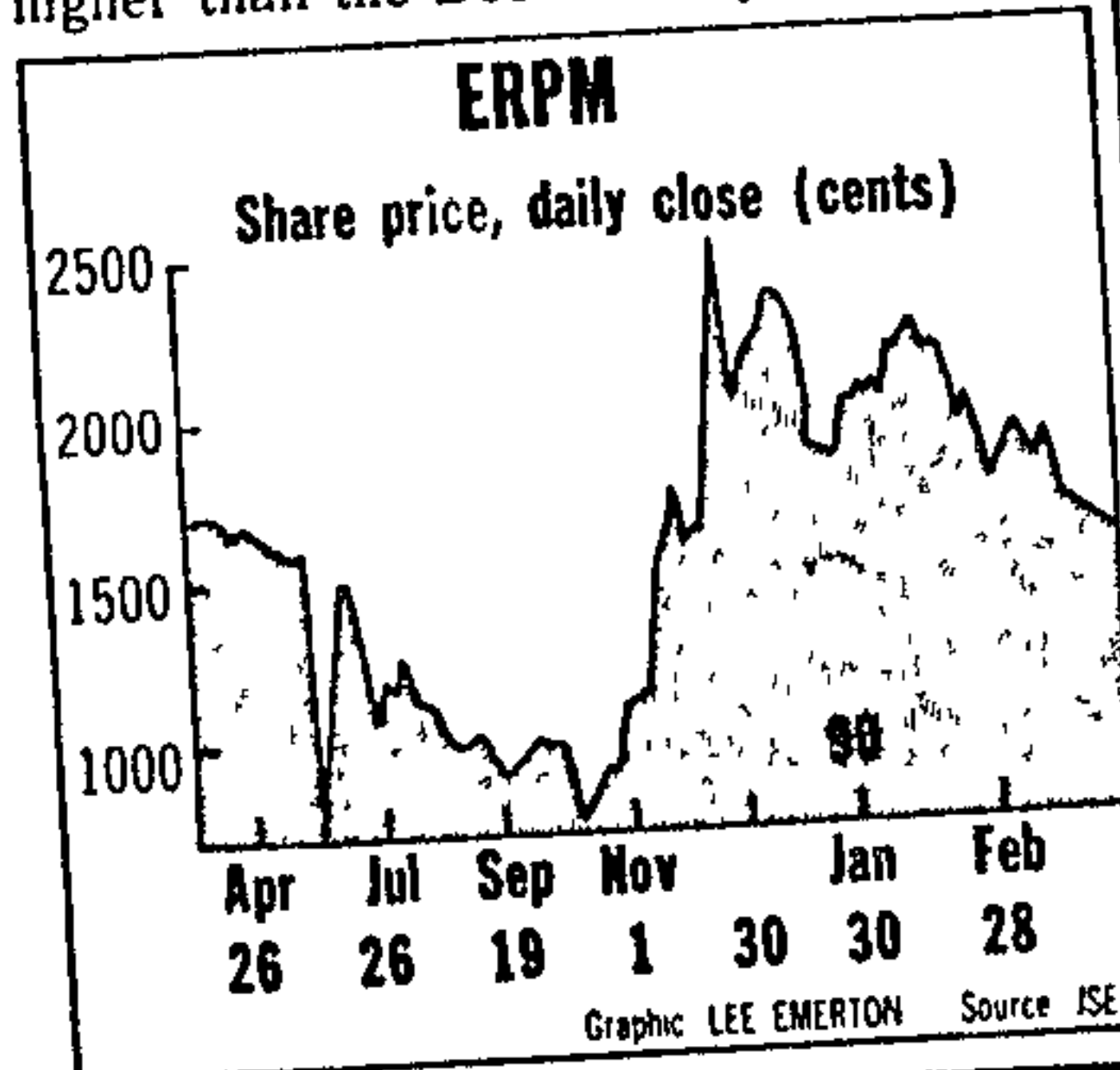
At the end of the financial year to December 31, other borrowings totalled R313m On this date the accumulated loss per balance sheet was R130m against R68m a year before

Since 1980, mirroring the experience across the gold mining industry, ERPM yields have fallen The high of 4,95g/t in 1980 was more than twice the March 1990 quarter's 2,23g/t — excluding surface recovery operations, the latest quarter's

yield was 3,19g/t.

During last year's negotiations for its funding package, ERPM decided to press ahead with underground operations On a straight cashflow basis, the March quarter shows revenue per ton milled at R107, against costs of R150, producing a loss of R43

Surface operations, however, recorded an unexpected 11,7% hike in grade March-December from 0,77g/t to 0,86g/t Surface revenue per ton milled of R29, less costs of R16 per ton, produced a profit of R13,48 per ton on a straight cashflow basis — 23% higher than the December quarter



Anglovaal, JCI golds do well

By Sven Lunsche

The higher gold price in the March quarter enabled most mines in the Anglovaal and JCI stables to report increased profits over the period

JCI's Randfontein Estates maintained a fairly steady milling rate of 2,28 million tons (2,24 million tons in the December quarter), but the yield dropped back slightly to 3,05 g/t (3,20 g/t)

Working costs were reduced to R84,48/t (R88,02), leaving profit per ton milled virtually unchanged at R18,10 (R18,26).

The average gold price received rose by 1,3 percent to R33 638 per kg (R33 212/kg)

Profit after tax and state share increased slightly by 3,1 percent to R45,41 million (R44,05 million).

Capital expenditure dropped to R18,14 million from R29,56 million in the previous quarter. The directors expect that this level will be maintained in the current quarter.

Western Areas recorded a lower milling rate at 865 000 tons (913 000 tons) because surface mining was halted altogether.

The yield from underground mining improved to 4,43 g/t (4,22). However, gold production was little changed at 3 829 kg (3 855 kg) and working costs in-

creased to R149,44/t (R137,99/t), resulting in a loss per ton of R1,12 against the previous profit of R0,70/t.

As a result, the loss from gold production at R975 000 pushed the losses for the first three quarters of the to R18,5 million.

However, the higher profit from uranium of R5,50 million (R3,75 million) and a reduced interest payment of R2,8 million (R4 million) boosted profit after tax and state's share to R1,72 million (R409 000).

Uranium sales

Chairman Kennedy Maxwell said yesterday that 10 tons of uranium sales each had been deferred over the previous five quarters and were now back in place to boost profits from this source.

Commenting on plans for the R2 billion South Deep gold mine, Mr Maxwell said an announcement was imminent.

He added, however, that the twin haulage development at Western Areas was now only about 1 490m from the planned site of the South Deep shaft.

HJ Joel increased tonnage milled to 172 000 tons (118 000 tons), which boosted gold production from 379kg to 505kg, despite the lower yield at 2,9 g/t (3,2 g/t).

A loss from gold of R16,56 million was reported as the mine encountered problems in its drilling operations.

In the Anglovaal stable, attention was focused on antimony producer Consolidated Murchinson which, after a recent cautionary announcement, hinted at a major revision of operations in order to reduce costs and capital expenditure to an absolute minimum.

In the quarterly report, directors said steps had been taken to enable Cons Murch to reduce these costs, while at the same time maintaining production.

This will allow the mine to continue for the time being at current levels of production, while further evaluation takes place.

The directors do not expect the financial position to deteriorate significantly during this time.

In the March quarter antimony revenue was up by almost 55 percent to R5,5 million (R3,5 million), but a rise in costs from R9,9 million to R11,3 million resulted in a taxed loss of R2 million.

The company's cash deficit now stands at around R2,9 million.

Higher rand prices received for gold sales, combined with

lower costs, saw three of four Anglovaal gold mines improve their pre-tax profits.

The exception was ET Cons, whose pre-tax profit dropped to R13,9 million (R1,5 million) as a result of a lower yield of 9,3 g/t (9,8 g/t) and a reduction in gold recovered from 912 kg to 867 kg. Costs, however, were contained to R15 807/kg (R16 128/kg).

The group's largest mine, Hartebeestfontein, improved its gold recovery by 49 kg to 7 420 kg. The high rand gold prices received, coupled with an unchanged yield of 9,1 g/t led to a rise in pre-tax profits to R119,7 million (R112,5 million).

Lower yield

Despite a slightly lower yield of 5 g/t (5,1 g/t), Loraine almost doubled pre-tax profits to R6,3 million (R3,4 million) after containing costs at R164,14/t (R169,16/t).

As a result of a higher yield of 1,07 g/t (0,95 g/t) Village's working profit rose 46 percent to R2,4 million (R1,6 million) and pre-tax profits from R1,6 million to R2,3 million.

Prieska Copper Mine, benefited from improved production of both zinc and copper, which boosted its earnings before tax from R202 000 to R1,3 million.

Low gold price and inflation threaten mine

~~7/11/73~~ BIAAN SMIT (214)

GENGOLD's Stilfontein mine in the western Transvaal faced closure if the gold price and inflation remained at current levels, MD Gary Maude said yesterday.

At the release of the group's March quarterly results, Maude said Stilfontein's high grade Vaal Reef had been mined out and Gengold was trying to keep it profitable by stopping the remaining low grade Ventersdorp Contact Reef.

He said a decision about the 38-year-old mine's future would be taken at the end of the current quarter, and added that it was Gengold policy to close a mine if it had made losses for three consecutive months. *21 Day 19/4/90*

Gengold's Marlevale gold mine on the East Rand will no longer publish separate results as the mine is winding down its operations.

The company said yesterday its Grootvlei mine had assumed management responsibility for Marlevale with effect from April 1. The ore produced from the winding down of Marlevale's operations is being treated at Grootvlei.

Gengold said the arrangement enabled the plant clean-up at Marlevale to proceed. Average taxed profit at the group's 11 mines fell by 3% to R11,2m. However, yields were up at seven of the mines.

Winkelhaak was the star performer for the March quarter with an increase of 8,7% in taxed profit to R33,1m and a R768/kg reduction in cost.

Gengold's average working cost a kilogram increased by 3,9% for the March quarter, reflecting the cost squeeze in the industry due to a flat rand gold price and inflation.

Last year the group showed decreases in average cost per kilogram of 1,6% in the second quarter, a 1,9% increase in the third and a 1,9% drop in the December quarter.

Discussing the quarterly results, Maude said gold mines were caught up in political action by unions aimed at government and had suffered production losses during the quarter.

Maude said President F W De Klerk's speech on February 2 and the release of Nelson Mandela had heralded the start of a National Union of Mineworkers (NUM) campaign against "perceived discrimination" at some mines.

● See Page 5

Gengold costs increase reflects squeeze in mining

B/Day 19/4/90 (214)

GENGOLD's average cost a kilogram at its 11 gold mines increased 3,9% for the March quarter, reflecting the cost squeeze in the industry.

Last year the group showed decreases in average cost of 1,6% a kilogram in the second quarter, a 1,9% increase in the third and a 1,9% drop in the December quarter.

Average taxed profit for each mine fell 3% to R11,2m and overall average working cost was static at R44,7m compared with the December quarter.

Winkelhaak was the group's top performer for the March quarter with an 8,7% increase in taxed profit to R33,1m, and a R768/kg reduction in cost.

The increase in taxed profit was due to a R1 531/kg increase in price received and higher gold production, but could have been much higher if taxation and the state's share of profit had not more than doubled.

Beatrix raised taxed profit 26,3% to R21,3m but cost a kilogram (2,8%) and overall working costs (1,2%) increased. The mine's shares nearly tripled during the past year from a low of 1 150c to a recent all-time high of 34 000c.

Worst hit by the flat gold price and inflation was Stlfontein with a R9m drop in taxed profit.

Gengold MD Gary Maude said Stlfontein's high grade Vaal Reef had been

RIAAAN SMIT

mined out and Gengold was trying to keep it profitable by stoping the remaining low grade Ventersdorp Contact Reef (VCR).

"I don't think we can keep this mine profitable at the current gold price and level of inflation," he said.

Maude said a decision about the 38-year-old mine's future would be taken at the end of the current quarter and that it was Gengold policy to close a mine if it had made losses for three consecutive months.

Production at Grootvlei was stymied by timber collapsing in an old shaft, resulting in a drop in yield from 4,1g/t to 3,8g/t and a reduction in tonnage to 36 000 tons.

Tonnage and yield also dropped at Unisel in the Free State as the result of a fire during the quarter and an illegal six-day strike.

He said R23m would be spent at Unisel over the next 18 months to establish stopes in the newly-discovered Basal Reef. The development into the Tarka and Jurgenshof areas, expected to be on stream in two years, would stabilise the mine's overall yield at about 6g/t.

Buffelsfontein's taxed profit increased from R16,3m to R21,5m — the level of profits in the second and third quarters last year — but Maude

warned the mine's profitability was highly geared towards the gold price.

According to Maude, if the current rand gold price persisted for this quarter, Buffels's profits would be down on the March quarter.

West Rand Cons's continued profitability enabled Gengold to do development work to build up ore reserves, Maude said.

Leslie's results would drop about 10% until the Northern Block had been fully developed because, he warned, the mine was finding it increasingly difficult to maintain ore reserves.

BARRY SERGEANT reports Gengold's Marievale gold mine on the East Rand, would no longer publish separate results, as the mine was closing down.

Gengold said yesterday its Grootvlei mine had assumed management responsibility for Marievale with effect from April 1. The ore produced from the winding down of Marievale's operations was being treated at Grootvlei.

Gengold said the arrangement enabled the plant clean-up at Marievale to proceed.

Marievale, a division of Gencor exploration arm Randex, has operated on a reduced throughput for about seven years, Gengold said.

According to Gengold, the sharp drops in yield have been associated with the treatment of low grade material from clean-up operations.

bl Day 19/4/90
Quarterlies
show how
big problems
were tackled

BARRY SERGEANT

GENGOLD's quarterlies for March illustrate how management has tackled a flat rand gold price combined with deepening labour problems and stubbornly rising costs.

The policy is shown in the quarterly results for 11 fully operational Gengold mines: yields are up in seven of 11 cases, allowing gold output to be reduced at a lower rate than cutting ore throughput.

For the March quarter, the 11 mines increased yield on average by 2,6% (to 5,2g/t), throughput was down 6,2% to 3 955 000 tons, and gold output down 3,8% to 20 690kg. There have been inevitable retrenchments on some mines.

The results echo top gold analysts' expectations that — subject to a far better gold price — SA's gold recovery in calendar 1990 is expected to be 50 tons down on 1989's 600 tons.

Analysts say reduced gold recovery is inevitable. The alternative of not changing production in the face of relentless cost increases would mean more mines with unsustainable losses.

Gengold's gold output rates it third after Anglo American and Gold Fields. Gengold has no huge mines only Beatrix and developing mine Oryx rate around 10th in market capitalisation, of about 60 SA gold mines. The balance of Gengold mines may be described as middleweights, characterised by great comparative production flexibilities.

Fundamental rankings show four Gengold mines as low-cost producers (Beatrix, Kinross, Unisel and Winkelhaak) four as medium (Grootvlei, Leslie, St Helena, Buffels), and three as high (Bracken, Stilfontein, West Rand Cons). In terms of gold recovery, Gengold's 11 rank between Buffelsfontein (around 12th, with 3 696kg in the March quarter) and Bracken (around 34th, with 530kg in the March quarter).

While critics say that Gengold's current policies are only good for the short term, the long-term outlook has brightened after the latest quarterlies. (Disappointments at Grootvlei, Unisel and Stilfontein were due to a mixture of fires, strikes, accidents and declining grades at Stilfontein.)

A general picture of the balance of mines that increased working income during the quarter is given by star performer Winkelhaak. It cut working costs to R20 351/kg, producing a working profit of R14 137/kg on revenue received of R33 779/kg. Its yield was up from 5,8g/t to 5,9g/t, taxable income of R49,4m (R37,7m) was smacked by imposts of R16,3m (R7,3m).

Gengold's successful policies should pleasantly surprise shareholders and the market, with Winkelhaak's unchanged "interim" dividend of 165c per share, Kinross's 160c, (150c a year ago), Unisel's 50c (45c), Leslie's 40c (15c) and Bracken's 30c (10c).

Another Reef gold mine threatened with closure

27 Apr 19/11/90

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By Sven Lunsehe

A second major gold mine is threatened with closure if the gold price does not recover from its current dismal levels

Genmin's gold mining arm, Gen-gold, announced yesterday that it would consider closing its Stultfontein Gold Mine if the mine reported losses for three successive months

Stultfontein chairman Gary Maude said at the presentation of Gengold's mines quarterly results yesterday, that Stultfontein was currently trading at a loss following a dismal first quarter in which income after tax plunged to R1,3 million from R10,5 million in the December quarter

Earlier this week Rand Mines said it would be making a decision on the future of its marginal ERPM mine within weeks, after the mine announced a R20,2 million loss in the March quarter

Mr Maude said that the Gengold gold mines had received a boost from the firmer bullion price in the first quarter, but since then the price

had declined by about R1 000 per kg to R32 000/kg

"Thus, coupled with the high level of inflation, has already forced us to cut costs significantly during the March quarter and if gold does not recover over the next few months we will have to make a decision on the future of the mine," Mr Maude said

He added that a lot of people had already been retrenched and further retrenchments were on the cards if the situation did not improve

Stultfontein was already using some of the retained earnings of R26,9 million to finance current developments, he said

Working costs

The mine operated at a working cost of R33 731/kg in the March quarter and even if further cost cutting measures were introduced, the mine would still be faced with a loss in excess of at least R1 000/kg in the current quarter at the present gold price

A recent Chamber of Mines survey said that Stultfontein's costs, including capital expenditure, by July this year could total about R34 000/kg, just ahead of its projected gold price of R33 400

Mr Maude said the situation was aggravated by the fact that Stultfontein spends about R2 million a month on pumping out 60 million litres of water a day from the mine and that government had refused assistance to cover the costs

The underground yield in the March quarter was down from 4 g/t to 3,4 g/t as the virtual depletion of Vaal Reefs ore reserves made the mine more dependent on the lower grade Ventersdorp Contact Reef

The other mine in the Gengold stable which Mr Maude considers marginal at present is Grootvlei, whose taxed income dropped from R4,5 million to R2,2 million during the quarter

Production of gold, which was seriously hampered by an accident, declined from 852 kg to 662 kg

However, Mr Maude is satisfied,

with the developments at West Rand Cons, where consistent taxed profits of above R1 million over the last few quarters have allowed the mine to develop new stopping areas and build up its ore reserves.

He said labour action had intensified over the quarter in many group mines. The NUM campaign against perceived discrimination, coupled with the refusal by some white workers to work underground, had definitely affected production, Mr Maude said

This was most noticeable at Umlaats where a week long strike reduced gold production to 1 250 kg (1 620 kg) and caused taxed income to fall to R7,8 million (R11,9 million). The mine declared an interim dividend of 50c per share

Neighbouring St Helena fared better, lifting attributable income to R9,6 million (R7,4 million), as a result of a rise in the grade from 5,7 g/t to 6 g/t

The three mines which benefited most from the rise in the gold price were Buffelstfontein, Beatrix and Leslie

At Buffels the higher gold price was supplemented by steady yields of 6,3 g/t and a reduction in tax payments, boosting taxed income from R16,3 million to R21,5 million

Beatrix continued its steady performance with a rise in income to R21,3 million (R16,9 million), while Leslie boosted its taxed income to R3,6 million (R3 million) on the back of a higher yield of 4,7 g/t (4,3 g/t) and steady production levels

Leslie declared an interim dividend of 40c

Kamross' income was hit by a R9,3 million rise in tax to R31,5 million and subsequently dropped to R18,6 million (R21,3 million), but this was more than offset by a reduction in capex to R2 million (R7,5 million)

Gengold's star performer during the March quarter was undoubtedly Winkelhaak Gold production was boosted to 3 202 kg (3 080 kg), with the newly extended No 6 shaft contributing a healthy 120kg a month

A steady yield of 5,9 g/t (5,8 g/t) lifted income after tax and capex to R12,7 million (R7,6 million) and allowed the mine to raise its interim dividend to 156c a share

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Low gold price puts 18 mines in danger

By Michael Chester

The future of 18 of South Africa's 31 gold mines has come under threat because of soaring production costs and low gold prices on world markets, according to information from the SA Chamber of Mines.

Mr Kennedy Maxwell, president of the chamber, said yesterday that international bullion price levels had to lift from the present price of around \$375 to at least \$390 to rescue these mines.

"There are many mines under great strain to do something radical — or face closure," he said.

Alarm bells have been ringing since February, when gold started to drop from above the \$420 level.

Jitters spread across the mining industry when Rand Mines confirmed this week that its ERPM gold mine near Boksburg had lost R20 million in the first three months of the year.

