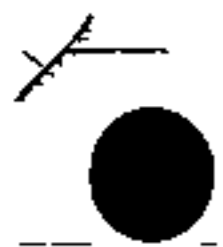


MINING — OTHER

1990

JANUARY

— AUGUST.



## Leading shares keep JSE on even keel

TUMBLING platinum prices put gold under pressure yesterday but strength in leading shares in the Anglo and Rembrandt folds kept the JSE on an even keel in a slow start to the opening of the new decade

Undermined by the current depressed state of the US car market, platinum fell from a previous London close of \$498,50 to \$474,50, its lowest level since late October.

The decline wiped out early gains by gold and the metal slipped to a London afternoon setting of \$399 before finding support at key resistance levels and bounced back to close at \$401,25

Trading on the JSE was also tempered by a slightly firmer firrand, several lead-

MERVYN HARRIS

ing gold shares being stripped of dividend payments, and the absence of big institutional players with Cape Town closed for the New Year holidays

However, De Beers, which has been rising in dollar terms on overseas markets, and stablemates Anglos and Minorco, defied the softer trend on the gold board.

They were joined by the continued upward rerating of Richemont and firmness in Remgro to limit the decline in the JSE overall index to a marginal two points at

2974 Biday 3/1/1990

● Market report Page 5

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● Market report. Page 5

## Mining, gold shares lead rally

# JSE overall index sets a <sup>B/day 9/1/90</sup> new record ~~217~~ ~~217~~ ~~217~~

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

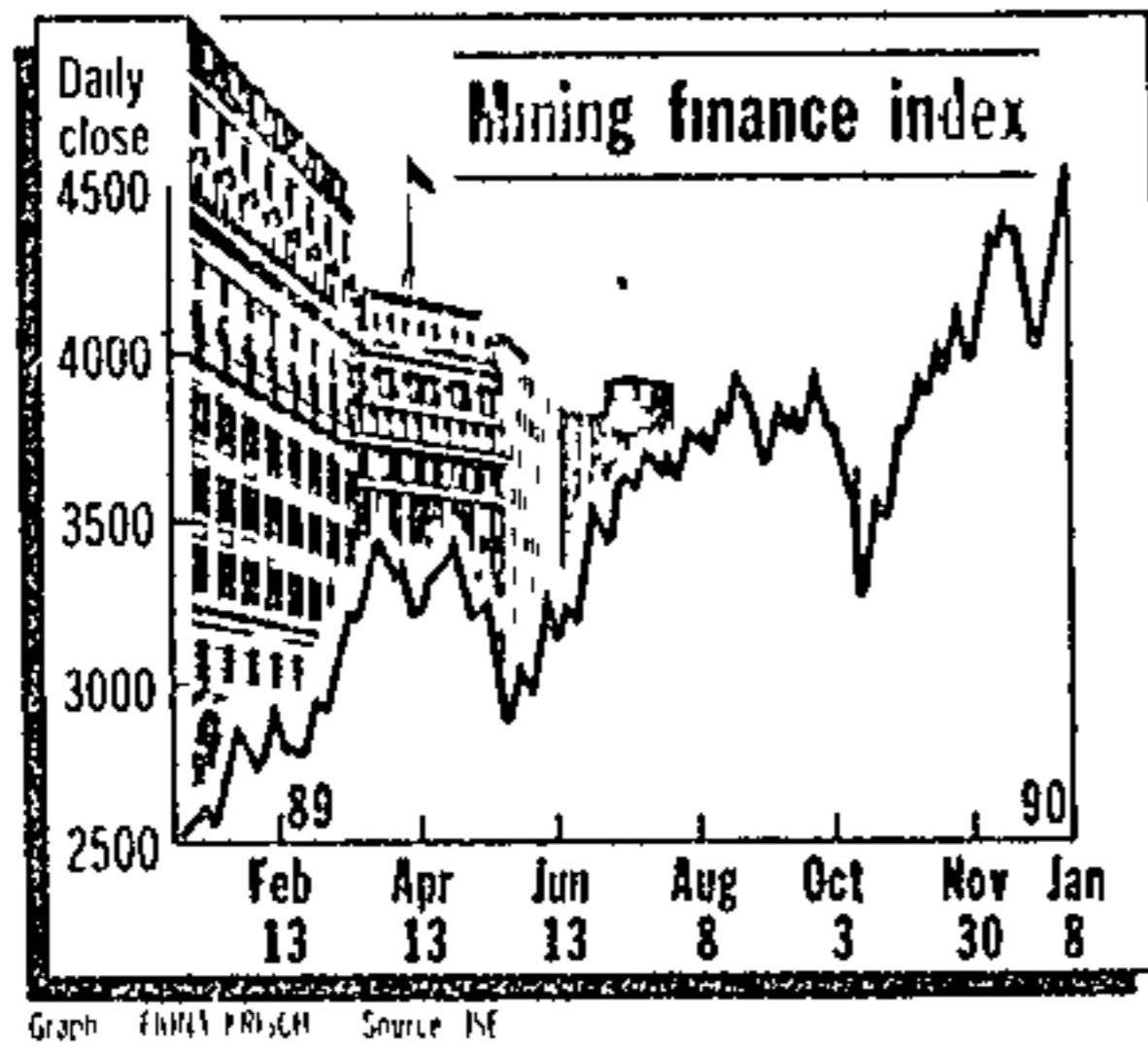
Profit-taking placed gold under a modicum of pressure, and the metal eased 10c to close in London at \$404,65 despite the dollar falling on news of prime rate cuts to 10% from 10,5% by major US banks

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



● See Page 5



# Rock-solid Foskor ready for market

Business Times  
Reporter

AFTER sales of R429-million and taxed profit of R103,6-million last year, phosphate producer Foskor is ripe for privatisation.

But it will not happen until the second half of this year at the earliest.

So says chairman Koos van Rooy in his annual report. Analysts believe that at four or five times earnings, the company will be worth R400-million to R500-million when it comes to the lists.

## Recovery

Foskor has recovered from the pits in recent years. In 1984 and 1985, it made less than R3-million after tax on sales of R157-million.

Since then phosphate rock prices have firmed, the rand has fallen and Foskor has done some good housekeeping ahead of a privatisation for which management can hardly wait.

The company is going to strenuous lengths to brush up its bureaucratic image. The 1989 report is much smarter than the previous year's and vies with most in the private sector.

## Extraordinary

Located at Phalaborwa on the same volcanic pipe as major copper producer Palamin, Foskor is SA's largest supplier of phosphate rock. It is called Palfos and is used in fertilisers and other products. It also produces copper and baddeleyite — a zirconium oxide used in the steel, abrasives and ceramics industries.

About a third of the Palfos is exported directly, a third indirectly and the balance is used in SA. Foskor produces high-grade phosphate rock from low-grade ore.

Mr Van Rooy's review says growth in profits is expected after expansions are brought on line.

Compound growth is included in the six-year financial review. Attributable profit jumped to R98-million in the year to June 1989 from R19-million previously.

However, R46-million of the 1989 profit was due to the adoption of the partial method of providing for deferred tax. The inflated figure helped to boost the compound growth rate of attributable profit to 113% a year over five years. In the previous four, the rate was 72% a year.

## Pricing

An extraordinary write-off of R5-million arose because expenditure incurred in exposing ore reserves had previously been capitalised. Because the company will probably exploit other reserves first, it has become prudent to write off the cost.

Palfos deliveries rose by 9,6%, and deliveries for conversion to export products by 12%. Limited production capacity prevented the group from selling more.

Ore-processing capacity will be increased by 3-million tons a year when the R73-million plant expansion comes on stream. Another R23-million has been spent on a new zirconia plant and R8-million on a drying kiln.

Foskor's rock is favoured in Europe because of its low cadmium content. Global consumption of the rock rose by 7% in 1988. Consumption is forecast to keep pace with population growth.

Foskor's pricing is set by market conditions, including

the cost of imported rock, fertilisers and phosphate derivatives, and the state of agriculture. Foskor also considers the financial circumstances of customers.

The free-on-rail Phalaborwa price of Palfos represents less than 6% of SA's NPK fertiliser expenditure and less than 12% of a typical double superphosphate.

Foskor says the price of Palfos has an insignificant effect on that of fertiliser. The 22% rise achieved in 1989 raised the price of fertiliser by only 1%. The price of Palfos delivered to the Highveld is still 40% below the cost of imports.

Foskor buys Palamin's residue after copper has been extracted. It has built up a huge tailings stockpile of 204-million tons worth R282-million. It owes R51-million to Palamin in respect of the stockpile. This accounts for most of its debt.

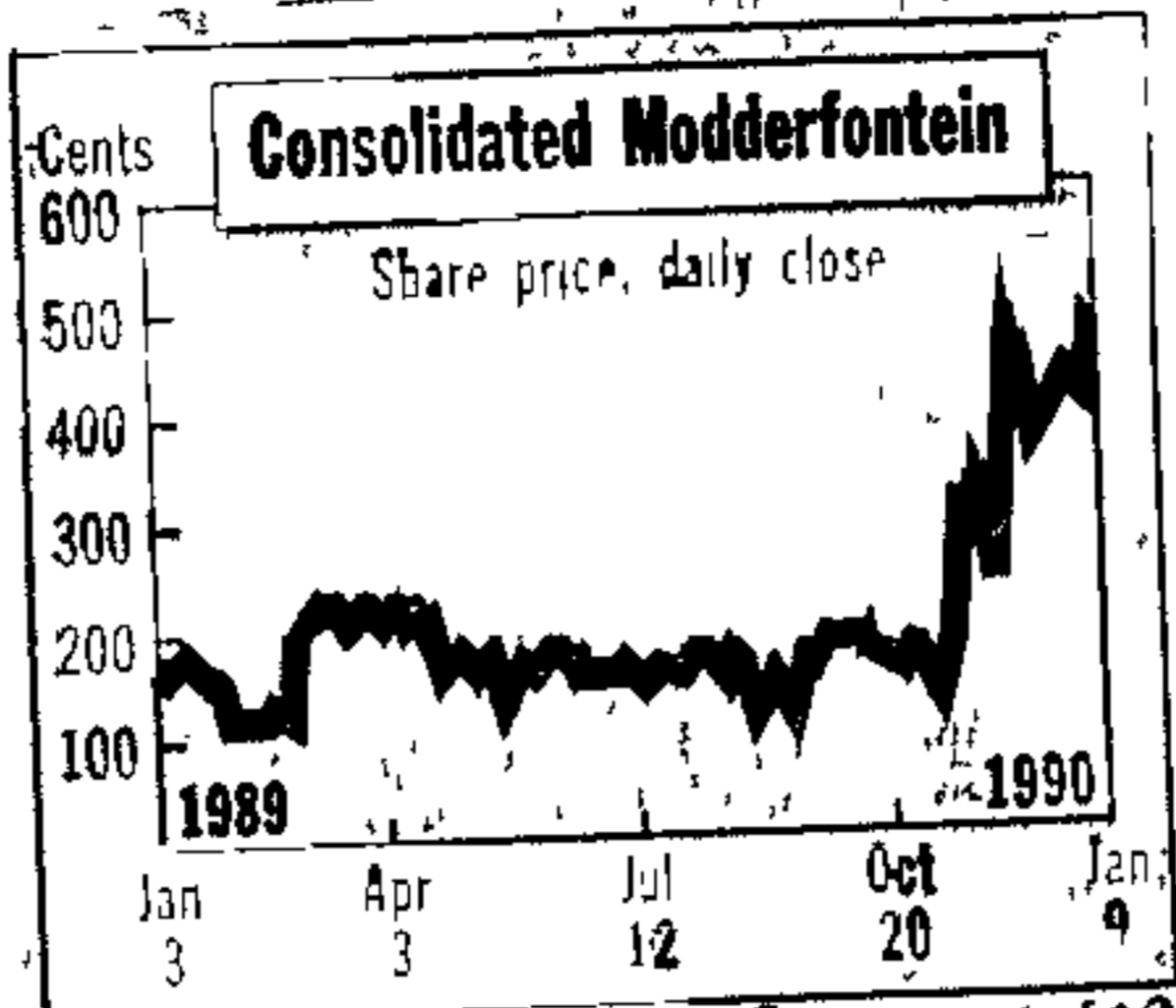
Foskor's privatisation, and presumably listing, will not get off the ground before July at the earliest. The expected growth in earnings to June 1990 will be an important criterion in determining Foskor's worth.

## Dwindling

The balance sheet shows assets of R625-million and gearing of 31%. Earnings are likely to increase this year for several reasons.

Stockpiles have been run down and need to be rebuilt. Foskor has vast reserves, and as other world supplies dwindle, the demand for its rock will increase.

Foskor's decision to wait for the next set of figures has a double edge. A more solid earnings record will afford the company a higher valuation, but the danger is that the booming equity market might no longer be buoyant.



Graphic: FIONA KRISCH Source: JSE 31 Dec 10/11/90

## Shine put back into Cons Modder

**217** REINIE BOOYSEN ~~REINIE BOOYSEN~~

THE time may not be quite ripe for Consolidated Modderfontein shareholders to go out and buy a bottle of champagne — but if the mine maintains its performance in the December quarter there may yet be cause for celebration.

Cons Modder suffered numerous setbacks last year while chairman Loucas Pouroulis fought to save his platinum empire from crumbling.

After selling his platinum mine to Rand Mines in September last year at a substantial discount, Pouroulis tried to revive his faltering gold mines and the results of that effort are starting to come through at Cons Modder.

In the December quarter last year — just when the trouble at Lefkochrysos Platinum started to brew — Cons Modder made a R3m loss before capex.

For the first three quarters of last year the mine was hardly able to cover its substantial interest payments on debt of about R40m.

But in October last year Pouroulis himself went underground daily in search of gold.

The result was a distributable profit of R5,5m in the December quarter, and hope that the mine may repay its debt in about two years, and hopefully start paying dividends again.

The mine last paid dividends of 90c a share in the year to June 1987.

The results, published today, show that Cons Modder is reducing the tonnage milled, and successfully concentrating on finding higher grade ore. The rise in yield

□ To Page 2

## Cons Modder

from 3,56g/t to 5,84g/t lifted gold production from 591kg to 724kg despite a 42 000 ton drop in mill throughput

This, along with a better gold price, boosted revenue from R18,6m to R23,8m. With costs slightly lower, at R16,7m (R17m), operating profit rose from R1,6m to R7m.

Two notable improvements in development results were recorded:

□ On the Black Reef at Cons Modder's No 1 Circular Shaft the payable metres rose from 46 to 88, the average channel width rose from 111cm to 213cm, the average grade rose from 5,5g/t to 7,7g/t, and centimetre grams per ton rose from 615 to 1 647

**217** □ From Page 1

□ On the Kimberley Reef at the Springs No 1 Shaft payable metres also rose from 198m to 244m, and a rise in grade from 12,5g/t to 16,2g/t boosted centimetre grams per ton from 877 to 1 134.

Cons Modder's share price started surging upwards in October from about 200c a share to about 480c yesterday. Dealers said yesterday there was strong buying from abroad — particularly London, where the share was also listed.

Analysts said the rise in the share price was not entirely justified by the warming of the gold price late last year — although it may have been more rational in view of today's results.



# Old Mutual mining fund surges to 50,1% return

3/Nov 10/11/90

217

OLD Mutual Mining Fund was the star performer in Old Mutual's unit trust stable in the December quarter, achieving a 50,1% return for investors in the 12 months to December after a slow start.

The general equity fund, the Investor's Fund, maintained its position as one of the industry's top performers, achieving a return of 52% over 12 months ended December. The fund's total assets are approaching R2bn.

During the last quarter of 1989, the Mining Fund's repurchase price rose by 11,9%, while its total investments at market value increased from R156m to R184m.

The Mining Fund declared a record distribution of 8,26c a unit, bringing total distribution for 1989 to 15,43c, a 27,5% increase on the 1988 distribution.

The fund was a net buyer of shares in the positive environment for gold and

## LIZ ROUSE

also took up Iscor shares worth about R2,5m

At quarter-end the 10 largest holdings in the fund were Anamint/De Beers, JCI, Anglos, Dries, Leplat, Gencor, Genbel, Western Deep and Assore. Besides Iscor, new acquisitions were Deelkraal, Barplats and Minorco.

## Purchase

There were slight reductions in the holdings in Dries, Western Deep and Gencor while the GFSA holding was sold. The Genbel offer was accepted.

Liquidity of the Mining Fund was 12,97%, or R23,8m out of total assets of R183,7m at the end of December.

The Investors' Fund also purchased Iscor shares worth over R20,5m, offering the small investor an excellent opportunity to own Iscor shares while

maintaining a balanced portfolio.

The fund's repurchase price rose 10,3% during the quarter.

The 10 largest holdings are Anamint/De Beers, Richemont, Rembrandt Group, Safren, Anglos, Sasol, JCI, Gencor, Dries and Nedcor.

Besides Iscor, other new acquisitions were Amgold, Minorco and Genbel Holdings in GFSA, Rand Mines, Kersaf and Sasol were increased, while the Gencor holding was reduced.

The Investors' Fund's liquidity was 8,68%, or R171,9m, at the end of the quarter.

Old Mutual's Income Fund, launched in April 1989, declared its third distribution on December 31, bringing the total to 12,68c a unit. The projected annualised return based on the past nine months is an effective 16,7%.

Funds available for distribution were 71,18%, or R14m out of total assets of R19,67m.

# Metals prices seen down, but not out in 1990 217

Base metals prices this year are likely to continue the downward drift seen in 1989 but will not sink to the exceptionally low and unprofitable levels of the mid-1980s

For the first time since 1981 all base metals markets will see a surplus of supply over demand this year but stocks will remain relatively low. So prices will go through periods of volatility sparked off by interruptions to supply

This picture emerges from forecasts about the prospects for 1990 made by several London-based analysts

Most of them expect base metals

prices to be lower this year on average than in 1989 but they are roughly divided into those who suggest the fall will be of the order of 10 percent and others who say it will be of 20 percent.

Analysts point out that prices for most base metals have been coming down from record — perhaps even excessive — levels and that some fall in prices might actually be desirable.

"Some weakness in prices should be welcome as this should deter some producers who have been encouraged to think about unnecessary expansion by two to three years of very high prices," says Mr Robin Bhar, an analyst with the W I Carr metals team.

Most forecasters expect demand for the important base metals to remain strong. Demand will level out in 1990 but will not fall back, they insist.

Production capacity utilisation remains high and most metals continue to be dogged by disruptions of all types.

These disruptions, which frequently cause prices to "spike" upwards on the metal exchanges, can no longer be considered extraneous events, says Mr Philip Crowson, senior economic adviser to the RTZ Corporation, the world's largest mining group.

"They are fundamental influences which reflect the industry's experiences since the early 1970s. Weak cash flows in recession prevented necessary maintenance and modernisation and led to short term fixes of all types.

"The ravages of those years have yet to be remedied and the scope for further disruptions is consequently strong, whether in the form of labour disputes, mechanical failures, or civil unrest, even to the point of armed conflict. The industry has been plagued by all these during the last two years."

Mr Crowson is among those analysts who suggest that any further slide in base metals prices this year will be limited to about 10 percent. He suggests it is reasonable to look for some easing of demand — particularly in North America, parts of Europe and even Japan — after the recent cyclical boost to demand.

But it should not be forgotten, he points out, that "demand for non-ferrous metals is being increasingly driven by the developing countries which collectively account for one-fifth to one quarter of total consumption."

The two previous bull markets in base metals — in 1974-75 and 1979-80 — ended with prices falling sharply and remaining depressed for years. Could history be repeating itself?

Between the end of December 1988 and last month the London Metal Exchange price of aluminium for immediate delivery fell by 36 percent; that for

copper was down by 19 percent; nickel by nearly 54 percent and zinc by 17 percent. The tin contract was not reintroduced at the LME until June, but the end-December LME cash price was nearly 8 percent below the European free market quotation 12 months earlier.

Lead was the exception last year. It came late to the metals price boom which began in the dying months of 1987 and in 1989 registered a 13.5 percent price rise.

None of the analysts questioned for this survey expected a repeat of the collapse seen in the two previous price cycles. "The economic environment is totally different. Even if the economic landing is more bumpy than expected the possibility of severe recession appears remote," says Mr Neil Buxton and Mr Jim Lennon, metal analysts for Shearson Lehman Hutton.

The Shearson analysts say "Although in most cases metal production has caught up with demand, stocks will be rebuilt from minimum levels and will remain historically low. This will help to provide a floor to prices and they will be comfortably above those that prevailed in the mid-1980s."

While most analysts expect all base metals prices to fall this year from the 1989 level, the Metals & Minerals Research Services consultancy organisation, suggests tin will be the exception and go up in price because world-wide stocks are critically low.

RTZ's Mr Crowson also suggests that tin and aluminium might possibly go up in price this year while lead might move sideways.

However, not many analysts would argue with the Economist Intelligence Unit's suggestion in its latest World Commodity Forecasts report that the average London Metal Exchange price for aluminium will this year fall by about 6 percent from the 1989 level to \$1 806 a ton, while copper will drop by 24 percent to 98c a pound.

Lead is predicted by the EIU to fall by only 5.2 percent to 29.1c a pound, nickel by 38 percent to \$3.75 a pound, tin by 8.4 percent to \$3.60 a pound and zinc by 19 percent to 63c a pound. If prices do fall to these levels, it by no means spells disaster for producers.

As the James Capel mining team observes, "Base metal companies will continue to generate strong profits, strong cash flow, increase regular dividends and have sufficient reserves to diversify away from the cyclical nature traditionally associated with these commodities. The continued strength in base metal prices, together with the companies own lower cost bases, will ensure that earnings will not collapse even at lower metal prices." — Financial Times.

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# Lower base metal prices hurt GFSA profits

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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 —

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**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



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## TOP OF FINANCE

### Appointment 1

The fledgling SA Chamber of Business, the amalgamation of FCI and Assocom, has appointed Anglo American director Les Boyd as its first president. Allied chairman Denis Paxton becomes deputy president and the two vice presidents are Spar director Sydney Matus and Barlow Rand director John Hall.

### Appointment 2

# Gencor, Lonrho join platinum forces (217)

By Derek Tommey

The realism and hard-headedness sweeping through the Gencor group since Derek Keyes took command have again been revealed. Gencor and Lonrho are to merge their platinum interests situated to the east of Rustenburg. Platinum Mines to create what will be the third largest platinum mine in the world after Rustenburg and Impala. Gencor's platinum producer, Impala, is to merge its developing Karree platinum mine and its Mid-delkraai reserves with Lonrho's Western Platinum Mine.

In exchange, Impala is to hold 25 percent of the equity voting rights of the combined Western Platinum/Karree Platinum and 25 percent of the voting rights of Eastern Platinum.

However, Impala will have a 27 percent profit participation in the two mines and equal representation with Lonrho on their boards. Lonrho will manage the two mines.

Steve Ellis speaking for Impala and Tenece Wilkinson, for Lonrho, said last night the transaction would benefit both groups. It would give Lonrho's platinum division a continuous ore body with a strike length of more than 26 kilometres. It would make mining operations more flexible and enable Western Platinum which believes it has the lowest production costs in the world, to reduce costs even further.

It was a case of one plus one making three," said Mr Wilkinson. Lonrho will become one of the world's biggest platinum producers with enough reserves to sustain a production rate of 1.5 million ounces of platinum group metals a year for far more than 50 years.

For Impala it means that it will not have to finance the development of Karree on its own and that it has acquired a good investment.

Impala will have to provide 27 percent of the combined operation's net development costs in the first year. Thereafter it should be self-financing.

Impalats would have had to wait until 1993 for Karree to start making profits and to receive a return on its investment. But the Western Platinum/Karree operation should be making profits by the end of 1990.

Mr Ellis said the merger did not mean Impalats has deviated from its policy of achieving real growth. The merger should make Impalats stronger and enable it to develop other projects.

However, industry observers see more in the deal than this. They admit to being delightfully surprised by the decision of Gencor/Impala to transfer assets to another company and take only a minority stake in it.

Until now it has been accepted strong that mining houses never surrender any of their assets to others — a fact that has stopped many imported deals in their tracks in the past.

It is understood that Lonrho offered a similar deal to Impalats 10 years ago, which was turned down. This time Impalats initiated the negotiations.

All this is seen as a sign that Gencor is prepared to be far more flexible than it has been in the past.

However, what could be possibly the most important aspect of the deal for Gencor is that the links forged with Lonrho could open the doors to new ventures elsewhere in Africa where Lonrho is especially strong.

## Vansa has good prospects, says analyst

ALTHOUGH Vansa Vanadium's share price could show some weakness in the next six months, the shares should be accumulated as the company is undervalued and has good quality long-life mines

This recommendation is made by Edey, Rogers & Co analyst Peter Hibberd in an update of the company's prospects this year.

The position of Vansa's chrome (Winterveld) and platinum divisions (Barplats) remain sound. However, the vanadium market has undergone changes with Hiveld halving its contractual price to \$2,5/lb

277

LIZ ROUSE

Hiveld's preference was to stabilise the market in the \$3,50-\$4/lb. Instead it will attempt to rationalise the industry with shock tactics and remove some potential overseas entrants

Vansa has contracts for the 3 000t it plans to produce this year.

Hibberd says the slump of the vanadium market will make 1990 an awkward year for Vansa. Earnings could decline to 30c (63c a share in 1989) but the dividend may be maintained at 25c as the company is debt-free and has about R20m in net liquid assets.

B Day 18/1/90

## TOP OF FINANCE

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It is understood that Lonrho offered a similar deal to Implats years ago, which was turned down.

This time Implats initiated negotiations. All this is seen as a sign that the deal is prepared to be far more flexible than it has been in the past. However, what could be the most important aspect of the deal for Gencor is that the deal with Lonrho could open doors to new ventures elsewhere in Africa where Lonrho is especially strong.



# Lonrho and Implats fix big swap deal

B/Dam 18/11/90

217

BARRY SERGEANT

IMPALA Platinum (Implats) has swapped its Karee mine for a stake in Western Platinum (Wesplats), giving Lonrho the potential to become the world's third biggest platinum producer.

The deal — with an as yet undetermined value — was announced last night in joint statements by Implats and Lonrho, 100% owner of Wesplats.

They valued the proposed 25% equity stake of Implats in the merged operations at a book value of about R300m. The deal has no immediate effect on the Implats net asset value a share.

It is estimated that the merged operations are sufficient to sustain a production rate of 1.5-million ounces of platinum group metals a year, milling 1-million tons a month, for more than 50 years. But the merger is not expected to "add additional metal to the market".

In a featureless and tempered market, Implats gained 275c on the JSE yesterday to close at a new all-time high of 7 900c, with 136 000 shares changing hands in 33 deals. Lonrho gained 25c to close at 1 830c after 132 615 shares changed hands in 45 deals. Rustenburg Plats shed 170c to 8 630c

in medium trading.

The merger is subject to pre-emptive rights over certain shares in the deal and put-and-call options in the event of a change in the ultimate control of Wesplats and Eastern Platinum. The statements, in Johannesburg and London, said that in return for parting with Karee, Implats would acquire a 25% equity share and a 27% future profit participation in Wesplats/Karee and Eastern Platinum.

Karee, in its commissioning phase, is in the Marikana district of western Transvaal and shares a common boundary with Wesplats. Eastern Plats lies nearby to the east in Bophuthatswana. Lonrho will be responsible for the management of the merged operations.

Last night Implats chairman Steve Ellis confirmed that the question of whether Karee would be included inside the Wesplats ring-fence had not been resolved by the SA tax authorities.

He said that if the decision was favourable, the tax shield would be worth about

□ To Page 2

## Swap deal

B/Dam 18/11/90

□ From Page 1

R200m to the merged operations in short-term cash terms, and R90m in current, net present value terms

He also said that the question of an Implats rights issue to finish Karee's development had now been obviated.

But other rights issues, for example, for the Messina operation, had not been ruled out. He also confirmed that the legal tussle between Implats and the Bafokeng tribe in Bophuthatswana was not a material issue to last night's announcement.

Lonrho's Terence Wilkinson, Wesplats MD, said the merger would create a contiguous entity with a strike length in excess of 26km. Implats will market the platinum group metals from its own mines, while Lonrho will do the same from Wesplats/Karee and Eastern Platinum.

Implats will have marginally more than 25% of the equity voting rights in Wes-

plats/Karee and in Eastern Platinum, but Implats will have equal representation with Lonrho on the boards of the two companies.

In a London statement, Lonrho said the 25% equity share, were it to be valued on a current net book value basis — "substantially an historical cost" — would have an approximate value of £74m.

For the purposes of the merger, said Lonrho, "no absolute valuation of the mines has been assessed and only relative values are being applied to calculate the relative shares of the enterprise. It is not, therefore, possible at this stage to assess an actual value of the merged operation."

The merger gives Lonrho access to shallower reserves. Wilkinson noted that the merged operations would become cash positive by end-1990. Use of existing infrastructure meant more savings in capex.

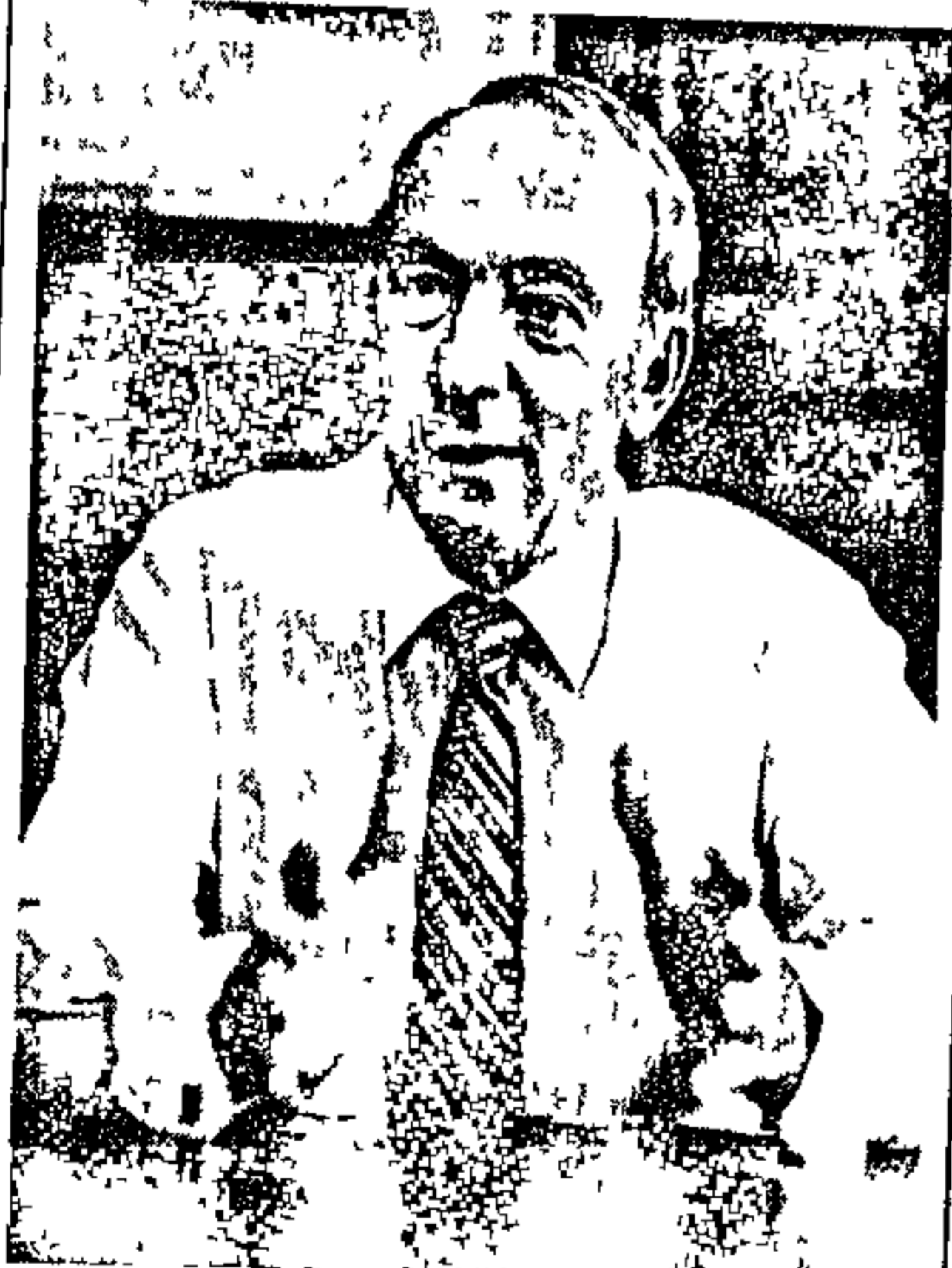
**Karee merger?**

As the *FM* went to press there were strong rumours that a merger between Lonrho's Western Platinum and Impala Platinum's developing Karee Mine was imminent.

It appears Karee is to be merged with Western Platinum's operations in return for which Impala will take about a 27% stake in Westplat. The two mines are contiguous in the Marikana area of the western Transvaal. Approached for comment, Lonrho SA chairman Terence Wilkinson said he could say nothing before a press conference scheduled for Wednesday afternoon.