A Chamber of Mines spokesman said it was premature to talk about closures, but the situation looked extremely serious

Mr Maxwell said 15 mines were threatened with losses on their balance sheets if gold stayed below a break-even level now running at about \$390 — even if they did not count the cost of their normal capital expenditure programmes

If spending on modernisation or expansion was taken into account, the disaster list would grow to 18

Labour force

"Let's not speculate about the risk of closures, but the mines running at a loss between them employ a combined labour force of well over 116 000," he said.

The 18 mines in danger of plunging into losses are, in order of risk

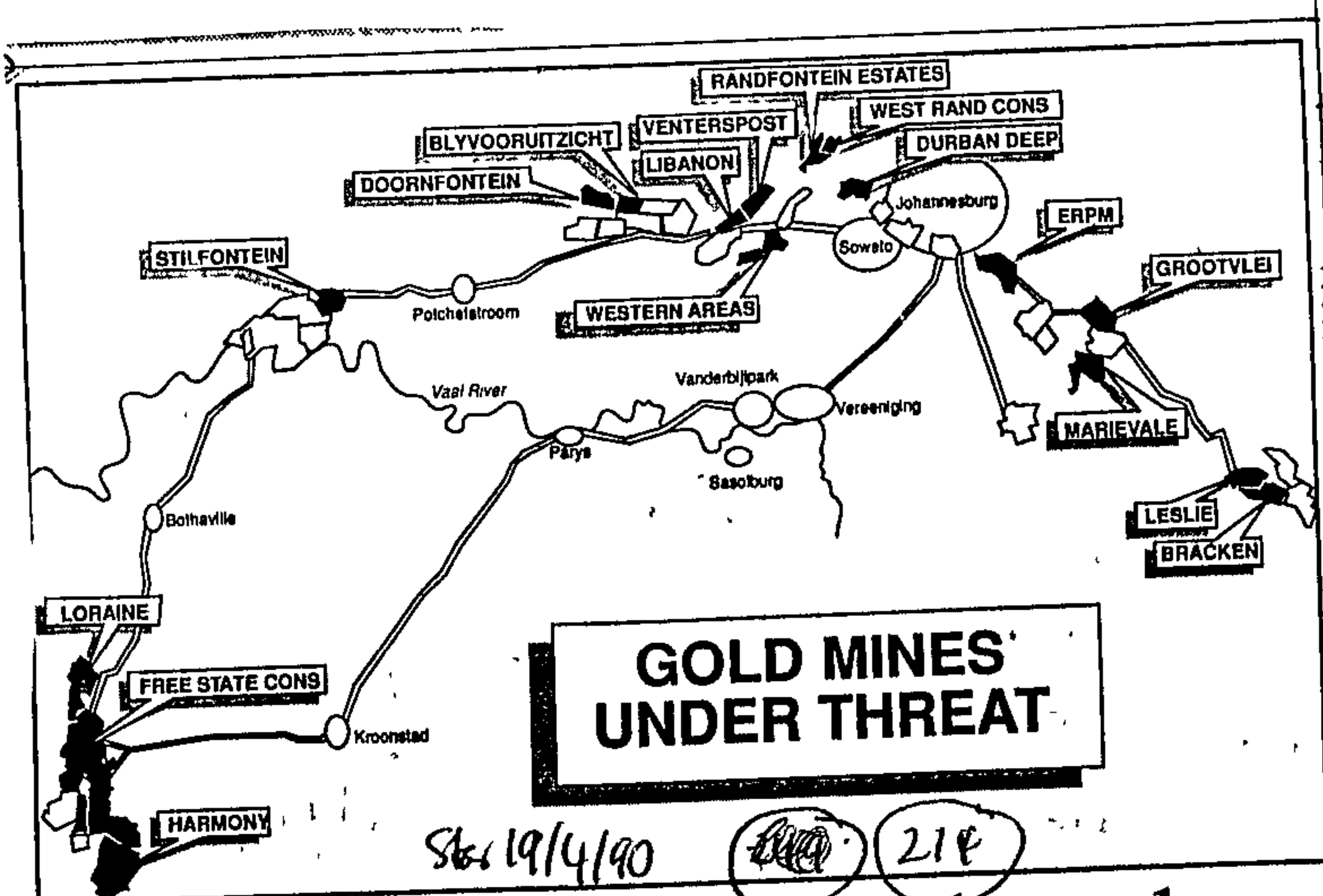
- ERPM (Rand Mines)
- Venterspost (Gold Fields)
- Western Areas (Johannesburg Consolidated Investments)

- Durban Deep in Roodepoort (Rand Mines)
- Doornfontein (Gold Fields)
- Libanon (Gold Fields)
- Marievale on the East Rand (Gencor)
- Loraine (Anglovaal)
- West Rand Consolidated (Gencor)
- Blyvooruitzicht (Rand Mines)
- Harmony (Rand Mines)
- Barberton (Gencor)
- Bracken (Gencor)
- Randfontein Estates (JCI)
- Grootvlei in Springs (Gencor)
- Stilfontein in Klerksdorp (Gencor)
- Leslie (Gencor)
- Free State Cons (Anglo American)

Mr Maxwell said the danger list had been worked out on statistics showing mines sinking below break-even point if average gold prices stood at about \$390 an ounce in projections running to mid-year

"Since 1980 our real annual profits have depreciated every year," he said

● See Page 14.



Bleak future if ERPM shuts down

By Shehnaaz Bulbulla

Organised labour, the business sector and residents in Boksburg yesterday predicted a bleak future for the community if East Rand Proprietary Mine (ERPM) closed down.

This prediction followed an announcement by ERPM chairman Mr Clive Knobbs that a de-

cision on the future of the mine would be made "within weeks".

ERPM last made a profit and paid tax and dividends in 1980.

A spokesman for the National Union of Mineworkers (NUM), Mr Jerry Majatladi, said the possible closure of the mine placed the future livelihood of 10 500 workers at stake.

NUM has called on ERPM's

management to consult with the union in a bid to avert the potentially large-scale retrenchments, Mr Majatladi said.

If ERPM closed, management should consider the possibility of placing the retrenched workers in other mine-related industries.

Mr Dudley Arends, chairman of the United Civic Association, an umbrella body of ratepayers and tenants on the Witwatersrand, said the closure of the mines would lead to large numbers of homeless people.

He said a substantial proportion of ERPM's employees were accommodated by the company.

Mineworkers' families living in areas like Witfield, Lillanton, Boksburg North and Plantation faced a possible threat of homelessness, he added.

ERPM's management should make its intentions clear and workers should be well-compensated in the event of the mine closing, Mr Arends said.

The chairman of the Boksburg Industrial Association, Mr Jan Roets, said the closure of ERPM would affect small-scale businesses in Boksburg.

"Small businesses that are dependent on the buying power of mineworkers will be affected because less money will circulate within the local economy," Mr Roets said.

The president of the Boksburg Chamber of Commerce, Mr Johan Viljoen, said the poor performance of the mine would affect the industrial area of Boksburg.

214 (909)



Costs hike hits Anglo mines

By TOM HOOD,
Business Editor

HIGHER costs and a R16 million drop in Vaal Reefs' profits hit Anglo American's Transvaal gold mines profits in the March quarter. They dropped by R78 million (15 percent) to R444 million after tax.

Vaal Reefs, a top performer for several years, reported a 21 percent drop in earnings to R60,8 million from the December quarter's R76,9 million.

Production at the mine was adversely affected by labour unrest and seismic events, particularly in the South Lease area, says the managing director of Anglo's gold and uranium division, Mr Lionel Hewitt.

Royalty payments from the South Lease area dropped by R20 million (28 percent) to R49 million as the lack of available ore reserves, coupled with increased seismicity, continued to restrict production.

As a result, area mined declined by 7 percent and gold production fell by 7 percent to 17 818 kg.

Total costs rose by 17 percent to R23 959/kg (R20 416/kg), pushing unit costs well above the previous quarter's.

A 3,5 percent rise in the rand gold price to R33 610/kg (R32 480/kg) was not enough to offset higher costs and lower production levels.

Mr Hewitt believes the 1990

financial year cost increases will be limited to 16 percent and that Vaal Reefs' results will improve.

However the volatile labour situation in the first quarter had carried through to April, he says.

Sporadic labour unrest was experienced at Vaal Reefs and Freegold and cost the former about two days in lost production.

Freegold increased its gold production from R27 710 kg to R27 727 kg, which, with an improvement in the rand gold price from R32 461/kg to R33 892/kg, boosted gold revenue to R947 million (R897 million).

Attributable profit rose by 6,4 percent for the quarter to

R87,9 million.

Star performer was Freegold's North Region, which lifted profit to R63,6 million (R39,7 million), while earnings from the South Region were marginally lower at R95,9 million (R97,3 million).

Freegold's March quarter coincided with the mine's year-end, which showed attributable profit of R347 million.

Of the other mines in the Anglo stable, Western Deep Levels lost production from a fire, while unit costs increased to R135,28 a ton (R129,88).

Taxed profit dropped from R117,8 million to R81,2 million, but a big cut-back in capex to R58 million (R95,9 million) improved earnings by R1,2 million to R23,2 million.

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Equikor shows big turnaround

CHARLOTTE MATHEWS

EQUIKOR Holdings, the renamed and reformed National Properties, has achieved R3,6m profit attributable to shareholders for the year to December compared with National Properties' loss of R27,6m for the 18 months to December 1988.

Equikor was listed on the JSE in October 1989 when troubled National Properties changed its name and acquired the business of Equikor Projects.

Part of the purchase price was settled by the issue of 96,3-million new shares which together with other acquisitions increased the number of shares in issue to 276-million from 63,9-million.

On the higher number of issued shares, Equikor's earnings for the period were 1,3c a share compared with National Properties' loss of 43,2c a share.

The directors said they would resume payment of dividends on profits made in the current year.

Equikor's management has attributed the turnaround to continuing strong growth in the profitability of its business.

BID 10/4/90

Tax and low prices hurt GFSA mines

BID 10/4/90

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BARRY SERGEANT

WEAKER prices for copper, tin and silver, combined with the effect of tax changes announced in the Budget, caused a sharp drop in taxed profits reported by GFSA base metal companies for the March 1990 quarter.

Overall, the six reporting GFSA companies, including Gold Fields Namibia, fell 42,9% in taxed profits — from R40,5m in the December quarter to R23,1m in the March quarter.

The tax changes applied include the treatment of consumable stores as stock for tax purposes. At O'okiep Copper, for example, the effective tax rate increased from 24,9% to 43,8%, at Black Mountain from 48% to 57%, and at Zinc Corporation from 50% to 53,1%.

Gold Fields Namibia (copper, lead, silver) turned a December quarter R1,3m loss into a R718 000 profit by countering a R27,5m shrinkage in sales to R70,1m with a R30m cut in cost of sales. Capital expenditure was up from R382 000 to R554 000, the unexpended portion of capex at quarter-end was R37,7m. GFSA says the Kombat mine has been dewatered and "consequently no extraordinary expenditure was incurred during the quarter."

Gold Fields Coal sales and cost of sales were cut R9,4m to R59,7m and R9,6m to R50,4m respectively. Profits after tax increased 1,8% to R4,3m, physical sales fell from 2,4-million to 2,0-million tons. Capital

expenditure shot up from R153 000 to R1m.

At Roolberg Tin, losses after tax more than doubled from R832 000 to R1,7m. Ore treated fell to 75 000 tons (77 000 tons), tin metal sold was up 5,3% but sales fell from R6,9m to R6,1m. GFSA says efforts to reduce costs include a reduction in labour.

Average prices in the March quarter were R17 500 a ton against R19 800 a ton in December, reflecting a continuation in the metal's declining price. Capital expenditure dipped to R59 000 (R278 000).

Zinc Corporation's profits after tax fell 39,7% to R6,2m (R10,3m). Physical zinc sold increased 7,3%, but sales fell by 11% to R86,4m (R97,1m). GFSA said the average price reached for zinc in the March quarter was R3 600 per ton, 2,9% higher than the December quarter's R3 500.

At O'okiep copper sales fell by 31,5% to R38m (R55,4m) and taxed profits collapsed 55,9% to R6,3m (R14,3m). Blister copper sold was down 26,2%, but cost of sales fell in sympathy by 26,8% to R30,8m. Capital expenditure shrunk to R3,9m from R9,7m, unexpended authorised capex at March 31 was R53,1m.

At Black Mountain Mineral Development Company (copper, lead, silver, zinc) sales contracted but for zinc and value sales fell 19,4% as cost of sales were curtailed from R27,1m to R25,4m. Profit after tax fell 47,4% to R7,3m (R13,8m).

Outlook bleak for large operations, say analysts

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ANGLO AMERICAN's operating results for its March gold quarter shows it recovering less gold less profitably

Its two huge mines, Freegold and Vaal Reefs, together produced a third of SA's gold in the December quarter. Last night analysts said that at the current gold price the outlook for Anglo's big operations was a little bleak.

Overall average results, including surface operation Ergo, show Anglo's ore throughput down 2%, yield down 2.7% to 3,975g/t and gold produced down 3.5% to 61 361kg. The average price received was up 3.6% to R33 693/kg, but bottom-line taxed profits fell heavily by 15.2% to R444m (December quarter R523.5m).

Rankings

Fundamental rankings for December show Anglo with four low cost producers (Elandsrand, Southvaal, Vaal Reefs and Western Deeps), and four high cost producers (Freegold, Aflease, Ergo and Sallies). It has four of SA's five top gold producers in Freegold, Vaal Reefs, Western Deeps and Southvaal.

While Elandsrand recorded a 42.9% slip in earnings a share quarter-on-quarter, Vaal Reefs, the world's second largest gold mine, disclosed the most alarming results with gold recovered slipping 6.6% to 17 818kg. Management cited sporadic labour unrest and seismic events as main factors. But Vaal Reefs' production has slipped far below

BARRY SERGEANT

its record high of 82 734kg in 1984

The mine's March-quarter production, crudely annualised, is 71 272kg. The 11 462kg it has "lost" since 1984 is worth R385m at Vaal Reefs' price received for the March quarter. The lower throughput in March led to an inevitable increase in unit and other costs. Costs in rands per ton milled were up 17.8% on a year ago.

Costs measured in dollars an ounce and in rand a kilo were likewise sharply up. The final aggravation was a fall in yield to 6,64g/t. Costs of \$290 an ounce for the March quarter moves Vaal Reefs from the ranks of low cost producers to the average cost bracket. Quarter-on-quarter, Vaal Reefs' earnings a share collapsed 21.1% to 318 cents a share.

At Freegold, the world's largest gold mine with more than 100 000 employees, throughput fell in March but yields increased to 4,31g/t (4,25g/t), and gold recovered was marginally up to 27 727kg, a new record. At Freegold unit costs are relatively low because of high volumes but capex continues at high levels.

Unit costs rose by 3.5% in March to R28 399/kg (R27 432/kg) and capital expenditure was higher at R121.4m (R87.9m), the highest since the September 1988 quarter. However, seen against a bigger background, Freegold costs were up sharply; in rands per ton, by

16.2% on a year ago to R122 (R105).

Freegold's March cost of \$344/ounce moves it inevitably closer to being a marginal gold mine. If Freegold repeats its 9.2% increase in dollars an ounce costs over the past year for the next 12 months, its cost will be \$375.65 an ounce, against yesterday's London fixing of \$375.75 an ounce.

Yesterday management said there were no plans to close down any shafts at either Vaal Reefs or Freegold, against market perceptions that the Vaal Reefs No 8 shaft in the South Lease and most of the older shafts in the North Lease are depressing results.

The March quarterly results were disastrous for Southvaal, SA's fifth biggest gold operation.

Royalty

Southvaal is a holding company which receives from Vaal Reefs a royalty of 55% of the pre-tax profits derived from operations conducted by Vaal Reefs over the Southvaal Lease Area. The royalty received is taxed at the company tax rate of 50%.

In the March quarter, Southvaal's output was down 13%, yield fell 4.3% to 8,3g/t. Costs were up 25.6% to R22 334/kg. The surplus subject to royalty fell 28.4% to R90.1m (R125.8m). Anglo said the lack of available ore reserves caused by severe faulting continues to restrict production. This was exacerbated by increased seismicity; the royalty to Southvaal Holdings declined by 28% to R49.6m.

ANGLO AMERICAN MINES

	Tons milled 000s		Yield g/t		Costs R/ton		Revenue R/ton		Net after tax profit (loss) 000s		EPS after capex (cents)	
Freegold	6 434	(6 513)	4,31	(4,25)	122	(117)	147,19	(137,74)	184 451	(159 934)	75	(71)
Vaal Reefs	2 684	(2 778)	6,64	(6,86)	159	(140)	222,43	(225,70)	120 706	(174 020)	318	(403)
Western Deep Levels	1 638	(1 689)	5,69	(5,78)	135	(130)	190,90	(190,85)	81 235	(117 873)	85	(80)
Elandsrand	497	(548)	6,27	(6,76)	143	(132)	208,95	(227,03)	31 842	(51 838)	16	(28)
*SA Lands	597	(665)	0,62	(0,54)	16	(14)	20,90	(17,70)	903	(1 022)	12	(11)
*Ergo	9 463	(9 556)	0,32	(0,31)	†—		†—		24 883	(18 837)	33	(23)

* Dump treatment operations

† Cost and revenue figures disclosed also include uranium and acid sales
Previous quarter's figures in brackets

SOUTHGO

	Tons milled 000s		Yield g/t		Costs R/ton		Revenue R/ton		Net after tax profit (loss) 000s		EPS after capex (cents)	
West Wits	397 146	(344 874)	1,44	(1,37)	39,03	(38,31)	47,81	(45,35)	3 57m	(2,33m)	3,45	(0,86)
Nigel	77 335	(58 982)	3,26	(3,46)	100,33	(99,98)	108,90	(114,25)	1 85m	(1,62m)	(11,80)	(0,28)
	†502 444	(521 103)	0,23	(0,24)	4,07	(4,42)	7,78	(7,81)				
Wit Nigel			Nigel Gold Mine carries out tribute mining						467 000			
Knights	†858 000	(886 000)	0,38	(0,40)	8,63	(8,16)	12,86	(13,15)	3 01m	(3,64m)	3,30	(4,30)

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Maiden ⁽²¹⁴⁾ dividends declared for Southgo pair

ROBERT GENTLE

SOUTHGO, the gold-mining and dump-processing arm of the Consolidated Mining Corporation (CMC), has turned in healthy operational performances for the March quarter and announced maiden dividends at two of its mines

They are West Witwatersrand Gold Holdings (West Wits), whose dividend for the year ending March was 5c a share, and Knights Gold Mining Company, whose dividend for the 15 months ending March was 6c a share

The two operations have thus started rewarding shareholders less than a year after CMC was formed to take over and restructure the Johannesburg Finance Corporation

Nigel Gold Mining Holdings has not declared a dividend because of additional working capital requirements for its enlarged operations

On the operational front, a firm rein was kept on costs despite increases in the quantities of ore treated

With the exception of Knights, where the recovery yield was plagued by what was described as an operational glitch, yields were higher all round

This led to increased gold production which, coupled with a general improvement in the the price received, saw revenue comfortably exceed costs

Capex

For West Wits, on a gold price received of R33 192 (R33 005), gold revenue increased 21,4% to R18,9m. Tonnage treated on the increased yield of 1,44 g/t (1,37 g/t) saw gold production rise 98 kg to 572 kg

Capex for the quarter dropped to R437 000 compared with the R1,54m notched up during the December quarter when the mine's successful heap leach facility was being completed

The improved performance of Nigel resulted from a higher gold production of 252kg from underground sources — worth R8,4m at the higher gold price received of R33 420 (R32 991)

Controlled costs, which were R100,33 per ton (R99,98 per ton) despite the higher tonnage, also contributed

For the fourth successive quarter, Wit Nigel, which carries out tribute mining, reported a higher net profit

Overall grade in the sands and slimes treatment operations Knights was marginally lower, hence the 25kg fall in gold produced from 355kg to 330kg

Anglo's gold profits drop 15,2% on lower production at two mines

ANGLO American's taxed profit for the March quarter dropped 15,2% to R444m in Vaal Reefs, but a 15,3% rally at Freegold affected by sporadic labour unrest. Vaal Reefs said, executive director Lionel Hewitt said "two or three days' production" because of labour unrest.

The declines at Vaal Reefs and Freegold were due to higher unit costs, lower yields and lower tonnage milled. Vaal Reefs said yesterday production longer than expected, and an anticipated decline in grade from the main shaft took result, gold production affected by He said 60 000 tons of excess ore hoisted was stockpiled on the surface and would be drawn on over the next few months. Freegold increased tax profit due to proportionally lower unit cost increases than

RIAN SMIT

Elandstrand and Vaal Reefs, slightly higher gold production and the highest rand a kilogram price received by Anglo's operations — R38 892. Elandstrand's taxed profit of R31,8m in the June quarter, slightly higher than R29,5m in the September quarter. Cost per kilogram increased from 6,76g/t to 6,21g/t, while at Vaal Reefs the cost increased

from R120,7m in the June quarter to R130,3m in the September quarter. Commenting on Vaal Reefs' cost increase, Hewitt said it was expected quarterly increases for the rest of the financial year should keep pace with the consumer price index.

Royalty to South Vaal Holdings dropped 28% to R49,6m. Costs at Western Deep Levels were contained to a 5,7% increase, but taxed profit was down from R117,9m to R81,2m. The mine share of profit paid R16,2m in the March quarter. At Freegold, profit available increased by R1,2m in tax in the quarter, due to a 4% higher gold production at 3 010kg.

● See Page 6

Anglovaal misses R15m chance

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ROBERT GENTLE

ANGLOVAAL's four gold mines have foregone a potential profit of about R15m in the quarter ending March after the premature closing out of forward sales contracts on 8 692kg of gold

Analysts from Frankel Kruger Vinderne and Simpson McKie said, however, Anglovaal had not lost any money in the process. *8 May 2014/90*

It had merely missed out on a potential profit opportunity

Anglovaal said yesterday it had closed out the contracts "too early" in the quarter — towards the end of January — after taking the view that gold, then trading at about \$420 per ounce, had bottomed. In the event, the metal still had a long way to fall, and only bottomed out at about \$370 per ounce towards the end of March.

As Anglovaal's forward prices had been struck at about \$420 per ounce, the profit made by closing out the contracts at the January spot price of about \$420 could not have been very much.

"It was slightly better than break-even," Anglovaal GM Mines Finance Rob Wilson said.

However, had Anglovaal waited until the end of the March quarter when gold was trading at the \$370 level, it would have

locked in \$50 profit (the difference between the forward price of \$420 and the spot of \$370) on each ounce of gold

When applied to the 8 692kg of gold involved — comprising 5443kg at Hartebeestfontein, 2 643kg at Loraine, 513kg at ET Cons and 93kg at Village Reef — the potential profit foregone (before transaction costs) was about R15m

The analyst from Frankel Kruger Vinderne said while the lost profit potential was regrettable, it was always easy to speak after the event. Echoing this view was the Simpson McKie analyst.

Both said this was merely part of the ups and downs of hedging operations. Now that gold finally appeared to have bottomed, Anglovaal would enjoy the full benefit of the inevitable upswing.

On the downside, however, Anglovaal would find it difficult to lock in the same high prices as those that had just been closed out, and would to a certain degree find itself uncovered in the coming three quarters, they said.

Wilson said "We are watching the markets carefully. If we see an opportunity again, we will take it"

Higher costs and unrest trim profits at Anglo's Vaal Reefs

By Sven Lünsche

Higher costs and a disappointing performance by Vaal Reefs were key features of Anglo American gold mines results in the March quarter

The combined profits of all the mines fell by 15,2 percent to R444 million over the quarter

Vaal Reefs, one of the most consistent performers over the last few years, reported a 21 percent drop in attributable earnings to R60,8 million (December quarter R76,9 million).

Managing director of the gold and uranium division, Lionel Hewitt, says production at the mine was adversely affected by labour unrest and seismic events, particularly in the South Lease area.

Royalty payments from the South Lease area dropped by 28 percent to R49 million (R69,2 million), as the lack of available ore reserves, coupled with increased seismicity, continued to restrict production.

As a result, area mined declined by seven percent and, in conjunction with a drop in the grade to 6,64 g/t (6,86 g/t), gold production fell by seven percent to 17 818 kg

Total costs rose by about 17 percent to R23 959/kg (R20 416/kg), pushing unit costs well above the previous quarter's

Rand gold price

A 3,5 percent rise in the rand gold price to R33 610/kg (R32 480/kg) was not enough to offset higher costs and lower production levels.

Mr Hewitt is, however, confident that for the 1990 financial year cost increases will be limited to 16 percent and that Anglo Vaal results will improve over the remaining quarters.

He says, however, that the volatile labour situation in the first quarter had carried through to April

Sporadic labour unrest was experienced both at Vaal Reefs and Freegold and, according to Mr Hewitt, cost the former about two days in lost production

Freegold increased its gold production from R27 710/kg to R27 727/kg, a result of a higher average grade of 4,31 g/t (4,25 g/t), which more than offset the slight decrease in tons milled to 6,4 million tons (6,5 million).

The increased gold production, coupled with an improvement in the rand gold price from R32 461/kg to R33 892/kg, resulted in a rise in gold revenue to R947 million (R897,1 million)

Unit costs rose by 3,5 percent to R28 399/kg (R27 432/kg) and capital expenditure was higher at R121,4 million (R87,9 million)

Attributable profit rose by 6,4 percent for the quarter to R87,9 million (R82,6 million)

The main contributor to the good results was Freegold's North Region, which lifted profit to R63,6 million (R39,7 million), while earnings from the South Region were marginally lower at R95,9 million (R97,3 million)

Commenting on the recent tornado that hit Welkom, Mr Hewitt says gold production was severely affected, while the damage to homes and surface installations was estimated at R40 million

Freegold's March quarter coincided with the mine's year-end. For the year to end-March attributable profit was R347 million

A final dividend of 145c has been declared

Ofsil, whose sole interest is a 49,96 percent interest in Freegold, has declared a final dividend of 378c. Western Deep Levels' earnings were adversely affected by a fire at the East mine, which was reported

in the December quarter and continued to depress production in the March quarter

This reduced tons milled by three percent to 1,638 million tons and resulted in a four percent decline in gold production to 9 318 kg (9 757 kg) and higher unit costs of R135,28/ton (R129,88/ton)

Mr Hewitt says full production from the area is likely to be achieved in the third quarter

While taxed profits were down from R117,8 million to R81,2 million, a cut-back in capex to R58 million (R95,9 million) saw attributable earnings increase by R1,2 million to R23,2 million

Mill modifications

At Elandsrand production fell by 16 percent to 3 116 kg as a result of planned mill modifications, which took longer than expected

Much excess ore stockpiled on surface will be brought into account over the next few quarters, when the mine is expected to post improved earnings

Attributable earnings were down by R12 million to R15,2 million

At SA Lands, which is expected to close down in about three years' time, gold production increased by four percent to 372 kg and grade improved to 0,62 g/t (0,54 g/t)

Total cost increases were contained at three percent, boosting attributable profit to R1,15 million (R1,02 million)

Profit at ERGO rose by 45 percent to R15,4 million (R10,6 million) over the quarter, but for the year to end-March profit was down 27 percent at R48,07 million

Consequently the total dividend for the year was reduced by 30c to 105c a share after a final dividend declaration of 55c

Good results at Southgo mines

By Sven Lunsche ^{20/1/80} ²¹⁴ ^(20/1/80) plant.

The gold mining and treatment operations run by Southgo — Consolidated Mining Corporation's gold arm — produced good results in the March quarter, benefiting from a higher gold price and lower costs.

Star performer was West Witwatersrand Gold, SA's biggest opencast gold mine, whose taxed profit jumped by 53 percent to R3,57 million.

Production rose by 98kg, or 21 percent, to 572kg — the result of an overall better grade, a contribution of 112 kg from underground operations and the mine's new heap leach

West Wits has declared a maiden dividend of 5c for the year to March.

Nigel Gold, which has been responsible for the management of its neighbouring operation, Sub-Nigel, since April 1, reported taxed profit of R1,85 million, 17 percent up on the December quarter.

Production from Nigel's Droogebult section, bought from Gold Fields' Vlakfontein mine early in January, boosted underground production by 33 percent to 77 335 tons

The company says Droogebult got off to a slow start in January, when a virtually new labour force was recruited and had to be trained. However, good results came through in February and March

Wit Nigel reported improved profits for the fourth successive quarter. Net profit more than doubled from R207 000 to R467 000, with plant throughput continuing well above capacity.

Despite a higher gold price received of R33 387 (R32 804), Knights total revenue from gold and silver operations was slightly down at R11,03 million

Taxed profits declined to R3 million (R3,6 million) largely as a result of a fall in production to 330 kg (355 kg) and higher working costs of R8,63/ton (R8,16/ton)

Knights has declared a dividend of 6c a share for the 15 months to March

Threat to 18 gold mines

From MICHAEL CHESTER

JOHANNESBURG The future of 18 of the 31 gold mines in South Africa has come under threat as profits tumble into losses because of soaring production costs and low gold prices on world markets, according to information from the the South African Chamber of Mines

Mr Kennedy Maxwell, president of the chamber, confirmed that international bullion price levels needed to lift from around \$375 an ounce ruling at the moment to at least \$390 to save them from sinking into the red

"There are many mines under great strain to do something radical — or face closure," he said in an interview with The Star

"An alternative is debt-financing on a massive scale"

Alarm bells have been ringing since the gold price started a dramatic decline from above the \$420 level at the start of February

Jitters began to spread across the mining industry when Rand Mines confirmed this week that its ERPM

gold mine near Boksburg had seen its losses in the first three months of the year plunge to more than R20 million

"It is premature to talk about the risk of mine closures, but the situation looks extremely serious," said a Chamber of Mines spokesman

Mr Maxwell said that 15 mines were threatened with losses on their balance sheets if gold stayed below a break-even level now running at about \$390 an ounce — even if they did not count the cost of their normal capital expenditure programmes

If spending on modernisation or expansion was taken into account, the disaster list grew to 18

"Let's not speculate about the risk of closures, but the mines running at a loss between them employ a combined labour force of well over 116 000," he said

The 18 mines on the danger list of plunging into losses, in order of risk ERPM (Rand Mines) — Boksburg

- Venterspost (Gold Fields) — West Rand
- Western Areas (Johannesburg Consolidated Investments) — West Rand
- Durban Deep (Rand Mines) — Roodepoort
- L'oorfontein (Gold Fields) — Carletonville
- Libanon (Gold Fields) — West Rand
- Marievalle (Gencor) — East Rand
- Lorane (Anglovaal) — Welkom
- West Rand Consolidated (Gencor)
- Blyvooruitzicht (Rand Mines) — Carletonville
- Harmony (Rand Mines) — Carletonville
- Barberton (Gencor)
- Braken (Gencor) — Evander
- Randfontein Estates (JCI)
- Grootvlei (Gencor) — Springs
- Stiffontein (Gencor) — Klerksdorp
- Leshie (Gencor) — Evander
- Free State Cons (Anglo American) — Welkom
- Mr Maxwell said the danger list

had been worked on statistics showing mines sinking below break-even point if average gold prices stood at R33400 a kg (about \$390 an ounce) in projections running to mid-year

"The 1980s were something of a disaster for the gold mining industry," he said "It was during the past decade that our gold mines moved from being the lowest-cost producers of gold in the world to the highest

"Since 1980 our real annual profits have depreciated every year. A few weeks ago I had hoped that we would see the price of gold rise to between \$430 and \$450 per ounce during this year. That now looks like wishful thinking

"But even if it were to occur, our industry would be crucially dependent on the dollar/rand exchange rate remaining at its present level if we are to realise the sort of rand price for gold that we desperately need

"The message is clear. We are simply going to have to find ways of further improving our productivity and efficiency"

b/s/k M/C a/s 21/4/90 214

Ring-fence rules still halter mines

By Julie Walker

GENGOLD chief Gary Maude says the partial relaxation of ring-fencing in the gold-mining industry has done nothing to encourage the development of new mines.

The prohibition of offsetting a mine's development costs against the taxable income of another is the biggest stumbling block in the way of potential prospects.

The recent relaxation allows mines to offset 25% of their development costs only when they begin production. This can mean a costly delay of years, especially as SA's mining future is getting deeper. The industry desires total offsetting from day one of establishment.

Uncertainty

Mr Maude set the scene against a background of uncertainty prevailing throughout the year.

There has been a National Union of Mineworkers (NUM) campaign against alleged racial discrimination, embracing sit-ins, illegal strikes, intimidation and a backlash from some white miners.

Anglo American's Lionel Hewitt echoes the message. More than 26 000 shifts were lost at Vaal Reefs mine in the March quarter to unrest and seismicity.

The major grievances appear to involve two issues: preferential hoisting from underground of senior personnel, and allegations of racist practice in acclimatisation.

Mr Hewitt says that traditionally, miners in charge, team leaders and artisans are hoisted first so that they can file reports and order from the stores.

Acclimatisation is undertaken only by those who are susceptible to heat stroke where working temperatures underground exceed 27,5 deg C. This tends to incorporate mainly manual black work-

ers, although proto teams must also undergo it.

There are a host of minor grievances too, which are believed to reflect political conditions in the country.

Mr Maude said at a Gengold briefing on the March quarterly reports that any group mine which incurred losses for three successive months would be a candidate for closure.

It seems likely that Sturfontein could be the first casualty. Most of its Vaal Reef, which bore a good grade, has been mined out and the remaining sources are of low grade.

Bracken is also due to close in a couple of years, but will be mined out profitably. Shaft pillars are being extracted.

Grootvlei is probably the next on the danger list, but West Rand Cons has gained a new lease of life after good development results. Marie-

vale is in the throes of closure, but from next quarter the new Weltevreden mine will report separately.

Outside Gengold, East Rand Proprietary Mines has only R3-million of its loan facility of R300-million available. It lost another R20-million in the March quarter and needs a new source of finance.

Unexpected

Continued unexpectedly low recovery grades from certain areas were blamed for the losses, and more rationalisation is expected.

JCI disclosed as little as possible. The carbon-in-pulp plant is being wet-commissioned at Randfontein using existing plant tails in preparation for full production from the new plant. A large reduction in costs is expected.

Joel is still struggling because of varying grades, mostly low. Working costs

will be given from the new financial year.

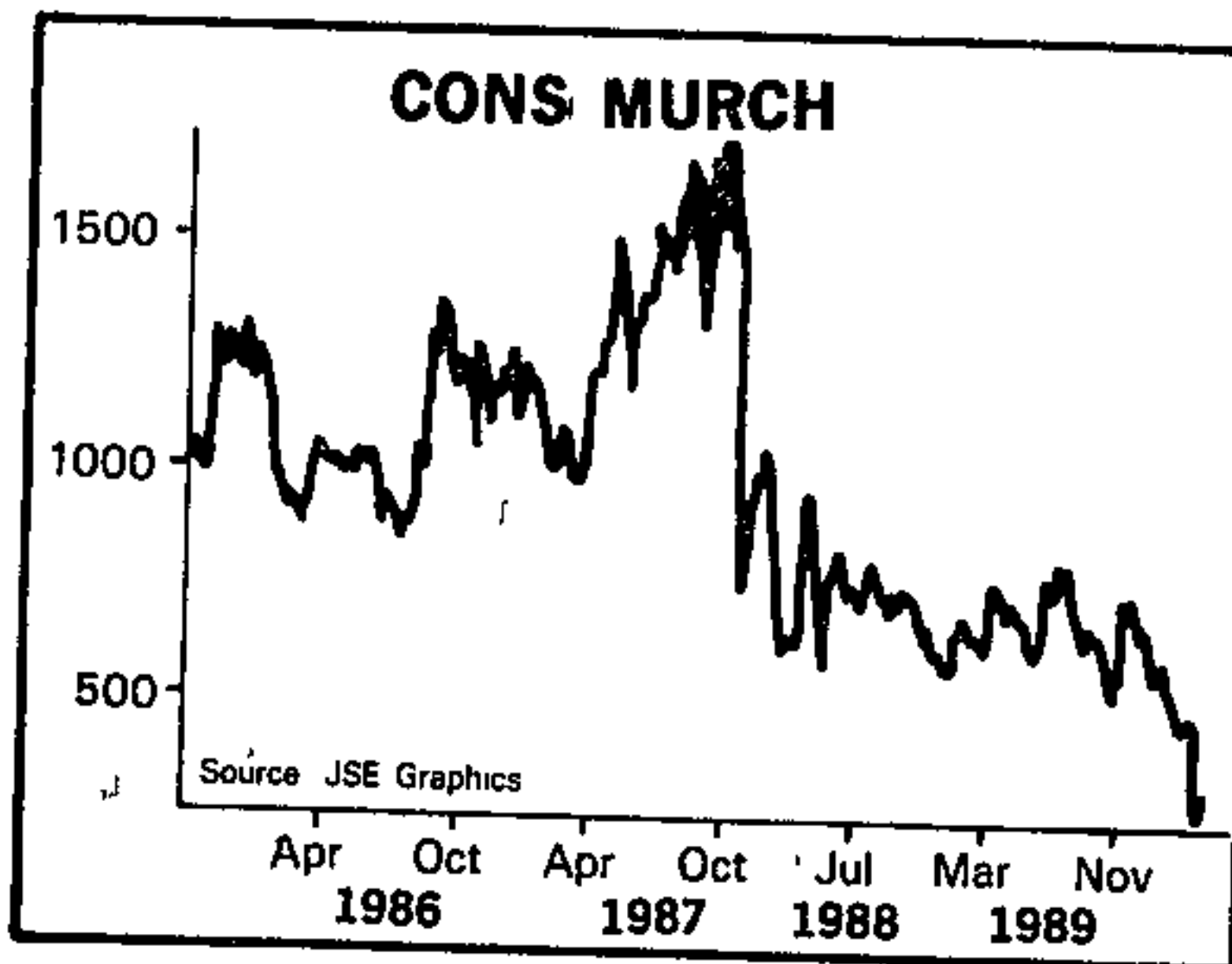
Three of Anglovaal's quarter fared well. The fourth — ET Cons — suffered a drop in grade which led to a smaller bottom line. Anglovaal's net tax bill was decreased slightly after the changes announced in this year's Budget.

All forward-sales contracts were closed out in the quarter, in which Harties achieved a particularly good price of R33 848 a kilogram.

The Southgo stable started to bear fruit, two of the four mining operations declaring maiden dividends. West Wits made a taxed profit of R10,4-million before R5,4-million of capital expenditure under new management.

It declared a dividend of 5c. The mine was previously part of Joe Berardo's group and was taken over by Southgo in a complicated deal last year.

Dump retreatment outfit Knights did well enough in its first year to declare 6c.



Breather for Cons Murch

221490
 Cons Murch seems to have won a brief reprieve after its directors warned shareholders about its doubtful prospects.

A month ago, the north-eastern Transvaal antimony and gold producer advised of its deteriorating cash position

Antimony sales have been depressed by weak dollar prices brought about by strong Chinese competition. China is willing to undercut the price to secure market share and earn foreign currency.

Gold production at Cons Murch has fallen in recent years, although it climbed in the March quarter. Increasing costs and strikes have also helped to squeeze the mine.

In the nine months to March, sales reached R24,6-million, but operating costs were R31,4-million. Capital expenditure of R4,2-million has also been incurred. The company's cash deficit amounted to R2,9-million.

The quarterly report to March announced that detailed technical and financial investigations had resulted in steps being taken to enable the company to continue mining at current levels while an evaluation of options was completed.

The financial position is not expected to deteriorate much in this time.

Anglovaal administers the mine and JCI manages it. It employs about 1 600.

The share price has fallen from 815c last July to 300c after bottoming at 250c in April. It was above R17 in 1987.

Egg in chartists' faces as the golden bull dies

91 Times 90
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THE gold bull is dead, technically and fundamentally, according to the respected International Gold Mining Newsletter for April.

It died on March 26 after egg was splashed on the faces of many chartists who saw their cherished resistance levels swept aside when Middle Eastern selling of 2-million ounces of gold crushed the price.

The bull market of 1989-1990 was the shortest ever, lasting only six months. No other has ever lasted less than a year.

The 200-day moving average has changed direction only 10 times in the past 20 years, last doing so in November.

It is set to do it again, unless the price can hold between \$370 and \$390 for the next month.

Fundamentally, gold failed to prosper while the world was suffering a bout of political and economic uncertainty.

banks are allowed to count as capital 45% of their unrealised gains on securities. This is shrinking fast because of the falls on world bourses.

Gold looks cheap in currencies other than dollars, but there are few buyers. It has hit a five-year low in Swiss francs. In German terms, the November peak in the gold price was the anomaly, not the most recent fall.

But two influences could have caused the heavy dumping of gold on a fragile market. The huge sell order originated in the Middle East the day before the start of Ramadan, during which devout Muslims refrain from trading for a month.

Ramadan ends this Thursday. An uncertain outlook for gold could have precipitated heavy sell-

ing ahead of a period of forced inactivity.