The deal follows earlier rumours of talks between Impala and Westplat (*Fox* May 12 1989), which were confirmed at the time by Wilkinson and Impala chairman Steve Ellis. Both said the talks related to areas of possible synergy between the businesses, including a possible swap of mineral rights. On Tuesday night Ellis declined to comment before a press statement due from Impala on Wednesday afternoon. *FM* 19/1/90

The Karee mine is being developed to provide replacement tonnage for Impala's operations and, at first glance, it appears strange Impala should want such a deal



**Impala's Ellis ... finding synergies**

*FM* 19/1/90 (217)

From Westplat's side a major consideration must be the tax status of Karee. It is a separate mining area and, therefore, should be "ringfenced" for tax purposes. However, one suggestion is the deal is aimed at lessening the financial burden on Impala, which is faced with developing both Karee and the Messina platinum project with limited financial resources.

Karee was announced in October 1987, when it was forecast it would cost R406m in July 1987 money values to bring the mine to an initial production rate of 100 000 oz/year of platinum. It was estimated a further R320m, in July 1987 money values, would be required to lift production to full planned output of 300 000 oz/year.

Impala had planned to fund this through a rights issue but so far it has been unable, or unwilling, to do so because of stock market conditions. It has funded the work from its own sources, spending R211m in the year to June 1988 and planning to spend another R190m in the current year. The group may prefer to let Westplat spend the money needed to complete Karee, while concentrating its attention on Messina. Westplat is in the final stages of a project to double its own production to 500 000 oz/year of platinum group metals, of which about 225 000 oz would be platinum.

*Brendan Ryan*



# DIAGONAL STREET

# Impala coup pips Rustenburg Plat

S17nes 21/1/90

217

**IMPALA** Platinum has stolen a march on major competitor Rustenburg Platinum by getting a foot in Lonrho's Western Platinum door

Impala chairman Steve Ellis — he will retire soon — revived 10-year long negotiations with Lonrho and secured a deal whereby Impala's Karee mine and its Middelkraal reserves will be merged with Western Platinum in return for 27% of the profits of the combined operation

Impala will receive 25% of the equity of the merged mines, and will have equal board representation with Lonrho directors. If the 25% stake were to be valued on current net book value — historical cost — its worth would be about £74 million

## COLLAPSE

This values the whole of Lonrho's platinum interests at close to R2 billion compared with Impala's R4,5-billion market capitalisation and Rustenburg Platinum's R10,8 billion

Karee was announced in October 1987 when a rights offer to raise money for the project was planned. The world's stock markets collapsed at the same time and the equity-financing plan was

shelved. Development of Karee went ahead, funded internally by Impala. Karee was established to replace ore currently mined by Impala when those reserves diminish

Karee and Western are at Marikana, near Rustenburg in the Western Transvaal. Eastern Platinum is in Bophuthatswana. The map shows the geographical positioning of Impala's and Lonrho's ground, and why the merger makes so much sense

Lonrho's Terence Wilkinson says the deal will give the Western No 2 shaft access to mine Karee immediately. Lonrho will manage the new operation

The new boundaries result in 26km of continuous reef outcrop. Access to the shallower, high grade ore at Karee will reduce Western's operating costs — already the lowest in the industry, says Mr Wilkinson

The ground could sustain a mining operation producing 15 million ounces of gold and platinum group metals annually for at least 50 years

If conditions warrant, this production will be achieved from a milling rate of 1 million tons a month by 1997, giving rise to 800 000oz of platinum itself a year. Of this, Karee will deliver 300 000oz

Initially, Impala smelters will be used for production

from Karee Marketing contracts already entered into by Karee will be honoured by Lonrho

Lonrho is still the world's third largest platinum producer but is now a much bigger No 3. Mr Wilkinson says Lonrho has reached this status without bringing new capacity to world production. Karee had already been planned, only the management has changed

Impala and Lonrho together outrank No 1 producer Rusplat

## BURDEN

Mr Wilkinson says Lonrho has no intention of leaving South Africa, but Karee Western will not be listed unless circumstances change

Eastern Platinum began production in July last year using Western's infrastructure

The deal makes sense even without any potential tax shielding which could be possible

Now that some of the financial burden has been lifted from Impala, it will no longer need a rights offer solely on Karee's account. Impala will provide 27% of the combined operation's net development cost in the first year, whereafter it should be self-financing

Without the Western deal, Karee would not have become cash positive until the end of 1993. Now it is expected to show profits from the end of this year

Mr Ellis does not deny that there could be a rights offer to fund Impala's other projects, although nothing is imminent

## OPTIONS

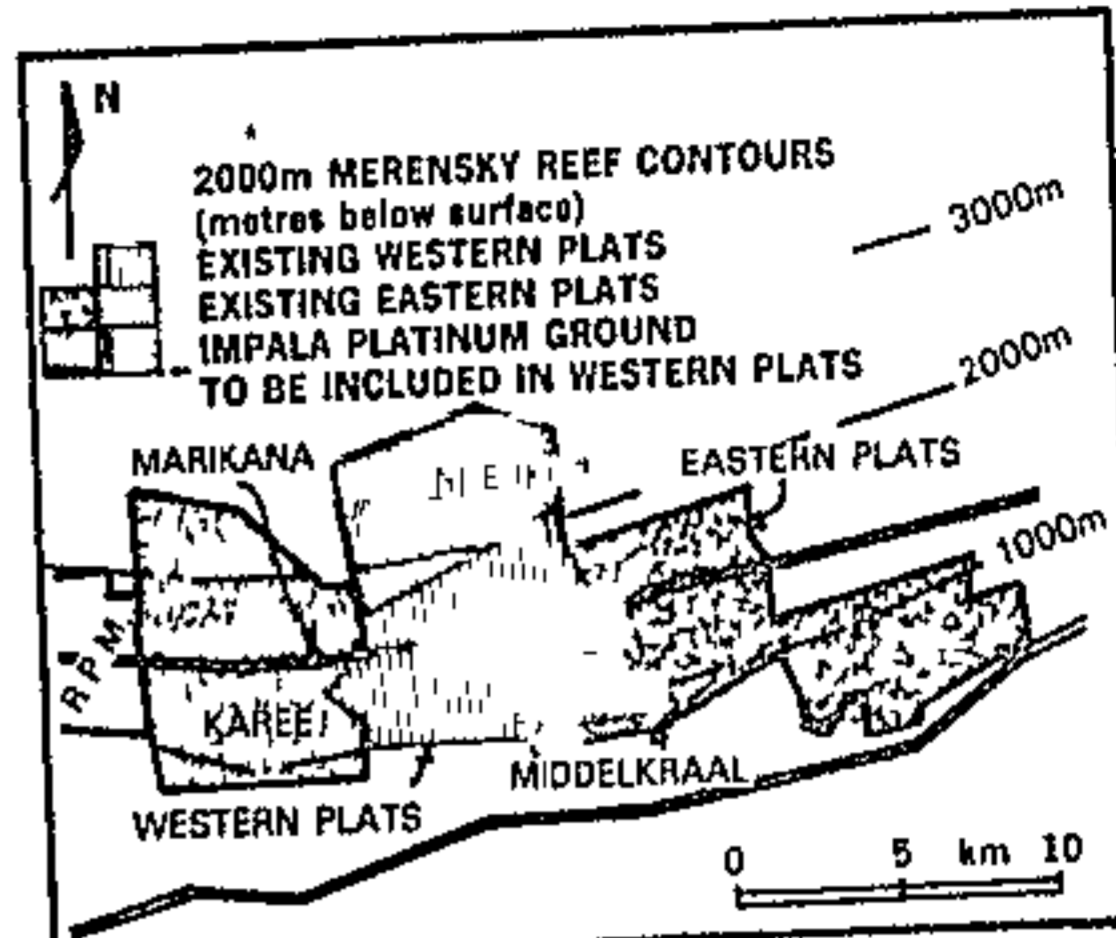
SA's trade unions usually demand compensation when company A sells to company B. In this deal no cash changes hands and all the Karee employees will be offered jobs by Western on terms not worse than those currently enjoyed, so there should be no cause for complaint

The arrangements include pre-emptive rights over shares held by the parties in Western and Eastern, and call and put options over shares of those companies in the event of a change in their ultimate control

Had the deal been effective

in Impala's previous year, its earnings would have been 10% higher

Impala's share price has climbed from R67,25 on December 31 to R81 — a rise of 20% in under three weeks



# Nearline brings a scent of roses

**COMPUTER** jargon frightens me off-line, but Alan Baxter of Corporate Management Services CMS understands that

I now know that there are two ways of storing and retrieving information, and the pros and cons of each. One is called on-line. It is fast, but takes up a lot of space and is costly. Information is stored on disks attached to mainframe for immediate access

The off-line system uses tapes to store information. They have to be physically fetched and loaded into the computer. They do not take up much space, are 40 times cheaper than the on-line, but can be slow

It can take minutes for a job that takes less than a second on-line

CMS supplies and services Nearline — not quite on, but nowhere near off. In only 11 seconds, a robot can locate, retrieve and deliver a storage tape from a library to the mainframe. It responds to instructions from a keyboard

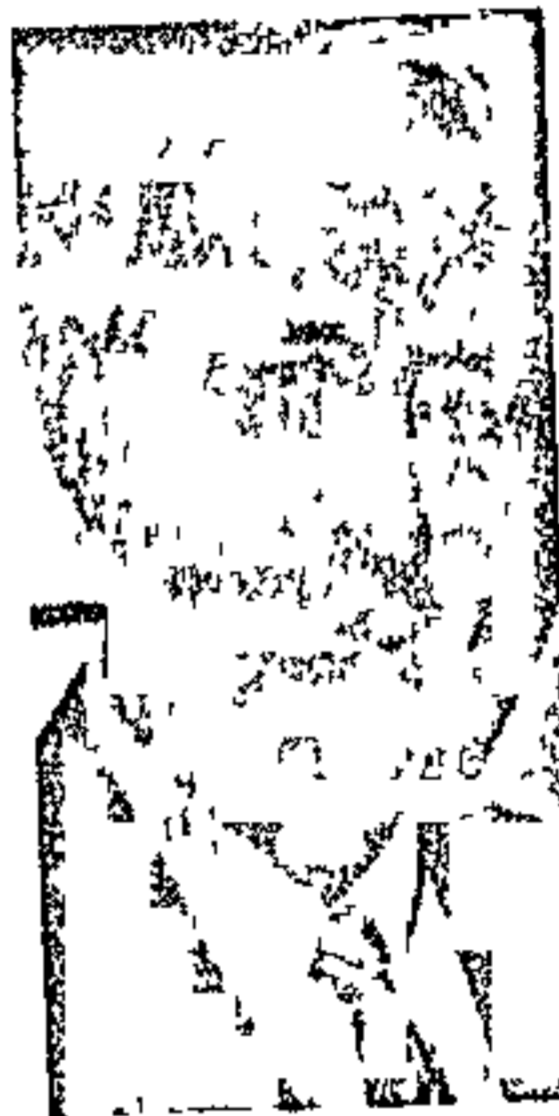
The robot is even ambidextrous — it can withdraw with one hand while replacing with the other. It also puts everything back in the right place

The biggest cost component in running a computer is personnel — estimated at 42% of the total. Nearline improves staff productivity

## FRACTION

More than 1 000 Nearlines have been installed around the world. CMS has installed 12 in South Africa. Nearline accounts for nearly a third of its business

Mr Baxter dismisses competitors' late-entry products



**ALAN BAXTER** focus on mainframes saves the day

dent that this year's total will outstrip last year's 8,2c

The shares stand at 32c and could be a buy. They have rallied from 25c in December, but so has the whole market

The balance sheet looks okay — no goodwill, a legitimate non-distributable reserve and no borrowings

Mr Baxter says stocks have been reduced this year. In addition to the growth prospects of Nearline — Mr Baxter thinks there is call for up to 100 in the next three years — CMS is the leading independent servicer of IBM mainframe computers

CMS services 65 mainframes out of an estimated 350 stations installed throughout SA. It is the largest third-party service group

CompEdge — 60% held by CMS — employs 35 consultants who help large IBM users to get the most out of their computers

The CMS staff complement is 130

Long term contracts with international agents ensure continued supplies. Mr Baxter says the contract with StorageTek of America has been in effect since CMS was launched 10 years ago by five former IBM employees including himself

He believes that loyalty has paid off. In 1984, StorageTek was near to bust, but pulled itself out with the development of Nearline. Had CMS sought another supplier it would have lost out in the long run

Sticking to mainframe has been the focus of CMS policy. Mr Baxter believes this has kept it out of the mire of trouble many computer companies have undergone in the past few years

"We still serve the same customers we had 10 years ago, and we value their business highly. They need to know support will be there when they invest in computers"

## SURVIVORS

CMS intends to introduce new yet mainframe-related products in the next 12 months

Mr Baxter must be a bit worried about shareholders whose investment has fallen in value. Premier Group, which owns 34%, came in 55c, the original subscriber public at 85c

Out of favour, since October 1987, an ill wind blows around computer shares, especially because several listed companies have gone into liquidation and others have undergone restructurings

Nonetheless, there will be some survivors who need nothing more than good timing and a smaller

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St. Times 21/1/90

217

# Soaring rhodium an Impala winner

LONDON — The price of rhodium, the scarce platinum-group metal, edged up to a record \$2 125 an ounce this week, says Johnson Matthey, Rustenburg's agent.

As recently as last September, rhodium — mined in SA and the Soviet Union — was quoted at \$1 280/oz

The soaring price reflects a squeeze on supplies because of problems at Rustenburg's new refinery and higher demand for rhodium, which is used in catalytic converters to limit car-exhaust emissions

## Rich

London mining specialist James Capel estimates that the rhodium shortage will benefit Impala, and not only because of Rustenburg's refining problems Impala shares rose \$5 to \$23 this week and Rustenburg marked time at \$24

Impala mines a greater proportion of UG2 Reef than Rustenburg does. The UG2 is rich in rhodium and relatively deficient in nickel

Capel thinks that current mine operations yield 95 000oz of rhodium annually at Rustenburg and 110 000oz at Impala. But Impala's platinum output is 15% less than Rustenburg's.

With platinum metal in the doldrums, rhodium has become increasingly valuable. At current prices, Impala's rhodium brings in the same revenue as 470 000oz of platinum

A senior Johnson Matthey executive says "We haven't any Rustenburg rhodium to sell"

He is optimistic that the refining problem will be resolved soon

## Ratio

But the rhodium price is not likely to fall sharply. Demand, says Johnson Matthey, is running "at above the mine mix".

The rhodium:platinum ratio is about 1:10 at Impala and 1:14 at Rustenburg. But

By Richard Rolfe

three-way autocatalysts require a 15 rhodium:platinum ratio.

Rhodium has become the hottest prospect in platinum-group metals (PGM) because of increasingly stringent legislation on car emissions, beginning in the US in the mid-1980s and extending to Europe from 1993

Johnson Matthey says "Rhodium is particularly important in autocatalysts for its role in reducing NOx" (nitrous oxides)

Its latest forecast is that PGM use in the car industry will rise by 900 000oz by 1995. That could mean additional demand for rhodium of as much as 180 000oz.

But world rhodium output is about 330 000oz and additional production can only be obtained from the Soviet Union, which last year sold 25% more than in 1988, or by a switch to UG2 mining in SA

The surge in rhodium, says Capel's John Taylor, will more than compensate in Impala's case for the fall in nickel prices

Last year, SA producers

received an average of \$5,83 a lb for nickel, which accounted for 27% of Rustenburg's revenue.

For 1990, a 40% fall in the nickel price to an average \$3,50 is likely.

## Value

Mr Taylor's conclusion is that, evaluated on the same basis as SA gold shares, Impala offers much better value on its combination of long life, rising production and dividend prospects.

He also views the Impala deal with Lonrho's Western Platinum as excellent for Impala.

The effect of the terms, says Mr Taylor, is that Impala will have an interest in 25% of the enlarged mine's ultimate output of 800 000oz of platinum without having to spend any money.

"Because it is retrospective to last year, Impala will get a quarter of Western Plat's income, which we estimate at R250-million"

Rustenburg, in Capel's view, is better value than all but three gold shares — Welkom, Ofsil and Western Deep Levels



# R2bn export boost for motor firms rate seen

Capl 7-1/2  
22/11/90  
29  
217

From EDWARD WEST

**JOHANNESBURG** — The local motor industry is expected to get a R2bn export boost next year when several local manufacturers begin production of exhaust systems for European markets

The EC is to introduce a clean air policy beginning in 1993. Already some EC countries are offering pre-legislation tax incentives to automobile buyers equipped with catalytic converters, said Johnson Mathey, the world's largest platinum dealers.

SA mines 80% of world's platinum, a key component in converters which cut exhaust pollution. The production of converters in SA makes sense in terms of mineral beneficiation and the latest phase of the local content programme, analysts said. The move is expected to boost local demand for platinum.

Industry sources said at the weekend that at least three large catalytic converter plants for the manufacture of exhaust systems were on the drawing board.

The first plant in SA is to be built in Port Elizabeth, and is expected to produce one million converters a year, which will be sold to SA motor manufacturers for export.

A local company, Algorax, is to start production on the R25m plant within weeks, company spokesmen said.

The technology and design for the plant will be provided by German chemical company Degussa AG which owns 50% of Algorax and production is expected to start in January 1991.

Motor industry sources said negotiations were taking place for the cre-

ation of other plants, but declined to give details.

German manufacturers were said to be involved in setting up their own SA plants. Mercedes Benz, however, declined to comment last week and Volkswagen denied that they were involved.

Growing concern over atmospheric pollution in Europe has given impetus for the production plants.

From January 1993, EC legislation will impose 1983 US exhaust emission standards.

A Johnson Mathey report said demand for platinum will rise steadily in Western Europe in the next three years as a result of increasing advance voluntary compliance and first stage legislative requirements for big cars.

When the EC legislative programme begins to take effect in France, Italy and Britain, which in 1988 accounted for 50% of European vehicle registrations, a major increase in platinum demand is forecast as converters become standard equipment on new vehicles, the report said.

In 1988, Switzerland, Norway and Sweden joined Austria in requiring all new cars to meet US 1983 emission standards which is usually done by fitting platinum-rodium three-way catalysts.

The report further stated there were signs that the US authorities would decide to follow California's lead and tighten exhaust emission standards.

Motor manufacturers would benefit in terms of the programme by offsetting the value of their imports to converter export values.

**JOHANNESBURG** — The top 100 SA industrial companies listed on the JSE predict an average inflation rate of 16,1% in 1990 compared to last year's 15,1%, and a real economic growth rate of 1,8% compared to 2% in 1989.

These are the findings of a report entitled "The Business Environment and Marketing Strategies of Manufacturing Industries in 1990" from the Bureau for Market Research at the University of SA (UNISA).

The report is based on the views of corporate executives at the companies involved in the survey.

The dollar/rand exchange rate is expected to range between R2,55 and R2,85, with an average of R2,74, compared to last year's average of R2,62.

Another prediction is a prime overdraft rate of 18% in December 1990 compared to the present 21%, and an average gold price of \$400.

The businessmen foresee an increase in the percentage total of unemployment, labour unrest and strikes.

A decline in economic growth in 1990 is predicted, but social and political predictions indicate a less pessimistic view of the business climate compared to 1989 — Sapa



Chris Davies (left) and Flip Rademeyer have been appointed to the board of Messina Ltd

Paul Ferguson has been appointed non-executive chairman of Kudu Granite Holdings



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(CMS65146)



# Gold heading for \$500 this year?

By René Hochreiter, analyst Anderson & Wilson

The 22-month gold bear market ended in early October 1989. It seems to have been triggered by British Chancellor of the Exchequer Nigel Lawson's resignation, the resulting crisis for the Thatcher government, the early days of Eastern Europe's revolution, and the Wall Street hiccup. Technically, gold has broken through its long-term resistance level, with major long-term moving averages crossing in mid December 19.9 (right hand graph).

## Positive implications

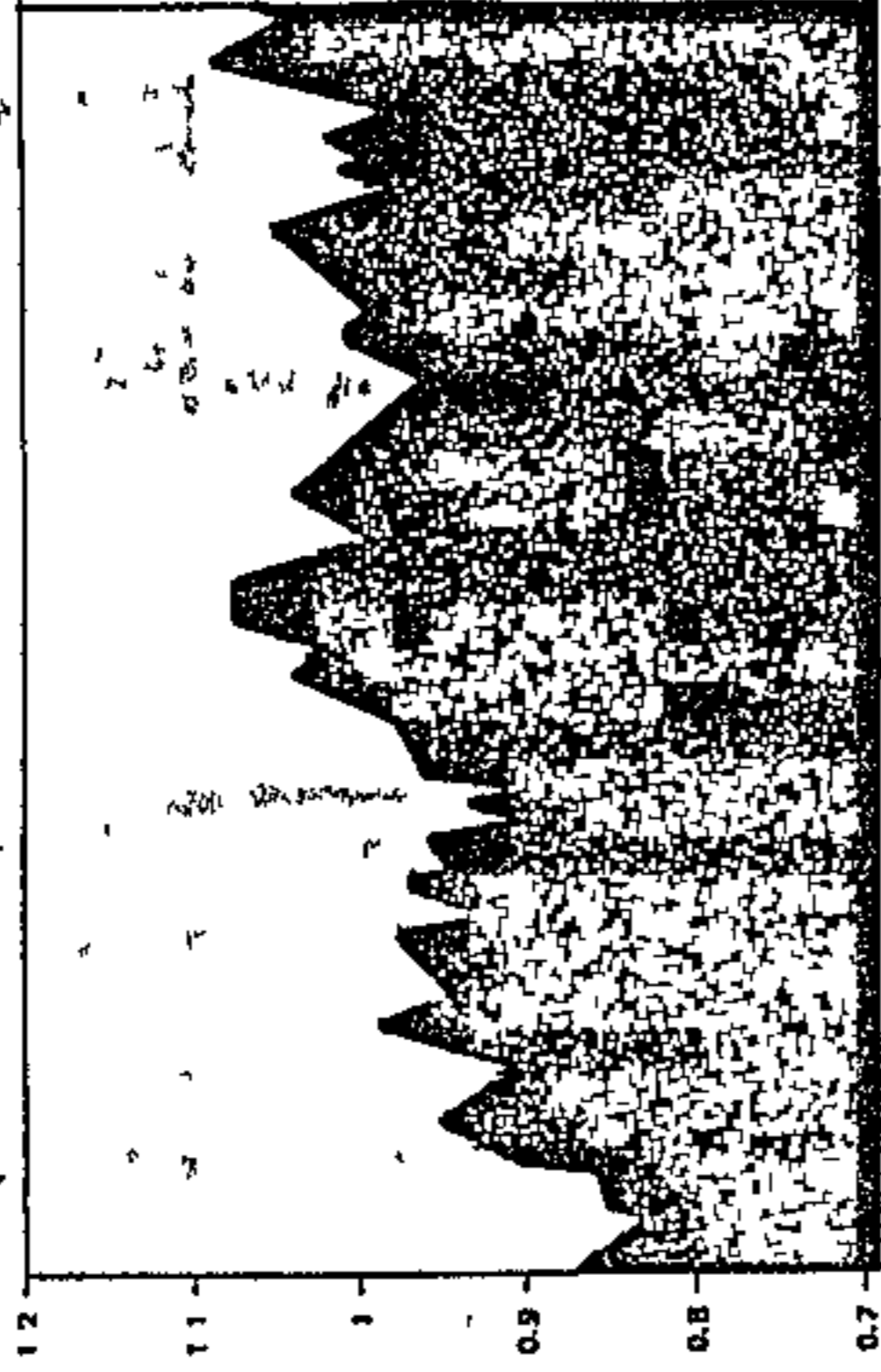
Eastern Europe's revolution has several positive implications for gold.

Should Gorbachev be toppled, huge uncertainty (a factor on which gold thrives) will result. It has also been suggested, however, that Russia could institute a gold backed rouble, thereby reducing supply of gold to the market.

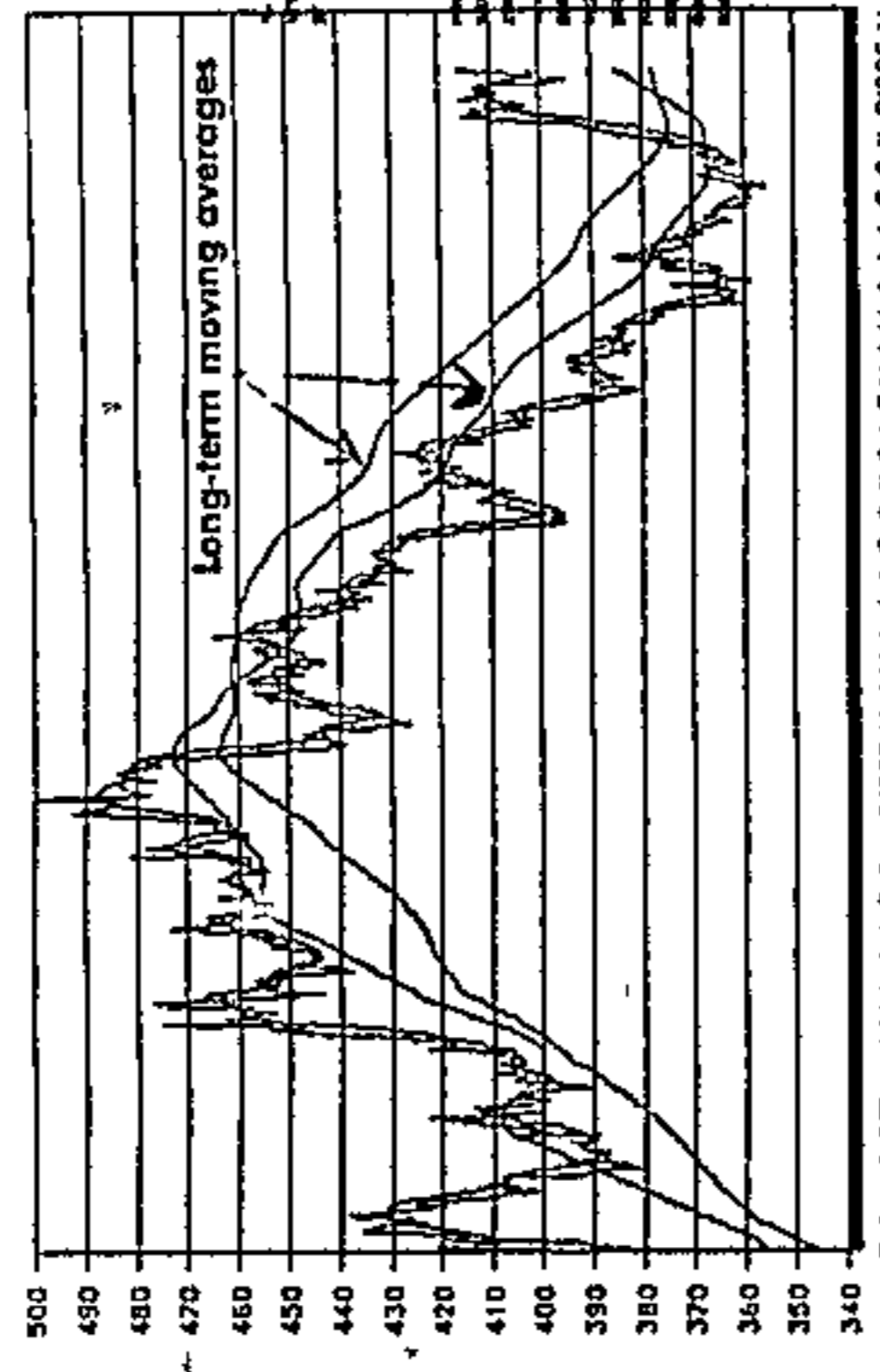
Also, the West may begin switching aid to this area, as it appears a far better bet than either South America or Africa. The ability of the Third World to service its debt may accordingly be impaired.

## Recent strength

The US economy appears more vulnerable than in 1987. The rate of decline in the M3 money aggregate is slowing while M1 and M3 appear to have bottomed. Interest rates are declining, and the dollar appears set to go lower, despite its recent strength. US policy-makers, and the Fed-



Rand gold price (R-thousands) 1977 M A M J J A S O N D E F M A M J J A S O N D E F M A M J J A S O N D E F M



Dollar gold price and long term moving averages 1980 81 82 83 84 85 86 87 88 89 90

eral Reserve in particular, are faced with a major dilemma: a more accommodative monetary stance would fuel inflation while a tighter policy would cause havoc in the debt-laden economy.

The Fed's balancing act is accordingly becoming more difficult; any slip could fuel uncertainty with a resulting flow of funds into gold.

Inflation on a global basis is again gaining momentum. Oil prices today are almost 30 percent up on a year ago.

We expect the bullion price to average \$440 per ounce during 1990. Considering that the average price for 1989 was \$380.80 and that the average inflation rate in South Africa in 1990 is expected to be 14 percent, a dollar gold price of \$434 an ounce will be required to maintain current profitability, as-

ports indicate that a possible auto-catalyst for diesel engines is being considered and that stationary industrial engines may also be subjected to emission control.

The enigma that the platinum price has remained fairly constant in the face of intense demand can be explained by the fact that future traders and precious metals dealers take their lead from gold.

## Fundamental demand

The platinum price therefore does not reflect the fundamental demand for the metal. Most producers, furthermore, have their production tied up contractually. The price-level of the shares, therefore, often reflect the perceptions of the investor for the outlook of the platinum group metals.

move to \$720 an ounce.

In terms of timing, the \$500 level is expected to be reached towards the end of 1990.

The platinum price averaged \$509.57 an ounce in 1989, and the platinum:gold ratio averaged 1.33 for the same period. (The link to gold is an historic fact and unlikely to change, excepting that in major bull markets the ratio is greater than unity, and vice versa in bear markets.) The environmental-hedge nature of platinum shares is an important aspect.

Demand remains extremely strong in the face of tightening European and US environmental laws and with the 1992 European auto-catalyst deadline looming, the shortfall scenario remains in fact. South African producers confident that demand is strong. Re-



# Kaolin mine issue set to spark new fighting

Cape Times 25/1/90

(717)

RENEWED in-fighting about the proposed Chapman's Peak kaolin mine issue seems set to break out at the quarterly meeting of the Fish Hoek Residents' Association tonight at 8 in the Civic Hall

The point at issue is the stated belief of the Ocean View Management Committee that the mine would provide many new job opportunities — which the Save Chapman's Peak Action Group strongly disputes

According to a statement from the Ocean View Management Committee — which claims to represent the largest community in the Noordhoek/Kommetjie valley — which was carried in a local paper, it has unanimous support for the mine

The committee chairman, Mr Yusuf Chothia, this week consistently refused to speak to the Cape Times, but Save Chapman's Peak Action Group spokesman Mr John Butterfield retorted that Mr Chothia's committee did not represent majority opinion in Ocean View, adding that Mr Chothia's daughter, Miss Rachmat Chothia, was helping the SCPAG's fight by collecting signatures against the mining venture

## Statement

"We have had tremendous support for our campaign from Ocean View residents," Mr Butterfield said "It is nonsense to say that the management committee represents the majority of the people — it is not even elected by the bulk of Ocean View residents"

The published statement from the Management Committee said members of the public were being asked to sign petitions to say they did not want a new mine, but Ocean View residents were not being asked how they felt about the loss of over 100 potential permanent jobs. The statement added that the management committee felt mining was part of the lifeblood of the country

Mr Butterfield replied that the statement was based on misinformation "The proposed extraction plant on Chapman's Peak will be a highly mechan-

ised operation, and according to an ex-employee of Serina will only provide about 10 to 15 positions for skilled operators, which is hardly enough to ease the unemployment problem

## Distorted facts

"One only has to look at the present operation of an extraction and processing plant at Brakkloof, which only provides 80 to 90 jobs, including managerial positions

"Certainly the new mine, which only deals with extraction, would not require duplication of all these posts," he added

According to Mr Butterfield, much of the battle being fought was caused by distorted facts which misled the public

"We have had to do some deep digging to get to the right story," he said "For instance, we were initially informed that the life of the new mine would be nine to 12 years, but according to geologists the deposits could be mined for 70 to 150 years. Previously Serina stated the mine had a life of 30 years, but then this changed to 23 years. It is all very confusing

"The next fallacy is that the deposits of kaolin are high-grade, a category of material which has to be imported, thus making this a strategic mineral. However, our investigations have proved that the kaolin on Chapman's Peak is in fact not high-grade, but the same as many other deposits which can be found up the West Coast"

"The new mine will eventually take over from Brakkloof, which will be divided up and sold for residential development.

"Initially we were told that the processing plant, the most offensive part of the operation, would remain at Brakkloof and raw material would be piped in. This has now changed, and the processing plant will be relocated either on the slopes of Chapman's Peak or right in the Noordhoek Valley itself"

## Apathy

Asked if he felt the SCPAG would succeed in stopping the mining, Mr Butterfield replied "Absolutely. There is just no way, given the facts, that the authorities can let this proceed"

The SCPAG had asked to participate in an open discussion on the issue, he said, because "we have encountered some apathy on the kaolin mine from the Mayor's and the Town Clerk's office in Fish Hoek, and wanted to bring the results of our latest investigations to the attention of the residents".