The second factor could have been the Indian Government's repeal of the Gold Control Act, which prohibited the holding of unwrought gold, limited goldsmith's stocks and restricted gold imports.

The newsletter says the decision triggered selling from suppliers elsewhere.

It says there is a good case for abandoning gold and its equity proxies, which are already down.

"The fundamentals suggest that the world economy is not overheating, there is no serious threat to world inflation, and moreover, interest rates are high and rising."

Gold should have been under-

punned by political instability, and the failure for it to do so is a mystery.

Australia faces a new administration with a small parliamentary majority and next year's gold tax, and South Africa must come to grips with the ANC's talk of nationalising the mines.

Malaise

"It remains to be seen if these events can lift gold from its current malaise. If they do, then the current bear sentiment (if not yet a fully blown trend) could also set a record for the shortness of its duration."

"However, if gold fails to break free from the shackles within the next few months the price consequences are dire. Gold will have lost its appeal to investors in troubled times, perhaps forever."

SA's squeezed mines face an even tougher path unless the gold price rallies or the rand collapses.

Retrenchment only as last resort, say mining houses

CAT Tink .23/4/90

21/4/90

FEARS of immediate job losses due to the possible closure of 18 marginal gold mines were dispelled at the weekend by mining houses.

It has been reported that 18 of SA's gold mines were in severe financial difficulties because of spiralling production and labour costs and the plunging gold price on world markets. This has added to fears of mine closures and large scale retrenchments of workers.

While some mining house spokesmen said their labour force had been curtailed in the past two to three years they said retrenchments were a last resort.

On mines where the National Union of Mineworkers (NUM) was recognised, employers said management had a policy of consulting the union on the numbers of workers to be retrenched and benefits to be paid out before measures were taken.

NUM spokesman Jerry Majatladı said it was impossible to judge managements' statements on the status of the mining industry had a monopoly on the industry and there was not enough information flow between the union and managements concerned.

A major problem was the NUM was not recognised on some of the 18 gold mines which meant the

union would not be consulted on retrenchments which were on-going, he said.

Rand Mines mines in danger of plunging into losses were ERPM, Blyvooruitzicht and Harmony mines and the Durban Deep mine in Roodepoort. The total workforce at these mines was about 65 000.

ERPM chairman Clive Knobbs said a decision on the future of the ERPM mine — where the company last recorded a profit in 1980 — would be taken in the next few weeks. The livelihood of 10 500 workers at the mine was at stake although no decision to retrench had yet been taken.

Majatladı has called on ERPM management to consult with the union to prevent possible retrenchments.

Knobbs said about 18 000 employees had been retrenched, transferred or employed in other positions on the company's gold mines in the past 18 months.

Apart from the impending threat to ERPM, the other three mines on the danger list were not seriously threatened.

Knobbs said a number of plans had been made to cut costs. These plans would be adopted in such a way as to enable ERPM to retrench as few people as possible.

Genmin senior consulting engineer Kobus Olivier said the min-

ing house had reduced its workforce by 25 000 over the past two years. This figure related to natural attrition, transfers, placements elsewhere and as a last resort retrenchments.

Genmin mines on the "danger list" with a combined workforce of 16 140 were Barberton, Bracken, Grootvlei in Springs, Leslie, Marievale on the East Rand, West Rand Consolidated and Stilfontein in Klerksdorp.

He said the mine most exposed to danger was Stilfontein. The company has said that if the current low gold price persisted shutting down operations would be considered putting in jeopardy the jobs of 4 750 people.

Marievale which employed 350 people was closing down as it was "worked out". Retrenchments have been in place there for some time.

Gold Field marginal mines included on the list were Venterpost, Doornfontein and Libanon minqith a total of 27 300 employees.

Other mines reported to be at risk were JCI's Western Areas Mine and Randfontein Estates with a combined workforce of 36 000, Anglo American's Free Gold mine complex where there are about 107 500 workers employed and Anglovaal's Lorraine mine with 9 000 employees.

No immediate retrenchment plans, say gold mine spokesmen

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FEARS of immediate job losses due to the possible closure of 18 marginal gold mines were dispelled by mining houses at the weekend

It has been reported that these mines are in financial difficulties because of spiralling production and labour costs and the low gold price. This has led to fears of closures and large scale retrenchments

While some mining house spokesmen said their labour force had been curtailed in the past two to three years, retrenchments were a last resort

On mines where the National Union of Mineworkers (NUM) was recognised, employers said management had a policy of consulting the union on the numbers of workers to be retrenched and benefits to be paid out

NUM spokesman Jerry Majatladi said it was impossible to judge managements' statements on the status of the mining industry as they had a monopoly and there was not an adequate flow of information between the union and managements

A major problem was that the NUM

ADELE BALETA

was not recognised on some of the mines concerned

Mines apparently in danger in the Rand Mines stable were ERPM, Blyvooruitzicht, Harmony and Durban Deep. The workforce at these mines is about 85 000

ERPM chairman Clive Knobbs said a decision on the future of ERPM, where the company last recorded a profit in 1980, would be taken in the next few weeks

Apart from the impending threat to ERPM, the other three mines on the danger list were not seriously threatened

Marginal

Genmin senior consulting engineer Kobus Olivier said the mining house had reduced its workforce by 25 000 in the past two years. This figure related to natural attrition, transfers, placements elsewhere and retrenchments as a last resort

He said the group mine most at risk

was Stilfontein. The company had said if the current low gold price persisted, shutting down operations would be considered, putting 4 750 jobs in jeopardy

Gold Fields marginal mines are Venterspost, Doornfontein and Libanon, which employ 27 300 workers

Company spokesman Attie Roets said there was no talk of closure or retrenchments at this stage.

Other mines reported to be at risk are JCI's Western Areas and Randfontein Estates, with a combined workforce of 36 000, Anglo American's Free Gold complex, where there are about 107 500 workers, and Anglovaal's Lorraine, which has 9 000 employees

JCI spokesman Anne Dones said there was no crisis situation.

Anglovaal spokesman Ray Moore said management was not considering retrenchments, or planning to shut down Lorraine

Anglo public affairs manager for the gold and uranium division Adrian du Plessis said closure would be considered only after all steps to restore profitability had been exhausted

Experts trim forecasts of precious metal prices

Blom. 23/4/90

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AUSTRALIAN and Canadian gold indices have retraced most of their late 1989 improvements, while the SA gold index has not, says UK-based S G Warburg Securities in its latest international mining outlook

Consequently, says Warburg, the share prices of high-cost, marginal SA gold-mining companies could be vulnerable at their current levels

Because of the recent sharp declines in the precious metals markets, Warburg has cut its price forecasts for all of these commodities. But the firm still looks for improvement later this year based on a weaker US dollar and possible labour troubles in SA.

One bright spot was the split of De Beers into its SA and overseas components, followed by a 5.5% rise in rough diamond prices. The stockbrokers feel that the market is underestimating the potential for De Beers and urges its clients to buy the shares at current levels

The firm expects base metals to remain firm, but warns its readers to beware of the summer doldrums

The base metals market remains

Business Day Reporter

very tight and there is little surplus stock. But because the normally quieter northern hemisphere summer period is approaching, there is concern that demand growth for some metals has fallen away recently. Consequently, Warburg expects softness in mid-year and still believes it is too early to be buyers of non-diversified non-metal stocks.

Commenting on the individual base metals, the aluminum market is in better balance, and consequently further price falls should be limited from current levels.

The supply of copper is estimated to rise later this year, which could result in falling prices from July. But no price collapse is expected

After rising sharply earlier in the year, lead prices should retreat, while nickel prices are also expected to continue to weaken

Zinc prices could test new lows by mid-year, but the outlook for tin is more encouraging with modestly higher prices forecast

UK funds invest in gold shares

Bl Day 23/4/90

LIZ ROUSE

FOR the first time in years, nine of the top 10 UK international offshore funds were gold-invested at the beginning of this year

The bulk investments were in gold mining shares, with the rest in direct metal holdings or options, reported Investment International, a UK financial publication which specialises in offshore investments

Performance ranged from M & G Gold Exempt's 27.8% leap to head the one-month league table, to ninth placed Ivory & Sime Atlas Gold, up 14.3%.

Gold gurus were predicting further gains of up to 15% during 1990; mining analysts were tending towards a more

cautious 6% at best, Investment International reported

This phenomenon in international funds' change of sentiment is emphasised by the fact that gold investments are counted among the worst five-year yielders for international funds

Forbes have two funds in the bottom rated half a dozen funds over a year — Gold Income (down 32% last year) and Gold Appreciation (down 36%)

The other worst yielders were currency funds investing in either Singapore or Hong Kong dollars, which both lost out against the US dollar, Australian stocks and UK smaller company

and property funds

Far Eastern funds maintained their stranglehold on the one-year listing, headed by J F Philippine (220% in 1989), MIM-Britannia Nippon Warrant (169%) and G A M Singapore & Malaysia (97%)

The only non-Far Eastern fund in the current top 25 is Brazilian Investment, up 77% over a year, dropping 22.9% on the current economic turmoil in the South American state

Jardine Fleming dominated the five-year listings — top with J S Philippine (up 2 117%), second with J F Japan (648%), fifth with Pacific Income (499%) and 11th with Pacific Securities (437%)

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March quarterlies reflect gold industry under siege

B7 Day 23/4/90 214

MARCH's gold quarterlies show an industry embattled on every possible front, including deepening labour problems. Industry spokesmen and analysts feel that labour problems could escalate as the time nears for the annual NUM-industry wage negotiations in May-June.

Selective analysis of the top 15 producers — which account for almost 90% of national output — shows declines in grades, gold recovered and profitability. During the March quarter, more jobs in gold mining were lost than created, less gold output led to falling foreign exchange earnings, and possible new gold mining ventures appeared more remote.

The 15 (Freegold, Vaal Reefs, Driefontein, Western Deeps, Southvaal, Harties, Harmony, Randfontein, Kloof, Western Areas, Elandsrand, Buffels, Beatrix, Winkelhaak and Kinross) received on average a slightly higher gold price in March, compared to December, in a quarter characterised by what has been described as the shortest gold bull market.

Given no significant upward movement in the gold price, industry spokesmen and analysts are expecting more mines to reach clinically bankrupt levels. And in spite of the higher gold price March on December, the quarterlies show an industry under siege from cost increases.

Measured on an annual March-on-March basis, the top 15 gold mines chalked up a 10,5% average increase in costs per ton milled. Four were well above the CPI: Freegold (17%), Vaal Reefs (18%), Southvaal (25%) and Western Areas (33%). Those at the other end of the scale included Har-

BARRY SERGEANT

mony (1%), Driefontein (-15%), Buffelsfontein (-1%), Winkelhaak (7%), Western Deep Levels (8%) and Kinross (9%).

Gold industry experts are starting to place more emphasis on cost per kilo of gold produced, which are increased in the March quarter. The latest figures compound the problem of falling gold production, which fell in 1989 by 13 tons to 606 tons. This was seen mainly as a result of declining grades — among Chamber of Mines producers, from 5,13g/t to 4,99g/t, the lowest level in SA history.

According to the chamber, the combination of lower grades, rising working cost and static gold prices during 1989 reduced the industry's 1989 average operating margin from 37,7% to 27,6%, equal to R8 696/kg produced. The position has now deteriorated further.

On cards

SA's top 15 gold producers reflected a combined market capitalisation of R57,7bn on December 31 1989. This had declined by 10% or R5,8bn by the JSE close on Friday.

March quarter on December quarter, the fifteen recovered 4% less gold, equal to 5 166kg, a loss of about R175m in foreign exchange. Average grades for the top 15 mines fell 4,7% over the period to 5,9g/t (6,2g/t).

Among the top 15 heavyweights, the finest performances were probably recorded by stalwarts Driefontein and Harties.

Of the six main mining houses, analysts agree that Gencor's Gengold turned out the finest March results. Unexpectedly good

figures were produced by Gengold's heavier counters, Buffels, Beatrix, Winkelhaak and Kinross. Among the independents, Southgo filed encouraging results, particularly for West Wits, SA's largest open cast gold mine.

The most worrying results were filed by ERPM. Rand Mines is now negotiating for survival of the mine and Stilfontein and Libanon are also on the cards for early closure.

Among heavyweights, GFSA's Kloof recorded a worrying decline in yields from 12,63g/t to 10,8g/t, but this is expected to be temporary. Vaal Reefs, the world's second largest gold mine, recorded a March output suggesting that its loss of about 10 tons a year since 1984 may remain permanent.

EDWARD WEST reports the Chamber of Mines Research Organisation (Comro) budget is to drop from around R70m a year to R40m due to a restructuring and a streamlining of the role of the Chamber of Mines (COM).

This emerged from an in-depth review of gold mine research needs in the light of changing economic and technical circumstances carried out by six major mining members of the COM, a COM statement said yesterday.

COM operations senior GM Horst Wagner said retrenchments would be inevitable and every effort would be made to ensure a fair retrenchment policy was applied.

The COM rationalisation would, in part, shift the task of developing and applying new technology to the mines and would not compromise the industry's safety thrust nor most other research needs of the industry, he said.

Takeover bid badly handled — Relly

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CAPT 71475
24/4/90

By **BARRY STREEK**
Political Staff

THE takeover bid of Consolidated Goldfields by Anglo American's European flagship, Min-orco, was not handled very well, the retiring head of the corporation, Gavin Relly, has admitted

He agreed that anti-South African sentiment played a role in the Min-orco business

"It is very difficult to avoid coming to that conclusion and I don't think we handled it very well

Image

"It might have been a different deal if we had been looking at it now," Relly said in an interview in the latest issue of Leadership

Asked what his role would be as Anglo's "roving ambassador", he replied: "Essentially, the Anglo American group needs to re-establish its image overseas

"SA's years in the wil-

derness have obviously had their impact on Anglo

"The group is nothing if not South African, and we ultimately have to be part of the expression of whatever SA is

"Now that Mr De Klerk has started clearing the political logjam, we can begin clearing the logjam of foreign perceptions of us as a mining group.

"It is envisaged that I should play this role particularly in Europe, historically the main source of Anglo American's financing

"So I will spend more time over there talking to people, as well as in our newly re-established Anglo American office in London," Relly said

In the same issue of Leadership, the new head of Anglo, Julian Ogilvie Thompson, said De Beers' relocation of its headquarters "obviously" did not indicate any lack of confidence of the situation in SA

De Beers had worked on the relocation of its headquarters "long before the developments of the last months came through"

Responsibility

"This is really a reflection of reality. As a board, our duty is to our shareholders

"In De Beers and the diamond business we believe we have a responsibility, in addition to the shareholders, to the diamond industry as a whole

"With an increasing proportion of our profits coming from outside SA, it seems sensible to separate the companies but to have the internal and external groupings stapled together, still working through the same board of directors," Ogilvie Thompson said

Krugers

JSE Closing
Buyers Sellers Sales

Relly speaks out on the ConsGold battle

BARRY STREEK

CAPE TOWN — The takeover bid for Consolidated Goldfields by Anglo American's European flagship Minorco was not handled well, according to former Anglo chairman Gavin Relly.

He said anti-South African sentiment had played a role in the battle.

"It is very difficult to avoid coming to that conclusion and I don't think we handled it very well," he said in an interview published in the latest edition of Leadership magazine.

"It might have been a different deal if we had been looking at it now."

Asked what his role would be as Anglo's "roving ambassador", Relly replied: "Essentially, the Anglo American group needs to re-establish its image overseas SA's years in the wilderness have obviously had their impact on Anglo.

"Now that Mr (F W) de Klerk has started clearing the political logjam, we can begin clearing the logjam of foreign perceptions of us as a mining group. It is envisaged that I should play this role particularly in Europe, historically the main source of Anglo American's financing.

"So I will spend more time over there talking to people, as well as in our newly re-established Anglo American office in London," Relly said.

In the same issue of Leadership, new Anglo chairman Julian Ogilvie Thompson said De Beers' relocation of its headquarters did not indicate lack of confidence in the situation in SA.

De Beers had worked on the relocation of its headquarters "long before the developments of the last months came through", he said.

"With an increasing proportion of our profits coming from outside SA, it

seems sensible to separate the companies but to have the internal and external groupings stapled together, still working through the same board of directors.

"This should facilitate making contracts abroad, or raising money if and when that becomes necessary to maintain the diamond trade in a future downturn," Ogilvie Thompson said.

Government was largely on the economic course the Anglo American and De Beers groups wanted.

Ogilvie Thompson said he found "encouraging" the consistency and determination of statements put out by government officials, in private and in public.

He said De Klerk was "highly responsive to the need, as we see it, for someone to cease being the last Afrikaner leader, great or otherwise, and be instead the first South African leader.

"... When we were younger, we saw our role in terms of what could be done to get government to change its tack.

"Certainly the Anglo American and De Beers groups thought government was on totally the wrong course.

"The course we wanted them to go on is largely the one they are on now."

He hoped government would eliminate the last vestiges of discrimination, such as the Land Acts and the Group Areas Act, quickly.

"Private enterprise will also have to do more. I think Anglo American should give thought to increasing its own activities," Ogilvie Thompson said.

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Wrong course

Tension leads to closure of shafts

TWO gold mines have closed shafts at their Free State operations in the past six weeks due to tensions underground and, in one case, fears of sabotage and violence. *Blom 24/4/90*

On Monday last week the Number 3 shaft at Anglovaal's Loraine mine was closed because management feared violence, sit-ins and the of sabotage underground, Anglovaal's public affairs manager Ray Moore said.

He said mine management had heard rumours and closed the shaft for the day shift rather than risk trouble underground. About 56 workers were dismissed "for incitement and failure to do their duties". A formal inquiry into their dismissals will be held.

Moore said the situation at the mine

BILLY PADDOCK

had returned to normal the next day. The general situation on Free State mines was fairly volatile with tensions between black and whites high at times.

Anglo closed its Western Holdings Number 2 shaft on March 9 "to ensure the safety of their employees" following protests at the mine, public affairs manager for gold and uranium division Adrian du Plessis said.

He said their had been "unprocedural protests underground" and mine management decided to shut the shaft and lose one shift's production.

National Union of Mineworkers assistant general secretary Marcel Gold-

To Page 2

Shafts closed

ing said it was unnecessary to close the Loraine mine shaft as there had been no threat to the mine "The rumours of sabotage are spurious allegations"

Workers had attempted to bring their grievances to management for a long time but were consistently ignored so they "took spontaneous action to draw attention to their grievances more

strongly" They were planning a sit-in underground, he said

He said mine management asked the workers to return to the surface to discuss the grievances but as soon as workers returned management reneged

"Mine security is then called and attack workers who retaliate and a vicious spiral is the result," Golding said

From Page 1

Gold expected to edge back into favour

TOP SA mines spokesman said last week he expected gold gradually to regain favour among investors, helped by efforts to build the economies of Eastern Europe's fledgling democracies

"I think there's quite a strong argument that the gold price must go up in the long term," Chamber of Mines president Kennedy Maxwell said in an interview

But he foresaw no major short-term gain as a result of nationalist tensions within the Soviet Union or US hints of possible reprisals against Moscow over its pressure on Lithuania to reverse its

drive for independence

The thawing of the cold war, strong steps in the 1980s to curb inflation in industrialised countries and an era in which interest rates on other types of investment gave a positive return against inflation had reduced gold's attraction for investors, he said

But the combined impact of the Third World debt crisis, upheavals in the high-risk junk bond market last year, and other debt-financing mechanisms could encourage people to again look at gold more as a monetary reserve than as just a commodity — Sapa-Reuter

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13/04/90

Hersov: R822m rights issue did not prejudice investors

BARRY SERGEANT

ANGLOVAAL chairman Basil Hersov, in a presentation to the Investment Analysts Society last night, outlined cautiously optimistic gold prospects in the Free State and rejected arguments that the company's R822m rights issue prejudiced investors

Hersov pointed out that contrary to some published views regarding its recently restructured capital — which resulted in the creation of "N" shares — the group had made a point of consulting with all its major shareholders about the proposals

"Anglovaal management visited all relevant financial institutions and put its proposals to them before proceeding with the capital restructuring. All those shareholders agreed to support our plans. In fact, there was no single vote against any of the proposals at any of our shareholders' class meetings."

"The restructuring enabled the company to raise a sizeable amount of new capital while maintaining continuity of the families' control, a distinctive feature of the company since inception and over its very successful history."

"The restructured capital also resulted in giving the previous non-voting shareholders a vote and in tidying up and simplifying a previously complex capital structure."

Hersov added that the group's Sun and Oribi gold prospects in the northern Free State were, despite extensive drilling, not easy to evaluate on knowledge of reef structures to date. He said the area explored by Anglovaal was about twice the size of the existing Free State gold fields.