According to the Residents' Association chairman, Mr Paul van de Weg, the body passed a resolution against any activity which would cause an environmental upset about nine years ago, "but according to the anti-kaolin mine people they are not getting full support from Fish Hoek residents and we want to see if the resolution can be carried forward"

He appealed to all residents to make an effort to attend the meeting in order to voice their opinions. Residents who feel strongly about the issue can put their views in writing and send them to Mr G J Kotze, Minister of Environment Affairs, Private Bag X9039, Cape Town 8000

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# Rusplats profit is up 11%

*25/1/90*  
RUSTENBURG Platinum Holdings (Rusplats) has posted a pedestrian 11.3% increase in earnings a share, from 190,7c to 212,2c, for the six months to December 31. Dividends a share increased 8.7% from 115c to 125c. Gross sales revenue rose 5.9% to R1,5bn.

Rusplats has cautioned that unless the dollar price of platinum and nickel increases during the second half and the rand retreats from its current firmer levels, the earnings for the full 1989 financial year will not be equalled this year.

The counter gained 200c yesterday to close at 8 375c, reflecting a market capitalisation of R10,3bn.

The price is off last month's 12-month high of 9 000c but well above the low of 4 650c set about a year ago.

The Rusplats results are largely in line.

**BARRY SERGEANT**

with market expectations. At Lebowa Platinum Mines, earnings a share slipped from 8c to 7,9c, with dividends a share remaining unchanged at 2,5c for the six months to December 31.

The directors say that revenue at Rusplats was affected favourably by the weaker dollar/rand exchange rate that prevailed during most of the year and adversely by lower platinum and nickel dollar prices, and by the reduced flow of platinum group metals to the market as a result of the start-up problems encountered at the new precious metals refinery.

The cost of sales rose 11,9% from R763m, while the profit on metal sales slipped marginally from R650,9m to

To Page 2

## Rusplats *25/1/90*

R642,7m. "Other income" increased substantially by 139% to R92,8m, due, say the directors, to higher interest rates on cash balances held by the group.

Capital expenditure at Rusplats was R123,8m (R108,1m), of which R92,0m (R56,4m) went to renewals and replace-

*217*  From Page 1

ments. The directors say should present levels of dollar prices of platinum and nickel continue to prevail in the second half of the financial year, and the rand/dollar exchange rate continue at its current firmer levels, sales revenue for the current financial year is unlikely to rise in line with the expected increases in costs.

Star 25/1/90

The Star

Finance

217

# Weaker exchange rate lifts profit at Rusplats

## Finance Staff

Rustenburg Platinum (Rusplats) has reported distributable profits for the six months to December of R265,9 million

This compares with R239 million for the same period in 1988

Earnings per share were 212,2c (190,7c)

Cost of sales rose 11,9 percent to R854,4 million (R763,3 million)

Net operating profit was R735,5 million, while gross sales revenue was R1,497 billion (R1,414 billion)

Holding company JCI says revenue was favourably affected by the weaker rand/dollar exchange rate and adversely by lower platinum and nickel dollar prices.

Start-up problems at the new precious metals refinery also had an effect.

The net result was a decline of 1,3 percent in the profit on metal sales to R642,7 million (R650,9 million)

Capex for the period was R123,8 million (R108,1 million), of which R92,0 million was spent on renewals and replacements

JCI says that should current price trends continue, distributable profit will not equal that achieved in the 1989 financial year

An interim dividend of 125c a share has been declared. In 1988 the dividend for the same period was 115c

JCI says taxed profit at Lebowa Platinum was R9,5 million (R9,6 million), while earnings per share were 7,9c (8c) for the same period

Gross sales rose by 26,9 percent to R33,5 million (R26,4 million)

However, despite increased production, problems at the Rusplats start-up of the new processing plant and lower metal prices took their toll

An unchanged dividend of 2,5c has been declared

Capex was down at R21,3 million (R33,5 million)

Star 26/1/90

217

# Buoyant Lonrho awards bonus shares

By Neil Behrmann

Lonrho, the international conglomerate with a large platinum stake in South Africa and sugar interests in Swaziland, has reported a sharp improvement in profits and will be allotting shareholders one more share for ten held

Pre-tax profit for the year to September rose to £273.2 million from £225 million in 1988

Profits were in line with forecasts, which predicted a pre-tax range of £250 million to £290 million

Turnover in 1989 totalled £5.1 billion, up 21 percent from £4.2 billion in 1988.

Despite the 22 percent rise in profits, Lonrho's shares traded yesterday at 301p, well below its recent high of 326p

Converted at the financial rand rate, the Johannesburg price is R16.85 a share. The shares have been even weaker in Johannesburg, because sterling has fallen against the financial rand.

Moreover, the pre-tax figure of £273.2 million benefited from the disposal of Lonrho's UK whisky operations in the first half of the financial year.

The disposal was included as trading profit rather than an extraordinary gain and contributed £38.4 million Of the reported pre-tax profits.

Most analysts would regard this item as a below-the-line contribution Without the profit from the sale, pre-tax profits were £234.8 million, only four percent higher than the previous year

Lonrho's gross annual dividend rose to 21.3p a share (14.8p) The increases were in line with expectations

The one-for-ten bonus issue did not

create much excitement because the company has made this a policy over the past few years

Shareholders registered on the books at April 6 will receive the extra shares

Some analysts contend it will be difficult for Lonrho to maintain profit growth this year because its figures included non-recurring items such as the whisky sale

Tourist and motor divisions could also come under pressure because these industries are expected to slow down this year

Others are banking on buoyant profits from the gold operations in Ghana and platinum interests in South Africa

Last week Lonrho said it would take control of the Karee platinum mine from Impala. In return, it will cede 25 percent of Western Platinum's equity to Impala and 27 percent of profits

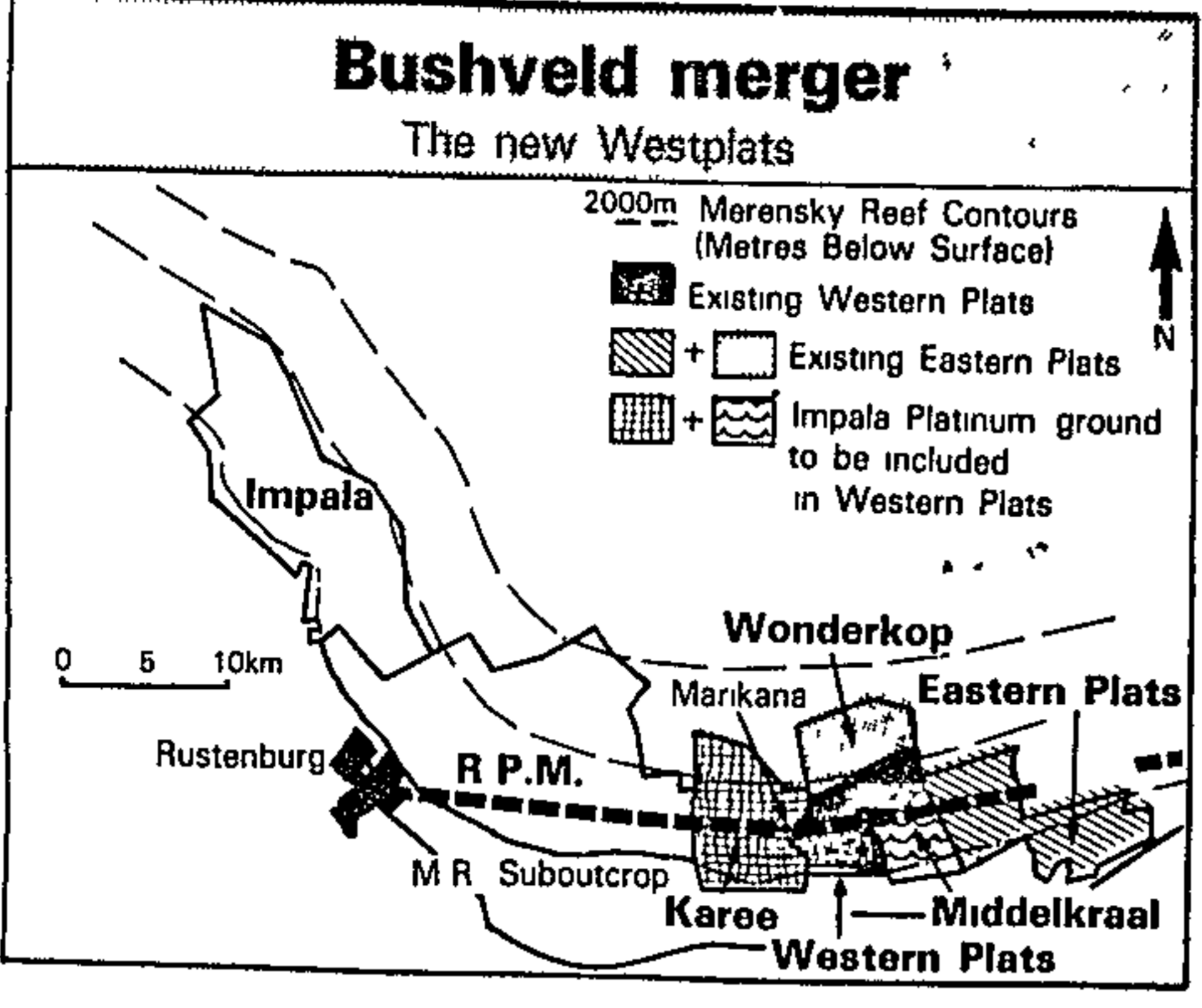
Shearson Lehman contends that Impala will benefit from the deal in the short run Lonrho will "not gain a lot" because it is ceding an interest in a producing mine and is gaining a stake in a development which is just starting

"In the longer term, Lonrho will shape up to be a significant player in the platinum market as its consolidated production rises to 850 000 ounces in 1996, not far behind Impala's 1.2 million ounces and about half Rustenburg's projected 1.6 million ounces," says Shearson

Lonrho expects strong growth in its mining operations in 1990, particularly gold and platinum

The company which is involved in West Germany, is currently in active negotiations to open trading ventures in Eastern Europe, particularly East Germany and Hungary.





remain the cheapest producer.

"The deal gives us a contiguous mining operation with a strike length of more than 26 km. It pushes way out into the future the stage when West Plat would have had to start deep-level mining. We are getting new, shallow ore reserves, with better grades than we have at present. And the area may be able to support an even larger mining operation than the one estimated now."

would be platinum — for more than 50 years. Wilkinson declines to comment on the rate of build-up, but I understand the operation could hit about 75% of this rate in three years and full output in five to six years.

Asked on the marketing of the PGM, Wilkinson replies. "It all has a home." For the first five years West Plat will provide Impala with PGM required to meet the customer contractual commitments on which Karee's development was based. Wilkinson stresses this does not mean Impala/West Plat are collaborating on marketing and the two will remain competitors.

There remains the question of the application for the tax "ringfence" on Karee. Government has taken a hard line on this issue and made no concessions in recent years, not even in obvious cases like Freegold and the contiguous Du Preez Leger/Jonkersrust area, where development has been frozen as a result. It refused Rustenburg Platinum's application on Maandagshoek, though this ground was not contiguous with Rustenburg's existing mining operations.

The mining industry wants ringfencing removed but if government grants the Karee case, and not the others, it can expect an outcry from the rest of the mining industry.

Brendan Ryan

Hence the suspicion that Impala has a strategic motive. Impala has secured first shot with the pre-emptive rights negotiated over Lonrho's shares in Westplat should there be a change of ultimate control.

This aside, the justifications for the deal are impressive in terms of synergies to flow from the merged operations. Wilkinson says the bottom line for him is that West Plat will

That is another key feature. West Plat's position as the third largest SA platinum producer remains unchanged but the gap in size between West Plat and industry heavyweights Impala and Rustenburg Platinum is being narrowed dramatically.

Lonrho estimates the area could sustain a production rate of 1,5m oz of platinum group metals (PGM) — of which about 850 000 oz

IMPALA/WESTPLAT

Strategic move (217)

While the financial justifications for Impala Platinum's deal with Western Platinum over Karee make ample sense, and both should benefit handsomely, some platinum industry watchers reckon there may be more to the deal than has been revealed.

Some feel this is the first stage of an eventual takeover of West Plat by Impala. The suggestion is denied by West Plat MD Terence Wilkinson, who says Lonrho does not intend selling. The rumour that Lonrho intends disinvesting from SA has appeared regularly over the past 10 years and always denied. F/M 26/1/90

Impala has now disposed of some major assets, a developing mine and additional ore reserves, in return for a minority stake in another group which will manage that mine. Impala gets an immediate return on investment instead of waiting until late-1993 for Karee to become cash positive. Impala's capital expenditure commitments are cut, allowing the group to concentrate on Messina. That is rightly being seen as an example of innovative business thinking at the "new" Gencor.

However, mining houses are normally loathe to dispose of such valuable assets because of the loss of the management fees they charge for designing, building and running the mine. These are extremely profitable. This kind of deal happens rarely among the major mining groups. An example was when Anglo put its Middelplaat Manganese mine into Samancor in for shares. That deal was struck for the strategic reason of increasing Anglo's stake in Samancor when Anglo and Gencor were vying for control.

Continue p 85

# Kaolin mine unlikely to get go-ahead

Capit 7/11/90

217

By BARRY STREEK  
Political Staff

THE chances of the proposed kaolin mine in Noordhoek being given official approval look remote.

The Administrator of the Cape, Mr Kobus Meiring, yesterday took the unusual step of issuing a statement saying that the Provincial Administration had not received any application about the proposed mine.

Mr Meiring said no decision could be taken about the mine or about the Hey environmental report, which rejected the scheme, till an application had been received.

But he emphasised that his view remained that there should be a healthy balance between development and environmental issues.

Although he did not go as far as specifically rejecting the kaolin mine proposal, yesterday's preemptive statement, about an application not officially received, can only be regarded as being antagonistic to the kaolin mine proposal which has caused a stir among residents and environmentalists.

Moreover, government officials said there was no shortage of kaolin worldwide.

In the circumstances, it seems unlikely that approval will be given for the Noordhoek project.

In his statement, Mr Meiring said that no application for the Noordhoek project had been received, but he referred to the Hey inquiry which rejected the proposal in its report last month.

But the fact that Mr Meiring issued a statement yesterday on the kaolin mine, when it was not technically required, is an indication that the provincial authorities are not sympathetic to the project.



# Genbel interim earnings increased by 26% per share

217  
by Day 29/11/96  
RIAAN SMIT

GENBEL increased interim earnings per share 26% to 120c for the six months ended December, the mining holding company announced on Friday.

After its R298m rights issue — 97,3% subscribed — and R70m preference share issue during the half-year, Genbel expanded its portfolio and year-on-year valuation rose 77,4% to R3,3bn from R1,9bn.

This has increased Genbel's net asset value to R78,24 a share for the six months ended December from R66,36

Beers shares, and largely liquidated investments in its offshore portfolio

In the six months to December 31 the company also acquired 51% of Unisen Investments in exchange for Southvaal shares and exchanged 16,7-million Genbel shares for 9,9-million Genbel Beherend shares plus an approximate 10% interest in Engen, Genbel's as yet unlisted energy division, he said.

An analysis of Genbel's portfolio shows its top five holdings by value are

Genbel, Impala, Winkelhaak, Kinross and Randex. Almost a third (32,9%) of the company's portfolio is held in gold producers, 17,9% in mining financial shares and 15% in platinum shares.

Botha said with the improved profitability of the gold mines held and the repositioning of its portfolio, Genbel was expected to resume "a more normal income growth pattern".

He said earnings and dividends for the full financial year should be ahead of last year.

In the six months to June 30 last year Genbel sold gold shares worth R36m, purchased an additional 840 000 De

# Aurora out of tune with prospectus forecast

Star 31/11/90

Rattling around in the depths of my memory is a line from an old pop song which went "Oh oh oh Aurora". After the publication by Aurora Granite of its disastrous interim figures "Oh! Aurora!" seems more appropriate.

Aurora came to the market in June last year full of exceptional promise. The prospectus dwelt on the extensive ore reserves of black granite; the new techniques which would be employed to ensure recovery of high quality granite and the great expertise of the staff

More pertinently it forecast net sales for the year ending June, 1990 of R14,8 million, an operating profit of R8 million, a net profit of R7 million and a 9c dividend.

For the six months ended December the company is showing a loss of R2,48 million, and there will be no dividend this year.

It doesn't seem as if it was any surprise to the market. Aurora's shares, privately placed at 200c, touched 265c just after the listing, and are now hovering around 60c — a 77 percent drop from their peak.

## Too optimistic

What went wrong? Mr Kevin Kartun, mining analyst with Frankel, Kruger Vinderine believes the directors were too optimistic. But Mr Kartun himself is not pessimistic about Aurora's prospects. Its granite is of good quality and revenue should start to pick up in the coming months, he says.

Mr Ted Grobicki, Aurora's chairman, agrees with Mr Kartun that the prospectus was a little optimistic, which is why he does not want to make any further forecasts.

However, he is not despondent. One reason for the poor profit performance was that recovery grades were below those expected. The upper levels being mined at the company's Kwaggaskop and Rooikraal quarries are characterised by closely-spaced sub-horizontal

Diagonal Street  
DEREK TOMMEY



fractures and this means that the granite blocks recovered are on the small side

Unfortunately, these areas are overlain by large blocks of granite and the faulting was discovered only after quarrying began

However, indications are that in certain areas the recovery grades should improve with depth, and work at the mine is aimed at reaching these areas, but it will take some time.

## Mining plan

Profitability has also been affected by higher than anticipated production costs, as a result of changes to the mining plan in order to cope with the poorer rock conditions.

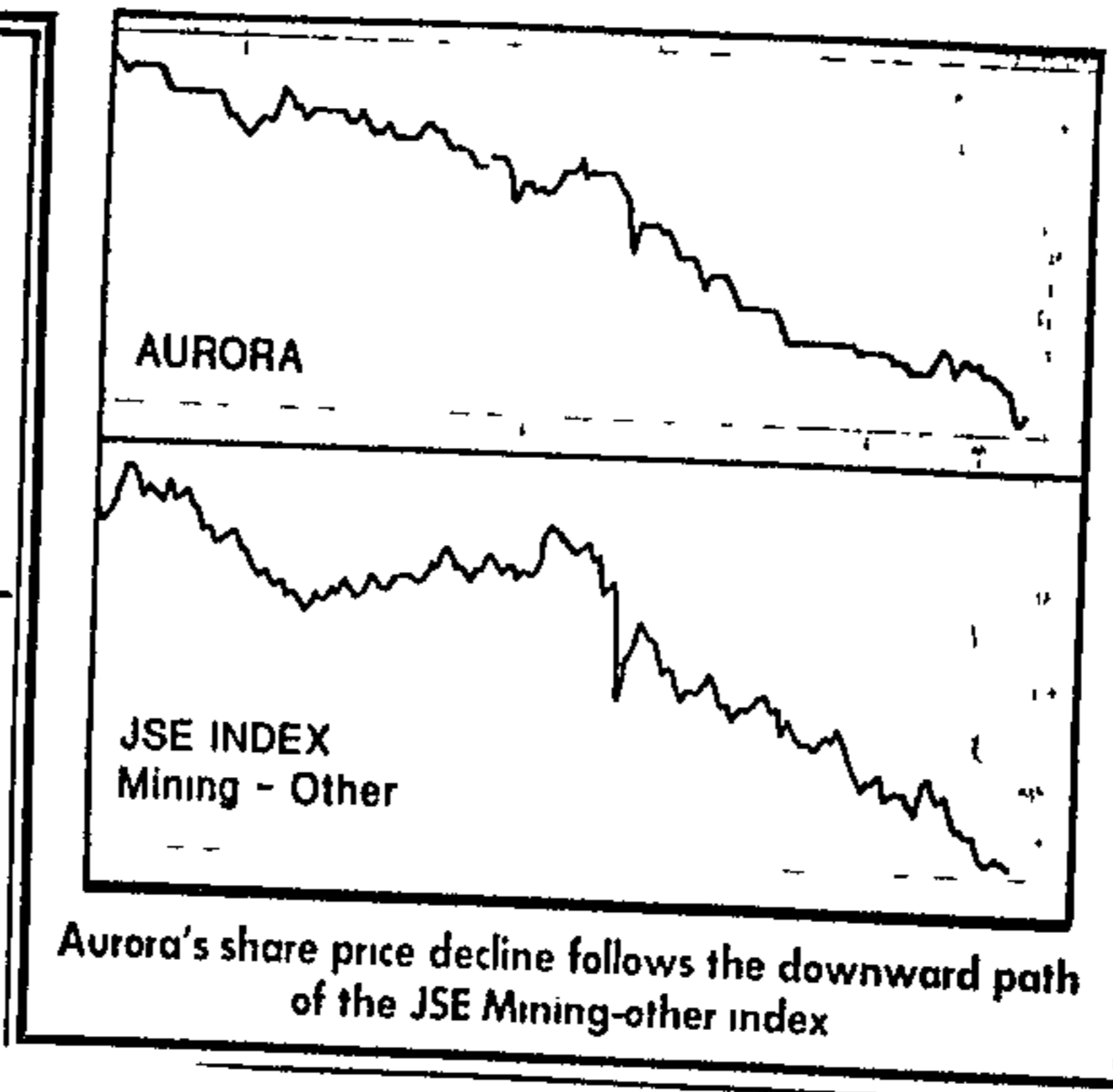
On the brighter side, Mr Grobicki reports that the market for the company's granite remains strong, although there is resistance to the purchase of the smaller blocks.

The failure of Aurora to produce results matching its forecast has badly affected the company's cash flow and it is considering ways to raise more money, says Mr Grobicki

Speculators will be trying to gauge Aurora's prospects. Buying Aurora shares at around 60c at this stage could be a temptation. If things start going right for the company its shares could easily reach R2 and even R2,65.

However, the company needs more money, and some time is likely to elapse before the mine has an opportunity to get things right

So it may pay to wait for a few more quarterly reports before taking the plunge



Aurora's share price decline follows the downward path of the JSE Mining-other index



FIM 2/2/90

return on investment, Van der Veer explains This should be the final step in getting the company ready for being sold off

SAA appears to be following the lead of British Airways — which began preparing for privatisation in 1981 and quickly slashed its work force from 59 000 to 36 000 The airline famous for regarding customers as irritants started focusing on service, began marketing itself as the World's Favourite Airline, and turned a R550m loss in 1981 to a R1,1bn profit last year. After six years of that, the airline was privatised in 1987

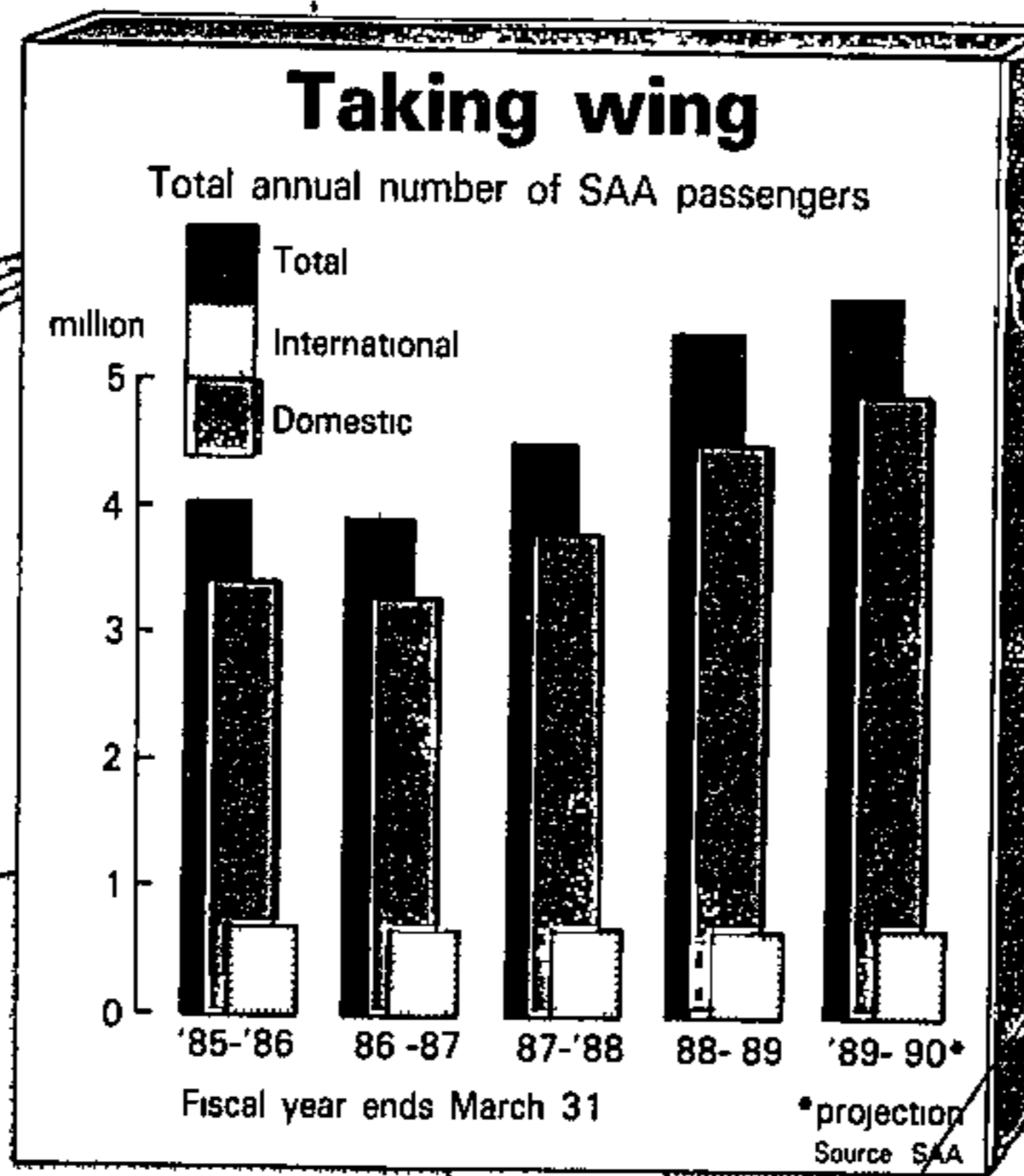
But how well would SAA fare in a deregulated market? The answer to that question will help determine when the airline is privatised With its dominance of the market and its massive capital base — though SAA is only the world's 49th largest airline, according to *Fortune* magazine — the battle might at first blush appear lopsided SAA carries 94% of the 5,3m domestic passengers who fly each year and 97% of the 50 000 t of annual air freight. It could very easily proceed from one monopolistic situation to another

Fortunately, there are examples that prove otherwise. New Zealand, with a market similar to SA's, was dominated by a single airline before deregulation in 1984 A year later, a private airline had captured 35% of the market, though that share has since slipped back somewhat.

In the US, the rigours of open competition were too much for most of the biggest airlines when deregulation came in 1978 Of the top 10 US airlines then, three have gone into bankruptcy, another two no longer exist and another, Pan Am, perhaps America's proudest airline, dropped off the list

Almost all the airlines underwent buyouts and restructurings in bids to cope with leaner, hungrier upstarts more in touch with the market.

Not a happy experience for the established airlines — but an unqualified success for the public Safety improved, the number of fatal accidents per 1m aircraft miles fell from 0,0023 in 1968-1978 to 0,0010 from 1979 through last year, according to the US Air



(289) (532)

return on capital like any other business We believe in the advantages of competition but hold the view that success does not come from focusing on competition only and forgetting about the bottom line

Then there is pricing Van Hoven, Van Aswegen and SAA's van der Veer all believe that deregulation will lead to ticket price increases, though in the US the experience was the opposite Fares dropped dramatically there — and stayed low Since 1978, the US Consumer Price Index has increased by 90%, but airfares have increased by only 47%.

Van der Veer fields this argument "We'll be an attractive investment only after we increase our domestic fares and bring them into line with domestic fares in other

Transport Association Competition is stronger — though there are fewer carriers now, the remaining ones have produced more vigorous nationwide competition than before, according to a US Department of Transportation study

And then there is the best test of deregulation's popularity the number of passengers carried each year jumped by 65%, according to the association

To be sure, it will be a hard slog for the local private operators "The domestic market in SA generates just over 5m passengers a year, which is an extremely small number when one considers countries such as the US, where in excess of 1m passengers are transported each day," according to Comair MD Pieter van Hoven

But as in the US, the market may grow quickly after deregulation And that's the biggest attraction of deregulation for SAA the airline obviously stands to gain the lion's share of the expanded market

When deregulation does come, airlines will try different strategies against SAA Safmarine — parent company of freight airliner Safair — has applied to fly passenger routes against SAA, and Safair CE Piet van Aswegen says "We don't envisage entering the industry in a big way with the sole aim of being a competitor We approach the market with the objective of earning a sound

Western countries" He says that SAA's domestic service only breaks even, with fares having been kept artificially low because the airline has not been obliged to produce the return on investment expected in the private sector

Van der Veer may be right about SA's domestic fares as compared with Europe's still-regulated market. But the wider variety of discounts available in the US means that passengers there generally pay less for domestic flights

In any case, it's doubtful if SAA will have any leeway to raise fares after deregulation because its competitors, surely, will be cutting them

Van Hoven says Comair doesn't plan to start a price war, but will offer "improved services" to business travellers and "economic services" to the general public

In the end, nobody knows what will happen to SA air travel after deregulation. Several strong competitors might jump in and cause a free-for-all, as happened in the US in the late-Seventies and early-Eighties Or SAA might put itself into such good shape that competitors will find it impossible to make money on anything other than niche markets — a situation similar to SA Breweries dominance of the beer market

Either way, the public, we must hope, will be the winner

RUSTENBURG PLATINUM

FIM 2/2/90

(217)

# Slowly through the dip

■ Earnings growth is levelling off, but management remains confident

While the interim results from Rustenburg Platinum (Rusplat) are far from exciting, they do not spell doom and gloom for the platinum sector EPS rose 11%, compared with 20% in the first half of the 1989 financial year, and 50% in the second half The slowdown was inevitable — and widely expected by the market, given the sharply lower ruling platinum, nickel and copper

prices in the second half of 1989 compared with the second six months of 1988

They have, however, added fuel to the debate over the relative investment merits of Impala Platinum (Implats) versus Rusplat Though Implats's performance is expected to pretty much mirror that of Rusplat, there is some speculation on an immediate financial benefit from the merger of Implats's Karee

mine with Western Platinum (Wesplat).

Already that deal has revitalised the Implats share price It rose to near parity with Rusplat early this week, when Implats stood at R80,25 compared with Rusplat's R82,75 (see graph) Just six weeks ago Rusplat was trading around R86 compared with Implats's R69

Speculation is that agreement has been

P.T.O



reached with the authorities for the tax ringfence on Karee to be lifted. That would be worth about R200m to the enlarged Wesplat operation. Fergusson Bros, Hall Stewart analyst Derek Ritchie reckons the agreement may result in some kind of a windfall payment back to Implats which would greatly help the group's financial situation.

Implats chairman Steve Ellis says the authorities have not given a final decision on the tax application but he believes it "has a chance". He says that what Wesplat would do with this money has not been decided, but it would probably be used to fund the rest of the work on Karee.

Ritchie is less than enthusiastic on the outlook for the platinum market, believing that it moved into oversupply last year by about 50 000 oz. Overall, he reckons Rusplat is worth about R68 a share and Implats about R75.

However, Rusplat MD Barry Davison tells me, "there is no sign of any downturn in the platinum market. Sales volumes remain excellent and at this stage I see no reason for this to change. The slowdown in the US auto industry is of some concern, but we believe any decline in consumption because of declining auto sales will be compensated by the increased loadings of platinum needed to meet tighter emission controls being introduced."

Rusplat's profit on metal sales dipped by 1,3% to R642,7m (R650,9m) in the six months to end-December but the group was saved by interest income which more than doubled to R92,8m (R38,5m) thanks to its huge cash balances. These totalled R1,1bn at



**Davison**

end-December, but from that figure must be deducted the final dividend payment of R231,9m.

Hence the improved interim dividend of 125c (115c), which Ritchie sees as a move aimed at currying market favour in competition with Implats but which JD Anderson analyst Dave Russell believes underlines the financial strength of the group. "The Karee-Wesplat deal is a good one for Implats but Rusplat must remain the blue-chip investment in the sector," he says.

Rusplat's interim statement warns that, should dollar prices of platinum and nickel remain around present levels in the second half and the rand-dollar rate retain its firmer trend, then total distributable profit for the year will be lower than in 1989. That implies earnings could drop significantly in the second half. Davison declines to say what Rusplat's policy on the final dividend will be.