He said that Anglovaal was looking for an *in situ* grade averaging more than 10g/t over the equivalent of a 3m channel for the primary reef. "With the depths mentioned, capex of about R2,5bn in today's terms would be needed to establish a mine."

So far, Anglovaal has drilled 64 holes, 17 of which are in the Oribi section. Of the 47 holes in the Sun area, 30 have been completed, while another 17 are being drilled and deflected.

A map disclosed that there was a cluster of 21 holes in the Sun South area. This covers about 10km by 6km, where Anglovaal is concentrating its initial interest.

Hersov said that drilling had indicated reef depths varying between very deep 2 700-4 400m below collar and that a primary reef horizon had been encountered.

24/11/90
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Genmin to raise R1bn for Oryx

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Mines launch rights issues worth R1,6bn

BIDAY 24/4/90

BARRY SERGEANT

TWO heavyweight developing mines, Oryx and Northam, are scheduled to come to the market within months with rights issues totalling R1,6bn.

Genmin, via Gengold, will issue new equity to raise about R1bn to fund further development of its Oryx gold mine, Gengold MD Gary Maude has confirmed.

The tentative date is mid-year Gold Fields of SA's (GFSA) final R600m-R650m Northam Platinum rights issue is scheduled for May-June, GFSA precious metals executive director Alan Wright confirmed last night.

Ed Hern, Rudolph Inc research head Tom Dale said "Although Oryx was intended to emulate the extremely successful innovative financing structure of Gengold's Beatrix, soaring interest rates have increased the risk profile of the Oryx funding mechanism to a level where further equity is advisable."

Details of the Northam rights issue has been known to the market for some time. The size of the Oryx rights issue was not known, but informed analysts had expected it to be about R500m-R600m.

The figure of R1bn has been met with some surprise by the market. Gold industry experts expect the rights issue details to be one for one, which would halve existing shareholders' interests.

The rights issues come at a time when the National Union of Mineworkers is negotiating its annual pay increases with mining houses. March quarterlies from gold mines have shown an industry suffering shrinking profitability, with deepening labour problems, including sit-ins, identified as one of the main problems.

John Clemmow of George Huysamer and Partners Inc said "The prospects for Oryx have deteriorated as St Helena's tax

shield for Oryx has not materialised because of a static — at best — gold price.

"The shareholders of Oryx will no doubt follow their rights, but other investors must consider the fact that Oryx will not pay dividends for many years and it is an extremely untradeable stock."

Oryx, which is in the Free State, will be one of the lowest cost producers in SA. A top gold analyst said that by the year 2000 Oryx could mill at a rate of 2,64-million tons a year at a yield of about 7,5 grams per ton, producing about 20 tons of gold a year.

This would rate it as the 10th largest gold mine in SA on current production figures.

The estimated working cost of about R15 a gram in current terms would rate the mine the lowest cost underground producer at R466/ounce.

The capital cost of the first phase of the project is estimated at R1,5bn in 1987 terms. Oryx recorded its first capex in the 1988 September quarter.

Gengold has indicated that initial stopping from the Kalkroenkran's reef will probably be delayed by six months because of the reef structure, but full production of phase one of 100 000 tons a month should be reached by mid 1993.

In November 1989 Gencor's stake in Oryx jumped to 90% with the acquisition of 29,9% of the mine's equity for R345m from RTZ Corporation.

Oryx is currently capitalised around R1,7bn, about 11th of all gold counters, about equal to its eventual rating in the production stakes.

The price is likely to increase as production builds up to reflect the potential rating of Oryx's low costs.

Mines seek R1,6-bn

Finance Staff

Gencor's Oryx gold mine and Gold Fields of South Africa's Northam platinum mine are set to launch rights issues worth R1,6 billion over the next few months.

It was reported today that the MD of Gengold, Gencor's gold mining arm, Mr Gary Maude confirmed that Oryx will have a rights offer valued at about R1 billion around mid-year.

Oryx had previously used Gengold's St Helena mine as a tax shield but the disappointing performance of the gold price have limited the amounts available from this source.

Oryx, which is located in the Northern Free State, is currently capitalised at around R1,7 billion and the capital cost of the first phase could cost up to R1,5 billion in 1987 terms.

The issue was initially expected to seek only about R600 million but escalating costs have pushed up the development estimates, analysts said.

Gencor controls about 90 percent of Oryx after it had acquired a 29,9 percent stake, previously held by UK's RTZ Corporation, in November last year.

The rights offer by Northam is expected to exceed R600 million and is the final issue by the platinum mine. It is scheduled for May or June.

● The continuing labour unrest at Free State gold mines, in the wake of the NUM's campaign against perceived racial discrimination on the mines, has forced two mines to temporarily close shafts over the last few weeks.

On March 2, Anglo American closed its No 2 shaft at Western Holdings, while Anglovaal's Lorraine mine last week shut-down its No 3 shaft for a day.

Hersov defends 'N' shares

By Derek Tommey

Basil Hersov, chairman of Anglovaal, has defended the recent change in the company's capital structure which enables the company to raise new capital without the controlling shareholders' losing control

He told the Investment Analysts Society last night that Anglovaal had consulted all major shareholders about the changes and there had not been one opposing vote

He also said that such was the confidence in the success of the group's R822 million rights issue that the London sub-underwriters had wanted to take up far more than the R100 million allotted them

Mr Hersov's defence of the company's new capital structure follows criticism of the creation by the company earlier this year of 'N' shares with one-fivehundredth of the vote of an ordinary share.

This change has enabled Anglovaal, by using the N shares, to raise fresh capital from the public while

enabling the founding families to maintain their voting rights and control of the company

Many investment analysts and commentators become aware of the new capital structure only when Anglovaal announced a R822 million rights issue early last month.

Mr Hersov said last night that Anglovaal had made a point of consulting all its major shareholders about the proposals. Its management had visited all those financial institutions and put its proposals to them before proceeding with the capital restructuring

"All of those shareholders agreed to support our plans," he continued

"There was no single vote against the proposals at any of the shareholders' class meetings"

He said the restructuring enabled the company to raise a sizeable amount of new capital while maintaining continuity of the families' control which had been a distinctive feature of the company

Anglovaal could have first super gold mine

SAW 24/4/90

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By Derek Tommey

Mining house Anglovaal could be on the brink of establishing the country's first "super gold mine" — a necessary development if South Africa is to continue to be a major gold mining country

Mr Basil Hersov, Anglovaal's chairman, discussing the group's prospects with the Investment Analysts Society in Johannesburg last night, said that if Anglovaal established a gold mine on its Sun prospect it would cost about R2,5 billion in today's terms.

A feature of the mine would be a single lift shaft going down some four kilometres below surface. Normally two shafts at different levels are used to lift ore from these depths to the surface.

Mr Hersov said the cost of the mine made it essential for Anglovaal to have a high level of confidence in the estimated ore reserves, in its ability to meet the design criteria and in the estimated cost and production levels

Anglovaal's Sun and Oribi gold prospects in the Northern Free State covers an area about twice the size of the existing Free State gold fields

So far Anglovaal had drilled 64 holes of which 17 are in the Oribi section.



BASIL HERSOV

Of the 47 holes in the Sun area, 30 have been completed, while another 17 are currently being drilled and deflected.

A cluster 21 holes has been sunk in the Sun South area which covers about 10 kilometres by six kilometres and is where Anglovaal is concentrating its initial interest.

Mr Hersov gave no details of drilling results. But he said that Anglovaal is looking for an in situ grade averaging more than 10 g/t over the equivalent of a three-metre channel width for the primary reef — which suggests that Anglovaal has found values of this nature.

He said drilling had indicated

reef depths varying between 2 400 metres and 4 400 metres below surface and that a primary reef horizon had been encountered

Geologists will find it of some interest that the reef does not seem to be the same as that worked by the other Free State mines.

"Indications are that we are dealing with a deposit where the depositional conditions are not necessarily an extension of those in the Free State gold fields," he said.

Therefore, as Anglovaal had no geological model to follow, it had to carry out more work than usual in order to develop its own model

He said the drilling programme was aimed at identifying at least one continuous reef of consistently good grade, of substantial tonnages, of the order of three metres in width, relatively unfaulted, flat dipping, capable of sustaining an initial milling rate of some 3 million tons a year, and within reach of a single-lift shaft from the surface.

Anglovaal's drilling programme was also aimed at identifying other payable reefs in the vicinity of the primary reef.

Mr Hersov said that should the drilling successfully attain these objectives, Anglovaal engineers

will be able to engineer "desirable aspects" into any future mine design and enhance the viability of new mining operations.

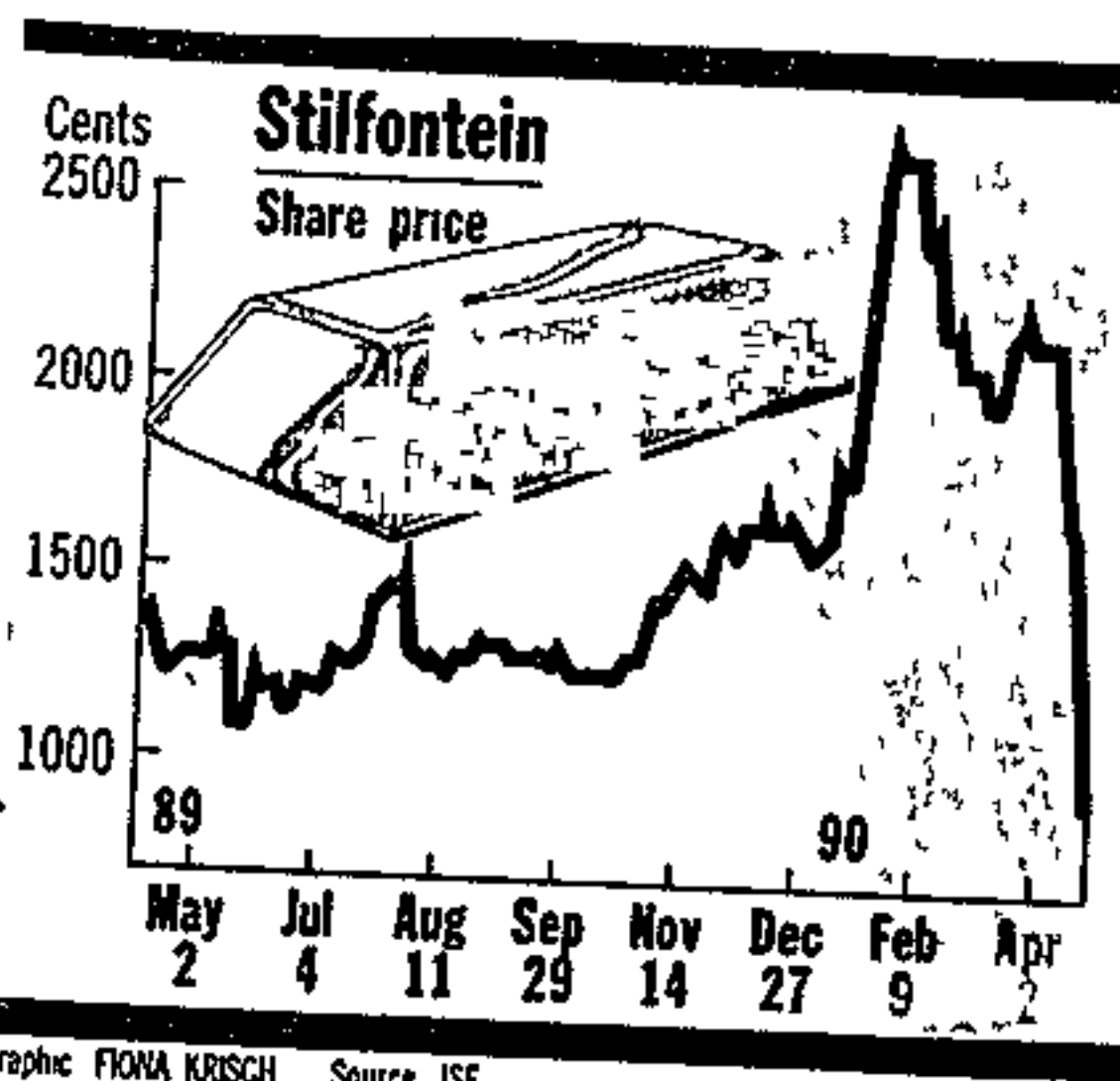
Desirable aspects

These desirable aspects include:

- A single-lift shaft system which would give earlier access to the primary reef than a conventional surface and sub-vertical shaft system. It could also lead to a saving of about a year or more in bringing the mine to production.
- A high degree of mechanisation in the primary reef with consequential working cost benefits;
- Minimal off-reef development to the extent that even infrastructural development could be placed in the mined-out and back-filled areas;
- Concentrated mining;
- Concentration of services and environmental conditions, and
- Selective mining of other reefs, some of which could be in the distressed zone of the primary reef.

Mr Hersov said the eventual mining rate will depend on many factors, not least of which will be the initial proven payable ore reserves — "read against the desirability of establishing a mine with an initial life of at least 20 years."

● See Page 19



Graphic: FIONA KRISCH Source: JSE

Marginal mines' shares battered

MERVYN HARRIS

SHARES of marginal gold mines were battered on Diagonal Street yesterday and even a firmer gold price failed to spark buying in the rest of the market, which remained despondent.

Stilfontein Gold Mine, under threat of early closure, plummeted 44% to surpass its low of R11 a year ago and closed at 925c. The shares hit a low of 750c but Brussels shareholders, who have a stake of about 60% in the company, provided support.

Analysts said if the mine was to close, shareholders could be paid out a final dividend of up to 500c or 600c.

Libanon, which is also battling to survive, fell 13,6% or 75c to a new year low of 475c after peaking at R10,50 at the end of January. Durban Deep fell 13,6% or 300c to R19 after peaking at R41 in February.

Dealers said the weak gold price, rising costs and looming wage negotiations weighed on the gold market.

Reflecting the general downward drift in share prices, the JSE overall index declined 16 points to close at 3 017 — despite gold rising \$2,50 in London yesterday — to end at \$378,25.

Stewart Penn, of Greenwich Futures and Options Brokers, said: "We expected the market to perform after the overnight rise in the gold price. But it has done nothing. This reflects nervousness and bearish sentiment, but if gold breaks through to \$382 we could see short-covering in futures."

The June all gold futures contract is trading at a 23-point premium to the spot market, while the June all share and industrial contracts are trading at slight discounts to the cash market.

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81 Dan 25/4/90

Chamber: R30m budget cut will not retard research

THE R30m reduction in the Chamber of Mines Research Organisation (Comro) budget will compromise neither the gold mining industry's research needs nor its safety thrust, says the chamber.

Comro's budget was cut from about R70m to R40m after the six major mining houses had conducted an in-depth review of their research needs in the light of economic and technical circumstances.

The chamber said in a statement several research projects had

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reached the stage where they could be taken over fully or partially by mines themselves.

These included mine cooling and support systems, and improved stopping methods which would result in safer and more productive mining.

Research on human factors in the industry would also be handled by the mines and groups themselves.

Comro would continue its research into rock pressure problems

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which the organisation called "the most crucial stumbling block to the exploration of deep ore bodies".

The organisation would also continue developing rope hoisting systems to extend the range from 2 600m to 4 000m in depth, and blind-hole boring techniques for faster and more economic shaft sinking.

Senior GM operations Horst Wagner declined to say how many employees would be affected, because details had not been finalised.

13/04/90 2:37 PM

RM Prop profit lower

25/4/90
CHARLOTTE MATHEWS (214)

A MARKED decline in the contribution of Rand Mines Properties' gold recovery operations eliminated the benefits of increased revenue from the sale of township land.

The group posted attributable profits for the six months to March of R9,3m, 25% lower than the R12,4m achieved in the previous interim period.

As a result the group is revising its forecast made in the 1989 annual report for after-tax profits in the year to September of R20,4m.

The group is now forecasting profits of about R17m and a total dividend which is likely to be under last year's 140c a share.

An interim dividend for the six months to March of 40c a share, unchanged from the previous year, has been declared on earnings of 75c (100c) a share.

While the operating profit of the property division rose by 86% to R9,1m (R4,9m), the operating profit for the gold recovery division dropped by 81% to R2,5m from R13,2m.

The Crown Mines and City Deep plants produced 1,654kg of gold compared to the previous year's 1,762kg. Grade declined to 0,43g/t from 0,45 g/t.

The two plants together returned operating profits of R1,6m compared to R12m in 1989.

Operating profit at the Pilgrim's Rest gold plant fell to R877 000 from R1,2m.

The group's income statement benefited from higher interest received of R5,6m from R1,6m. Cash and gold on consignment now total R51,5m.

Chairman Dammy Watt said last year the group was unlikely to need to resort to borrowings and short term financing would be met by overdraft facilities already provided for.

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13/04/90

Gencor maintains dynamic growth

26/4/90

Finance Staff (214)

Mining house Gencor maintained its dynamic growth rate in the six months ended February, increasing attributable profits by 55 per cent to R707 million. Earnings on the enlarged share capital rose 29 percent from 46,5c to 60,1c and the 14c interim dividend is 17 percent higher than last year's 12c.

However, the executive chairman, Mr Derek Keys, has expressed caution about the second half-year profits.

He reports that commodity prices have fallen and the second half-year profits were likely to be lower than those in the first half. But earnings a share should show an increase on last year.

The past six months have been ones of significant expansion for Gencor. In this period it started a new gold mine, Weltevreden, obtained a significant stake in Western Platinum Mines and created a new energy company, Engen.

Engen is proving to be a highly profitable operation and made a maiden contribution of R91 million to group profits for the six months, contributing 13 percent of the group's income. This makes it Gencor's fourth largest profit generator.

Another R25 million, earned by recently acquired Mobil in July and August last year is not included in the half-yearly profits.

However, the major contributor to Gencor's profits remains Genmin which provided R288 million or 41 percent of the group's R707 million attributable income. Samancor contributed the bulk or R211 million of Genmin's slice. The increased earnings from metals and minerals includes a

contribution from Alusaf for the first time.

With the benefit of high interest rates and rights issue cash raised by both Gencor and Genbel, the contribution made by Genbel and investments division rose sharply and the division becomes the second largest contributor to Gencor's earnings at R169 million. It generated 23 percent of the group's total earnings compared with the 16 percent or R74 million last year.

Sappi which contributed 22 percent or R155 million of the group's total attributable income, is being affected by lower levels of demand as is the Malbak group of companies.

Assets

The group's balance sheet has only R450 million in long-term loans against assets with a market value of R17 648 million. Gencor's net asset value rose from 1034 cents a share at February 28 last year to 1462 cents this year.

Gencor's parent, Gencor Beherend, which draws its only income from its 54,7 percent investment in Gencor benefited from Gencor's improved results.

Its earnings also climbed 29 percent from 42,5 cents a share to 54,7 cents. Out of this Genbeheer has declared a 12,5 cents a share interim dividend, 16 percent ahead of last year's 10,8 cents.

Genbeheer's net asset value a share at February 28 was 1066 cents (686,5 cents), while the company's value based on the underlying value of the Gencor's assets amounts to 1327 cents a share (951 cents).

Rand Leases is worried about interest

The borrowings of Severin Mining's Rand Leases goldmine increased to R24,4m during the March quarter and interest payments were "a major source of concern", directors said in their report for the quarter.

Swan 27/4/90

Rand Leases directors cautioned shareholders on

RIAAN SMIT

Wednesday they were considering proposals to restructure the company after the share price fell 24% (30c) on Monday.

Eersteling goldmine's taxed profit declined sharply from R494 000 in the December quarter to R10 000

in March. Losses for the year to date amount to R613 000.

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The mine's yield dropped by more than 1g/t to 3,4g/t and directors said it was as a result of drives which had to cross barren areas.

Capex was R658 000 with commitments of R128 000.

ANGLOVAAL ^{FIM} 27/4/90 (214)

More light needed

Anglovaal chairman Basil Hersov's presentation to the Investment Analysts' Society this week offered little substantive new information about the Sun/Oribi gold prospects in the Free State ahead of the group's R822m rights issue. Nor did he remark on the fact that Anglo and Old Mutual will be the issue's joint underwriters. Presumably Anglo's participation implies some further co-operation between the two mining groups,

(214)
possibly joint development of the Sun gold prospect in the OFS FIM 27/4/90

What has emerged is that a decision to develop a new mine is unlikely until 1991. And while Hersov goes to some lengths to spell out the size of the prospect area and the need to establish an extensive and reliable information base, he still treats outside shareholders disdainfully by refusing to disclose borehole results. Would Anglo and Mutual agree to buy a pig in a poke?