In a report released just before announcement of the Karee deal, London broker James Capel said it prefers Implats to Rusplat, but recommends both shares be bought as both are going to increase production over the next few years. "As this will result in dividend growth it seems illogical that their prospective dividend yields are higher than the quality, low-cost gold shares such as Driefontein and Hartebeesfontein," adds Capel.

Both groups are embarking on large expansions and it now appears that Karee will be all new production instead of part-replacement and part-expansion for Implats. Ellis says he is confident the group will be able to extend operations into the Deeps and that, with extended mining of the UG2 reserves, means Implats will at least maintain and could even expand output from existing operations.

Rusplat chairman Pat Retief said in his review last year the group was planning to expand production significantly. Since then, the joint venture on the Plat Reef has been announced. Davison declines to comment on any other expansions Rusplat may be considering. However, an obvious possibility is a rapid expansion on shallow ore reserves at the Amandelbult section.

That brings one back to the issue of the market. The Johnson Matthey interim report for 1989, released in November, estimated platinum demand would exceed supply in 1989 for the fifth consecutive year, but at a narrower margin of 120 000 oz. It concluded "The producers are clearly confident of the long-term growth of platinum demand."

Comments Davison "In the long term we are in a very good position to take advantage of a gap we see in the market. We believe we are the best in the business and we intend remaining in the number one position." According to Ellis "The market remains firm

and the outlook is good with the tighter emission standards in the US and the extra autocatalyst demand to come from Europe. There is room for responsible expansion of production depending on the market which is, of course, cyclical."

The effects of these expansions, and the others under way from newcomers like Barplats and Northam, will only be felt in a major way in perhaps three years. Despite the current optimism, investors should consider what has happened recently to the ferrochrome, stainless steel and granite markets. They have all been seriously weakened by major new increases in supply and/or the prospects of such increases. One may well ask why platinum should be different.

Current share price levels could be maintained for some time, though, and Rusplat's price barely reacted to the interim results. The platinum price is rising again in dollar terms and, if maintained, could improve the outlook for the group's second half. Davison says the problems with the precious metals refinery should be completely overcome by June, though metal production for the six months to end-June will be lower than if the refinery had worked normally throughout this period.

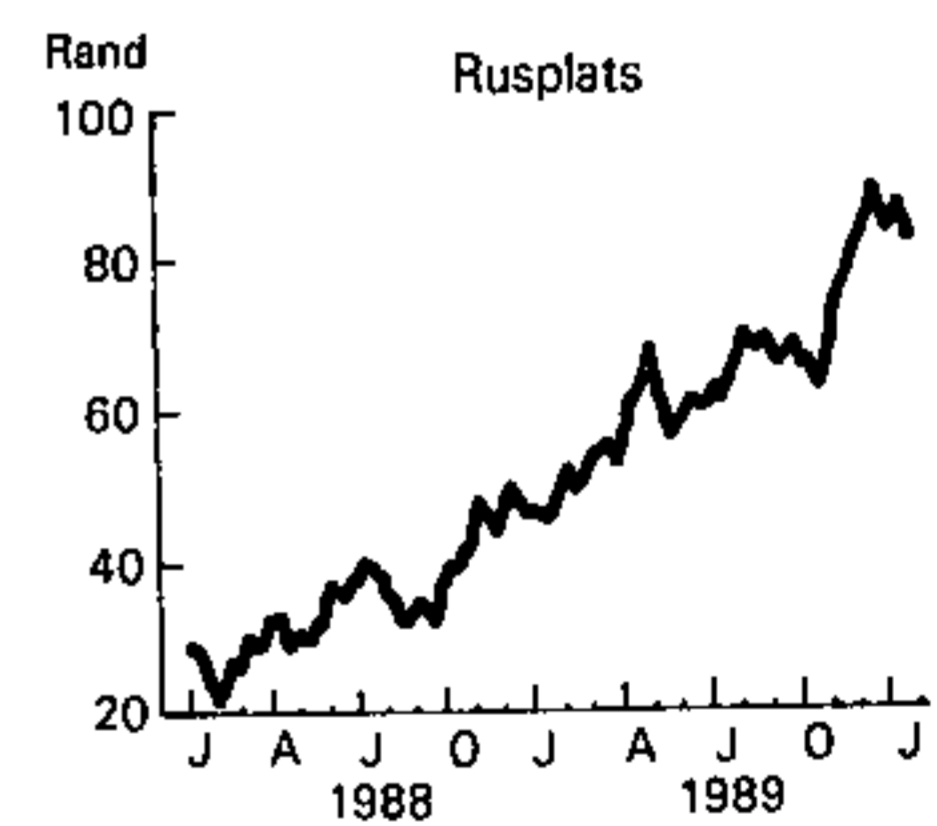
Longer-term, investors should heed Retief's warning last year that market downturns will happen "sooner or later due to economic recessions and/or oversupply situations and/or major movements in the currency markets." As the existing major producers, both Rusplat and Implats are the best placed to weather such a downturn. The newcomers to the industry are the most at risk.

Brendan Ryan

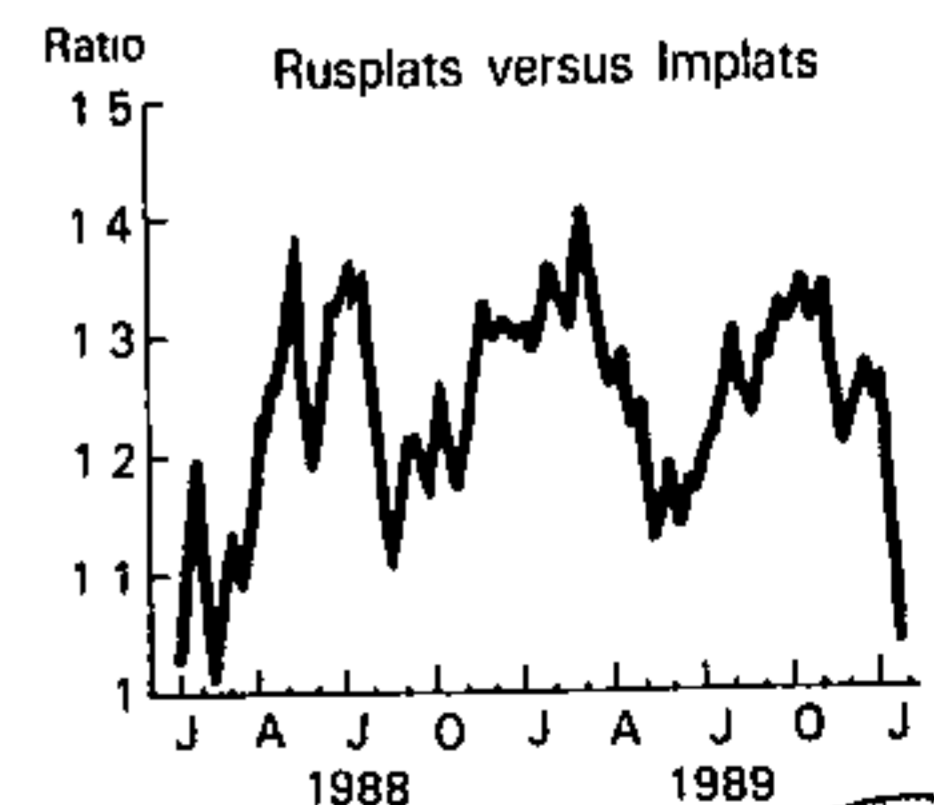


**Chairman Ellis ... chance of a tax break**

### Change of pace



### Rusplats versus Implats



Source: JD Anderson



# Nickel price slump will hit platinum mine profits

By Neil Behrmann

LONDON — A remarkable slump in the international nickel market will have an adverse impact on profits of South African platinum mines.

Nickel is a major by-product of the mines, which produce an estimated 29 000 tons a year.

So it is hardly surprising that Rusfenburg Platinum has cautioned that the decline in nickel prices will hit profit growth in the coming year.

World nickel prices slumped by 68 percent in the past year after a surge in Soviet exports and cutbacks in consumer orders.

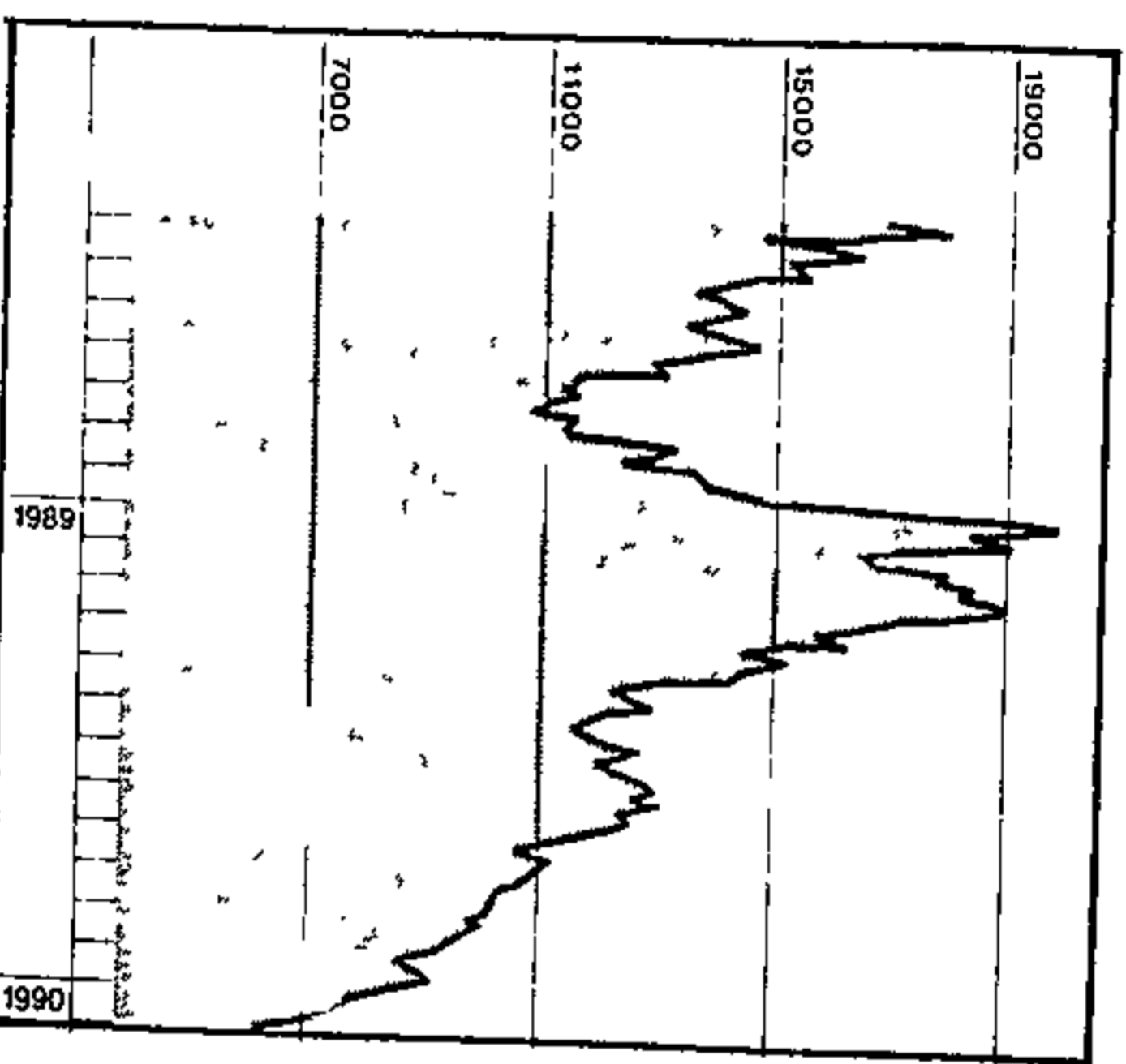
The platinum mines' nickel is sold on contract, so free market prices cannot strictly be used to calculate changes in revenue.

Nevertheless, sums involved are enormous. Total sales at present prices are worth around \$175 million against free market values of \$549 million at the beginning of 1989. Actual results are bound to be different, but the scale of the free market change illustrates that the turnaround in nickel revenue will be huge.

The price decline has been "spectacular," says David Phillips, chief executive of Canadian nickel producer Inco. As a result both Inco and another leading Canadian producer Falconbridge have announced they intend to slash production this year by around 16 000 tons or 6 percent of their total output.

At \$2.75 a pound (\$6 070 a ton), present nickel quotes compare with a peak of \$10.84 a pound in April 1988 and

STRK 2/2/90 (217)



LME nickel prices have fallen in the past year from more than \$19 000 to less than \$7 000 a metric ton.

since the middle of last month they have fallen by 35 percent.

Nickel prices collapsed because an acute shortage in the market was transformed into a surplus, says Jim Lennon, a metals analyst at Shearson Lehman Hutton in London.

A boom in the stainless steel industry which accounts for 60 percent of nickel demand came to an end, he says, while the Soviet Union raised exports to around 80 000 tons last year from 60 000 tons in 1988.

Soviet exports account for only about 12 percent of world supplies, but it is "the swing factor" in the market, says Angus MacMillan head of re-

search at Billiton-Enthoven Metals in London. He estimates the USSR sold as much as 85 000 tons last year and assumes these levels will more or less be maintained in 1990.

Moreover, Cuba which traditionally sells a large proportion of its nickel output to East Europe, also exported about 14 000 tons of the metal to the West last year — up from 12 000 tons in 1988, says Mr Lennon of Shearson Lehman.

## Doubling production

The country is planning to become the world's third largest producer by doubling production to 100 000 tons by the mid-90s, he says.

"Both the Soviet Union and Cuba need the money and they had to increase the volume of exports to offset the declining price," says Mr Lennon.

The steep fall in nickel prices is the inevitable result of an unusual boom in 1987 and 1988.

After averaging between \$1.80 and \$2.25 a pound from 1982 to 1987, prices surged after strikes and other supply disruptions in producing countries ranging from the Dominican Republic and Brazil to Indonesia and Australia.

The turnaround caught stainless steel producers and other consumers in the Far East, Europe and the US by surprise and there was such a shortage that buyers were forced to bid up prices to exceptional levels.

Yet as 1989 got underway, the shortage of nickel came to an end. Despite the numerous production disruptions in 1988 output rose in that and the following year. Meanwhile high prices encouraged merchants to recover more nickel from scrap metal.

Demand has also begun to sag. Mr MacMillan of Billiton-Enthoven says that after extraordinary growth in stainless steel production in the past two years, output may be significantly lower this year. There will be lower orders for stainless steel from the motor, house building and capital goods industries.

Besides buying cheap nickel from scrap merchants, stainless steel manufacturers and other users are depleting nickel stocks they had built up in the past two years.

Industry is thus buying less metal from the mines, says Mr MacMillan. As a result Mr Lennon of Shearson estimates supplies from Western and communist bloc producers will exceed world consumption of 605 000 tons by 80 000 metric tons.

In the next few months, however, there could be a good price rally, says Edwin Arnold, metals analyst at Merrill Lynch Pierce Fenner & Smith in London.

Low nickel prices will choke off the supplies of extra scrap, he says, and prices should stabilise, provided that stainless steel production is not too depressed.

A price rally, however, will not push prices anywhere near their 1988 and 1989 peaks, say metals dealers.

## COMPANIES

# Rho-Ex makes headway with large mineral sand projects

RHOMBUS Exploration (Rho-Ex) has disclosed it has made material progress on two heavy mineral sand projects that would need about R500m to develop

The information, in today's interim results statement, confirms strong market speculation last week that Rho-Ex may soon announce joint venture.

Rho-Ex last year successfully concluded a R26,4m deal to supply Usko with magnetite ore. The deal was transacted through Rhovan, 70%-held by Rho-Ex, 20% by Usko and 10% by Rhombus mining

Rho-Ex, listed in the mining exploration sector of the JSE, holds rights to heavy mineral projects in Transkei and Northern Natal. In the interim the board of directors state "Material progress has been made on exploration and feasibility studies in respect of both the

BARRY SERGEANT

Transkei and Northern Natal projects.

"Additional rights have been secured in Northern Natal and investigations, including negotiations with suitable joint venture parties, are being conducted to turn both projects to account."

In the Transkei project, exploration has been completed, indicating 239-million tons of proven reserves containing 5,65% economic heavy minerals. A mining lease has been granted, with further work focusing particularly on the beneficiation of ilmenite.

In Northern Natal, exploration on inland fixed dunes containing heavy minerals was in progress at the date of the latest annual report. Results of 84 power auger holes were "encouraging" and an application for a mining lease

was submitted

The latest Rho-Ex results reflect a slightly stronger balance sheet for the interim results to December 31, compared to its most recent full year's figures. Earnings per share improved from a loss of 2,71c for the six months to December 31 1988 to a profit of 1,21c for the six months to December 31 1989.

Today's interim results balance sheet is not as strong as financials for figures for the six months to December 31 1988. The balance sheet accumulated loss increased from R3,2m in previous interims to R3,9m at year-end, to R3,5m in today's interim results

In its most recent full year to June 30, Rho-Ex recorded a loss of 4,63c per share. The interims reflect much lower exploration expenditure of R993 000 (R2,91m), with administration expenses falling to R480 000 (R625 000). Interest

and investment income increased to R1,9m (R1,4m), allowing a net loss of R908 000 to turn into a profit of R406 000.

Current assets, which are not broken down, fell to R97 000 (R6,5m). In the latest annual report the largest component of current assets comprised a short-term loan, which was repayable on July 29 1989. The loan was reflected as a current asset and was effectively secured via a pledge of shares, by mineral rights, valued by the directors at R30m

Investments (in endowment policies) increased to R25,2m (R22,7m). The company raised R30m in a 1987 rights issue, of which R20m was placed in two five year endowment policies. The directors expect returns to be 40%-50% on the policies

There is a five-year tax-deferment on the policies, while exploration losses are recovered.



# Rhombus seeks finance for major exploration projects

By Sven Lünsche

Rhombus Exploration is investigating ways of financing the expansion of four major exploration projects

Two mineral sands projects, which could cost up to R500 million to develop, head the list

"Material progress has been made on exploration and feasibility studies in respect of both the Transkei and the Northern Natal projects," the company states in a statement accom-

panying the interim results

"Additional rights have been secured in Northern Natal and investigations including negotiations with suitable joint venture parties, are being conducted to turn both projects to account," the directors add

Other ventures include the gold exploration in the Brandfort area, where a second drill hole is in progress, and exploration for precious, base and industrial minerals in various

areas, where existing and recently acquired rights are being investigated

The development of the Rhombus Vanadium mine is proceeding according to schedule and in the year to end-June revised capital expenditure of about R34,2 million is expected, say the directors

"Following the proposed reconstruction of the group, investigations are still being conducted to establish the most suitable

methods of implementing these proposals. An announcement in this respect is expected soon," the directors add

In the six months to end-December, Rhombus' earnings per share showed a profit of 1,21c, compared with a loss of 2,71c in the same period in 1988

Total income was down by about R750 000 to R1,9 million, but a cutback in both exploration and administrative expenditures boosted profits

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## Implats profits rise by 17,3%

By Sven Lünsche

Impala Platinum has increased its attributable profits by 17,3 percent to R224,5 million in the six months to end-December. The interim dividend was increased by 5c to 80c a share

However, earnings per share only improved by 10,5 percent to 367c after a substantial rise in the transfer to reserves for expenditure on mining assets.

This amount was lifted by 87,3 percent to R85,6 million (R45,7 million) in respect of higher capital expenditures on both Implat and subsidiary Messina.

Implat acquired a 55 percent stake in Messina in November last year through a cash payment of R253 per 100 Messina shares and the issue of 3,51 million new Implat shares.

The new shares qualify for the interim dividend payment, the company said yesterday

As a result of the acquisition, Messina's results have been consolidated for the first time. After group profits of R35,74 million and payment to outside shareholders of R13,46 million, Implat's share of Messina profits totalled R11,32 million

This amount boosted Implat's pre-tax profits by 11 percent to R476,17 million (R428,85 million), after turnover for the six months increased by 12 percent to R1,056 billion (R943,07 million)

Slightly higher tax and lease considerations of R238,18 million (R237,39 million) and lower royalty payments to the Bophuthatswana Government and the Bafokeng tribe, resulted in a 14 percent rise in taxed profits of R238,2 million (R191,5 million).

The income statement also reflects an extraordinary income item of R32 million, arising from the disposal of the assets of Gazelle Platinum, when Gazelle's main asset, Karee, was merged with Lonr-

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# Implats lifts net profit by 24%

not 1/15/90 6/2/90

Financial Staff

IMPALA Platinum Holdings (Implats) lifted its profit after tax for the six months ended 31 December 1989 by 24,3% from R191,5m (six months ended December 1988) to R238,2m, whilst the profit attributable to the shareholders of Implats increased by 17,3% to R224,5m. The dividend was increased by 5c to 80c per share.

This follows an increase in turnover of 12%, in comparison with the same period in 1988, bringing the total turnover for the period up to R1 056,4m. During the six months ended 31 December 1989, earnings per share increased by 10,5% to 367c per share.

During the period under review, transfer to reserve for expenditure on mining assets increased by 87,3% to R85,6m (R45,7m), in respect of capital expenditure in Impala and Messina Limited. The income statement reflects an extraordinary income item of R32m, arising from the disposal of the assets of Gazelle Platinum Limited, when Gazelle's main asset, Karee, was merged with Western Platinum Limited. This transaction was finalised in January 1990.

Implats MD Don Ireland says the Western Platinum/Karee/Eastern Platinum Transaction has given Implats a strategic stake in what can be regarded as a well managed, low cost operation. He is also optimistic about the platinum price, mainly because of increased environmental awareness in Europe and the Eastern Bloc.

# Implats pushes profits up

RIAAAN SMIT

IMPALA Platinum Holdings (Implats) increased attributable profit 17,3% to R224,5m and taxed profit 24% to R238m on a 12% higher turnover at R1,1bn for the six months ended December 31. Earnings increased 10,5% to 367c a share and the dividend increased 6,7% to 80c in comparison with the corresponding period in 1988.

The 3 511 845 new Implats shares to be issued in part payment for a 55% holding in Messina Limited would also qualify for the interim dividend and have been included for calculating the earnings a share, the group said. *81 Day 6/2/90*  
Messina's financial results have been consolidated, for the first time, with those of the group for the period under review. It recorded a R24,8m profit after tax and lease considerations and paid R13,5m to outside shareholders, leaving Implats's

share at R11,3m. (217)  
Implats' pre-tax profit increased by 11% partly as a result of including this income for the first time.

The income statement also reflects an extraordinary income item of R32m, arising from the disposal of the assets of Gazelle Platinum when Gazelle's main asset, Karee, was merged with Lonrho's Western Platinum last month in exchange for a 27% beneficial interest in Western Platinum.

Profit before this extraordinary item was down 4,7% to R138,9m (R145,8m).

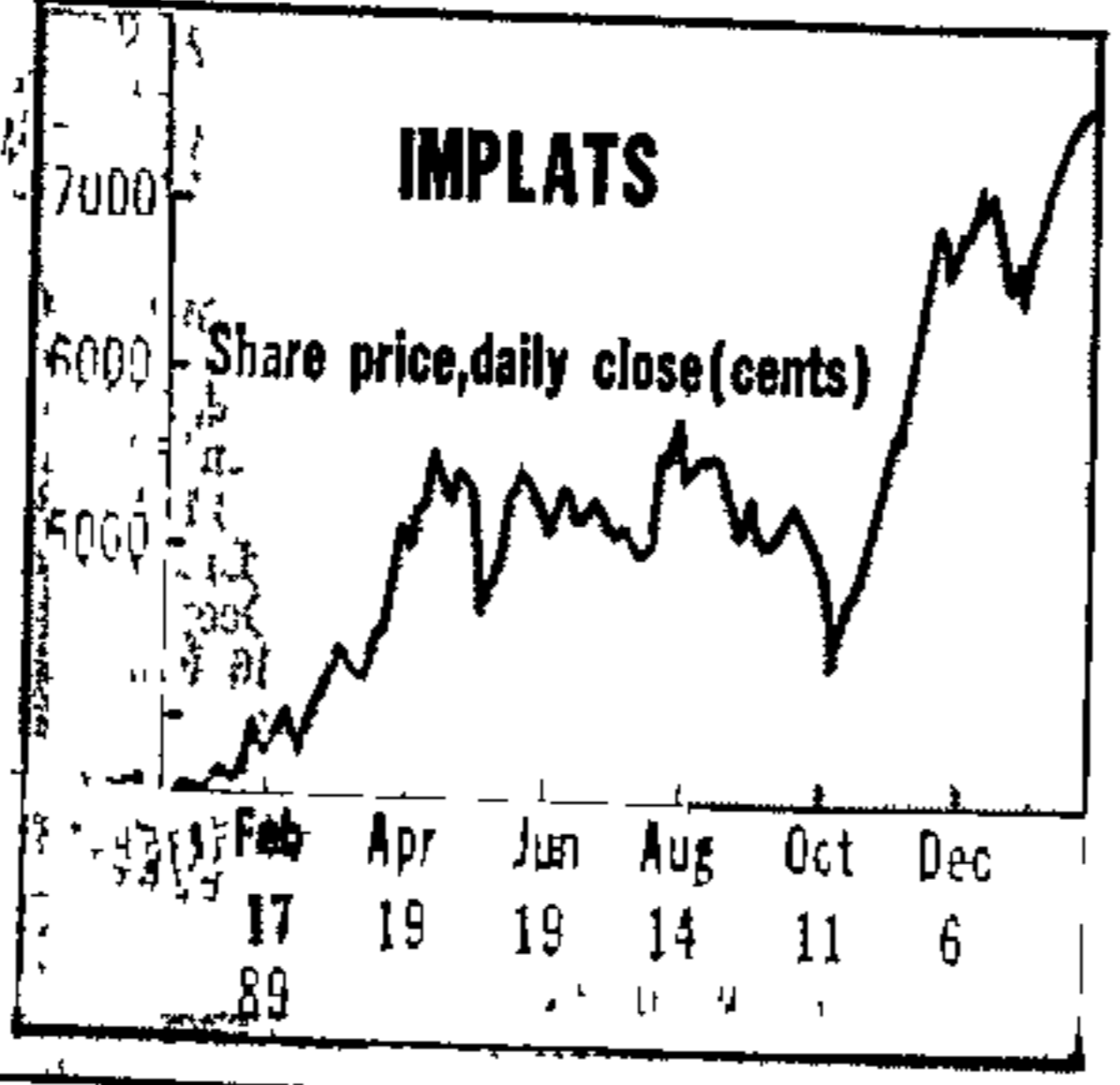
Transfer to reserve for expenditure on mining assets increased 87,3% to R85,6m (1988 R45,7m) and was from the profits of Impala Platinum Limited and Messina in respect of capital expenditure during the period under review.

Earnings after this transfer were down 10,3% to 227c (253c) a share

Group profit for the period at R476,2m (R428,8) was arrived at after accounting for R13,3m (R9,9m) paid in interest and royalties of R37,3m (R40,6m).

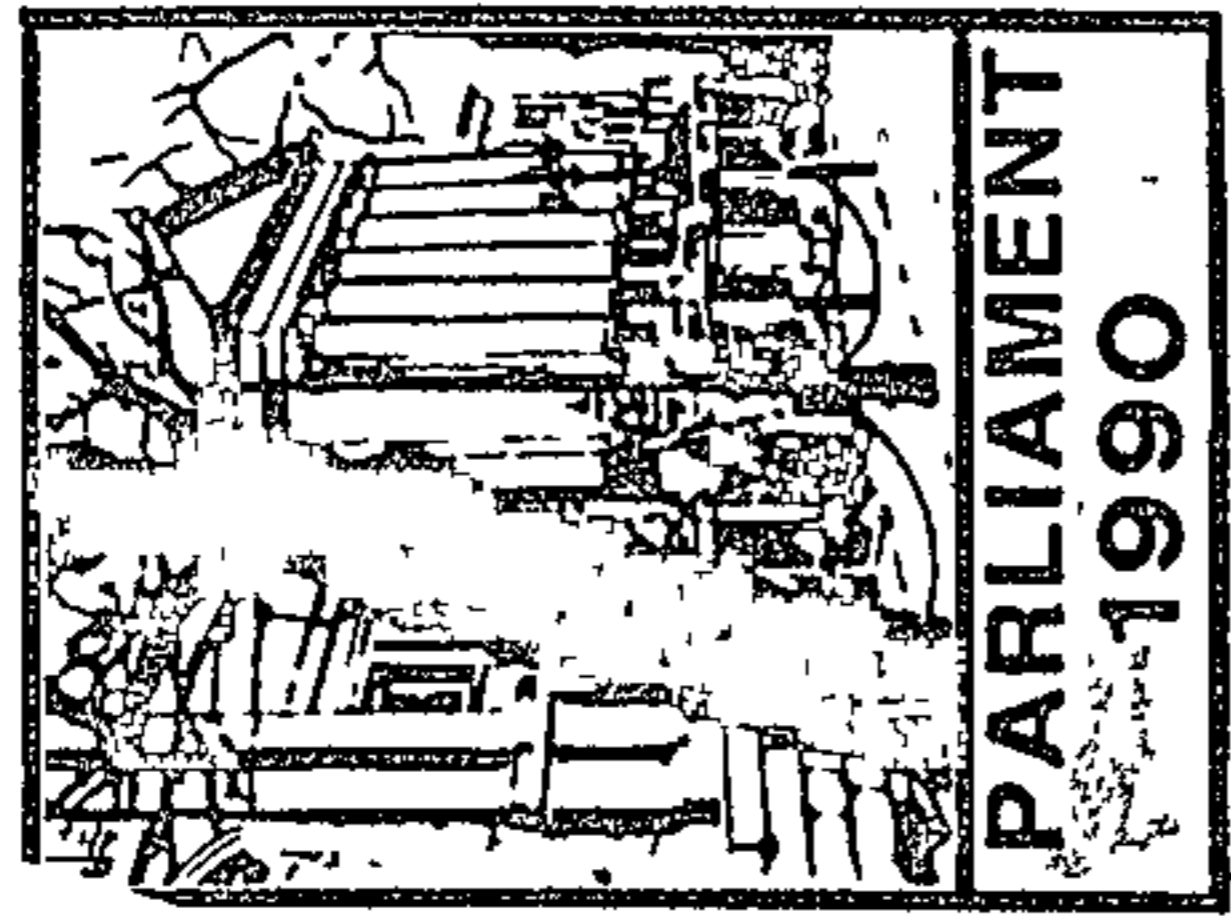
The group paid R59m (R66m) in lease consideration, R133,5m (R123m) in Bophuthatswana and R45,9m (R48,4m) in SA taxation, and received a UK tax rebate of R174 000

Implats said a notice of appeal filed by the Bafokeng tribe against a judgment by the Bophuthatswana Supreme Court, which had upheld Implats's right to continue mining operations, was set aside in November.





STAC 7/2/90 (217)



### Minerals Bill consolidates 9 laws

A consolidating mineral laws the present nine levels with Bill which charged the State to three Minister, Director-General ensure minerals were optimally and safely mined and that the surface damaged by open-cast mining was properly rehabilitated was tabled yesterday.

The Bill consolidates nine mineral laws comprising 385 sections into a single Act with 70 sections It provides.

- That Government privatisation and deregulation policy should be applied in the minerals industry
- That the department's hierarchy be amended to replace

Comments from 14 Government departments and about 120 interested parties had been received — Sapa

190

## game

One implication is the JSE is facing greater volatility. And foreign buying, large as its impact can be, may also prove brittle "They come in like buffaloes with big feet, but you've got to watch they don't trample you on the way out," says Jesse.

Fergusson Bros' William Bowler adds that while enhanced confidence may usher in a new investment environment, fund managers should not disregard conventional measures of value. He believes that on short-term considerations the market is overbought.

Pieter du Toit, MD of the new Momentum Asset Trust, believes different equity sectors will have to be targeted over the next few years. In 1990-1992 a stable rand and stronger gold price will see the emphasis on gold producers and mining financials, but in 1992-1995, a neutral gold price and relatively strong rand will see the focus shift to mass consumer markets, the leisure industry, property, long-term bonds, capital investment and export beneficiation.

In general, both political and economic factors have changed abruptly, and for many a reassessment of the entire approach to investment may be needed

Andrew McNulty

## IMPALA PLATINUM

### Slowing down

As expected, the interim results for the six months to December from Impala Platinum (Implats) have mirrored those of Rustenburg Platinum (Rusplat) but with some significant differences in how the bottom-line figures are reached

Implats recorded a 10,3% rise in EPS after capex to 227,3c (253c) while, for the same period, Rusplat posted an 11,3% increase to 212,2c (190,7c) and upped its interim dividend 8,7% to 125c (115c) Implats posted a 6,7% increase in its interim to 80c (75c) Neither performance is exciting and both have suffered from the lower dollar prices for platinum group metals (PGM), as well as the major by-product, nickel

However, financial benefits of a better operating performance by Implats were hit by high capital spending and the increased number of shares in issue following the acquisition of Messina. It is only through inclusion of an extraordinary book profit of R32m that Implats shows increased distributable earnings

Messina is included for the first time and turnover rose 12% to R1,1bn (R943m) compared with Rusplat's 5,9% rise to R1,49bn (R1,41bn). Implats managed a "modest"

F/M 9/2/90 (217)

increase in volume of PGM sold, while Rusplat's metal sales dropped because of problems with its new precious metals refinery.