Nor does Hersov offer any clear indication of the probability of a go-ahead decision.

To emphasise Anglovaal's dilemma, Hersov notes that the Sun/Oribi prospect area is twice the size of the existing Free State gold mines. Reef depths in the Sun area, where drilling is being concentrated, vary between 2 700 m and 4 400 m and the group's geologists believe the depositional conditions of the deposit are not necessarily an extension

Tough choices

Gold mining is faced with some tough choices as the gold price remains bogged down below US\$380 and as the NUM grinds for tough wage talks (see *Current Affairs*). A dozen or so mines are earning too little to cover working costs and necessary capital expenditure and at least two are staring closure in the face. **FIM 271470**

Anglo's large mines are minimising the squeeze by maintaining high milling rates to contain unit cost rises. In contrast, Gencor's small marginals have cut production and labour forces to curb costs while lifting revenues by high-grading. It is probably still too early to decide which is the correct strategy.

there is one But as gold remains strait-jacketed the contrast between the short-term profit performances of the two groups' mines could become startling

A major problem is that gold's latest dollar price decline has not been matched by a countervailing shift in the rand/dollar exchange rate That has forced veteran producers ERPM and Stilfontein to warn shareholders of possible closure At the other end of the scale, Oryx needs further development capital and is planning to raise a further R1bn-odd to bring the mine to production The timing is hardly opportune, but Oryx has been financed under St Helena's tax shield and low gold prices have restricted St Helena's cash flow and its ability to provide tax-saving financing benefits

In this year's March quarter, when gold prices averaged around \$410/oz, seasonal factors and some technical problems resulted in reduced ore production at all Anglo's gold operations But that did not signify a change in the operating strategy, merely fewer working days because of holidays and the effects of underground fires and seismicity

Elandsrand was the worst affected, though the grade drop from the main shaft and the temporarily lower milling rate because of modifications were both expected The monthly milling rate will build up to

200 000t in 1993 though some further grade deterioration is possible as greater tonnages are drawn from the sub shaft While this is going on, comparatively heavy capital spending will crimp distributable earnings

Next door, Western Deep Levels continued to suffer from the fire detected in the December quarter The fire has extinguished itself and the mine is gradually re-opening stope faces The share's rating remains affected by the fact that gold production is growing more slowly than originally forecast, but that could mean the rerating will be rapid once production gets back on track

Seismic events hit output

Vaal Reefs' production was clipped by seismic events, particularly in the south lease area which provides Southvaal with its income They have been affecting output for some quarters and optimal production will only be achieved towards the end of 1990 when an extensive development programme will have increased stope face flexibility

Ergo's grade difficulties seem to have been resolved, with recovery restored to a more normal 0,32 g/t in the March quarter. The improvement was mainly at the Ergo division, even though milling rates were affected by sporadic power outages caused by electrical storms Grade should be maintained in

the present area for the next couple of quarters while processing rates are slated to rise.

In the OFS, Freegold was hit by the March 20 tornado which cut power to some shafts and mills for several days Nonetheless, higher gold grades generated by the south and north divisions offset the quarter's lower milling rate and lifted gold production fractionally Profits remain highly leveraged to the gold price So, too, are available earnings as the mine is likely to lift capital spending when gold price advances boost revenues

Gencor's strategy of containing costs by curbing production, laying off men and high-grading continues to work, but its limits are plain Stilfontein, for example, simply does not have the underground reserves to allow selective mining of richer areas and, according to gold division head Gary Maude, the mine could face closure if the gold price and cost inflation rates remain at present levels.

Stilfontein's richer Vaal Reef reserves have been mined out and the poorer VCR simply cannot be mined at a reasonable profit Next door, Buffelsfontein has proved it can maintain gold production and, with capital expenditure likely to remain at modest levels while gold's price remains flat, the mine is a steady income generator Plans for sinking the Strathmore tertiary shaft remain

GOLD QUARTERLIES

	Gold										Profit		Earnings	
	Produced kg	Working cost R/kg \$/oz*†	Cost Incl Capex R/kg \$/oz*†	Revenue R/kg \$/oz†	Milled 000 t*	Recovery g/t*	Gold R'000	Uranium & other R'000						
ANGLO AMERICAN														
Elandsrand	3 116 (3 707)	22 808 277 (230)	30 989 376 (333)	33 495 405	497 (548)	6,3 (6,8)	31 782	313		6				
Ergo	3 010 (2 957)			33 818 412	9 463 (9 556)	0,3 (0,3)	29 825			33				
Freegold	27 727 (27 710)	28 399 344 (324)	32 780 398 (362)	33 892 411	6 434 (6 513)	4,3 (4,3)	159 600	33 300		53				
Vaal Reefs	17 818 (19 067)	23 959 291 (241)	28 252 343 (302)	33 610 407	2 684 (2 778)	6,6 (6,9)	170 100	-24 100		231				
Western Deep	9 318 (9 767)	23 781 288 (266)	30 006 364 (383)	33 676 408	1 638 (1 689)	5,7 (5,8)	91 100	6 300		84				
ANGLOVAAL														
ET Cons	867 (912)	18 232 221 (209)	22 633 275 (285)	33 746 409	93 (93)	9,3 (9,8)	13 451	430		85				
Hartebeestfontein	8 043 (7 989)	20 260 246 (236)	20 800 252 (244)	33 867 411	1 247 (1 253)	6,5 (6,4)	109 536	10 196		41				
Lorraine	1 979 (2 026)	32 761 397 (390)	33 165 402 (398)	33 184 403	395 (395)	5,0 (5,1)	838	5 490		19				
GENGOLD														
Beatrix	3 250 (3 300)	19 623 238 (226)	21 089 256 (234)	33 637 406	524 (532)	6,2 (6,2)	45 881	-10 451		27				
Bracken	530 (520)	31 243 379 (368)	28 919 351 (371)	37 775 411	140 (145)	3,8 (3,6)	3 435	873		24				
Buffelsfontein	3 696 (3 700)	26 742 324 (313)	27 245 330 (316)	33 755 411	587 (596)	6,3 (6,2)	26 350	5 485		178				
Grootvlei	662 (852)	33 462 406 (329)	33 011 400 (328)	33 959 414	174 (210)	3,8 (4,1)	394	3 631		21				
Kinross	3 060 (3 056)	19 039 231 (226)	19 696 239 (255)	33 933 413	518 (535)	5,9 (5,7)	46 777	3 254		91				
Leshe	736 (742)	26 329 319 (302)	24 586 298 (312)	33 898 413	166 (172)	4,7 (4,3)	7 332	1 100		30				
St Helena	2 620 (2 710)	27 777 337 (314)	27 546 334 (316)	33 620 396	437 (478)	8,0 (5,7)	15 664	2 705		105				
Stilfontein	1 154 (1 333)	33 710 409 (360)	32 376 393 (347)	33 672 408	450 (528)	2,6 (2,5)	25	2 594		21				
Unisel	1 250 (1 620)	23 957 291 (226)	27 092 329 (245)	33 840 413	212 (261)	5,9 (6,2)	12 648	127		13				
WR Cons	530 (588)	32 140 390 (341)	29 979 364 (340)	33 585 409	217 (225)	2,4 (2,6)	785	1 656		48				
Winkelhaak	3 202 (3 080)	20 351 247 (250)	26 721 324 (337)	33 779 412	540 (535)	5,9 (5,8)	45 266	4 100		103				
GFSA														
Deelkraal	2 421,3 (2 379,9)	20 553 249 (240)	26 266 319 (339)	33 444 406	405 (405)	6,0 (5,9)	31 328	4 253		15				
Doornfontein	2 052,5 (2 065,2)	29 599 359 (364)	32 726 397 (412)	33 985 412	390 (390)	5,3 (5,3)	9 084	1 400		8				
Drie Cons	12 843,1 (13 284,1)	17 068 207 (196)	20 283 246 (244)	33 691 409	1 992 (1 821)	6,4 (7,3)	213 494	21 510		35				
Kloof	5 814,0 (6 822,5)	18 345 223 (175)	32 915 399 (325)	33 652 408	540 (540)	10,8 (12,6)	89 311	7 865		8				
Libanon	1 749,9 (1 801,1)	34 000 412 (378)	36 574 444 (405)	33 742 409	415 (435)	4,2 (4,1)	-359	1 332		-10				
Venterspost	1 588,5 (1 526,1)	31 865 387 (385)	36 759 446 (489)	33 766 410	390 (415)	4,1 (3,7)	3 098	3 996		-18				
Vlakfontein	141,5 (308,0)	34 989 424 (366)	34 749 422 (379)	34 030 413	123 (210)	1,2 (1,5)	-123	94		-0				
JCI														
Randfontein	6 950 (7 168)	27 702 336 (325)	30 313 368 (374)	33 514 407	2 279 (2 240)	3,1 (3,2)	41 254	7 070		44				
Western Areas	3 829 (3 855)	33 761 410 (386)	34 743 421 (400)	33 437 406	865 (913)	4,4 (4,2)	-975	2 693		-5				
RAND MINES														
Blyvoor	2 421 (2 249)	28 860 350 (377)	29 157 354 (381)	33 886 411	603 (572)	4,0 (3,9)	12 712	811		44				
Durban Deep	948 (928)	30 535 370 (356)	11 762 143 (361)	33 879 411	414 (405)	2,3 (2,3)	3 170	-674		872				
ERPM	1 569 (1 839)	42 456 515 (403)	42 456 515 (423)	33 581 407	704 (786)	2,2 (2,3)	-13 924	-6 313		-121				
Harmony	7 249 (7 297)	31 773 385 (360)	32 318 392 (369)	33 691 409	2 380 (2 392)	3,1 (3,1)	13 899	6 718		4				
INDEPENDENT														
Cons Modder	627,2 (723,7)	27 741 337 (274)	27 741 337 (274)	33 229 403	128 (124)	4,9 (5,8)	3 442	-1 906		-				
Modder B	46,7 (41,6)	26 517 322 (345)	26 517 322 (345)	33 375 405	8 (7)	5,8 (5,8)	320	-113		1				
South Road	308,5 (263,5)	29 031 352 (393)	29 031 352 (393)	32 969 400	84 (83)	3,7 (3,2)	1 215	-143		8				

* Figures in parentheses refer to previous quarter † Calculated at R1=\$0 39 when dollar figure not given by mine § Quarter ended February 1990 (Previous = November 1989) ‡ Earnings after tax and capital expenditure ◆ Excludes amount written off mining rights and titles † Cost after capital appropriation

on ice

Matters are not quite as bad at the other marginals, but Maude now reckons Bracken's remaining life at two years, half the official estimate of the past 20 years. It is unlikely that life will be extended no matter what happens to the gold price. Things are different at neighbouring Leslie. It continues to maintain profits by high-grading, but a strong increase in the gold price could make large tonnages of sub-marginal ore payable.

That, though, would be accompanied by corresponding cuts in the mine's average grade and not lead to any improvement in dividend potential. Meanwhile, production will remain hampered until sufficient stope faces are opened in the northern block.

Still in the Evander area, Kinross continues to turn in steady performances and lifted its average grade in the March quarter. Major capital spending remains confined to the two declines and, once they are completed, little additional capex should be incurred. Hopes of finding payable ore outside the mine in the Witkleifontein area have been dashed by exploration.

Winkelhaak, too, lifted its recovery grade but cut capital spending and suffered a sharply higher tax bill. The result was taxed earnings rose comparatively slowly and gold's latest price performance points to an earnings drop this quarter. Grade could improve further as the No 6 shaft area is opened up. Sampling and drilling have indicated good grades in the area.

Marievale has, to all intents and purposes, given up the ghost. It is being operated by Grootvlei but no longer publishes separate operating results. Grootvlei itself is suffering from reserve problems and the age of its equipment. A timber collapse in one shaft cut the milling rate and contributed to the cut in the recovery grade to 4,0 g/t in the March quarter. Grade volatility is not unexpected as the mine works the highly-variable, though potentially rich Black reef.

On the other side of the Rand, West Rand Cons continues to plough profits into developing new underground ore reserves. The idea is the mine will have adequately blocked out reserves to mine when gold prices improve but will also exploit whatever payable ore current development opens up.

In the OFS, Unisel lost some of its lustre as the underground fire cut the milling rate and recovery grade. Difficulties were compounded by a six-day strike. However, these short-term influences can reasonably be ignored and investors are better advised to concentrate on longer-term prospects. Milling rates are slated to rise and grade stabilise around 6 g/t, with development into the Tarka and Jurgenshof areas a couple of years hence. That is expected to be accompanied by stabilisation of the overall recovery grade in the 6 g/t region.

Beatrix continues to perform steadily and, because of its comparatively low production costs, should form part of any gold portfolio's core holdings. Beatrix (the investment rather than the mine) receives 15% of the revenue

generated by the mine and 84% of the mine's profit after tax and capital expenditure, and its earnings are not highly leveraged to the gold price. In contrast, St Helena is just managing to maintain the margin between costs and revenue. Gold production fell in the March quarter as an increase in the mine's average recovery grade failed to compensate for a lower milling rate.

JCI's Randfontein has taken a fresh look at its relatively low-grade Doornkop section and decided to cut production and mine more from the richer Cooke section. That helped the underground grade, which rose to 3,84 g/t from the December quarter's 3,75 g/t, but overall grade fell as milling of surface dump material was increased to keep the mill full. Emphasis at Doornkop is being placed on gaining access to the section's higher-grade areas. The next development is to be a carbon-in-pulp plant to be financed with outside capital.

Gold mining at Western Areas slid into the red again as unit costs rose sharply in response to a lower milling rate. The idea was to concentrate on mining richer ore zones, but gold production slipped and higher working costs more than eliminated the increase in revenue from gold. Uranium made up the difference and allowed the mine to report an overall operating profit. But that was too small to cover capital spending.

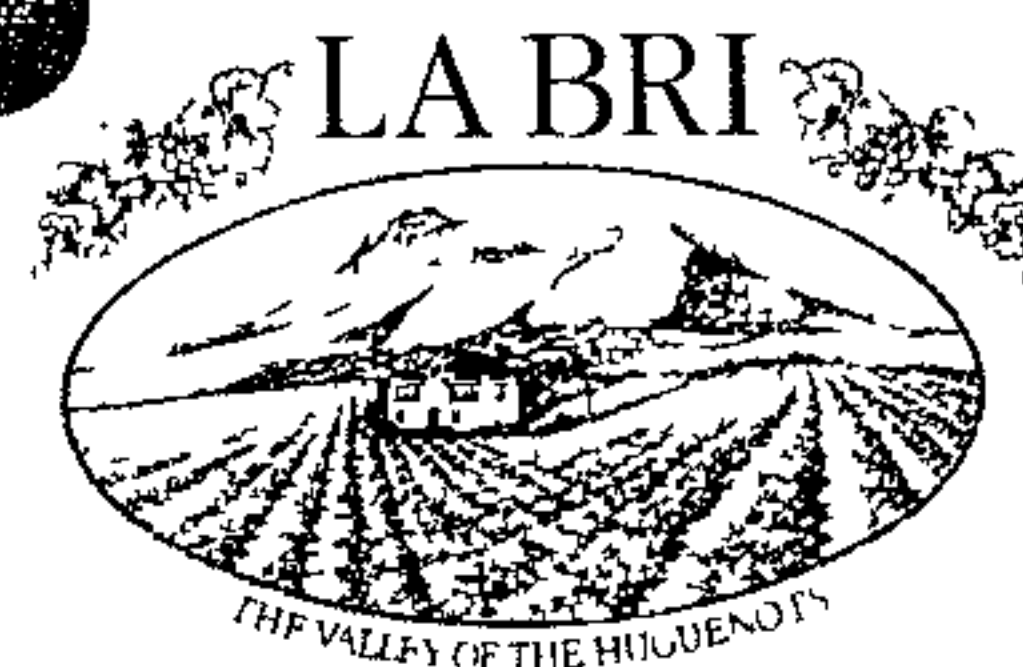
Chairman Ken Maxwell would not be drawn on Western Areas' likely participation in JCI's South Deep. Western Areas is financing the twin underground haulages being driven to South Deep's main shaft site and Maxwell says that once South Deep gets the green light, Western Areas' expenditure on the completed haulages will be taken into account.

Joel is developing towards its eastern and western boundaries and, as a result, the quarter's recovery grade fell as greater tonnages of development ore were milled. The mine is only likely to generate profits towards the end of the year, when it will start reporting full quarterly results.

How much more money is Rand Mines prepared to throw at ERPM to keep it afloat? In the March quarter, the mine notched up a R20,2m loss despite the fact that it capitalised R2,4m in interest charges. The R300m loan facility has been full drawn down and management is investigating alternative means of financing the mine. Is there much point?

Production cut-backs in the March quarter, intended to boost the average underground gold recovery grade, were accompanied by a grade cut to 3,19 g/t from 3,64 g/t, while the sands treatment plant seems incapable of lifting grades back to the 1,53 g/t level of 1989's September quarter. Still, gold recovery from the sands plant was a profitable 0,96 g/t this past quarter.

Investors should take note of Rand Mine's decision to write down its investment in ERPM last year — that is as good as saying there is no realistic prospect of dividends being resumed. Nor, it seems, will additional



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financing be available unless gold can convincingly average R32 000/kg

Durban Deep struggled back into an underground profit and cut its debt burden after the TPA expropriated some surface land for R18,7m. But maintaining underground profitability — achieved by production cutbacks and emphasis on mining only payable ore blocks — has sharply reduced ore reserves. Unless gold's price recovers smartly and holds its gains, Durban Deep's future looks bleak. Dividends are unlikely, even though the State has agreed to a R9,6m pumping cost subsidy.

Blyvoor's March-quarter tonnage and grade improvements were a flash in the pan and presumably had something to do with the extraction of comparatively rich pillars. The greater milling rate was accompanied by lower unit costs of R115,87/t against the preceding quarter's R125,32/t and, presumably, unit costs will soar if milling is again reduced and mining emphasis placed on working higher-grade remnants.

The March quarter underscored Harmony's vulnerability to cost increases. The mine depends for profits on strict cost controls achieved through maintaining high milling rates, so the March quarter's fractional milling rate decline resulted in a 4% unit cost increase which, in turn, clipped the operating profit. Still, the mine's future is looking brighter than for some time. Most of the major capital programmes have been

ERPM: JUDICIAL MANAGEMENT LOOMS

Veteran gold mine ERPM is skating on thin ice. The company, its creditors and government are scurrying to salvage the mine and should reach some conclusion in the next fortnight, chairman Clive Knobbs tells me. But, on April 9, ERPM's board decided to apply for provisional judicial management, a step preceding bankruptcy.

The decision was only rescinded when it seemed lifeboat financing might be possible.

Management company Rand Mines is, nonetheless, far from confident. Last year, it wrote off its equity investment in ERPM and it is now considering writing off its loans to the mine and its investment in ERPM's pref share.

According to unofficial reports, government is concerned about its exposure. Last June 12, Danie Steyn the then Min-

ister of Mineral & Energy Affairs, acknowledged a begging letter from Knobbs and agreed to a R300m financing package provided a bond was registered over ERPM's movable assets and a notarial bond over the immovable.

Registration of the bonds was not unqualified, Knobbs tells me.

There were certain conditions attaching to the bonds and, though the government was entitled to register the bonds, it did not do so.

In other words, the implication is that if ERPM goes down the tubes, government has to honour its guarantees to ERPM's bankers and the taxpayer could be faced with a R300m loss.

Knobbs is reluctant to discuss the latest salvage proposals. "But don't forget, nothing can turn ERPM into a Driefontein." That's no lie. *Jim Jones*

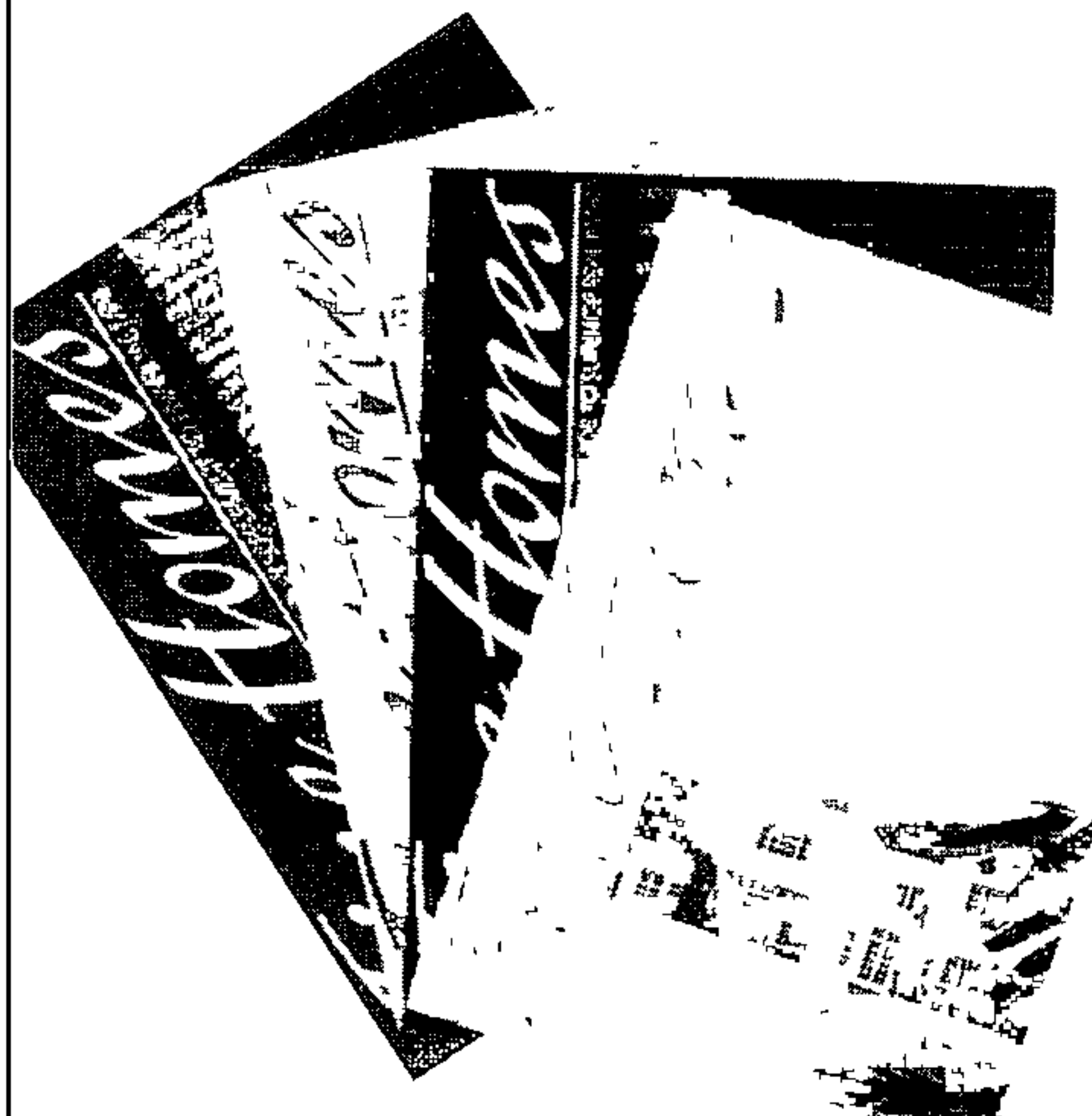
completed and gold bulls are noting the mine's profit/price leverage.

GfSA's gold mines were hit by lower gold production which more than offset benefits of better rand prices. To an extent, the problems were unavoidable — fires cut production at Drie Cons while Kloof's output was

affected by geological conditions. Nonetheless, the profit squeeze was compounded by a 4,5% increase in working costs.

Kloof, the group's richest mine, was the poorest performer. Mining had to be pushed through an inter-reef lava intrusion which resulted in the average recovery grade drop-

Fine Homes



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THE PRESELECT GUIDE TO SUPERIOR REAL ESTATE

ping to 10,8 g/t from the December quarter's 12,6 g/t. The effects should be short-lived as some low-grade stopes have been abandoned in the north of the mine. But unexpected difficulties appear to have become Kloof's trademark and analysts recall other geological problems — working place collapse and unexpected grade drops in the mine's longwall stopes — which have made recoveries erratic. Drie Cons' production and grades were affected by fires.

Libanon, too, was hit by a fire which closed some poorer-grade stopes. However, the consequent grade improvement was insufficient to compensate for the quarter's lower milling rate. The mine's reserve position is uncertain as long as gold remains in the doldrums and that means mine planning is becoming increasingly difficult, particularly if emphasis remains on exploiting higher-grade ore zones. Meanwhile, Libanon is struggling to remain profitable.

Venterspost is developing its new mine and is financing part of the capital cost by high-grading. Mill throughput was cut to 390 000 t in the March quarter giving rise to a higher recovery grade and better operating profit, all very well, but analysts are asking how long the better profit performance can continue. The new mine is only expected to contribute in the first part of 1992 and, meanwhile, dividends will not be paid.

Further west, Deelkraal is now paying tax fully but has yet to accelerate tax-deductible capital spending. Over the next few quarters the mine will push development into the richer areas along its eastern boundary, but the resulting improvement in recovery grades will probably be imperceptible.

Doornfontein is starting to develop the southern extension of its property where ore is deep but relatively rich. Alan Wright, head of GFSA's precious metals division, reckons remaining life at 15 years.

Anglovaal is saying nothing about its Sun gold prospect next door to its Loraine mine. That is worrying as the house's controlling families are not fully following the R1,2bn rights issue being made in conjunction with Middle Wits and which will largely be sunk into the Sun venture. Loraine's possible role in Sun's development remains obscure. This past quarter the mine cut its working costs, presumably because of a sharply lower development rate, and increased its operating profit. But revenues are probably too low to generate significant tax advantages for the Sun venture.

Hartebeestfontein sustained the December quarter's underground grade improvement and, judging by the strength of the declared ore reserves, underground ore recovery grades should not fall below 9 g/t this quarter. The mine is a mature operation and its likely capital expenditure will be comparatively limited. Management reckoned this financial year's spending would total R41m, but by the end of the fiscal third-quarter, the total was only R15,6m.

ET Cons, on the other hand, failed to hold its grade and analysts, who had hoped for an

increase in gold production as the new Princeton mine came on stream, were disappointed. Though capex, which ran ahead of plan in the first half of the financial year, is slowing, the 200c interim dividend is unlikely to be matched at the June year-end.

After he lost his Lefkochrysos platinum mine, Loucas Pouroulis threw all his energies into restoring neglected Cons Modder's fortunes.

The effort succeeded for some quarters — production was cut and grade boosted by concentrating mining in some restricted but comparatively high-grade areas. But the effort petered out in the March quarter as recovery tumbled to 4,88 g/t and working profit fell by over half. Again there has been no capital spending and it seems increasingly likely that some hefty catch-up spending will be needed once respectable profits are earned.

South Roodepoort managed to increase tonnage and grade and hauled itself back into the black. But as is the case with Cons Modder there is little point in counting on the improvement being maintained. Neither of the mines managed by Golden Dumps has any real investment merit.

Jim Jones

Spiralling costs take the shine off gold profits

If a post-apartheid government wants to nationalise the gold mines to spread their profits, it had better bet on a rising gold price. Because while South Africa remains the world's single largest gold producer, its mines are ageing and their average profitability declining.

Not that this means great numbers of mines are about to close, despite what the Chamber of Mines says. April is traditionally that time of year, prior to the start of wage negotiations in the industry, when the chamber goes public on the poor financial health of its 31 member mines. Chamber president Kennedy Maxwell said earlier this month 15 of the mines would be producing at a loss by July if the gold price did not exceed R33 400/kg.

However, mining houses tend to do whatever they can to keep failing mines open for as long as possible because the gold price may increase and it's not easy to increase production on a mine if there have been cut-backs. The only two mines in immediate danger are Rand Mines' ERPM and Gencor's Sulfontein. Gencor's Bracken mine is already on a planned path to closure.

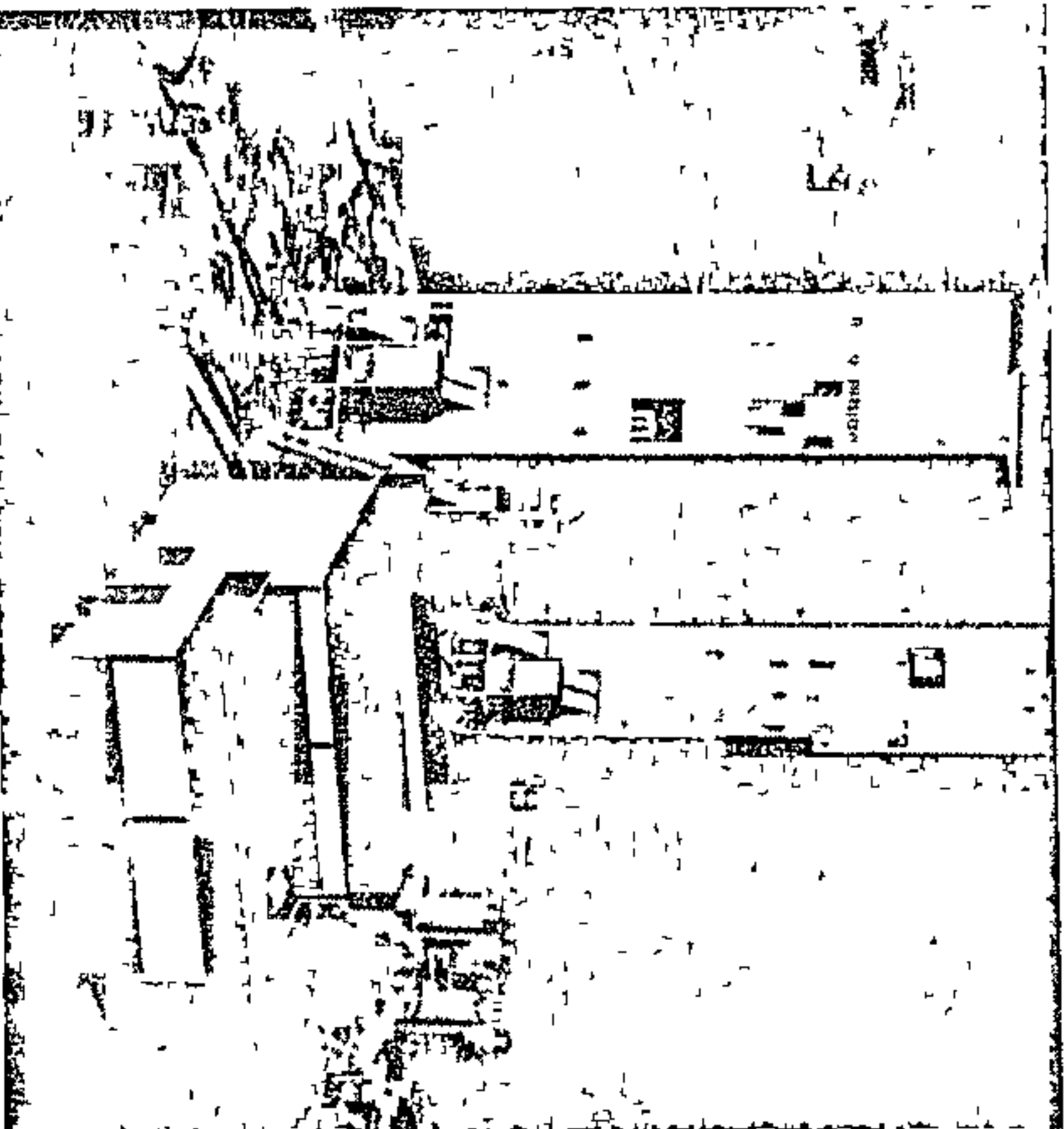
Many in the mining industry believe the gold price will rise (though that is what one would expect them to say), but they can't be sure when Gencor's Gary Manude has said the

A sluggish gold price is making it increasingly difficult for gold mines to pay for operating costs and investment, reports ANN FRIEDMAN

price has to go up from \$600 to \$700 an ounce, although when this will be is another matter. And in a recent report on the 1990 annual meetings of the Gold and Silver Insanities, Mike Brown of stockbrokers Frankel Kruger concluded there were promising signs for gold because while demand for the metal continues to grow, Western world gold production is slowing down. Production is expected to peak at around 1 800 tons this year but in the coming few years will drop to 1 600 tons or less (with South Africa producing 34 to 36 per cent of this).

But whatever gold might do eventually, it is not doing much now. It has not regained the over-\$400 levels seen in a brief period of euphoria late last year and early this year. This week it continued at levels below \$380. The average price for the first quarter of this year was R33 621 (\$406,72), higher than the average for last year of R32 048 (\$381,51). But the average rand price will probably be down again in the current quarter ending in June.

The mines have been caught in a



Expensive investment ... the new twin shaft system at Vaal Reefs

Picture ANGLo AMERICAN

profit squeeze for some time now. On the one side the Rand gold price has hardly risen. Over the last 10 years the increase has been an average nine percent a year. Against this, the average cost of producing a kilogram of gold has been increasing by around 17 percent a year.

Costs do increase naturally as a mine ages. And yields decline — there are fewer grams of gold from each ton of rock as the richer parts of a mine are mined out. Successful unionisation of the mines' black workers has helped to push up costs. The mines, historically built on cheap labour, have in recent years found themselves suffering the consequences of past policies as they have had to start redressing the balance. On one estimate labour costs have been rising by 20 percent a year.

The National Union of Mineworkers this week presented its wage de-

mands for an average 35 percent increase, which would bring the industry minimum wage to R543 a month for surface and R600 a month for underground workers.

The cost pressures, falling yields and static gold price have cut profit margins for the gold mines from their peak of 70 percent in 1979 to below 15 percent now.

The latest quarterly results from the gold mines confirm the trend. Costs rose by 2,2 percent over the quarter to the end of March faster than the previous quarterly increase of 0,7 percent. The overall grade (gold a ton of rock) mined by the industry fell by 1,6 percent over the quarter and was nearly three percent down on the March quarter last year.

Profit margins fell at Anglo American, Gold Fields, JCI and Rand Mines, although Anglo and Vaal Fields are not exactly doing badly —

margins were 23 percent for Anglo and 38 percent for GFSA. Both Anglovaal (35 percent) and Gencor (30 percent) saw profit margins increase. As the mining houses have come under pressure, different mining strategies have emerged.

Some mines — particularly those managed by Gencor — are now mining more selectively to keep up profits. They mine fewer tons of rock but with higher yields of gold. This strategy is also being adopted at marginal mines in the Rand Mines stable — particularly Durban Deep and ERPM — and at Anglo's Freegold.

This helps keep mines financially healthy and viable (except ERPM, which remains distinctly sick). But if the gold price does not rise, this could be a strategy which eventually shortens the life of the mines. And it has heavy costs. For example, Gencor shed around 17 000 jobs between September 1988 and the end of last year. Rand Mines' labour force dropped by more than 17 500 over that period. Other mining houses which have cut their workforces

Anglo American has tended to a different strategy on its mines, of keeping its mills full, even if this means mining low-grade rock. This strategy may turn out to be financially risky. Gold Fields is described by one stockmarket analyst as mining very slowly on the basis that it has some of the richest mines (such as Kloof and Driefontein) and eventually its strategy will pay off. Its rich mines have seen some of the highest cost increases in the industry over the past year.

The March quarter saw capital expenditure cut-backs by all the mining houses. While this helped to keep profitability up, it is a worrying trend. This kind of spending is usually essential to keep the mines viable in future years, by providing them with new areas to mine.

Also significant during the March quarter was the effect on production of labour action, which hit hardest at Unisel (Gencor), Freegold and Vaal Reefs (Anglo).

Sowetan Business

New mine, energy firm boost Gencor's wealth

Sowetan 27/4/90 214

MAINTAINING its dynamic pace, Gencor posted a 55 per cent increase in attributable income and pushed up the interim dividend by 17 per-

cent for the six months to February.

Financial statements released on Wednesday show that attributable income rose to R707m (R456m), which trans-

lates into a 29 per cent increase in earnings a share to 60,1 cents (46,5 cents).

The interim dividend is 14 cents compared with the previous 12 cents.

During the six months

Gencor announced a new gold mine, the Weltevreden, obtained a significant stake in Western Platinum Mines and created a new energy company, Engen.

The latter's maiden contribution at R91m means that the energy company earned 13 per cent of the group's total attributable income, making it Gencor's fourth largest profit generator.

However, the major contributor to Gencor's profits remains Genmin which provided R288m or 41 per cent of the group's R707m attributable income.

Samancor, the metals and minerals division, contributed the bulk or R211 million of Genmin's slice. The increased earnings from metals and minerals includes a contribution from Alusaf for the first time.

With the benefit of high interest rates and rights issue cash raised by both Gencor and Genbel, the contribution made by Genbel and investments division rose sharply and the division becomes the

Sappi which contributed 22 per cent or R155m of the group's total attributable income, is being affected by lower levels of demand as is the Malbak group of companies.

The group's balance sheet has only R450m in long-term loans against assets with a market value of R17 648 million.

Executive chairman Derek Keys, however, is more cautious about the second half of the financial year.

"Commodity prices have dropped in the period under review and our second half results are likely to be lower than those now reported. Earnings a share should nevertheless be above those for last year," Sapa

second largest contributor to Gencor's earnings at R169m.

It generated 23 per cent of the group's total earnings compared with the 16 per cent or R74m last year.



Conference speakers include Mr James Mndaweni (left) and Dr Sam Motsuenyane.

Rhombus, CMC negotiating over Nigel mines

NEGOTIATIONS between Rhombus Mining and Consolidated Mining Corporation (CMC) were taking place and if successful would be in the interest of the minority shareholders of Sub Nigel, CEO of Sub Nigel Tony Simpson said yesterday. Trading in shares of Rhombus Exploration (RhoEx) and Sub Nigel were suspended at the companies' request yesterday. Rhombus is the holding company of RhoEx and owns 42,75% of Sub Nigel. CMC is the largest mining company after the Big Six mining houses and owns Nigel, which adjoins Sub Nigel.

RIAAN SMIT

Simpson declined to elaborate on the negotiations, but said Sub Nigel and Nigel had been jointly managed since April 1 by a team from the two mines' previously separate managements.

CMC declined to comment apart from saying Nigel had undertaken to manage Sub Nigel from April 1.

A well-placed source said it made sense for CMC to acquire Sub Nigel because it was next door to its Nigel gold mine and

dump treatment operation. Sub Nigel did not have a treatment plant of its own while Nigel had this facility. (214)

He said RhoEx had good assets such as Rhombus Vanadium of which it owns 70%.

Rhovan has a R26,4m contract to supply magnetite ore to Usko which will process it to eventually produce 9 000 tons of vanadium pentoxide. 010am 27/4/90

This contract is not affected by the vanadium price, but Rhovan's royalty income from Usko will be badly hit at current vanadium price levels.

Restaurateurs regret R250 000 investment

By June Bearzi,
Star Line

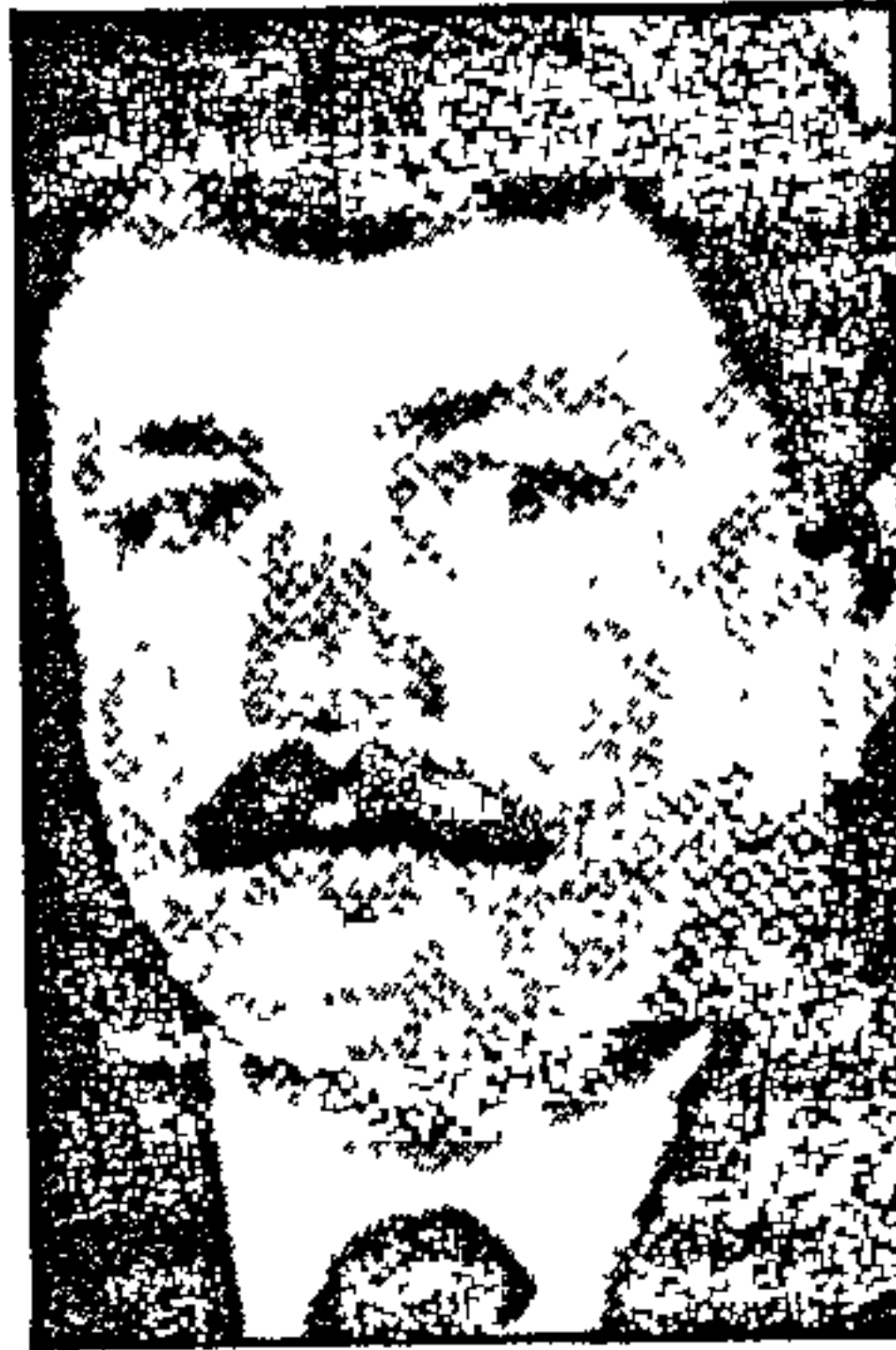
Restaurateurs Mr David Broad and his wife Gloria say the R250 000 they invested in Mazuma Gold Holdings and Equity Participation Investments Ltd (EPI) has taught them an expensive lesson — all that glitters is not gold.