Implats showed a 17,3% rise in consolidated profit before capex to R224,5m (R191,4m). Income after capex dropped 4,7% to R138,9m (R145,7m), after R85,6m (R45,7m) was set aside for mining assets. The accounts then show a R32m (nil) extraordinary item to get an increase in the distributable profit figure to R170,9m (R145,7m), which matches the 17,3% rise in consolidated earnings. But this amount is not a cash-flow item — and that raises questions on why it has been added to distributable profit.

MD Don Ireland says it results from the Karee/Western Platinum (Westplat) deal. Impala Platinum, a subsidiary of Impala Platinum Holdings, had lent money to Karee for development of the mine, which was also a subsidiary of Impala Platinum Holdings

Interest due on loans by Karee was capitalised and formed part of Implats' investment in the mine, which was merged with Westplat to give Impala a 27% share in Westplat's earnings. Had Karee remained consolidated in Implats, the bookkeeping entries on the loans and interest would have cancelled out. With Karee's disposal to Westplat, it is no longer part of Implats and the accounts must reflect interest payments due, from a third party, that had been capitalised

Further good news is that the Bafokeng



Impala's Ireland ... merger taking effect

F/M 9/2/90

(217)

tribe's appeal over the court ruling in favour of Implats on the Deeps has been set aside.

However, the second-half outlook depends largely on product prices and exchange rates. The group is working at full output with little scope for further production increases. That seems strange, given that Karee has started producing on schedule, but Ireland says that in its early stages Karee will provide only replacement production.

The other major factor is capital expenditure. Ireland says that, despite the Karee deal, there will be no deviation from the estimated R200m capex for the year. "The group is spending on existing operations and needs to generate cash to fund other new projects," he says. That could be a blow to the estimates of some analysts who are looking for an increase in the total dividend to around 300c (250c), assuming a reduction in the 2,4 dividend cover. Ireland feels the platinum market is strong and points to the increased interim as an indication of management view on prospects.

The share has dropped to around R75 from its 12-month high of R81,50 last week, when it had reached near parity with Rusplat, which has remained trading around R82

Brendan Ryan



# Kaolin mine go-ahead

Cape Town  
14/2/90  
217

By BARRY STREEK

A PERMIT to use the land in Noordhoek for the controversial kaolin mine would be granted — but conditions would be incorporated into the permit, the Minister of Mineral and Energy Affairs, Dr Dawie de Villiers, said yesterday

The conditions would, however, be incorporated into the permit only after a comprehensive impact study had been completed and evaluated

His statement, given in reply to a question tabled in Parliament by the local MP, Mr Jannie Momberg (DP, Simon's Town), seems to indicate that permission will eventually be given to the developers, despite the fact that the administrator of the Cape, Mr Kobus Meiring, said recently that no application had been received by the provincial authorities.

Dr De Villiers said he had received representations from the Save Chapman's Peak Action Group not to give permission for the kaolin mine, and the Minister of Environment, Mr Gert Kotze, said he had received similar representations from about 30 individuals and organisations

Dr De Villiers said he had referred the action group to his recent statement about the impact study.

But he pointed out that his predecessor, Mr Danie Steyn, had decided, in January, 1988, that kaolin could be mined on the reserved area.

● Mr Momberg said last night "My reaction is that at this stage there is no clear indication that permission to mine will eventually be given and the fact that the final decision will rest on experts evaluating the environmental study on the impact of the mine gives me high hopes that mining will never take place against Chapman's Peak."

## Gefco, Msauli hold up as market falls

JACQUES MAGLILO

IN contrast to yesterday's steep across the board fall in share prices, asbestos mines Gefco and Msauli held up remarkably well — falling by only 10 and five points to 240c and 660c respectively.

(217)  
Their decline is minimal compared to their significant upward trend over the past 12 months.

Investor interest returned to asbestos shares when the commercial rand weakened. Trading in the shares rose dramatically and, on a monthly average (calculated for the past 12 months), Gefco shares have traded at over one million shares a month and Msauli at over 180 000. *Monday 15/2/90*

However, because both companies are highly dependent on the strength of the commercial rand, "a possible strengthening in the rand would be bad news for us", says financial director (of both companies) Pieter van Zyl.

These share prices also reflect last year's trend. Gefco shares nearly doubled in price, moving up from a 12-month low of 130c to its present 240c. Msauli shares followed suit, climbing to 660c from a low of 370c.

Van Zyl is confident the companies will repeat the last six months' performance. The financial results, to be released during the first week of March, are expected to show a Gefco net half-year profit of R11,5m and R8,5m for Msauli.

If this is achieved, Gefco's net profit for the year to end-December will be about R23m — 77% up on 1988. And, Msauli's annual profits could be about R17m — 46% higher than 1988.



# Lower copper price rubs a little gilt off Palabora

By Derek Tommey

Shareholders in Palabora, the open-cast copper mine near the Kruger National Park, have had a wonderful ride lately, with the rising copper price and the falling rand boosting earnings and dividends

But Palabora's figures for the year to December suggest that though the ride is not yet over, it is likely to follow a more sedate course as the copper price drifts below its 1989 highs

Although the mine's profits are likely to remain fairly high, they seem unlikely to recover to last year's peak figures for some time to come

Palabora's pre-tax profit for the year to December was R682,4 million — a 62,2 percent increase on the R420,7 million earned in 1988

But while few will quarrel with an increase of this magnitude, it is far less exciting that the 124,8 percent rise in profits reported at the end of the first half of the year

## Pre-tax profits

A breakdown of pre-tax profits for the past two years shows there has been a definite downturn in Palabora's profits lately

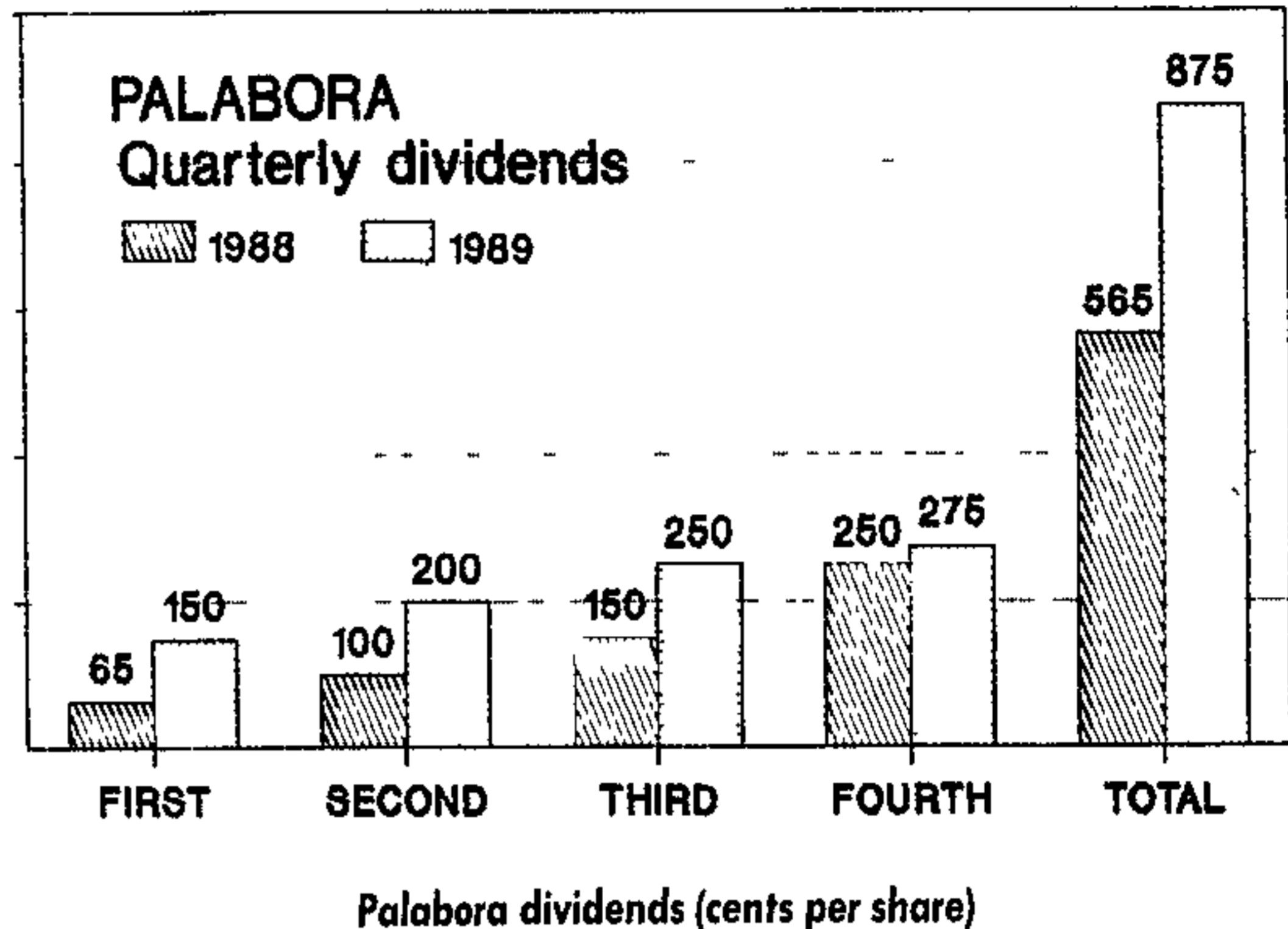
The figures are

1988

January to June — R168,3 million  
July to December — R252,4 million

1989

January to June — R378,4 million  
July to December — R304,0 million



Taxed profits for the year to December were also up sharply — by 70,6 percent from R174,6 million to R297,9 million

But here again, the year-end increase was below the 121 percent rise reported at mid-year

The half-yearly figures are

1988

January to June — R71,4 million  
July to December — R103,2 million

1989

January to June — R157,9 million  
July to December — R140,0 million

Palabora is one of the few companies to pay quarterly dividends, and the downturn in its profit advance shows up quite clearly in the dividend declarations

For the December quarter Palabora has paid a dividend of 275c,

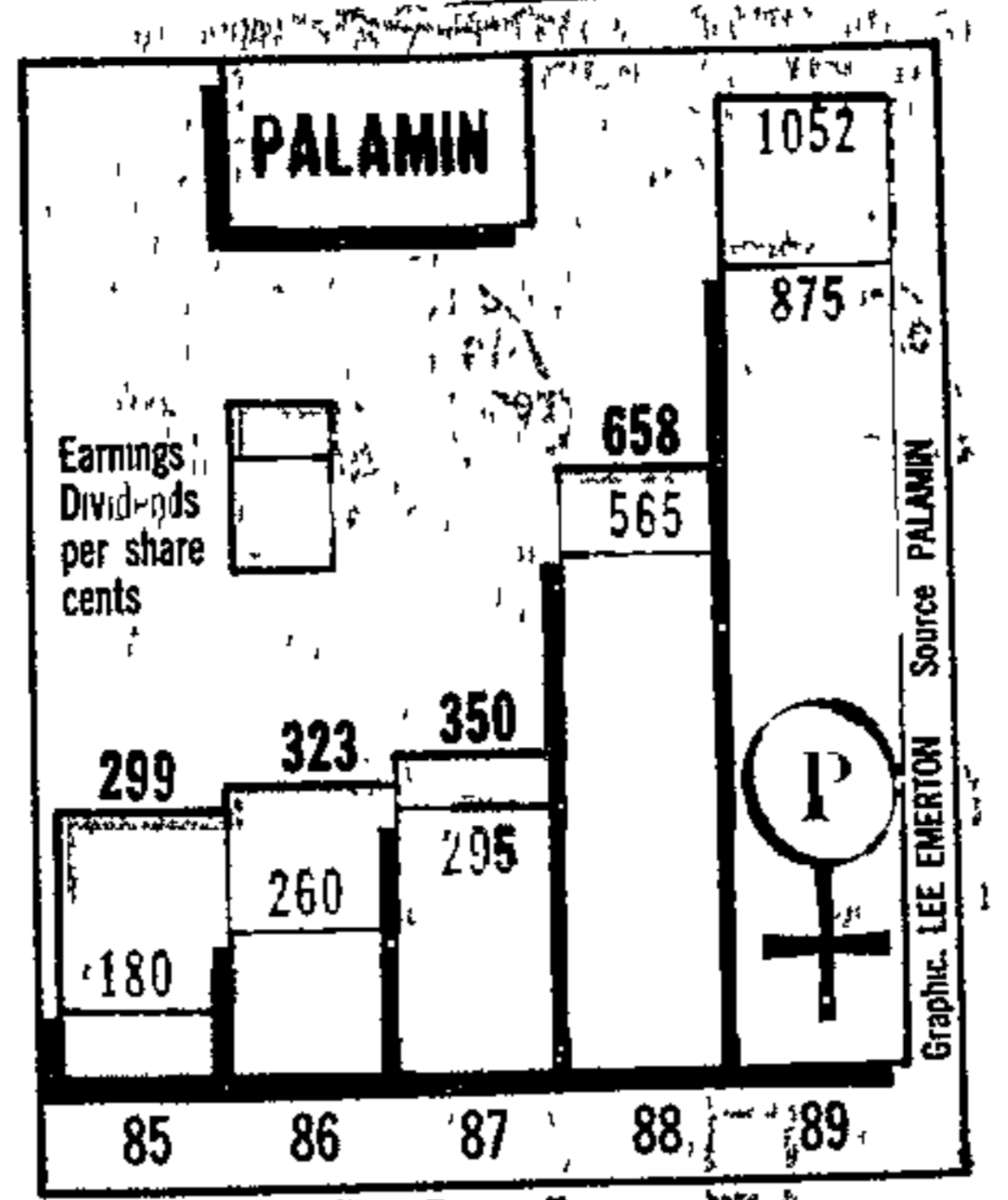
which is only 10 percent more than it paid a year ago.

This compares with an increase of 130,8 percent to 150c in the first interim dividend, of 100 percent to 200c in the second interim dividend and of 66,7 percent to 250c in the third interim

Altogether, Palabora paid out 875c in dividends in 1989 — an increase of 54,8 percent on the 565c paid out in 1988.

The company does not make any forecast about its 1990 profits. Its shareholders will have to wait until the annual report in March for this

But with the London copper price down to £1330 (buyers) a ton, which is about the lowest it has been since August 1988, some further decline in profits in the current six months seems likely



## Palamin's income leaps by 70,6%

*B10/90 15/2/90* RIAAN SMIT 217

COPPER producer Palabora Mining Company (Palamin) increased attributable income 70,6% and dividends by 54,9% for the year to end December on an unexpectedly higher average price per ton.

Forecasts early in 1989 were that increasing mine production would catch up to declining demand from consumers in the major industrialised nations as their economies cooled.

But supplies were curtailed — as in 1988 — when strikes and civil unrest hit a number of major mines.

Following a 121% increase in attribut-

□ To Page 2

## Palamin

*B10/90 15/2/90*

able income to R157,9m for the first six months, Palamin added R140m for the second half of the year mainly due to a lower copper price. It received an average R7 761 a ton for the first six months (1988: R5 236). The settlement price fixed on December 1 was R6 770,68.

Average figures for the full year were not available because the full accounts and annual report would only be circulated towards the end of March, the company said in a statement yesterday.

217

□ From Page 1

Attributable income for the year under review was lifted to R297,9m (R174,6m) and dividends rose to R247,8m from R160m, which translated into an increase from 565c to 875c a share.

Analysts predicted after Palamin's interim results the company would pay a total dividend of around 800c.

Earnings increased from 617c a share to 1 052c. This puts Palamin on an earnings yield of 19,3% based on yesterday's closing price of R54,50.



By **JULIE WALKER**

# White gold and Crocodile tears

**THE** Spanish inquisition took on a new nationality when I spoke to Loucas Pouroulis this week.

The Cypriot mining entrepreneur surprised me by

agreeing to an interview But it was on condition that I brought neither photographer nor tape recorder I soon found out why

Flanked by his son and his lawyer, Mr Pouroulis charged me with responsibility

for his having to part with Lefkochrysos

Lefko was launched in 1987 under the management of Golden Dumps Mr Pouroulis was the major shareholder and driving force behind the Brits platinum mine which exploited mineral rights involuntarily relinquished by JCI.

More important, Lefko became the first platinum mine to try to treat UG2 Reef only — the one considered too refractory by the big players

## DEFENCE

The mine was also to have been innovative in its mining method In spite of the doubts, SA's investors fell in love with Lefko — Greek for white gold There was a scramble for scrip, even those in the know willing to pay nearly R25 a share well before the risk had been taken out

The cracks appeared in 1988 when the amount raised proved to be well short of that required to bring the mine to commission Big money was needed, the means of raising it limited The stock market was flat — indeed Lefko shares dropped to below R5.

Mr Pouroulis' view is that my opinion of the day — that maybe the platinum production would not be as high as management forecast because of the new technology — carried enough weight to sway investors away from Lefko.

My defence is that I am

paid to present an opinion on the buying and selling of shares

Mr Pouroulis believes that because JCI is a shareholder of my employer Times Media, it has the last word on the content of my articles Readers will know that I have queried JCI's moves from time to time, just as I have the actions of many companies. JCI does not interfere.

At Lefko, negotiations resulted in a change of control, Rand Mines subsidiary Barplats buying Mr Pouroulis' stake at 450c a share

Mr Pouroulis wants to know why I do not give credit to the "outsiders" — mining houses outside the big six

He has kept a low profile for two years and worked at what he has left, to some avail if the improved results from his gold mines are indicative. He deserves credit for that, and for introducing technology such as carbon-in-pulp and improved vacuuming systems as well as cracking the UG2 Reef

Since Rand Mines took on Lefko and renamed it Crocodile River, the original intentions have been replaced with conventional methods. So Mr Pouroulis will never be vindicated.

If Rand Mines succeeds, it will get the credit If Crocodile River ends in tears, then UG2 technology will be blamed

217

FINANCE

6/10/91 20/2/90

# Trans Hex set to spend up to R130m on tin, zinc, tungsten project

217

TOTAL

TRANS HEX Group plans to develop the Renosterkop tin, zinc and tungsten project near Augrabies in the North Western Cape at an estimated cost of between R100m and R130m.

Trans Hex acquired the site's total beneficial ore interests on the banks of the Orange River from Rio Tinto Exploration (RTX) in October last year.

Details of the acquisition's possibilities are set out in a circular to shareholders, who will be asked this week to approve this project, plus development of heavy minerals and magnesium min-

ing along the Cape west coast. Plans are still in the initial stage, but a rights issue may be necessary to partly fund the project and, if justified by investigations being undertaken at present, also for the heavy minerals and magnesium project.

Total costs will depend on the final decision on the mining rate and the capacity of the processing plant of Renosterkop.

The investment in and development of the project is expected to have a positive effect on future earnings of Trans Hex, hitherto mainly a diamond producer in the Rembrandt group.

The Renosterkop base metal deposit is situated on the southern bank of the Orange River near the settlement of Augrabies, 25k west of Kakamas. The infrastructure for development of a mine is favourable, according to Robert Cooke Mineral Consultants.

The main tarred road between Kakamas and Augrabies Falls runs along the southern boundary of the property.

Water is available from the Orange River and electrical power will be provided from Kakamas. The Kakamas railway station is well equipped with sidings and loading docks.

Mineral ore reserves of the deposit, which could be mined by open-cast mining methods, are estimated at 25,53-million tons.

The circular says that a final decision on the mining rate and the capacity of the processing plant will be taken in the first quarter of this year.



## Work continues

Development of the Usko/RhoVan vanadium pentoxide project is on schedule and both partners say the project remains profitable at current vanadium pentoxide prices — though these are below figures used in the original financial evaluations.

The RhoVan prospectus forecasts were made last April, on a base case of US\$3,80/lb vanadium pentoxide (V<sub>2</sub>O<sub>5</sub>) and an optimistic case of \$4,10/lb V<sub>2</sub>O<sub>5</sub>. At that time Highveld Steel and Vanadium (Hiveld) had boosted its vanadium price to \$7,50/lb for second quarter delivery, responding to free market prices which had soared as high as \$10/lb. (217)

The price subsequently collapsed to current levels around \$2,40/lb. Hiveld (Fox February 16) reckons the market has bottomed for this year, but it will not forecast into 1991 because of new supplies coming on stream. Usko/RhoVan will be a big contributor to the new supplies.

RhoVan director Rob Still says that the company should still meet its prospectus forecasts on revenue for the financial year to September 1991. That is because the contract to supply magnetite to Usko — which will process it to produce vanadium pentoxide — is not affected by the vanadium price. However, RhoVan's royalty income from Usko will be badly hit at current price levels.

FINANCIAL MAIL FEBRUARY 23 1990

FIM 23/2/90

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217

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RhoVan negotiated a 14% royalty of Usko's vanadium profits before interest, depreciation and tax for the first 24 months after the initial supply date. That dropped to 10% for as long as magnetite supplies ran at 250 000 t/year and to 8% from six months after Usko exercised its option to increase required production to 500 000 t/year.

Still tells the *FM*: "At \$3,80/lb, about 60% of RhoVan's profits would have come from the supply contract, but at \$2,40/lb virtually all the company's profits will come from it, though we will still get something from the royalty. However, we were extremely conservative in our estimates on the profit margin on the supply contract. We used a R22/t margin but the way things are going we are now looking to get a R30/t margin."

Commissioning of RhoVan's magnetite beneficiation plant is under way and the plant should be fully commissioned by about the middle of April. Still says the pre-production phase will run to the end of June and the first indication shareholders will get on operating performances will be for the quarter to end-September.

Usko chairman Floors Kotze says: "The current vanadium market situation is negative because the price is less than what we based our justifications on. It's not going to stop us going ahead because we will still get positive returns from the project."

Some 30 000 t of magnetite meeting required specifications were supplied to Usko

from a pilot mining venture to test the roasting plant ahead of schedule. Kotze says this work proved the efficiency of the roasting plant is much higher than the rotary kilns used by other vanadium producers. This gives a better yield from the ore. Usko eventually plans to produce 9 000 t of vanadium pentoxide, but when this will be reached is going to depend on market conditions.

Brendan Ryan

FIM 23/2/90 (217)

PALAMIN FIM 23/2/90

### Ex-growth?

(217)

After five consecutive years of record earnings, blue-chip copper producer Palabora Mining (Palamin) is finally facing the prospect of a drop in profits for the financial year to end-December

Results for 1989 were again outstanding, as the benefits of increased copper production from the Con-Top smelter and improved cost control from the new in-pit crushing system (Fox February 24) came through

Given an unchanged copper price, this would have been enough to maintain earnings and dividends at 1988 levels. The cherry on top came when the copper price continued to perform well and did not fall during 1989 as was initially expected. Some analysts revised their estimates at the interim stage and accurately predicted Palamin's final results

The copper price on the London Metal Exchange (LME) averaged £1 700/t last

year compared with £1 460/t in 1988, while the weakness of the rand against sterling for the first nine months of 1989 enhanced the benefits for Palamin. The copper price is dropping and the rand has strengthened against sterling during the past few months because of gold's resurgence

The LME cash price for copper earlier this month was around £1 330/t, compared with an average for January of R1 432/t, while the copper price averaged £1 649/t in November and £1 803 in October. A year ago, the price was nearly £1 900/t

Palamin's copper production rose to 126 000 t last year from 118 000 t in 1988, which was still short of the target of 140 000 t annual production, which is the capacity of the refinery. Despite Con-Top, there were some problems with the smelting operations. That means there is scope for further improvements in output this year, but probably not enough to offset the effects of the lower copper prices and stronger rand/sterling exchange rates

The outlook is for a drop in earnings of perhaps as much as 30% and a corresponding cut in the total dividend to around 600c. The share price has adjusted in line with this outlook, dropping to current levels around R56 from a 12-month high of R66,75 on August 22. That still offers an attractive 10,7% forward yield and Palamin remains one of the top base metal investments available

Brendan Ryan



# Record Anglovaal earnings

217

ANGLOVAAL Limited increased consolidated earnings 34,4% to a record R105,6m in the half year to end-December, mainly because of higher equity accounted earnings from base metal operations.

Increased earnings from The Associated Manganese Mines of SA and a maiden contribution from wholly owned chrome ore producer Lavino, were the main con-

RIAAN SMIT

tributors to the 246% rise in equity accounted earnings to R57,7m (R16,7m), chairman Basil Hersov said yesterday

Lavino, SA's largest independent producer of chrome ore, was acquired from its US parent in the second half of the previous financial year.

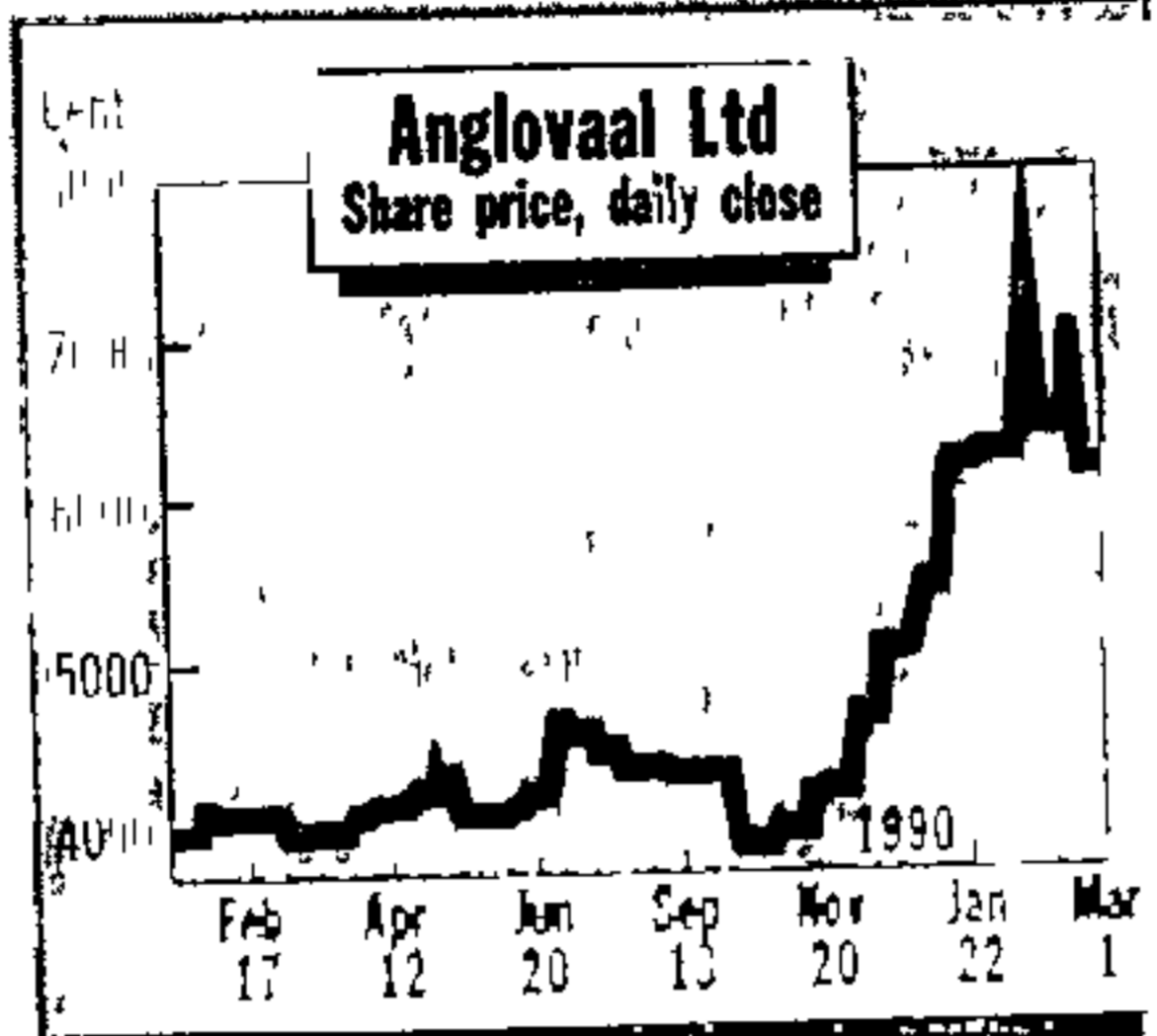
In addition, a dividend from Prieska Copper Mines resulted in income for the group of R4,3m (1988: nil).

Hersov said equity accounted earnings also included an initial contribution from AA Life group which was listed last week.

A further positive factor was the cessation of losses incurred by Newcastle Coal Mines following the disposal of Klipspruit Colliery on June 30 1989.

The attributable profit translates into earnings of 247c (184c) a share — adjusted for the recent 10-for-one share split — which covered the increased interim dividend of 30c (25c) a share 8,2 (7,4) times.

□ To Page 2



Graphic: FIONA KRISCH Source: JSE

BIPcom 2/13/90

## Anglovaal

BIPcom 2/13/90

217

□ From Page 1

Income from gold mining displayed no material change over the comparable period in 1988, he said

Subsidiary Anglovaal Industries (AVI) has reported a 23% rise in earnings

"It is anticipated that earnings for the year to June 1990 will show satisfactory growth but are unlikely to match the growth achieved in the first six months," Hersov said.

Turnover was 35,9% higher at R3 183,7m (R2 343,4m), but reduced margins in the

AVI group restricted the rise in operating profit to R263,7m (R228,9m), a 15,2% rise.

Income from investments was lower at R24,2m (R26,6m), while taxation rose by 16,7% to R132,1m (R113,2m).

After adding equity accounted earnings of R57,7m (R16,7m) and deducting minority interests and preference shares totalling R107,9m (R80,4m), attributable earnings of R105,6m (R78,6m) were achieved

Anglovaal's net worth at December 31 was 4 600c (3 400c) a share.

## Autocats decide platinum price

RIAAAN SMIT (217)

THE floor price of platinum will be determined by the economics of the recovery of emission control catalysts (autocats), says London-based Shearson Lehman Hutton's latest Metals and Mining Weekly Review.

Analyst Rhona O'Connell says in Review the supply-demand balance is such over the next two years that a withdrawal of platinum supplies from autocats would force the market into a supply deficit, even before any investment activity is taken into account.

The market is already working off a low inventory level following three years of overall deficit (including investment activity). Any further tightening in supplies will rapidly feed through into the market's price, she says.

"Given that emission control catalysts cease to be economically recoverable at a platinum price in the region of \$475/ounce, the floor price is not far below prevailing levels." *9/10/90 7/2/90*

Although it is difficult to accurately assess the period for which the platinum price will have to be weaker before any impact will be felt on the market, it is unlikely it will be much longer than six weeks.

At any stage in the collection process an operator may choose to withhold his supply of recovered platinum in expectation of a higher price, she says.



# Asbestos producers show strong growth

*CAT Times 8/3/90*  
*217*

JOHANNESBURG. — Asbestos producers Gefco and Msauli continued their strong recovery in 1989 boosted by better US dollar prices

Gefco increased earnings by 81% and Msauli by 58%.

Results for the year ended December, announced yesterday, show Gefco's net income rising from R13,1m to R23,7m on an 18% turnover increase to R98,9m, and Msauli's from R11,4m to R18,1m on a 30% turnover increase to R74m.

Earnings per share for Gefco increased from 36,6c to 66,1c and for Msauli from 177,2c to 280,7c.

Gefco declared a final dividend of 15c for a total of 22,5c for the year (1988: 12,5c) and Msauli declared a final dividend of 50c for a total of 75c (35c).

Chairman Pat Hart said the two companies had adopted a fairly conservative dividend policy for two reasons: they needed to strengthen their financial reserves further, and they

were stepping up their environmental rehabilitation programme, with a total of some R10m either spent or committed to this exercise in 1989/90

"Msauli is planning to spend R3,2m on the continued opening up of deeper levels of the mine, while Gefco is considering diversifying beyond its traditional asbestos operations

"In view of the limited market for the amphibole fibres 68 used by Gefco, we believe the time is right to investigate the medium and long-term exploitation of other minerals, particularly as the company's cash resources are in such a healthy state at present

"However, no specific decisions have been made yet," said Hart.

Reviewing the past year, Hart said the substantial improvement in Gefco's operating income was attributable to better prices, a favourable exchange rate and to the fact that unit production costs at both the Kuruman and Penge complex had been contained will below the inflation rate — Sapa

# Anglo's proposed nickel mine will see giant leap in SA output

B/Dag 8/3/90

217

ANGLO American's proposed Uitkomst nickel mine in the eastern Transvaal will cost more than R1bn and will increase SA's output by nearly half.

New Mining Business divisional manager Graham Craig said yesterday drilling test work at the site 20km north of Badplaas had been completed, but metallurgical test work was still in progress.

There was a "good chance" of going ahead with the project, but "many questions need to be answered"

A firm decision would be taken only during the second half of the year, he said.

Should the project get the go-ahead, production was likely to begin by mid-1993.

Asked whether the mine tied in with the establishment of a cold-rolled stainless steel plant being studied by Highveld Steel and Vanadium (HS & V) — a subsidiary of Anglo American Industrial Corporation and Gencor-owned Samancor — Craig emphasised Uitkomst was "a major investment in its own right".

A decision on its viability would not be influenced by HS & V and Samancor's deci-

RIAAN SMIT

sion on the stainless steel plant which was expected mid-year, he said.

Nickel has corrosive-resistant properties which makes it a key ingredient of stainless steel.

Craig said preliminary capital cost had been measured against the \$10 to \$12 per

annual pound yardstick employed by the world's largest nickel producer, Canada-based Inco, and the project appeared to be competitive

He said an output of 17 000 tons a year translated into capital cost of more than R1bn at \$11

SA produced 34 300 tons of nickel in 1987 and although the Minerals Bureau had no official figures for 1988 and 1999, analysts believed output in 1989 was roughly 40 000 tons.

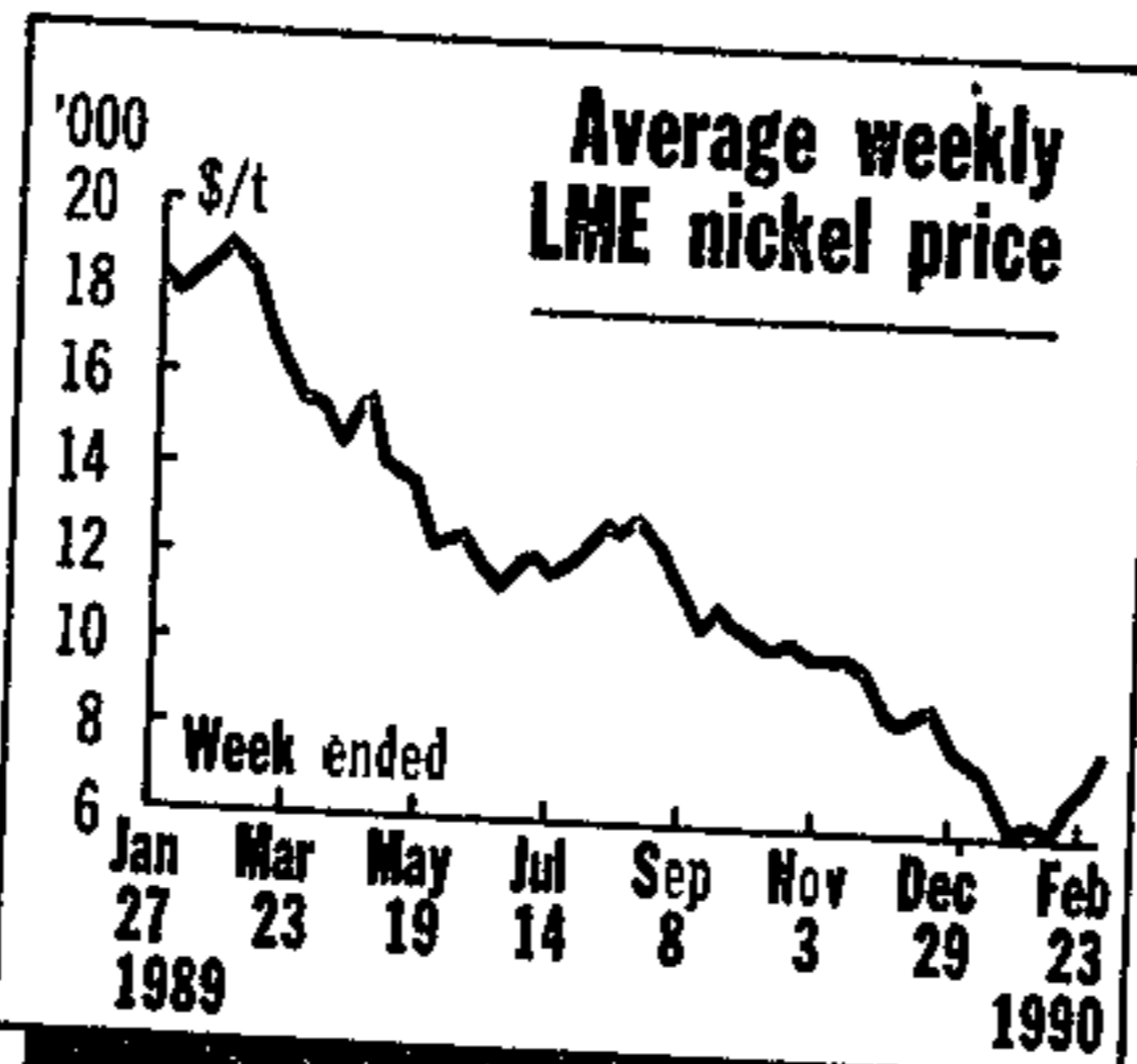
Craig said a decision on where to market the nickel had not been taken

"It's really one of those decisions that is made from year to year and would be made closer to 1993 if the project goes ahead," he said

Platinum, copper and other minerals mined as by-products would account for more than 30% of the mine's total revenue, he said

Uitkomst would be SA's only principal nickel producer, Craig said, because nickel had been mined as a by-product of platinum

The site of the mine was known as the Uitkomst Suite, he said.



Graphic: FIONA KRISCH Source: MINERALS BUREAU



Channel Mining  
posts a poor <sup>117</sup>  
set of results <sup>117</sup>

<sup>8/20/90</sup>  
BRENT MELVILLE

DCM-LISTED Channel Mining has posted disastrous results for the six months to December. This follows its acquisition of a majority holding in Steelchrome and the subsequent cancellation of an agreement to sell it to Pinnacle Holdings

A net loss of R1,0m (+R443 600) was recorded, translating to a loss of 1,7c (+0,8c) a share, not taking into account 7,5-million new Channel ordinary shares in issue after the purchase of the additional 25,4% in Steelchrome.

# Old Messina exits gracefully

By Derek Tommey

217  
Messina, which is about to become a platinum producer, had net income of R50,4 million (1988 R45,7 million) before extraordinary items from a turnover of R246,4 million (R400,3 million) in its final year as a copper, diamond and coal producer.

Earnings before extraordinary items for the 12 months to December were equal to 398c (362c) a share.

Messina has declared an unchanged final dividend of 50c, making 82c (75c) for the year.

Since the end of December

the group has sold for R11,5 million all its mining assets other than its platinum interests.

It reports that the Lebowa government has confirmed its acceptance of the mineral lease submitted by Messina Platinum Mines over the area under its control.

The South African Development Trust Corporation is to submit to its Minister the mineral lease in respect of the area under its control.

Negotiations are continuing for a lease over the farm Doornvlei, which is held in trust for the Mphahlele tribe

Sales of subsidiaries and associated companies during the year realised R30,9 million in cash and resulted in a group surplus of R22,5 million.

At the end of the year, cash on deposit amounted to R114,3 million and will be used to finance the development of Messina Platinum Mines.

The April 1988 offer by Impala Platinum for a 55 percent shareholding in Messina became unconditional on last November.

The acquisition was concluded on February 16, this year, with a 69 percent acceptance by minority shareholders.

# Study backs Noordhoek kaolin mine

CME Trnfs 10/3/90  
917

By PETER DENNEHY

AN environmental impact study, commissioned by Serina (Pty) Limited but done by independent consultants, has concluded that kaolin mining and the development of Noordhoek's tourist potential are "not mutually exclusive"

The study, done by consulting engineers Steffen, Robertson and Kirsten Inc, has just been completed in draft form and circulated to interested parties for their comments, which will be added to the final report.

It says the tourist industry is "sufficiently flexible" to tolerate the presence of a "well-managed" kaolin mining development

The report, drawn up with the help of environmental experts, makes several recommendations on how the impact of the development could be contained

One of the major recommendations is that the open pit should never be more than 150m by 200m in area at any one time, and filling and restoration of the site should take place at the same time as the mining, just behind it.

After the mining operations cease, in just under 20 years' time, the final contours of the hillside should be about 2m lower on average

The report also recommends that noise from trucks and earth-moving

machinery should be contained by fitting extra silencers on them, beyond what is legally necessary

Engines might also be muffled by extra covers over them.

About 16 000 tons of crude ore a month would be extracted out of total mineable reserves of 3 139 million tons. The ore body would be excavated from three cuts at low (35m above sea level), middle and upper (115m) elevations

Mining would progress across six benches simultaneously, at a "face advance" of 30 metres a year

Each cut would be 150m long, 100m wide and 30m deep, but excavation would be done "stepwise" so as to allow ongoing rehabilitation of paddocks during mining operations

Soil would be stockpiled for replacement

The processing plant would be located on site, as it would be undesirable to transport the kaolin elsewhere by vehicle or pipeline.

As a compromise, the plant should be in the south-east corner, rather than on the more visible site where the engineers would have preferred it

A retention dam would have to be built for the water used in the production process, so that suspended kaolin particles could be removed from it

"Disposal into the adjacent spruit and subsequently to the natural wetland is considered to be the preferred route for disposal, after solids removal and pH correction."



## Firmer metals prices boost Assmang (217)

BRENT MELVILLE

ANGLOVAAL-controlled Associated Manganese Mines (Assmang) has capitalised on firmer US dollar prices for iron and manganese ores and ferro-alloys which, along with a weaker rand/dollar exchange rate, allowed it to post a glittering performance for the year to end-December

Added to this, dramatically increased sales volumes resulted in a near-trebling of consolidated distributable earnings to R160,4m (R57m), from which a final dividend up 30% to 1 200c (925c) was declared. This raised the total for

the year by a hefty 88% to 2 400c (1 275c) a share.

The total includes the figures of Ferroalloys, 31% of which was acquired by Assmang with effect from January 1 last year. As such it is not strictly comparable, say directors.

The results were reflected in the performance of 45% shareholder in Assmang, Associated Ore & Metal Corporation, which boosted attributable income by about 300% to R27,17m (R9,14m).

Currently on a 12-month high of R275, its results put Assmang on a dividend yield of 8,7%.

F/M 16/3/90

(217)

## Rhodium back on track

Rustenburg Platinum has overcome its new refinery's teething problems and rhodium prices are tumbling after rocketing for six months or more, as Rustenburg's technical troubles squeezed physical supply of the metal. Production is being sustained at planned levels, but MD Barry Davison is playing things in a low key. Rustenburg, he says, has to make up the rhodium production shortfalls and that means operating above design capacity for several months.

Davison is reluctant to give precise details of the production backlog. However, in round figures, Rustenburg produces about one-third of the world's annual 305 000 oz of rhodium. By the end of 1989, the new refinery's output of the metal was only about half its planned level and the technical difficulties led to a shortfall totalling roughly 20%-30% of a year's production.

Last December, soaring rhodium prices and growing rumours about Rustenburg's refinery prompted an unprecedented statement from the company, that production of the soluble platinum group metals — rhodium, iridium and ruthenium — had been affected. The new refinery had replaced two older refineries in SA and England and it was hoped its new technology would cut the rhodium production pipeline from a year to five months. Instead, the process failed to deliver acceptably pure metal, impure material had to be recycled and production fell way short of expectations.

Production shortfalls were less important for ruthenium and iridium, as Rustenburg had enough stocks of these two metals and could match demand. But there were no rhodium stocks. By November, Rustenburg was struggling to buy physical metal on world markets to honour supply contracts and to allay fears that it would be unable to satisfy prospective demand from European motor manufacturers, who have to instal exhaust conversion catalysts to comply with clean-air laws due within two years.

Purchases of physical metal simply worsened the market shortage and prices rocketed from US\$1 300/oz in mid-November to \$1 750 early in December. By mid-February, prices were pushing \$2 200, but are now back to \$2 040 and heading south.

Jim Jones

## Simmers' rights issue

Simmer & Jack (S&J) intends to raise R29,6m by way of a rights offer, as a first step towards re-establishing itself as an operating mining company and a "significant" gold producer. The company, once in Joe Berardo's JMF stable, is controlled by a syndicate of unnamed overseas investors and managed by Process & Mining Consultants (PMC). Underground operations at S&J ceased about two years ago. Royalty payments from the Simmergo joint venture with Ergo now provide most of the income.

PMC chairman and MD Chris Mumby says that mining properties and projects will be acquired, which will eventually lift S&J's gold production to more than 1 t/year. Discussions are said to be under way with several parties, but Mumby declines to give details. He does say that mining will be of primary ore bodies of hydrothermal type deposits and that joint ventures would be considered, but only where S&J acquired outright control.

PMC is already managing an open pit gold mine, Makonjwaan, in the Barberton area, where hydrothermal deposits are present. It also manages Waverley Gold Mines, which owns mineral and mining rights. It recently acted as nominee in an offer to acquire Cengold, holding company for the troubled Nestor, Malieveld, Bonanza and Elandshoogte mines. Mumby says that there is no connection between the S&J rights issue and the Cengold offer, different groups of investors are involved. PMC also manages a diamond mine in the Free State and does exploration work.

S&J's results improved last year. Turn-

over rose 40% to R7,1m (R5,1m) while operating profit was 381% up at R5m (R1m). Mumby attributes the performance to a reduction in operating costs at Simmergo (royalty payments to S&J are 50% of operating profits), disposal of some property holdings and efficient management of assets to minimise tax. EPS jumped from 6,99c to 43,67c. No dividend was declared and none is expected this year.

Since no details of the proposed acquisitions or capital developments are available, the success of the rights issue will basically depend on investors' confidence in management of PMC. And that will have much to do with disclosure of information about their activities and plans.

Pam Baskind

## Gencor Properties

Sanlam Properties (SLP)'s acquisition of Gencor Properties should offer advantages both for the mining house and Sanlam's expanding property arm. Gencor Properties has been hit by a difficult market and high interest rates and no longer seemed a logical fit in the large, capital-intensive Gencor.

Gencor Properties, with gross assets of R120m, is mainly involved in developing residential townships for all population groups. Most of its assets comprise undeveloped land holdings in the PWV area, with additional sites in Natal and the Cape.

SLP has shown itself to be particularly creative in marketing property, such as inflation-beating retirement village schemes (see *Property*) and could add vigour to the Gencor property business. SLP is believed to be looking at Trust Bank's property portfolio.

This follows its formation a year ago as a separate entity in Sanlam. SLP is diversifying from conventional industrial and commercial property into new ventures. "The Gencor Properties acquisition provides the expertise to do that," says SLP provincial manager Banus van der Walt. "There is no overlap between ours and their activities."

Herb Payne



F/M 16/3/90 (217)

Trans Hex is considering another two such projects a joint venture on a magnesium metal plant with Anglo American Corp and a wholly owned heavy mineral sands (titanium) project

Outside shareholders should hope that, if either of these goes ahead, Trans Hex management will release more information than was provided for Renosterkōp Shareholder approval was a mere formality, given the Rembrandt group's control of Trans Hex, but outside shareholders could not have been too happy with the circular issued in January In typical Rembrandt fashion it contained minimal details

It gave ore grades and tonnages but provided no financial evaluation of the project, no timetable for development, no indication of production levels, no assessment of the relevant base metal markets, no indication of how Trans Hex — which has never tackled a base metal project like this before — intended developing it and no accurate indication of the cost

Instead, the development cost was lumped with the price Trans Hex paid to Rio Tinto SA, estimated at between R100m and R130m, to buy the mineral deposit The circular said a final decision on the mining rate and capacity of the processing plant would be taken in the first quarter of 1990

Hoffman declines to disclose the purchase price paid to Rio Tinto, saying the parties had agreed to keep this confidential The group is awaiting final results from tests carried out by Mintek, after which final design and costing of the 5 000 t/day treatment plant will be done Annual concentrate production levels will aim at averaging 2 600 t cassiterite (tin), 11 000 t sphalerite (zinc) and 630 t wolframite (tungsten) over the 18-plus years for which ore reserves have been proven

On the marketing side, he says the primary considerations are supply/demand fundamentals and the capability to be cost-competitive "We expect to produce concentrates from Renosterkōp at favourable unit cost levels," he says

Trans Hex intends selling most of Renos-

TRANS HEX F/M 16/3/90

### Into base metals (217)

Latest base metal project on the drawing boards is Trans Hex's Renosterkōp project near Kakamas in the northern Cape, where construction work will start in July, after formal shareholder approval given on February 23 Chairman Francois Hoffman tells me work to establish the mine and a treatment plant, capable of handling 5 000 t of material a day on a 24-hour day, six-week basis, should be completed within about two years

F/M 16/3/90

(217)

terkōp's production on the domestic market All SA's tungsten requirements are imported He says Trans Hex expects to get a better price than the current \$42 per mtu wolframite (65% WO3) and is investigating the feasibility of converting the ore to a more saleable form

The group expects a tin price of about £5 000/t and a zinc price ranging between \$1 300/t and \$1 600/t; management expects the rand exchange rate will continue to weaken Hoffman confirms the group's minimal experience in base metal mining, but says a number of its staff have worked on such mines, and a recruitment programme is under way "We are pleasantly surprised by the response from qualified people virtually country-wide," he says

If both the magnesium and heavy mineral sands projects go ahead, Trans Hex share-

holders could face a large rights issue The group has increased its authorised share capital, but Hoffman is not committing himself on details

"The timing will to a large extent determine methods of funding These investigations will determine if and when a rights issue will be made Depending also on the payback periods, we have to decide what gearing will be appropriate, especially as Trans Hex recently has not made use of any long-term loan capital We would not like to place avoidable constraints on dividends," he says

Still, the capital needed will be considerable The magnesium project is forecast to cost R100m in current money, of which Trans Hex would be liable for 50%, the heavy mineral sands project could cost R300-R400m

There seems to be a looming glut of heavy minerals sands projects Anglo has one in the same area as Trans Hex, while Rhombus Exploration executives are confident their Transkei project will go ahead now that a partner with cash has been found

Brendan Ryan



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Herb Payne

# UCT expert to head study of St Lucia

ARGUS  
11/3/90

217

The Argus Correspondent

DURBAN — The government has appointed an environmental expert to oversee a St Lucia impact study which will cost well over R1-million.

He is Dr John Raimondo, general manager of the environmental evaluation unit at the University of Cape Town, who has already held discussions with environmentalists and interested parties in Zululand.

The wide-ranging study has been launched as a result of a proposal by Richards Bay Minerals (RBM) to dredge-mine the Eastern Shores area of St Lucia



Dr Raimondo's appointment was announced yesterday by the Minister of Environmental Affairs, Mr Gert Kotze

Dr Raimondo's appointment was welcomed yesterday by Mr Jack Goedhals, RBM's deputy chief

"What we want is to come to the right answers in the interests of the environment. Dr Raimondo's credentials are impressive," he said.

The study being carried was probably the most comprehensive of its kind. He agreed the cost would be well over R1-million.

Meanwhile, a three-man delegation from the Zululand Environmental Alliance (Zeal) and the Wildlife Society, Mr Oliff Aliveira, Mr Jim Phelps and Mr Jeremy Ridl, have held discussions with the Administrator of Natal, Mr Radclyffe Cadman, about St Lucia.

## MAKES DEMAND POSSIBLE

In a statement afterwards, the delegation said Mr Cadman had told them he had acted on a Zeal application to have the Easterns Shores State Forest declared a protected natural area by calling for a sub-regional strategy plan due to completed in June

This would form the basis for a decision on the Zeal application and the future of the region generally

The delegation said "Environmentalists are pleased to learn of this development since it makes very possible the achievement of their demand to have the Eastern Shores area declared inviolate."



B1099 19/3/90 (217)

# Platinum surplus dwindling

LOW working stocks in the platinum market may be further aggravated by Volkswagen of West Germany's announcement that all its cars for the European market are to carry emission control catalysts

Previously, 30% of Volkswagens were fitted with platinum catalysts, analysts Johnson Matthey said in its February platinum metals report

The March edition of International Gold Mining Newsletter (IGMN) says the platinum market has low working stocks and has benefited from a solid

RIAAN SMIT

fundamental background

"Total supplies are once again expected to exceed industrial fabrication demand this year, but the surplus will be the smallest since 1985 and will be well below the expected level of investment"

The low inventory level followed three years of overall deficit (including investment activity) and any further tightening in supplies would rapidly feed through into the market's price action

Shearson Lehman Hutton Securities analyst Rhona O'Connell said in a February issue of the firm's Metals and Mining Weekly Review that in the past three years, platinum stocks were run down by 90%, 339%, and 36% respectively

Johnson Matthey said politically motivated fears of supply disruptions from SA, which produces 80% of world supply, could drive the price up

IGMN said catalysts ceased to be economically recoverable at a platinum price in the region of \$475/oz



**NORISTAN HOLDINGS**  
("Noristan")

**AUROCHS**  
AUROCHS INVESTMENT  
COMPANY (SA)  
("Aurochs")



FSI Corporate Services is authorised to announce that the ordinary and special resolutions considered at the general meetings of ordinary shareholders of Noristan and Aurochs held on 15 March 1990 were duly approved by shareholders present or represented at the meetings, and that the special resolutions were registered by the Registrar of Companies on that date

Accordingly, the formalities in respect of the offer by Noristan to minority shareholders of Aurochs have been completed

Aurochs minority shareholders are reminded that the offer closes at 16h30 on Friday 23 March 1990

Johannesburg  
19 March 1990

#### Corporate consultant



**FSI Corporate Services Limited**  
(Registration number 65/05730/06)

#### Sponsoring brokers



**Frankel, Krueger, Inc. Menell, J. & Co.**  
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(Registration number 8352/21)

**Davis, Borkun, Hare**

**Davis, Borkun, Hare & Co. Inc.**  
(Registration number 7. 126/21)  
(Member of The Johannesburg Stock Exchange)



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# Residents fear kaolin mine study may be a cover-up

By KIM CLARKIN

NOORDHOEK residents fear that the impact study on the proposed Chapman's Peak kaolin mine may be a cosmetic cover-up of the worst mechanical mining scenario

According to John Butterfield, spokesman for the Save Chapman's Peak Action Group, the Noordhoek and District Civic Association have rejected the study as they feel a great deal more input and research is needed

"We have sent the report back to Serina (the mining company) with our comments and are now seeking expert opinion which will be detailed in a full response by the end of April

"We fear, however, that this report may only be 'draft' in name as it has been indicated that a final report will be available in May — an unrealistic time to complete what is supposed to be an in-depth study

## Worst scenario

"It appears that the wheels will continue to roll whatever questions are raised," said Mr Butterfield

He explained that the impact study merely dealt with the worst scenario

of a large, mechanical mine with an on-site processing plant in one of the most beautiful areas of the Cape

"There is evidence from the study that the environment is being compromised for financial considerations, empirical data has been misinterpreted and that despite two years of research there are still no satisfactory solutions to serious problems such as the disposal of polluted water

"The issue of the mine is built on the premise that kaolin is a strategic mineral, which it isn't.

"At no stage has a feasibility study been conducted to investigate alternative mining sites or substitute products for kaolin

The impact study outlines that

- There would be an exposed pit up to 40 m deep and at least 3 ha in area at any one time
- A crude ore stock pile would cover 1 ha and two other stock piles of top soil and waste would be positioned on the mountain's upper slopes
- A 20-metre-high processing plant would cover 1,3 ha on site.
- A large retention dam would be situated above the road for contaminated storm water and effluent
- Effluent should be piped into an

environmentally sensitive wetlands

- Noise levels would be the maximum permissible by SABS

## Independent study

Mr Butterfield said another disturbing fact which came to light at the presentation of the impact study was that even if other kaolin deposits were found Noordhoek would still be the first to be mined

"One way to untangle the situation would be for the Minister of Environment Affairs or the CPA to commission an independent, in-depth study by a body like the CSIR," said Mr Butterfield

The Chapman's Peak kaolin mine was given the green light in 1988 by the Department of Mineral and Energy Affairs and this decision can now only be reversed in a court of law

According to Mr Willem Voigt, director of the Mineral Laws Administration, the minister will make the final decision as to the conditions Serina will be allowed to operate under, but the mine has already been approved in principle

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# Record-breaking year for Assmang

## Finance Staff

Associated Manganese Mines (Assmang) has just ended a record-breaking year

Increased sales of manganese and iron ores, higher US dollar prices and the weaker rand combined to lift profits sharply.

Consolidated earnings rose 189 percent from R51,5 million to R148,7 million

Earnings a share rose from 1 425c to 4 191c, and the dividends have been almost doubled — from 1 275c to 2 400c

However, the 1989 and 1988 results are not fully comparable because the company acquired the remaining 31 percent of the shares in Ferro-alloys during the year.

Ferro-alloys had a taxed profit of R72,1 million (R38,3 million)

Assmang lifted turnover from R185,4 million to R405,6 million. Operating profit rose by R123,2 million to R173,5 million. Other income rose to R49,7 million (R27,8 million).

Taxed profit was R136,0 million (R54,6 million). Dividends took R85,2 million (R45,2 million).

Ferro-alloys spent R10,6 million (R3,0 million), mostly on the first phase of an additional furnace for the Cato Ridge ferro-manganese works, which will cost R50,7 million and be commissioned this year.

The company expects demand and prices for manganese and iron ores, and ferro-manganese to be satisfactory in 1990

But lower demand for ferro-chrome is expected to continue

## COMPANIES

# Assmang lifts net profit by 189% 217

INCREASED sales tonnages of manganese and iron ores, higher US dollar prices and the weaker rand combined to lift Associated Manganese Mines of SA's distributable profit by 189%, the company's 1989 annual report showed.

The Anglovaal subsidiary and producer of manganese, iron ores and chrome alloys consolidated distributable profits for the year to December 1989 increased from R51,5m in 1988 to R148,7m.

However, Hersov points out that during 1989 Assmang acquired the 31% balance of Ferralloys not already held by it for R67,1m. Consequently, the consolidated results were not strictly comparable with the previous year's.

Ferralloys had a consolidated tax

### EDWARD WEST

profit of R72,1m (38,3m) as a result of sharply higher dollar prices combined with the weaker rand.

Assmang's turnover more than doubled from R185,4m in 1988 to R405,6m which resulted in an operating profit R123,2m higher at R173,5m. Other income rose to R49,7m (R27,8m) mainly due to increased dividends received from Ferralloys.

Manganese ore dispatches rose by 264 000 tons to 1 783 000 tons, while iron ore sales were 50% up at 2 216 000 tons.

Although ferro-manganese sales volumes declined from the previous year's high levels, they were still satisfactory.

Ferralloy's capex for the year to-

talled R10,6m (R3m) most of which was spent on the first phase of an additional furnace for the Cato Ridge ferro-manganese works.

The new furnace would have an annual capacity of 50 000 tons of ferro-manganese and Assmang expected to commission the furnace during the second half of the current year at a cost of R50,7m.

Hersov expected demand and prices for manganese and iron ores to remain at satisfactory levels during 1990.

Demand and prices for ferro-chrome had fallen considerably since the third quarter of 1989 and it was not expected they would recover materially during 1990, Hersov said.



217

## RTZ on course for expansion

LONDON — The RTZ mining group, said on Thursday its net attributable profit rose 30 percent to \$588 million last year, giving it a platform for a major expansion.

The British-based multinational, which controls Namibia's Rossing Uranium and Palabora Copper and which last year bought British Petroleum's mineral assets for \$3.7 billion, said it expected a slowing in the pace of world economic growth and a decline in copper prices in 1990.

"But, as the leading mining

house in the world, our strategy makes us pretty resilient to cycles," CE Derek Birkin told a news briefing.

Last year's strong results gave RTZ a platform for "major organic expansion", he said.

Asked about possible future acquisitions, Birkin said "We will seize any opportunity that fits our strategy and which adds value for our shareholders, but certainly nothing of the size of BP Minerals."

The company said its finances

were strong despite the BP minerals purchase, and were helped by proceeds from the sale of its chemicals division and a share issue last year.

Birkin said RTZ was optimistic over prospects for Namibia. "Things are going remarkably well," Birkin said.

He said the Namibian government gave no indication it might wish to nationalise mines in the country. "It is not part of their policy to drive foreign investment away," he said.

RTZ is seeking a full listing for its shares on the New York Stock Exchange in an attempt to increase US interest in the company. It has 57 percent of its assets in the United States, but Americans hold only three percent of its shares.

The company's 1989 net attributable profit was up from \$425 million in 1988, while turnover rose to \$4.83 billion from \$3.92 billion in 1988, and pre-tax profit was \$1.1 billion compared with \$879 million.

The net profits figure was at the top end of analysts' expectations, as was a 23 percent rise in the dividend payout to 18.5p for the year.

On the London stock market, RTZ shares were down 1p to £5.39 each. — Sapa-Reuter.

## Cons Murch faces an uncertain future

01 May 26/3/90.

ROBERT GENTLE

THE overtraded world antimony market has claimed its first victim in the form of cash-strapped Anglovaal producer Consolidated Murchison, which today warned shareholders that the company's future was being evaluated

A cautionary notice, released five minutes after the market closed on Friday, was greeted uneasily by analysts, who spoke of a probable massive scaling down of operations

Cons Murch is the world's largest single antimony producer, accounting for about 12% of world production

It has been plagued by steadily declining production and loss of export market share over the years

The first hint of serious trouble for Cons Murch came in December 1988 when the company passed its interim

dividend because of continuing weakness in world antimony prices

The cautionary says "all available options" are being evaluated (217)

An analyst from stockbroking firm Edey Rogers envisaged a massive scaling down of production, the running down of stocks, closure of certain shafts and rationalisation. An analyst from stockbroking firm JD Anderson saw the mine being put on care-and-maintenance, reasoning that outright closure would be difficult to reverse if the market ever picked up again

No comment could be obtained from Cons Murch, Anglovaal or JCI, which, according to the latter's 1989 annual report, holds a 24% stake

# Falling prices threaten 1 600 Cons Murch jobs

NEARLY 1 600 mining jobs are at stake at antimony producer Consolidated Murchison after the company alerted shareholders that its future was being evaluated because of continually weakening world prices.

The Cons Murch mine, in the Letaba district of the eastern Transvaal, is the single largest in the world, producing about 12% of global output. Important quantities of gold are obtained as a by-product.

However, it has been plagued by steadily declining production and loss of export market share to other producer nations like Bolivia and China, who together account for more than 40% of global output.

A mining analyst from Frankel Kruger Vinderine said the 1 600 employed at Cons Murch — 900 underground, the rest on the surface — was a "fairly reasonable size workforce".

This was a reflection, he said, of the essentially labour intensive methods of production and the overall mining process.

Access to the individual ore bodies is by means of a number of vertical shafts. Sub-level stoping is used for the wider ore bodies, and overhand stope shrinkage methods for narrow

ROBERT GENTLE

veins.

The antimony obtained from the resulting metallurgical process is bagged for export or processed further into crude antimony trioxide (used primarily as a flame retardant) before it too is exported. Gold is recovered at various stages of the metallurgical process.

Analysts believe this entire production process could be radically scaled down, with possible closure of shafts, running down of stocks and an eventual care-and-maintenance status (the penultimate stage to an outright closure).

This would necessarily lead to

either retrenchment of the workers involved, or their reassignment to other operating areas of the two major shareholders JCI (24% stake) and Anglovaal (8% stake).

There is a serious likelihood of this happening considering the gloomy quarterly results published on January 17 1990.

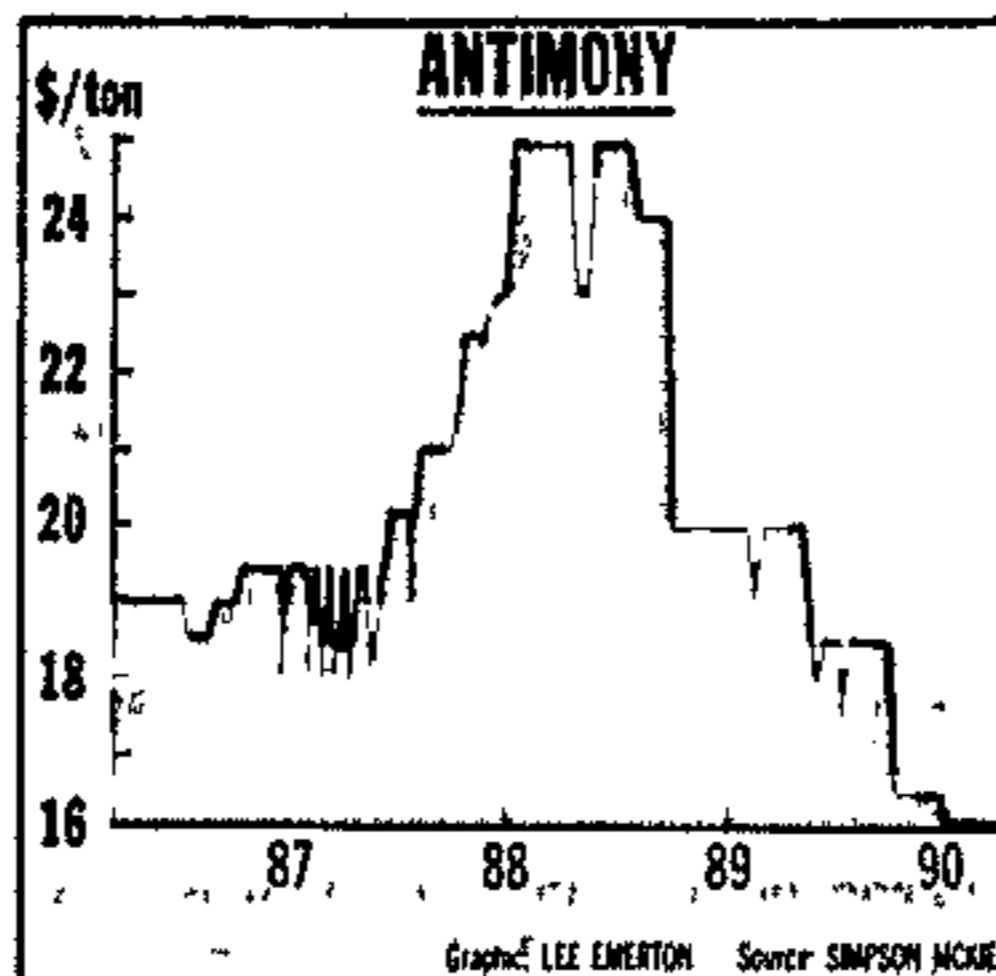
Plagued by steep declines in gold revenue, disappointing grades and a month-long strike by NUM workers, total mining revenue fell 23% on the previous quarter and the operating loss widened from R1,43m to R3,3m.