An angry Mrs Broad said that two years ago she was "sweet-talked" by former attorney Mr Roy Sellers and Mr Steven Wolff into investing R30 000 in their venture capital scheme

The money was to be used to develop a number of EPI's satellite companies, which she was told would be listed on the Johannesburg Stock Exchange.

A few months later Mr Broad was persuaded by Mr Sellers to enter a financial exchange deal involving buying shares in Mazuma Gold Holdings, which he was told would enable him to convert an inheritance from a British aunt into R220 000 within three months

But now the couple feel they should have heeded EPI's official logo in their glossy venture capital promotional literature "No opportunity without danger", instead of believing the verbal promises of fantastic re-



Mr Roy Sellers . . . dispute over mining rights.

turns

"The men's offices were across the road from our Craighall Park restaurant. They used to eat there every day, and at the time they painted an incredibly good picture of investment opportunities they had on offer.

"I stupidly ignored my accountant's advice not to touch the scheme," Mrs Broad told Star Line

Mr Broad says he has been landed with a worthless Mazuma share certificate, and has established that his British investment was put into a London

bank account and never brought to South Africa.

He says all attempts to get an explanation from Mr Sellers failed, and investigations established that the mine on a farm near Thabazimbi had not been worked.

Star Line has a list compiled by a mining expert which indicates that huge sums must be spent on equipment and repairs before mining can start at Mazuma. It also appears that a dispute exists over the mining rights.

Mrs Broad says that although she was promised she could sell her EPI shares at a handsome profit within six months, she is unable to trade with them because they are unlisted — and she cannot trace what has happened to her money.

Mr Cohn Hartley, managing director of Capital Growth Investments which is marketing Mazuma and Multi Gold Holding shares, says he has stepped into Mr Sellers's shoes.

He said he was not associated with either operations when the deals were made, but had tried to sort the matter out satisfactorily

He said Mr Sellers was no longer involved with the companies, and he did not know how he could be contacted.

Star 27/4/90

732 733

734 214

Star 27/4/90 (23)

Mid Wits increases capital

SAF 27/4/90

214

21

Finance Staff

Anglovaal subsidiary Middle Witwatersrand (Mid Wits) is to increase its authorised share capital by 45 percent to raise between R400 million and R500 million in its upcoming rights issue.

The company will issue an additional 107,5 million ordinary shares, thereby raising its unissued ordinary share capital to 108,2 million, while the total of the unissued and issued shares will become 350 million.

The new ordinary shares will raise the total authorised share capital from R6,5 million to R7,6 million.

The board said on Thursday it decided to increase the authorised capital by this amount in order to meet the needs of the company's forthcoming rights issue and to create a share reserve.

The exact number of shares needed for the rights offer — which is to be underwritten by Anglovaal — will be determined by prevailing market conditions at the time of the announcement of the offer details. These will be published at the annual general meeting on May 18, the directors said.

The rights offer will ensure that Mid Wits has adequate funds available for it to take advantage of future investment opportunities, particularly in the field of new gold mine developments.

Investigation reveals companies are empty shells

R14-million shock for thousands of investors

Star 27/4/90

214

A Polish trade delegation to South Africa has signed agreements to buy iron ore set up a joint food venture and strengthen other economic ties, officials of the two countries said yesterday

Mr Andrzej Arendarski, president of the Polish Chamber of Commerce, concluded a deal with the Chamber of Commerce to offices and develop trade

The Warsaw chamber's representative in South Africa, Mr Tomasz Kaminski, told Sapa on Wednesday Poland had signed an agreement to buy 200 000 tons of iron ore promised to import 800 000 tons in 1990

Mr Kaminski said it was possible that lateral trade could soon resume



Investors stand to lose their money after sinking R14 million into a venture capital scheme, Equity Participation Investments (EPI) and its maze of subsidiaries which includes Multi Gold Holdings Ltd and Mazuma Gold Holdings Ltd

Several of the companies in which 4 000 South African and Swiss investors bought major stakes in the belief they would be listed on the Johannesburg Stock Exchange have turned out to be empty shells, a Star Line investigation has uncovered

Financial records of the operations are unavailable

Charges have been made that large sums of investors cash were funnelled into a network of Swiss and British bank accounts, further probing established

Mrs Gloria Broad of Sandton who, with her husband David, has invested a R250 000 nest-egg, told Star Line this week

"We cannot trace our money but what we do know is that it did not go into developing the ventures we believed we were investing in

"My husband is a broken man because of what they have done"

Wizard

EPI in Rodland House, Craighall Park, was launched with great fanfare in 1987 by non-practising lawyer Mr Roy Sellers and a former "insurance company wizard", Mr Steven Wolff

Thousands of investors poured cash into EPI - dubbed by the promoters as "the vanguard of SA's venture capital business" - and its web of operations, because of promises of unbeatable returns for their stakes in "new gold and diamond mining and solar-powered TV ventures"

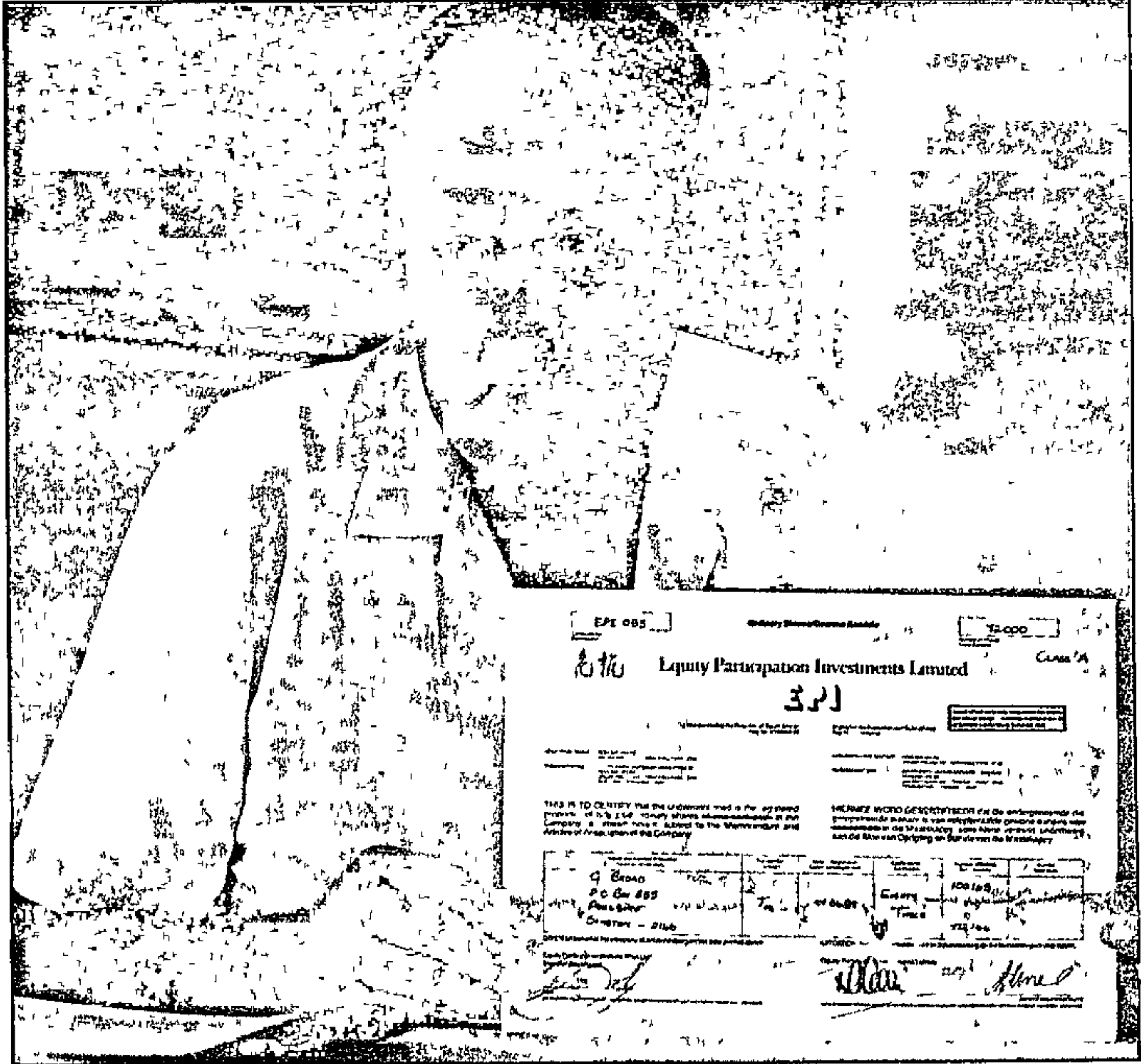
Johannesburg businessman Mr Woody Hornbuckle, however, told Star Line he was initially a partner in the EPI ventures but broke away in January 1989 when he discovered various irregularities. He added that he was further disillusioned by misrepresentations made to him and investors by his former partners

When the first prospectus was released three years ago investors were told their R2 million would be used to back Supermax, Mechampack and Brantam Investments, which, they were told, would be "listed on the stock exchange soon"

But the operations never got off the ground, Star Line established

Shortly after this, prospectuses calling for public funding of unlisted gold-mining operations, Multi Gold and Ma-

● To Page 5.



Mr David Broad of Sandton . . . invested R250 000.

● Picture by Ken Oosterbroek.

First National cuts its bond rate to 20,75 pc

By Sven Lünsche
First National Bank has announced that it will reduce its bond rate next month by a quarter percentage point from 21 to 20,75 percent

This will bring its bond rate in line with those of other banks

The bank's senior general manager Mr Jimmy McKenzie, said today while clients' monthly bond payments would not be reduced immediately, the lower interest would be offset by the automatic increase in capital repayments

This could shorten the term of their home loan by several years, Mr McKenzie said, adding that clients could choose to reduce their interest payments by arrangement

with their branch managers
First National Bank is also offering a further rebate of 0,25 per cent to clients who operate a cheque account and use at least two other bank services

The lower rates apply to new and existing bondholders

"We intend keeping our rates stable and our funding structures now indicate that reduced rates can be maintained," Mr McKenzie said

Commenting on the state of the home loans sector, he said the upper end of the market was beginning to feel the effects of recent adjustments in perks tax

But the market below R150 000 continued to experience strong demand

Probe into register for child molesters

CAPE TOWN - The Government has ordered an urgent inquiry into the feasibility of a register for violent deviants targeting children and women

This was announced in Parliament yesterday by the Minister of Justice, Mr Kobie Coetsee

He said a commission of inquiry presently probing psychopaths and other violent criminals would be asked to urgently turn its attention to the practicalities of establishing a register for molesters posing dangers to children, women and others

Mr Coetsee said the commission, chaired by Mr Justice Willem Booysse of Natal would be asked to make recommendations and, if necessary, compile concept legislation

Staff 27/4/90

Star 2/11/44

214 79

Investors may lose huge sum

● From Page 1

zuma, were circulated

Members of the public took advantage of what they believed was a "once in a lifetime offer" and bought shares in companies which they believed would soon be listed on the JSE.

These companies, too, remain unlisted and the funds unaccounted for, it has been found

"The affairs of these operations are most unsatisfactory and they don't stand a chance of being listed," Star Line was told by a former EPI marketing agent, Mrs Trude Oertel, who now lives in Cape Town

She added that R800 000 paid by 30 Swiss investors for Multi Gold shares and a British sterling investment amounting to about R220 000, which was to secure shares in Mazuma, a non-operational "gold mine" on a farm near Thabazimbi, had been deposited in British and Swiss bank accounts and never brought into South Africa

Mr Cohn Hartley, managing director of EPI's new marketing arm, Capital Growth Investments (Pty) Ltd, told Star Line he and a Mr Norman Tilley had "taken over the reins" and were inviting investors to put more money into their ventures to help get listing on the JSE

He claimed that many of the financial problems occurred because Mr Sellers and Mr Wolff had bailed out of the venture capital schemes "too soon", taking large sums of cash earmarked for development

When Star Line tracked Mr Wolff to his new home in Santa Anna, California, he denied Mr Hartley's allegations

"In fact I have a written document showing I am owed a six figure amount," he said

He claimed he could not be held accountable for any problems as he had severed links with Mr Sellers more than a year ago

All attempts to contact Mr Sellers failed. It was established he had put his Sunninghil, Sandton, home on the market at R495 000 recently but was negotiating to sell it for R305 000

He could not be contacted at an address in Brunfelsia Road, East London where it was claimed he was now living

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Expensive lesson in how not to invest

"WHEN will they ever learn, oh when will they ever learn." Remember the song?

Well, right now another bunch of worried investors are wishing they had heeded the song's message.

This week the affairs of a company called Epigro Mining and Exploration Company (Pty) Ltd were wound up in the Rand Supreme Court, yet another in a sordidly long list of fly-by-night venture-capital type of operations that leave a sour taste in the mouth.

Epigro is the holding company of several other venture companies, including ones called Multigold and Mazuma Gold Holdings which, for most of last year, actively sought venture capital from the (unsuspecting and downright gullible) public.

It seems at this preliminary stage that anything between R10 million and R14 million is involved. The money is gone, along with the brains behind the scam.

The police would dearly like to get in touch with the people behind Epigro, but, according to reliable sources, one at least is happily busy tanning his hide somewhere in California.

Meanwhile, back at home, several hundred, if not thousands of investors, ranging from small ones with only R1 000 invested, to large ones with several hundred thousand of rands involved, are desperately trying to find out what has happened to their money.

Vague promises

Cleverly-named Multigold attracted venture capital from the public on vague promises of "when we are listed on the JSE".

It's quite easy really. All you need, it seems, is a smooth talking salesman and an expensive and glossy brochure filled with exquisite photographs.

Late last year a listener phoned me on Radio 702 about Multigold and I clearly warned her not to invest in this or any other venture capital operation for that matter.

Within days I received a call from the broker peddling these shares to the public, and from the men behind it.

On hearing my comments on Multigold I was invited to tea to "remove any doubts and prejudices I might have concerning the company".

After a protracted discussion, which eventually became quite heated, I pointed out to the gentleman concerned that any further discussion would be a waste of time. I once

Money Matters

MAGNUS HEYSTEK

again warned potential investors to stay away from Multigold.

But, it seems, one cannot protect people against their own worst enemies, greed and stupidity. We seem to live in a society where everyone wants to become a millionaire overnight. That's the only explanation I can offer for the success of these investment scams. Why people want to risk their all on dubious and downright risky investments is beyond men. It's all been done before. The list is almost endless. There was Swiftsure, De Kaap Mining, the Kubus scam, various coffee and nut farming ventures and so on

Take precautions

No wonder the venture capital market in South Africa has such a bad name, where real venture capital operations struggle to raise finance.

What's even more surprising is that those who would most probably quibble over the price of flowers from a street-hawker, willingly invest all they have (in some cases to R250 000 as The Star reported yesterday) without making a thorough investigation into the affairs of the company, or have some investment analyst peruse the prospectus on their behalf.

People balk at paying a professional fee of say R300 for an objective opinion, but happily part with all their life savings on the word of a well-dressed and smooth-talking salesman. It's like putting all your money on one throw of the dice, or one spin of the roulette wheel.

Why should people try to squeeze that extra one or two percent from their investments if they can regularly earn between 25 and 30 percent in perfectly safe investments on the stock market by means of unit trusts, for example?

Or if they really want to gamble, they can, with the advice of a stockbroker, invest in speculative mining ventures already listed on the JSE.

While the JSE is not a perfectly functioning system, at least it provides a healthy secondary market for someone who wants to sell his or her shares.

A lot of ground still to be probed

S/Tues 29/4/90 (214)

ANGLOVAAL'S presentation to the Investment Analysts Society threw new light not only on the Menell and Hersov sons, but on the Sun-Oribi gold prospect in the Bothaville gap.

Mr Hersov said the area being explored was twice the size of the existing Free State gold mines

"To give you some idea of the work that has been done and more importantly still has to be done, it is worth remembering that throughout the Free State goldfield 230 boreholes were sunk in the lease areas only up to 1952, whereas we have only 64 such holes to date in the Sun-Oribi prospects.

"Of these 17 are in the Oribi area, so for this area, these are early days

Consistent

"To focus a little more closely on the Sun area, you will see that this runs for about 35km northwards from Allanridge and that it is about 12,5km wide on average. The area covers about 40 000 hectares, or 400 square kilometres, a lot of ground. To drill such an area takes a very long time.

"So far 30 holes have been completed, with deflections and we are currently drilling and deflecting in another 17"

Mr Hersov said the drilling programme was designed to identify one continuous reef of consistently good grade, of substantial tonnage, about three metres in width, relatively unfaulted, flat dipping, capable of sustaining a mill-

ing rate of 3-million tons a year initially, a 20-year life and within reach of a single-lift shaft of the surface

Other payable reefs in the vicinity of the primary reef were also sought

"Based on the foregoing, to give an acceptable return on capital, we would be looking for an in situ grade averaging in excess of 10 grams per ton over the equivalent of a three metre channel

Return

"Bearing in mind the depths I have mentioned (2 700 to 4 400 metres), you will appreciate the capital cost will be very high — more than R2,5-billion in today's money

"It is absolutely critical to have a reliable information base before we turn the first sod"

Mining analysts wanted to know how likely the project was to go ahead, to which Mr Hersov replied: "We are continuing to spend heavily on investigating the prospect, which must mean there is considerable hope that it will meet our criteria"

Mr Hersov said Anglovaal and Mid Wits would spend R125-million on exploration this year, mostly on Sun-Oribi

Some analysts were disappointed not to receive more information, but Mr Hersov said it would be unwise to present less than a complete picture

The Venetia diamond prospect was the other matter of great interest

Mr Hersov said "There are two diamond-bearing pipes on the Venetia farm. The agreement we came to

with De Beers was an extremely good one for both Anglovaal and Mid Wits with their 21,9% and 65,6% respective interests in the holding company, Saturn Mining.

"The agreement provides that once De Beers has recouped its capital outlay — estimated at R1,1-billion — the after-tax earnings from the mine will be shared equally between De Beers and Saturn

"Until this point is reached, Saturn will receive a minimum royalty of 12,5% of the mine's profit before capex

"The Venetia development will cost us nothing and that's the way we all like to do business. Good returns for no risk"

Industry

Mr Hersov said Anglovaal Industries had outperformed the mining division in recent years and now contributed well over half of profits. Policy was to keep the profit mix between mining and industry about half-half

A new gold mine would change the earnings mix

He reported that the new industrial acquisitions were all doing better than expected. He was confident that in spite of diminished gold prospects, the house would be able to earn more in the second half of the current year than in the same time last year. At the interim Anglovaal earnings were 34% ahead.

With Venetia and Sun still to contribute, prospects are fair and Anglovaal deservedly enjoys one of the best ratings among mining houses