This was the end of a process which started back in 1988 when China, the world's largest producer, stopped supplying antimony through a central marketing structure.

It led to what chairman Michael Harwarden described at the time as "a free-for-all", forcing Cons Murch to cut prices to levels below that of a year ago.

There are three weeks to go before the Cons Murch board shows its hand.

□ The small, nearby village of Gravelotte would again make the news, this time because of a likely loss of business from the Cons Murch presence. Two weeks ago, Gravelotte made the news after winning the Sats award for the neatest station in SA.





# Vanadium price rise seen

BP am 28/3/90 EDWARD WEST 217

THE vanadium price collapse has bottomed out and analysts predict that Highveld Steel — which has traditionally set the benchmark price for the mineral — will increase its price to \$3,25 a pound in the second quarter of this year.

Highveld Steel and Vanadium accounts for between 50% and 55% of the world's vanadium pentoxide supply, and its first-quarter price was \$2,50 a pound — a substantial drop from \$5 during the previous quarter, reports said.

The vanadium price plummeted from a high of more than \$10 a pound early last year to around \$2,20 in December due to slackening demand in world-wide demand

An analyst with brokers George Huysamer & Partners said the vanadium price had since increased to the present free market price of \$4. He forecast that Highveld Steel and Vanadium would set its second-quarter price at \$3,25.

The analyst quoted Vansa Vanadium, with its three main areas of business — chrome, platinum and vanadium — as a good rand hedge stock

He said vanadium consumers had worked through excess stock after the surge in vanadium prices early last year, and this would increase demand for the metal this year.

Vansa Vanadium chairman Allen Sealey said at the company's annual meeting in January that profits would decline if the vanadium price — which was then \$2,10 a pound — remained depressed. However, MD Steve Ashworth said yesterday the free market price had firmed at \$4. But he wondered whether it would stay firm after Usco commissioned its vanadium plant

# Genbel share split <sup>Sapa</sup> 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 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

CONS MURCHISON <sup>FIM</sup> 20/3/90 (217)

## Closure looms

If antimony miner Consolidated Murchison closes its Gravelotte mining operations it is difficult to envisage them reopening. For the present there is no prospect of the world's antimony oversupply ending.

Murchison has been hit on two fronts — gold and antimony. For years its revenues have been bolstered by sales of gold produced from tailings dumps. They are now exhausted and, according to Mike Hawarden in his 1989 chairman's statement, this year's gold production will tumble from fiscal 1989's 902 kg worth R28m even at gold's currently depressed price.

Murchison has long been the world's most reliable supplier of good quality antimony sulphide concentrates. It was so reliable that major customers agreed to finance a plant at the mine to convert sulphide into crude antimony oxide, the basis for pure antimony tri-oxide used extensively in textile flame retardants.

That was fine while China produced only the impure concentrates which sell now for around \$10/mtu (metric ton unit) against the \$14/mtu fetched by clean material from Bolivia. Oxide makers avoided China and bought clean material from Murchison and Canada's Consolidated Durham.

But China is now producing comparatively pure antimony metal, an acceptable raw material for tri-oxide producers. US imports of Chinese metal are running at about 16 000 t/year against 5 000 t four years ago.

97

FIM 30/3/90

(217)

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



# RTZ's record profits helped by acquisition

OVERSEAS group RTZ produced record profits during 1989, which were at the top end of market estimates

RTZ is a metals producer and is also involved in energy, industrial minerals and exploration. It reported profits of slightly more than £1bn at the pre-tax level which was an advance of 26% on the previous year.

Stockbroker S G Warburg says in a report on the company that the major reason for the improvement in the results was last year's acquisition of BP Minerals, which accounted for a net gain of £142m after financing costs. The other major area of improvement was the contribution from Australian associate CRA, which rose 51% to £157m.

At the net level, which has traditionally been the main item to look for in RTZ, profits due to the numerous subsidiaries, associates, tax rates and currencies involved, rose 38% to £588m from £425m.

Although the results were higher than generally expected, the broker comments that there was little surprise after last year's acquisition of BP Minerals which contributed a net £142m to profits after the interest on the acquisition cost of £2.1m.

The tax rate for the year was 37.8%, but there were big differences between the first half and the final six month period. This is because the financing of the BP Minerals acquisition was tax deductible in

the second half

The acquisition of BP Minerals resulted in the interest bill increasing to £273m from £77m, while the proceeds from the rights issue and sale of RTZ Chemicals helped to boost interest received to £172m from £65m.

Aside from the positive contribution by BP Minerals, RTZ's performance was assisted by higher average copper, zinc, lead and tin prices. A strong result from Australian associate CRA and start-up of the new Neves Corvo copper mine in Portugal also helped.

## Strength

But profits were reduced by lower average aluminium and precious metals prices, the depressed UK and North American housing markets, and low uranium prices.

The broker notes that the first quarter of the year has already brought some sharp movements in metals prices with falls in January reversed by strength in the last few weeks. Stocks of metal are low and as world industrial production growth continues, any supply disruption is having a positive impact.

But with the outlook for commodity prices mixed this year, it is expected that RTZ's profits will be on something of a "plateau" for the time being.

Business Day Reporter

6/10 am 7/4/90

## Messina signs mineral lease with Lebowa

MESSINA Platinum Mines signed a mineral lease with the Lebowa government on Friday in a final step to establish a two-shaft 160 000-tons-a-month platinum mine with phase 1 capex of R250m.

The lease is over a portion of the farm Zebedelia 60km south of Pietersburg. Similar leases would be signed over further portions of Zebedelia and the contiguous farm Voorspoed, and also over a nearby farm, Doornvlei, Implats executive director Brian Gilbertson said.

These leases would grant Messina the mineral rights to reserves with a strike length of 14km.

Messina Platinum Mines is a wholly

RIAAN SMIT

owned subsidiary of Messina Ltd in which Impala Platinum Holdings (Implats) recently acquired the controlling interest. *Bidam 214190*

Work on the 60 000-tons-a-month first phase was to begin as soon as possible and would be completed by 1994, Gilbertson said. *(217)*

The ore body was situated between 50m and 3 000m and dipped from 55 to 85 degrees across the lease area. Ore could be extracted concurrently from the Merensky and UG2 reefs via a single vertical shaft from an initial depth of 500m

*[Faint, illegible text, possibly bleed-through or a separate document page]*

Messina Platinum Mines and the Lebowa government signed a mineral lease in Pietersburg on Friday, granting Messina the sole rights to minerals over a part of the farm Zebediela near Lebowakgoma, the capital of Lebowa.

An announcement by Messina says similar leases will soon be signed for the farms of Voorspoed and Doornvlei.

These leases (over parts of Zebediela, Voorspoed and Doornvlei) will grant Messina Platinum the mineral rights in Lebowa to reserves with a

# Messina signs Lebowa mining lease

strike length of about 14 km.

Messina Platinum Mines is a wholly-owned subsidiary of Messina Limited in which Implats Platinum Holdings (Implats) recently acquired the controlling interest.

Mr Brian Gilbertson, executive director of Implats, said Lebowa and its people would benefit from this new mining venture in terms of employment, royalties, taxes and in-

frastructural development.

The Lebowa Government is also to receive about 50 000 shares free of consideration as part of the dispensation for granting the mineral lease.

Work on the mine is to begin as soon as possible. Early estimates are that the first phase of the mine, which will have a milling capacity of 60 000 tons a month, will cost some R250 million.

This phase, which is to be

completed by the beginning of 1994, will provide employment for about 2 000 people

Production is scheduled to be expanded to 160 000 tons a month, at which stage the number of people employed at the mine would have doubled.

The ore body lies between 50 m and 3 000 m in depth and ore can be extracted concurrently from the Merensky and UG2 reefs — Sapa.



*By Day 214/90*  
**Union Tin  
net asset**

**value soars**

Business Day Reporter

RED ink flowed at Union Tin Mines for the year ended December, 1989, as tin recovery operations have been temporarily suspended due to the collapse in the tin price during the last six months of 1989.

The group recorded a net loss of R799 000 for financial 1989, compared to a profit of R46 000 for the corresponding period of the previous year. This translates into a loss during 1989 of 33c per share compared with a profit of 2c. (217)

Subsequent to the interim report, Union Tin's freehold has been independently revalued at R2,24m while the valuation placed on the mineral rights is R1,5m. On the balance sheet, fixed assets are now R5,9m compared with only R1,3m in 1988. Current assets include funds held by the GF Dust & Water Control & Surface Restoration Fund, but no account has been taken of income from this source.

Due to the revaluation of the freehold and mineral rights, NAV has risen substantially to 243c (81c). This is now substantially above the level of Union Tin's share price.

## FINANCE

# Experts see volatility in gold and platinum prices

B/Dam 2/4/90 (217)

GOLD and platinum prices will be volatile this year while the outlook for non-precious metals is not too rosy.

This view is taken by Metals and Minerals Research Services (MMRS) of London, whose latest review is reproduced by Johannesburg broking firm E W Balderson Inc

The London metals analysts maintain that the old antipathetic relationship between gold and the dollar will be maintained

As they expect the dollar to weaken by mid-1990, gold should benefit.

### Upward

However, they do not take an especially bullish view of precious metals. Resurgence of inflation remains a rather long shot, given the priority its control continues to receive at the hand of the authorities through high interest rate policies

Besides, a number of purely fundamental aspects still weigh against precious metals, and would do so were prices to rise sharply. Higher gold quotations would increase secondary supply and weaken jewellery offtake

Also, MMRS expects the US dollar to return to an upward path in the second half of 1990

Thus external stocks are required to promote any more bullish view

Platinum may no longer be best placed because industrial demand is softening

LIZ ROUSE

Nevertheless, the analysts remain cautiously optimistic on the medium-term outlook for the precious metal

Even though a less than previously expected growth of the autocatalyst market will be seen this year, because of lower economic growth in major countries, the physical market should remain tight

MMRS says pool stocks are at relatively low levels and any increase in investment demand may also induce fabricators to increase purchases. Therefore the market may well be volatile in 1990

The fundamental reason behind platinum's poor performance last year was that investment demand was at historically low levels

However, concerns over Eastern Europe and SA are unlikely to die away quickly, and uncertainties in world equity markets remain

These factors, combined with MMRS's revised forecast of a weakening dollar to mid-year, will provide an environment conducive to strong investment buying

Silver's problem is the same as ever — commercial demand is consistently exceeded by supply, and that supply is largely (and increasingly) insensitive to price

Unfortunately, the silver surplus is increasing again

Industrial demand growth was modest last year and offtake may well fall in 1990 as disposable in-

comes falter, say the analysts

At the same time, production resumed its strong upward trend in 1989 at a number of mines, most of which are largely insensitive to silver prices

The momentum is almost certain to result in further healthy growth in output this year, but this output is unlikely to be absorbed by investor demand

The best of copper's bull market has passed. MMRS estimates that, despite disruptions, the copper market just about moved into surplus over 1989 as a whole

### Slowing

Since the third quarter of 1989, at least as important as the relative absence of production breakdowns has been the slowing of demand growth

It is the latter factor that will, in MMRS's view, dominate events in 1990

No return to deficit is foreseen

With consumption projected to be static at best, it is barely conceivable that a return to deficit will be seen.

Instead, a sizeable surplus of copper, which renewed disruption would only trim, is forecast

MMRS has revised its forecast for average base metal production growth downward from 4.5% to 2.5% and also revised prices for the dominant metals downwards, except for humble tin and lead

# Seidle's fledgling Minaco heads for the JSE

BARNEY Seidle's fledgling Minaco Granite & Marble Limited is to be listed on the JSE *B/Ding 4/4/90*

Its prospectus was published today. Seidle has been in the natural stone industry since 1956 when Murray & Roberts Investments purchased granite quarries in Brits and other stone operations in SA and Zimbabwe.

Minaco is involved in the mining, beneficiation and marketing of granite from known reserves near Mooketsi in northern Transvaal, Parys in the Free State, and travertine from reserves

**BRENT MELVILLE**

near Port St Johns in Transkei *(217)*

In terms of the prospectus Minaco, incorporating Seidle's Marble Lime beneficiating operation as the major contributor, will come to the JSE on an offer of 189 200 linked units, each comprising six ordinary shares of 1c each issued at 175c a share.

On 28,5-million shares in issue for the current year, earnings are forecast at 12,1c a share, with a dividend of 8,1c

declared. For 1991, directors estimate earnings at 17,1c with a dividend maintained at 8,1c *(18,1c)*

In addition, 8-million convertible preference shares, most of which reside with African Exploration Company (Afex), are convertible or redeemable for 215c each at the option of the holder on 30 June 1993.

Afex entered into a nine-year contract from July 3 1989 agreeing to manage the affairs of Minaco and subsidiaries and to provide technical expertise and capital project management.



# Implats in R250m Lebowa scheme

Cap. Int. 4/4/90 217

JOHANNESBURG. — An Impala Platinum Holdings Ltd offshoot signed a mineral lease yesterday setting the stage for development by 1994 of a new R250-m mine in SA's north-eastern tribal homeland Lebowa.

Messina Platinum Mines, a wholly-owned subsidiary of Messina Ltd in which Impala Platinum Holdings Ltd (Implats) has a controlling interest, was granted sole rights over part of the farm Zebediela, near the Lebowa capital Lebowakgoma.

This, along with similar deals to be signed soon in respect of the nearby farms Voorspoed and Doornvlei, will grant Messina platinum rights to mineral reserves with a 14km strike length.

Implats executive director Brian Gilbertson said work on the new mining venture is to start as soon as possible.

Early estimates indicate the first phase of the proposed mine, which will have a milling capacity of 60 000 tons monthly, will cost some R250m.

This phase, which will provide jobs for about 2 000 people, is to be completed by the start of 1994.

Production is scheduled to be expanded eventually to 160 000 tons monthly, at which stage the number of mine employees would have doubled.

The ore body lies between 50 and 3 000 metres, and ore can be extracted concurrently from the Merensky and UG2 reefs.

Gilbertson said Implats, the world's second biggest platinum producer, needed to expand its output significantly to meet the increasing demand from its customers. — Reuter

# Two new platinum prospects take shape

Stoc 5/4/90 (217)

By Derek Tommey

The mining industry is taking a hard look at promising platinum prospects with the intention of opening new platinum mines.

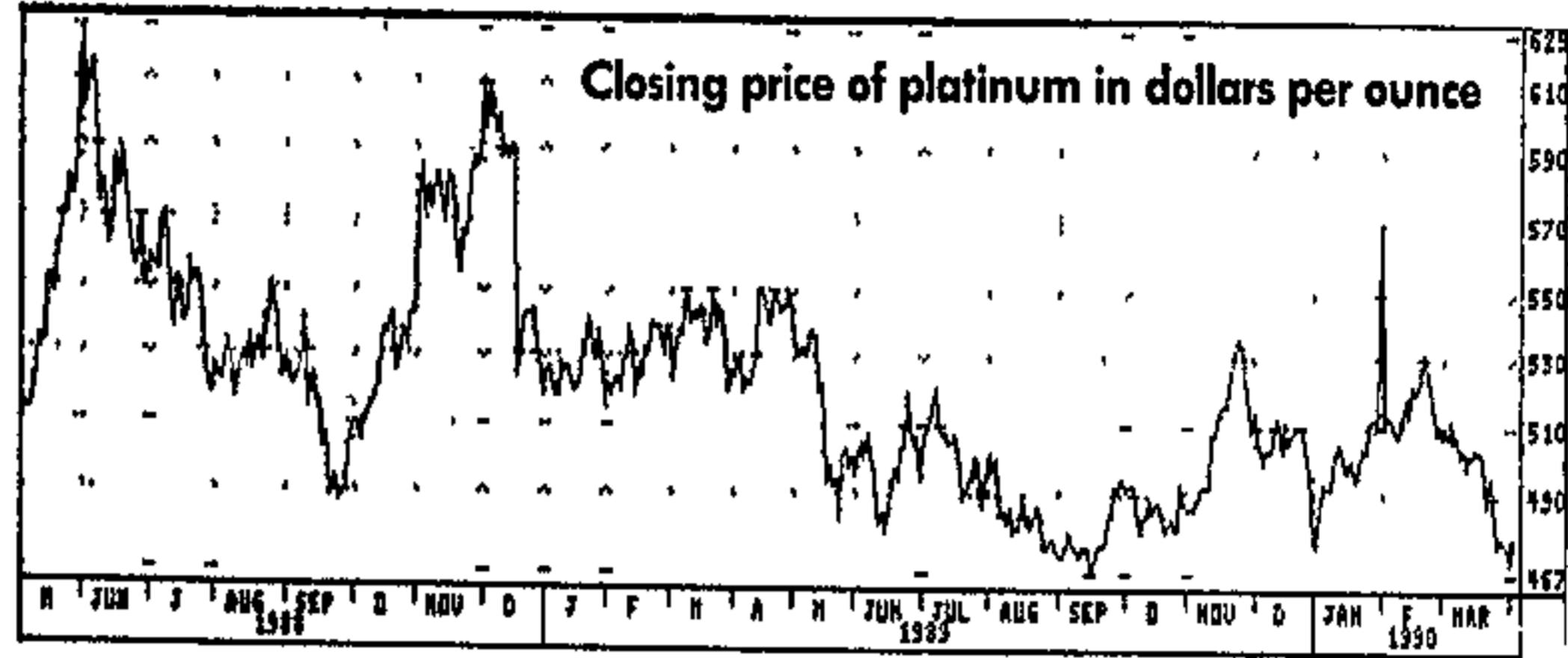
Randex, which is the Gencor group's mineral rights participation company, announced last night that it has acquired Severin group's platinum interests for 2,2 million Randex shares, worth R9,8 million at current market prices.

And the prospecting company, Southern Witwatersrand Exploration (SouthWits), has issued a cautionary announcement saying that agreement has been reached for the further exploration and a detailed mining feasibility study of its nickel-copper-platinum group metals venture on the Platreef near Potgietersrus.

Randex says the acquisition will give it control of certain platinum and base metal mineral rights located near Rustenburg; near Potgietersrus and west of the Atok mine in Lebowa.

Mr Mike Saner, director of Randex, says the transaction holds good potential for the company. "It gives us platinum exposure in a number of mineral rights with identified mineralisation."

Severin had prospecting permission from the Lebowa Government on farms in the Steelpoort area and at one time considered establishing a mine there. Payable Merensky and UG2 reef were discovered at depths between 1300 metres and



1500 metres. In 1988 it was estimated that the area was underlain by 170 million tons of ore-bearing reef and that it would cost R150 million to set up a mine with a 30-year life.

SouthWits says further negotiations concerning the transaction as a whole are still in progress. Share and option holders in SouthWits will be informed of details of the agreement.

It adds that SouthWits share and option holders will be able to participate in the venture

SouthWits announced in its interim report issued last October that exploration of the orebody had disclosed that the Platreef was 33 metres wide and contained 3,4 g/t of platinum group metals (platinum, palladium and rhodium) and gold. It also had a 0,18 percent copper content and an 0,23 percent nickel content.

The orebody is estimated to have reserves which can be mined by open-cast methods of more than 25 million tons

# Mineral find to be studied further

SOUTHERN Witwatersrand Exploration (SouthWits) said yesterday it had reached agreement to proceed with further exploration and a mining feasibility study of its nickel and platinum find near Potgietersrus.

The find was first disclosed in April last year.

Further negotiations based on the agreement were still in progress, it said, and declined to say with whom agreement had been reached.

A cautionary announcement published today follows a similar statement on December 21 last year.

The nickel deposit occurs in the Platreef, one of three platiniferous reefs in the Bushveld Igneous Complex — a geological treasure chest which contains the world's largest deposits of platinum

RIAAAN SMIT

group metals (PGMs), chrome and vanadium. It also contains deposits of nickel, copper, cobalt and gold.

Sources told Business Day when the find was disclosed a nickel deposit occurs at a relatively high grade of about 0,38% by volume. Other minerals which could be exploited alongside nickel to increase revenue were the PGMs copper, cobalt and gold.

The copper grade was said to be in the region of about 0,2%, compared with Palabora Mining's (Palamin) cut-off grade of between 0,12% and 0,15%.

Because of the width of the reef and out-cropping, mining could be done initially by lower-cost, open-pit methods.

# Independent Randex acquires Sevplats

RIAAAN SMIT

INDEPENDENT exploration company Randex has acquired Sevplats Mining from Severin Mining Company.

The acquisition announced today gives Randex control of platinum and base mineral rights near Rustenburg, near Potgietersrus, and west of the Atok Mine in Lebowa, it said.

Randex settled the deal by issuing 2 222 223 new ordinary Randex shares of 25c each.

The acquisition was not expected to have any material effect on Randex's deficits, which it incurred as an exploration company, the announcement said.

5/14/90  
S/Day

217  
B/Day 5/14/90

217



FIM 6/4/90

217



sive mine on the eastern limb of the Bushveld Igneous Complex (BIC)?

Impala does not disclose production details but in round figures its mine in Bophuthatswana produces just over 1m oz of platinum group metals (pgm) each year. Of that, about 0,7m oz are platinum. The Messina project is a lot smaller. Gilbertson postulates capital spending of R250m to establish a mine with an initial ore milling rate of 60 000 t a month in 1994. Later, production on the Merensky and UG2 reefs could be lifted to 160 000 t. In round figures, I reckon that even the expanded operation will supply only an annual 240 000 oz of pgm including some 140 000 oz of platinum — equivalent to about 20%-odd of present output.

Some analysts ask whether this new production will add to Impala's output or simply replace metal lost as the mine in Bop nears its life's end. Impala's enthusiasm for Lebowa and the BIC's eastern limb contrasts with that of other platinum companies. Lebowa's government had to chivy Rustenburg into developing its mineral rights, while Barplats put the brakes on its Rhodium Reefs development just as soon as it won control of the Lefkochrysos mine. Rhodium Reefs and Rustenburg's Maandagshoek venture both depend on the metallurgically troublesome UG2 reef, while the Messina mine's viability will depend on a mix of Merensky and UG2.

In the west platinum reefs dip very gently, which means the high thermal gradients of the BIC are not a major constraint on mining. But Messina's ore dips almost vertically in places, reaching depths which probably cannot be mined because of heat. Gilbertson

36

FIM 6/4/90

217



admits mining will be a challenge.

Perhaps Impala has little choice. Its Bop leases expire in 2003 and ore reserves are likely to be exhausted before then. It can extend downward of its present reserves into ground known as the Deeps — and it recently won a Bop court battle with the Bafokeng tribe mineral rights owners over mining rights. But it still has to reach a royalty agreement with the Bafokeng and, given the present mood of ordinary people in nominally independent homelands, Impala may not be able to count on the support of a compliant President Lucas Mangope for long. The Bafokeng still believe Mangope rode roughshod over the tribe's interests.

Even if there are no more legal tussles, developing a new mine on the Deeps will not come cheap. At least four new shaft systems will be needed costing well over R1bn in today's money and mining the deep, hot ore could be costly. Mine development will need to be financed from heavy profit retentions — at the end of its last financial year, Impala had net current assets of only R171m.

Of course Impala has the Karee mine which it recently transferred to Lonrho's Western Platinum for a 27% stake in the enlarged Wesplat mine. And that operation could increase platinum output by around 200 000 oz five years hence — nowhere near the amount needed to replace output from the Bop mine.

There are other options. Impala could swap high-grade reserves next to Rustenburg's expanding Amandelbult mine for comparatively shallow mineral rights owned by Rustenburg next to Impala's present mine. But that's a long shot.

Impala's dark horse, though, is its Steelport Valley exploration. Is it possible the Messina development is designed to soft-soap the Lebowans ahead of any deal to develop better reserves near Steelport lying inside the homeland and SA? We should know soon.

Jim Jones

MESSINA FIM 6/4/90

217



### Impala's odd choice

Does Impala really want Messina's new platinum mine to be established in Lebowa? Or does the company have something else up its sleeve?

Last Friday, when he signed Messina's mineral rights deal with the Lebowa government, Impala executive director Brian Gilbertson said his company needed to expand production significantly to satisfy growing demand. But why target what looks like being a comparatively small and expen-



Impala's Gilbertson ... anything up his sleeve?

## 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.

# Tax and low prices hurt GFSA mines

BID 10/14/90

217

287

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 Rooiberg 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).



# Aurora proves not to be as solid as granite

Something must be seriously wrong in the investment world when a company, listed on the Johannesburg Stock Exchange amid much fanfare and glowing reports, has to be rescued from bankruptcy just nine months later.

This is the case of Aurora, listed on the JSE in the granite sector on June 1 last year by means of a private placing at R2 per share. It went to a high of 265c before consolidating at slightly lower levels.

Now it is being sold to Kudu Granite for the meagre sum of 23 cents a share, which is below the forecast earning of 26,9c a share so confidently predicted in the pre-listing statement, which also forecast a dividend of 9c for the year to end-June 1990.

Barely six months after listing it was clear something had gone horribly wrong. Aurora shocked the market with a loss of R2,48 million and an announcement that no dividend was to be paid.

Chairman Ted Grobicki blamed the dismal results on over-optimism and lower-than-expected recovery grades.

Yesterday construction and civil engineering company Basil Read ended its short-lived flirtation with granite mining by selling its controlling interests in Aurora to Kudu Granite.

In terms of the agreement rival granite producer Kudu has acquired 13 million Aurora shares at 23c a share, effective May 1. The consideration payable by Kudu will be one deferred Kudu share for seven Aurora shares. The deferred Kudu shares will not rank for dividend until April 1991.

Details of the offer to minority shareholders will be announced in the near future.

Investors may well ask how can such a situation arise. This type of behaviour can be expected from unlisted companies pushing their shares on an unsuspecting and often unsophisticated investing public.

Aurora had to pass not only

Diagonal Street

MAGNUS HEYSTEK

the stringent scrutiny of the JSE listings department, but that of the two sponsoring broking firms (Fergusson Bros, Hall, Stewart and Co. and Hayes, Rinaldi, Kilroe), technical mining advisers (JB Mudd and Partners) and expert geologists (Dr FJ Rahn and Mr RC Hochreiter) as well as accounting firm Coopers and Lybrand.

Based on the technical and financial reports contained in the pre-listing statement, minority shareholders must have thought they were on to a good good thing.

At the time granite fever was riding high on the JSE and along came Aurora, described in the pre-listing statement by its technical analysts as being "very profitable" with a "proven management team" and outstanding "long term contracts".

In the media blitz that ran up to Aurora's listing, managing director Dave Wassung (also financial director of Basil Read) was confidently forecasting minimum revenues based on purported dollar-denominated long-term contracts with overseas clients.

In the interests of the investing public some answers are needed. The JSE has the power to determine if there was a possible case of misrepresentation. It can also call for stockbrokers' notes to determine who the heavy sellers were prior to the release of the bad figures early in January this year, when the share prices started plummeting in heavy volumes.

Many small shareholders have no doubt lost money on Aurora, some heavily. There remains a small hope of recovering some of these losses via Kudu, but in the end some answers are needed to restore the confidence of investors.



# Milestones in Palabora history with turnover and profit reaching record highs

PALABORA Mining has established several important new milestones during the year ended December 1989

In its latest annual report, Palabora said that for the first time in the copper mining group's history, turnover reached R1,14bn (R921m), while the consolidated net profit of R291m (R175m) was also a record

The group's copper sales amounted to 128 997 tons, which exceeded the previous year's figure by 9 694 tons.

Palabora bases its copper sales on the quotes generated from the London Metal Exchange

Business Day Reporter

(LME) Copper averaged £1 735 a ton during the year under review on the LME, which was 19% higher than the average price for 1988

Because of the significant increase in sales proceeds during 1989, this generated excess funds available for short-term investment.

As a result, the net interest received benefited the cost of production by the equivalent of 5,6% a ton of cathode copper when compared to the previous year.

This was in contrast to the situation which

existed in 1988, when the company had to make use of credit facilities to a much greater degree and therefore incurred a net interest expense as a charge against the cost of production

Commenting on Palabora's operations last year, it was revealed that the smelter was unable to achieve the planned throughput due to a number of operational and maintenance difficulties

This resulted in the production of anode copper and refined copper being 13,7% and 10% below the planned amount respectively

Regarding the future profitability of the com-

pany, Palabora management said the behaviour of the copper price remained the most important element

Since the beginning of this year, the copper price had declined to a level that last prevailed during the third quarter of 1988

The only conclusion which the group drew from this was that it was most unlikely the record levels achieved during 1989, would be repeated this year

Consequently, Palabora would concentrate on containing operating costs as well as achieving its production goals in the current year.

# Mixed results by Golden Dumps

Star 11/4/90

Finance Staff

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 Centgold 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

**Into platinum**

217

No one around Hollard Street is getting over-excited about Randex's acquisition of Severin's residual platinum interests. Widely regarded as the gem in the Severin's crown is the Mooimeissiesfontein project right next door to Rand Mines' Rhodium Reefs — but that has been tied up by Anglovaal which seems unfazed by the Merensky and UG2 reefs' considerable depth.

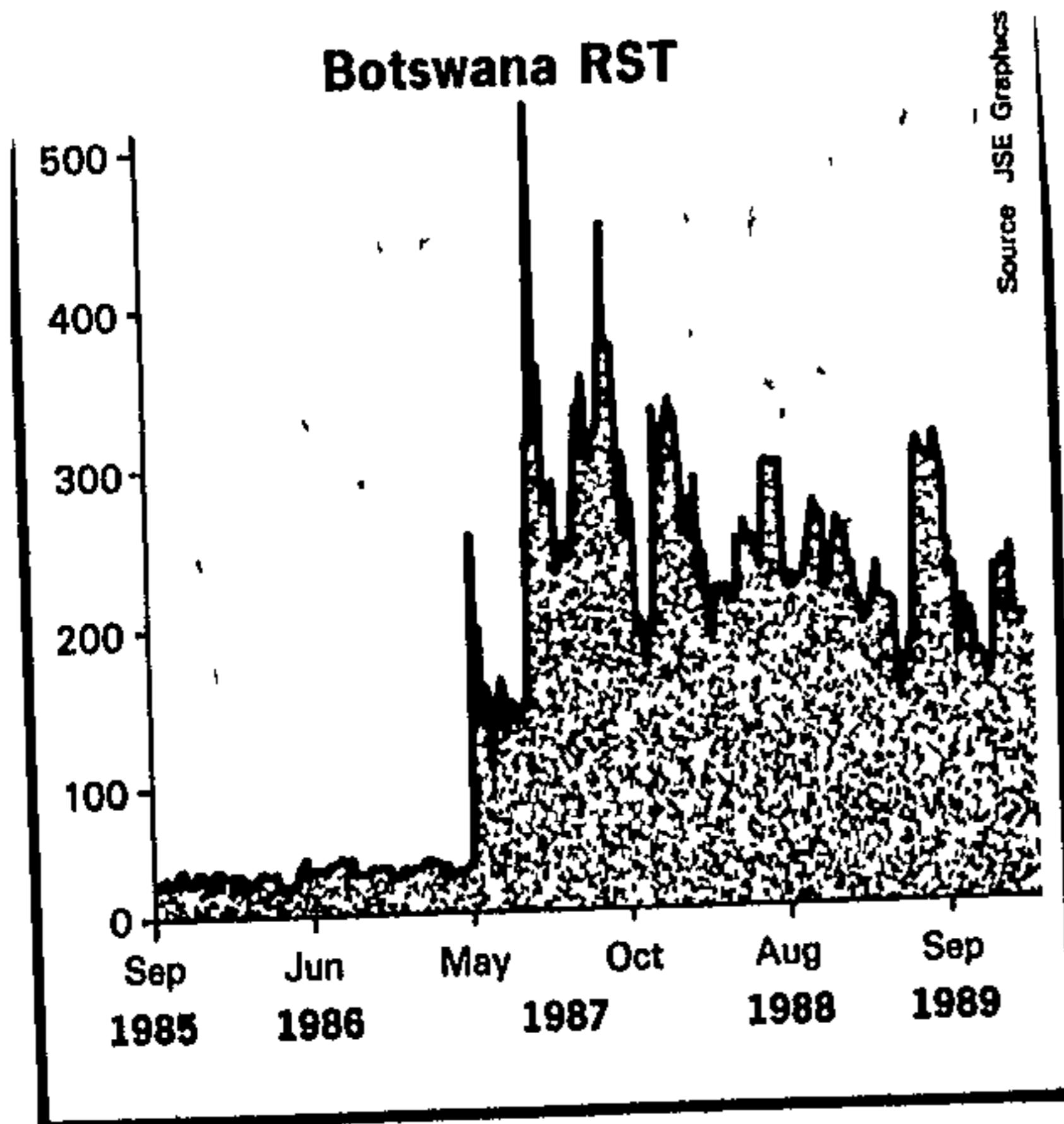
This week, Randex's directors were practically all on leave and unavailable for comment, but a spokesman for parent Genbel says the only prospecting done on the mineral rights acquired near Rustenburg is a few shallow drill holes and some surface trenching.

On the other hand J D Anderson's Dave Russell reckons Severin's Wonderkop prospect, near Rustenburg's Atok platinum mine, has potential. Some months back he estimated Wonderkop's UG2 and Merensky reserves at about 35 Mt with comparatively good PGM (platinum group metals) grades.

Why should exploration company Randex have created 2,2m new shares to pay for the Severin's interests? Impala, which recently completed the formalities for its Messina platinum venture, seems a more sensible candidate. Fact is there are tax advantages to having an exploration company evaluate the new rights — Impala can step in later as and when adequate reserves are proven.

*Jim Jones*





**BOTREST** chairman Malcolm Bayliss paints a gloomy picture for the Botswana copper and nickel mine's prospects.

Tonnage milled in 1989 was slightly above the previous year's, but the nickel grade fell from 0,78% to 0,71% and copper's from 0,82% to 0,74%. Higher grades had been expected.

The low grades are cause for concern, and little improvement is expected.

Sales revenue was boosted by a strong dollar against the pula, but the dollar has weakened.

High inflation and a general salary increase of 30% after arbitration helped to increase production costs by 40,9% a ton.

Mr Bayliss reports that the period of high metal prices has ended, and prices are forecast to average less than

in 1988 and 1989. A weaker dollar will further hinder Botrest.

Botrest repaid fixed-term senior debt, improving its ability to withstand a period of low metal prices. But high inflation and rising costs are a problem.

Botrest must also incur large capital expenditure to secure an adequate supply of ore. The Botswana Government is securing a special EEC loan for 21,65-million European currency units, or about Pula 45-million.

Botrest's only immediate source of funding is its working capital reserve, which may prove insufficient to maintain operations and fund capex if metal prices remain weak.

# Botrest hobbles along

STimes 15/4/90

217

"In view of the substantial accumulated losses of Botrest, which have led to an extremely high burden of debt, the payment of dividends on the ordinary shares remains remote in the extreme."

## BURDEN

Botrest reduced its accumulated deficit from P1,35-billion to P1,25-billion in 1989. The principal shareholders have furnished loans of P1,37-

billion, including outstanding interest. The principals are Anglo American and Amax.

They own 75-million 10% cumulative redeemable preference shares of P1 each. Losses attributable to the preference shareholders are P75-million. Cumulative dividend arrears total P88,5-million.

Botswana introduced 10% GST from March, which will compound the woes. On the bright side, Botrest has an

estimated assessed tax loss of P556-million.

It is strange that Botrest's shares sometimes surge on nothing specific, especially from mid-1987 when any bit of nonsense moved share prices. Speculation has been attached to Botrest regarding platinum, diamonds and other grounds, all without foundation.

It earned P92,7-million, or P43,87 a share, in 1989, making it the only listed company whose share price of 200c is less than half the previous year's historic earnings.

Do not be misled. Botrest is not a share for widows or orphans. It is not really anybody's.

## Marhold to take up JSE position today

ZILLA EFRAT (217)

MARLIN Holdings (Marhold), the pyramid holding company of Marlin Corporation, enters the JSE's "Mining - Metals & Minerals - Other" sector today. Bidam 174/90

Marhold, formerly the Furniture Fair cash shell, will hold 60% in Marlin, one of the world's largest black granite producers which has interests in granite trading and processing. Most of its production is exported.

According to the transmuted listing statement published today, Marlin's earnings of R30,3m (R18,1m) in the year to June 1989 far exceeded budget because of a favourable exchange rate and the opening up of developed areas which yielded high quality material with lower than normal wastage factors.

In addition, the group re-opened certain Rustenburg quarries, previously on a care and maintenance basis, to meet an unexpected order for material. However, in the six months to December Marlin's attributable earnings fell 30% to R7,6m (R10,8m) and directors are budgeting for lower earnings of R19,7m for the full year to June because of higher production costs and less favourable market conditions.

Provided certain conditions are met, directors say Marhold's pro forma consolidated earnings should be 25c a share in the year to June 1990. Provided there are no unforeseen circumstances, they forecast earnings for Marhold's year to June 1991 of not less than 33c a share.

Marhold will not need to accumulate reserves as future acquisitions will be made by Marlin. Thus its dividend policy will be to distribute all cash earnings and dividends received to shareholders.

Following the constitution of Marhold as Marlin's holding company, Marlin will undertake a rights offer to raise about R37,8m for expansion of existing operations and for new opportunities currently being investigated.



African Defence Force purposes, if not, for what purposes is it used, if so, (a) for what purposes does the Defence Force use it and (b) for how long has it been so used,

- (2) whether he has given consideration to the Defence Force giving up occupancy of this area and making it over to the Durban City Council for conservation and recreational purposes, if not, why not,

- (3) whether the continued use of this area by the Defence Force is strategically necessary for South Africa's defence, if not, why is the Defence Force still occupying it? *Hansard 17/4/90*

B528E

## †THE DEPUTY MINISTER OF DEFENCE

- (1) Yes

(a) For harbour protection if required, as well as for accommodation of units, training, telecommunications and storage

(b) The area was handed over formally to the SA Defence Force during 1922

- (2) No, due to a lack of another suitably located area as well as the cost of relocation

- (3) Yes

## New questions

## Occupational Diseases in Mines and Works Act:

benefits

\*1 Mr J J WALSH asked the Minister of National Health and Population Development

- (1) (a) What are the benefits payable in terms of the Occupational Diseases in Mines and Works Act, No 78 of 1973, to persons found, after the commencement of the Act, to be suffering from compensatable diseases and (b) when were these benefits last revised, *Hansard 17/4/90*
- (2) whether she will make a statement on the matter? B606E

THE MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT  
*Hansard 17/4/90*

- (1) (a) One-sum benefits are paid as follows

## Whites

— in the first degree R23 775,00  
— in the second degree R43 834,00  
— Tuberculosis R10 064,00

## Coloureds and Indians

— in the first degree R14 089,00  
— in the second degree R25 328,00  
— Tuberculosis R 5 593,00

## Blacks

— compensatable disease R 3 079,00  
— compensatable disease plus Tuberculosis R 3 842,00  
— Tuberculosis R 1 746,00

(b) the last increase came into effect on 14 June 1989 A further increase has been approved to —

Whites 15%  
Coloureds and Indians 17%  
Blacks 20%

(2) no  
Mr J J WALSH Mr Speaker, arising from the reply of the hon the Minister, may I ask her what plans actually exist to rectify the enormous disparities which exist in the amounts that she has read because although the most recent increase goes a very small way towards doing so, obviously the discrepancies are enormous?

The MINISTER Mr Speaker, the principle has been accepted to phase in parity in all respects, and also in this regard [Interjections] Yes, but the compensation aspects are presently being considered by the Cabinet [Interjections]

## Films. Defence Force equipment

\*2 Mr A J LEON asked the Minister of Defence *Hansard 17/4/90*

Whether the South African Defence Force has a standing authorisation for the use of Defence Force equipment and personnel for the making of commercial feature films, if so, what are the relevant details and criteria? B653E

†The DEPUTY MINISTER OF DEFENCE  
No

## CCB: identification of certain person

\*3 Mr P G SOAL asked the Minister of Defence

Whether a certain person, whose name has been furnished to the South African Defence Force for the purpose of the Minister's reply, was identified by the Civil Co-operation Bureau as a potential threat to State security, if so, (a) when, (b) for what reasons and (c) what is the name of this person? *Hansard 17/4/90*

B654E

## THE DEPUTY MINISTER OF DEFENCE

The hon member is referred to my replies in this House to written question numbers 186, 187 and 188 of 1990 (a) to (c) fall away

Mr P G SOAL Mr Speaker, arising from the surprising reply of the hon the Deputy Minister who admitted some weeks ago that he knew nothing about the existence of the CCB, may I ask whether it is normal in a so-called democratic society for a young man like Gavin Evans — I understand that he is opposed to compulsory national service — to be the target of a State operated assassination squad?

†The DEPUTY MINISTER Mr Speaker, the question that the hon member has just put, is not relevant He can put it on the Question Paper I shall not reply to any further supplementary questions in this regard

## Conscription affected by unbanning

\*4 Mr J VAN ECK asked the Minister of Defence *Hansard 17/4/90*

(1) Whether the unbanning of the African National Congress (ANC) and the South African Communist Party (SACP) will affect the conscripting of White males into the South African Defence Force, if so, in what ways, if not, why not,

(2) whether White males who are members of the (a) ANC and (b) SACP will be called up for national service? B655E

†The DEPUTY MINISTER OF DEFENCE

- (1) No  
(2) (a) and (b) Yes

## CCB: membership of certain person

\*5 Mr S S VAN DER MERWE asked the Minister of Defence *Hansard 17/4/90*

(1) Whether a certain person, whose name has been furnished to the South African Defence Force for the purpose of the Minister's reply, was a member of the Civil Co-operation Bureau, if so, (a) when did he become a member and (b) where was he recruited, *Hansard 17/4/90*

(2) whether this person is or was a member of the South African Defence Force, if so,

(3) whether he ceased to be a member of the Defence Force at any stage, if so, (a) when, (b) for what reasons and (c) what was his rank at the time he ceased to be a member? B656E

## THE DEPUTY MINISTER OF DEFENCE

The hon member is referred to my replies in this House to written question numbers 186, 187 and 188 of 1990 (1) to (3) fall away

†Mr S S VAN DER MERWE Mr Speaker, arising out of the hon the Deputy Minister's reply, is he aware of the fact that this person was recruited by the Head of Military Intelligence after he had been released from prison after having been found guilty of murder, and does he approve this as a policy of his Department?

†The DEPUTY MINISTER Mr Speaker, I am not prepared to reply to any questions arising out of this question [Interjections]

## †Mr SPEAKER Order!

## Beneficiation/processing of minerals

\*6 Mr J CHIOLÉ asked the Minister of Mineral and Energy Affairs and Public Enterprises †

(1) Whether any beneficiation and/or processing projects for minerals have been undertaken in South Africa since 1 January, 1986, if not, why not, if so, (a) when, and (b) what is the nature of the projects, in each case, *Hansard 17/4/90*

(2) whether an estimate has been made of the additional foreign earnings for South Africa that result or will result from these projects, if not, why not, if so, what are the relevant details? *Hansard 17/4/90*

B663E



217

217

†THE DEPUTY MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES

(1) Yes A large variety of beneficiation and/or processing projects have been undertaken in South Africa since 1 January 1986

Precious metals and minerals

Platinum-group metals

In August 1988 another platinum-group metals refinery was commissioned at Brakpan on the East Rand

Since July 1986 several platinum-group metal chemicals, among others rhodium-trodiide, are being produced in Durban, osmiumtetroxide is being manufactured in Pretoria since 1987

Diamonds

Since January 1986 altogether 50 small cutting factories have been commissioned These factories handle less than 5% of the mass of diamonds beneficiated locally

Ferrometals

Iron and Steel

Iscor's Corex plant was commissioned at its Pretoria works by the end of 1989, production capacity amounts to 300 000 tons of liquid iron per year

In 1987, a steel mill at Witbank has put a second smelter with a capacity of 240 000 tons per year into service

Ferrochrome

The capacity of a new facility, commissioned at Brits by the end of 1988, amounts to 120 000 tons per year Another new plant scheduled to come into operation at Rustenburg later this year will have a capacity of 100 000 tons per year

The total annual capacity of existing plants at Middelburg, Lydenburg, Steelport and Brits was expanded by 270 000 tons since 1989

Stainless steel

The capacity of a steel mill at Middelburg will later this year be increased by 50 000 tons per year

Manganese

In 1988, a manganese sinter plant with a capacity of 500 000 tons per year was commissioned at Mamatwan, Northern Cape

Vanadium

Two vanadium pentoxide plants have been commissioned, one in 1988 near Burgersfort with a capacity of 3 000 tons per year and the other at the beginning of 1990 at Vereeniging with a capacity of 4 000 tons per year

Non-ferrous metals

Since December 1986 two refineries at Markana and Brakpan, are producing copper metal and nickel sulphate from by-products derived from platinum-group metals recovery

Non-metallic minerals

A plant at Germiston has since 1987 been processing limestone into synthetic gypsum for use in cement manufacture Capacity amounts to 90 000 tons per year.

At Kempton Park a start was made in 1987 to convert phosphogypsum, a waste product in the manufacture of phosphoric acid, into high quality alpha gypsum plaster

Since 1988, some 4 000 tons of magnesia and 6 000 tons of magnesium sulphate are being manufactured annually from magnesite at Kaapmuiden, Eastern Transvaal

In 1988 a plant was commissioned at Kempton Park for the conversion of salt into chlorine and caustic soda The total annual mass amounts to some 95 000 tons

(2) Yes An estimate of the additional foreign exchange earnings with respect to 1989 shows an amount of R2 745 million This amount is made up as follows

Precious metals and minerals	— R 625 million
Ferrous metals	— R1 990 million
Non-ferrous metals	— R 130 million

†Mr J CHOLLÉ Mr Speaker, arising out of the reply of the hon the Deputy Minister, I should just like to ask him whether it is correct that

17/4/90

South Africa together with Zimbabwe has 90% of the world's chrome reserves, but that South Africa currently produces only about 30% of the world's ferrochrome, and mainly as a result of plants erected over the past five years In the second instance I should like to know from the hon the Minister or the hon the Deputy Minister whether they are going to do anything in connection with the huge initiatives that are under way at present on the part of the moneyed interests to form a monopoly ?

217

†Mr SPEAKER Order [Interjections] The object of supplementary questions is not to deliver an additional speech, but to ask a supplementary question arising out of the hon the Minister's reply [Interjections]

Occupational diseases in mines and works

\*7 Mr P J PAULUS asked the Minister of National Health and Population Development † Whether legislation relating to occupational diseases in mines and works is to be laid upon the Table during the current session, if so, when, if not, why not?

17/4/90

B689E

THE MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

No, rationalisation of occupational safety and health is presently being investigated by an interdepartmental committee under the chairmanship of the Director-General Department of Manpower, whereas the compensation aspects are presently being considered by the Cabinet

Westonaria magistrate's office: building operations

\*8 Mr P J PAULUS asked the Minister of Justice †

Whether building operations on the magistrate's office at Westonaria will commence this year, if not, why not, if so, when are they expected (a) to commence and (b) to be completed?

B690E

THE DEPUTY MINISTER OF JUSTICE

The repair and renovation of existing accommodation and the erection of additional accommodation at the magistrate's office, Westonaria, will due to a lack of funds not commence this year The Department Public

Works and Land Affairs has programmed the service on a Major Works Building Programme with a tender date of January 1991

- (a) February 1991
- (b) August 1991

SAP's single quarters at Roodepoort

\*9 Adv J S PRINSLOO asked the Minister of Public Works and Land Affairs †

- (1) With reference to his reply to Question No 11 on 20 March 1990, what amount is required by his Department for strengthening the foundations and repairing cracks in the walls of the South African Police's single quarters at Roodepoort
- (2) whether this amount has been appropriated by the State, if so, when, if not, (a) why not and (b) in what financial year is it expected to be appropriated?

17/4/90

B692E

THE MINISTER OF PUBLIC WORKS AND LAND AFFAIRS

- (1) Tests are presently being done to establish the nature of the soil in order to determine the extent of the service and the amount required is thus not known at this stage
- (2) No

- (a) and (b)

As the required amount is not yet known funds have not been appropriated The position regarding the availability of funds is such that an allocation will not be able to be made in the present financial year, and it will have to wait until the 1991/92 financial year

†Adv J S PRINSLOO Mr Speaker, arising out of the reply of the hon the Minister, I should like to ask him when the first investigation into the soil conditions of the area was done, and what was the object in respect of the condition of the foundations [Interjections]

The MINISTER Mr Speaker, the reply is that at the present time a major study is being done of the actual soil content of the area on which the building is It was determined some time ago, and the exact date I will find out for the hon member, that it was a soil problem that was causing the deterioration of the building

# Tax bill blunts Anglovaal results

B/Dan 18/4/90 217

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



FIM 20/4/90 (217)

**Activities:** Operates open-pit copper mine in the north-eastern Transvaal

**Control:** RTZ 38,9% of the equity and Anglo American/De Beers 28,6%

**Chairman:** G A Macmillan, MD A J Leroy

**Capital structure:** 28,3m ords Market capitalisation R1,87bn

**Share market:** Price R66 Yields 13,3% on dividend, 15,3% on earnings, PE ratio, 6,5; cover, 12 times 12-month high, R66,75; low, R55 Trading volume last quarter, 411 251 shares

Year to Dec 31	'86	'87	'88	'89
Turnover (Rm)	500,6	543,6	859,1	1137,2
Pre-tax profit (Rm)	217,9	214,1	425,9	669,9
Attributable profit (Rm)	91,6	99,1	186,3	287,0
Earnings (c)	323,0	350,0	658,0	1013,0
Dividends (c)	260,0	295,0	565,0	875,0
Copper production ('000t)	117,4	125,6	118,5	126,2
Copper sales ('000t)	115,7	124,7	119,3	129,0

tributors to growth were higher copper production and sales, as well as a 27% increase in the rand copper price

The mine simply goes from strength to strength. When one of its purchase contracts expired (at the end of 1988), which accounted for about 7 000 t of copper, Palamin raised its own production to more than absorb the slack. As its own material bears a higher profit margin to the purchased copper, the group benefited to a greater extent.

The mine's head grade rose significantly in 1989 from 0,45% to 0,49%, resulting in the higher output, while recovery rates generally were slightly down. The grade is expected to rise further this year to average 0,50%

The LME copper price averaged £1 735/t in 1989, up 19% on the £1 460/t in 1988. In rand terms the increase was even more favourable, rising from R5 917/t in 1988 to R7 537/t. This compares with Palamin's current Republic copper price for April of R6 820/t and the LME price of around R7 400/t. The price has weakened from last year's peaks, though it is picking up now.

There is a shortage in the spot market, partly because strikes at the Peruvian harbours are preventing copper from reaching its markets, which is showing itself in a backwardation in futures prices. Though chairman Alister Macmillan warns that the lower copper price is likely to lead to lower profits this year, other analysts see the gentle uptrend in the price continuing. Copper consumption is expected to outpace supplies of refined metal, leading to a running down of stocks which should put upward pressure on prices.

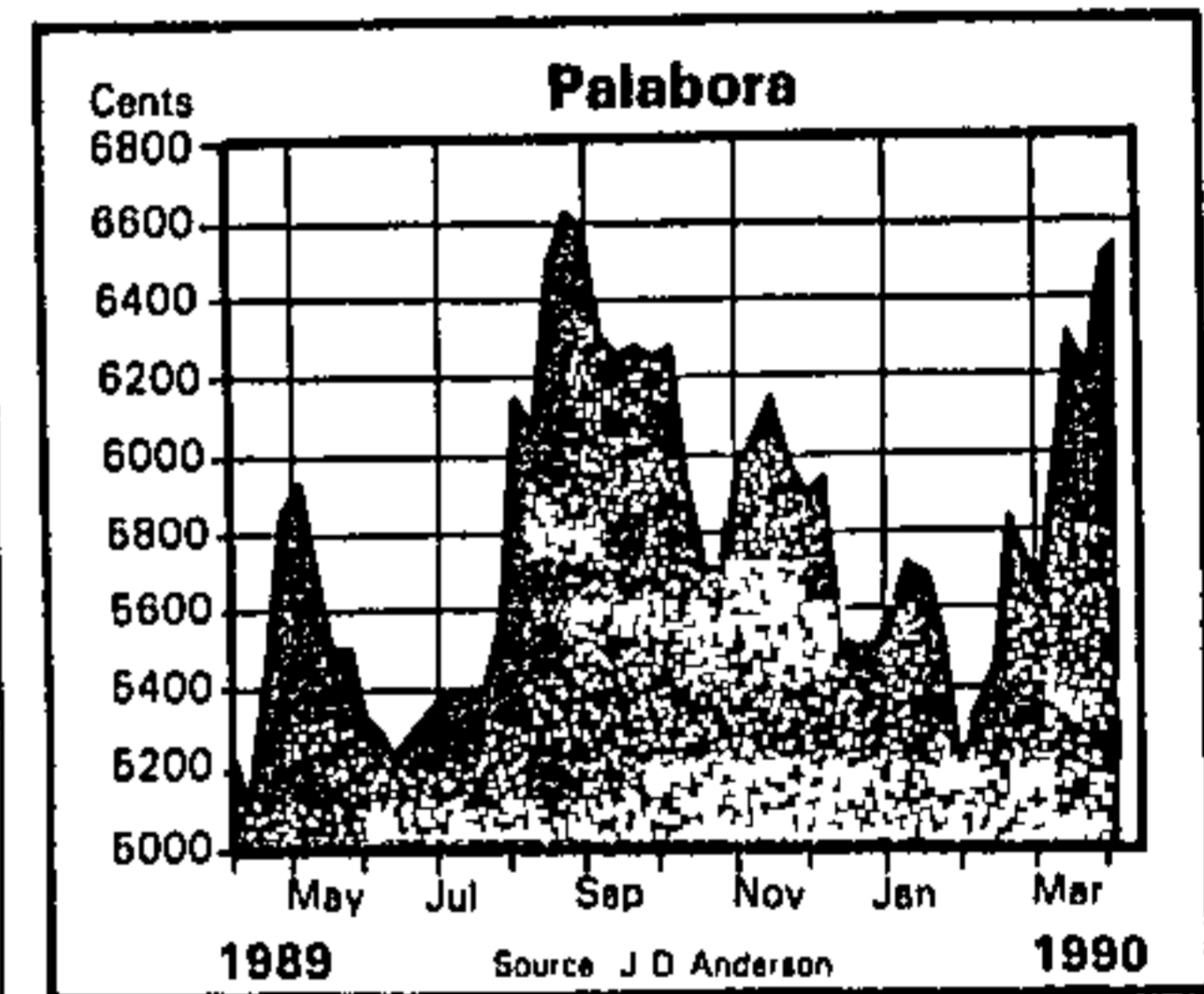
Cost increases at the mines have, as usual, been kept to a minimum at 15% (impressive considering the 32% rise in turnover), aided by the higher head grade. The in-pit crusher, which suffered from teething problems early last year, is operating "satisfactorily," saving R9,1m in 1989. The planned reduction in the truck fleet after installation of the crusher and conveyor belt system has been adversely affected by the problems. The cut-back has been slower than expected, with a decrease so far of six of the 150 t haul trucks

PALAMIN FIM 20/4/90

## Saving costs

Palamin's turnover exceeded R1bn for the first time after only 10 months of last year, taking annual gross sales to a new high, 32% up on 1988. Not unexpectedly, primary con-

FIM 20/4/90 (217)



out of the 12 expected to be taken out of service. This does mean, though, that greater savings lie ahead.

MD Al Leroy says the latest figure for ore production transported on the conveyor system is 85%-90%. The group has said a saving of 10% in mining costs can be expected when it is fully operational, so we can look to additional savings of around R15m in 1990. This year management will be emphasising "further containment of operating costs" and, judging by past performance, it is likely to be successful.

Renewed weakness in the copper price would of course place greater pressures on the group. But, despite management's caveat, Palamin should at least maintain its 1989 performance in 1990. At R66, close to the all-time peak of R66,75, Palamin offers an historical yield of 13,3% and a forward yield probably the same. That must rate it as one of the better buys on the market, particularly as dividend income is no longer taxable.

Gillian Findlay



# Expanding Minaco set for JSE debut

20/4/90  
217

Minaco Granite and Marble, which quarries and beneficiates raw granite, marble and travertine blocks, makes its debut on the "Other Metals and Minerals" board of the JSE on April 25.

Minaco, which beneficiates raw materials through subsidiary, Marble Lime and Associated Industries, posted pre-tax profits of R3,2 million for the year ended February 1990.

Directors say Marble Lime's current order book stands at R20 million, which is equivalent to current capacity for the next two years at existing production levels. Marble Lime also undertakes the fitting and cladding of finished products.

Minaco directors are confident that because of Marble Lime's profitability, order book, strong cash flow and Minaco's financial position, the company should ensure earnings of 12c per share in the first year. This is expected to increase to 50c in the third year.

Barring unforeseen circumstances, directors intend declaring a dividend of not less than 3,5c a share for the current year, expected to increase substantially in 1991.

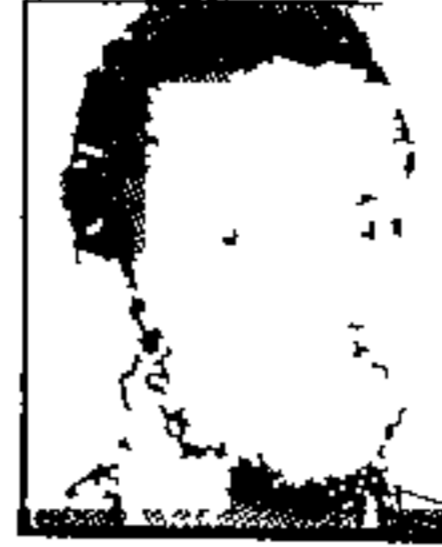
One of Minaco's technical directors, James Turner says these forecasts are based on increased capacity at Marble Lime following the purchase of a new sawing machine, which will be fully operational in the 1991 financial year. On this assumption, Marble Lime's turnover will increase to R17 million this year and to R26 million in 1991.

Capitalised at R22 million, Minaco has a net asset value of more than R90 million and annualised revenue is expected to increase to R71 million over the next three years.

Industry analyst, Keith Bright of Frankel, Kruger & Vinderine says Marble Lime is more of a beneficiation company than a quarry operation and the industry appears to be moving in this direction. This is due to various tax incentives

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geared to beneficiation of raw materials.

For the 1990 financial year, beneficiation is forecast to contribute 52 percent of Marble's pre-tax profits and quarrying operations 34 percent.

But directors forecast that by 1993, quarrying operations will increase their contribution to pre-tax profits to 65 percent against beneficiation's 22 percent.

Minaco's shareholding is largely off-shore and these foreign investors include Swiss and other European institutions. There is no indication that they will sell and many are invested with other companies in the group, Mr Turner said.

JSE-listed Afmin Holdings holds 12,3 percent of Minaco with an option to acquire a further 33 percent.

Minaco's mining projects comprise black granite near Mooketsi in Northern Transvaal, juperama near Parys, travertine in Transkei and yellow granite near Swakopmund in Namibia.

The quarries are also geared for exports markets. Black granite and juperama properties have secured contracts, the demand for which far exceeds current production levels. Marble also has a contract with an Italian tile producer for all its black granite undersize blocks.

Minaco chairman Barney Seiddle has 40 years of experience in the industry. A founder of Marlin Corporation in 1961, he disposed of his holding after the listing in 1979 and bought control of Marble Lime from Gencor in 1981.

He has a two year service contract with Minaco, and a three year restraint of trade agreement for a cash consideration of R2 million in respect of Marble Lime and R500 000 for National Sun.

# Kotze to take steps if mine causes imbalance

CAPE TOWN 23/4/90

Staff Reporter

At an Earth Day celebration in Noordhoek, the Minister of Environment and Water Affairs, Mr Gert Kotze, yesterday assured about 150 members of the Save Chapman's Peak Action Group that he would use all his resources to stop the proposed kaolin mine in Noordhoek if it caused an ecological imbalance in the area.

Two knapsacks containing a petition of more than 50 000 signatures were handed to the minister by Mr Janne Momborg, Democratic Party MP for Simon's Town.

"I do not have the final say over the proposed mine sites here, but wish to assure you that I will use all my re-

sources to stop all the activities, if there is an ecological imbalance in this part of the Peninsula."

Mr Momborg said only two bodies could stop the mine—the government and the mining company, Serina.

He pleaded for the government "to take the decision to stop the mine and give the land back to the Cape of Good Hope Nature Reserve to be protected for future generations."

Other Earth Day celebrations took place in the city as well as in other parts of the country.

● Environment-conscious groups marched through the streets of Johannesburg on Saturday morning in what was probably the country's first conservation march.

**STOP THE MINE . . .** Philippa Dresner and Ingrid Finlay delivered two knapsacks containing the petition.

Picture OBED ZILWA



# Experts trim forecasts of precious metal prices

8/10/90 217

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 aluminium 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.

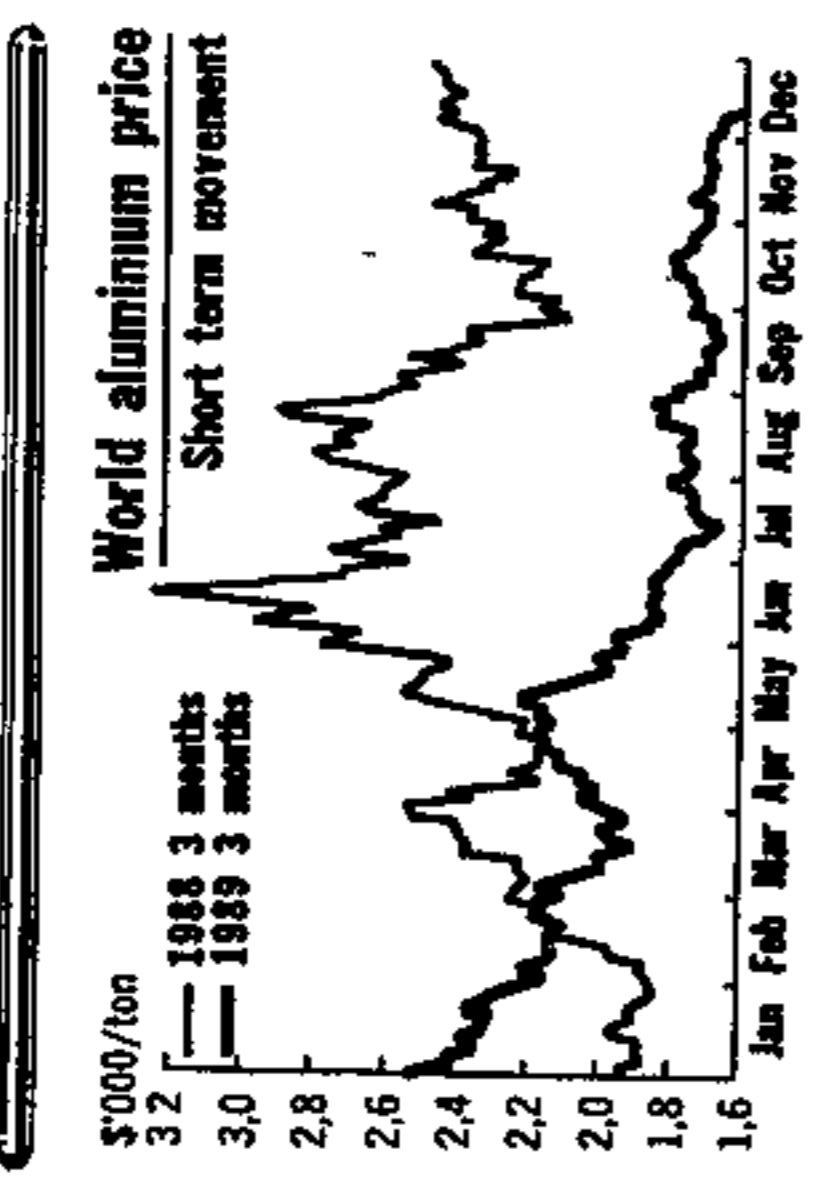
Zinc prices could test new lows by mid-year, but the outlook for tin is more encouraging with modestly higher prices forecast.



# Sliding world aluminium prices seen as threat to SA exports

COMPANIES

Monday 24/4/90 217



SLIDING world aluminium prices in the wake of increased supply and waning consumer interest are likely to have a direct and negative influence on SA's export market, industry sources said yesterday.

A spokesman for Alusaf said that because Alusaf exported at a slight premium to the London Metal Exchange (LME) rate due to the high quality of the SA product, the producer was relatively sheltered from the fall in world prices. However, Aluminium Federation of SA director Tony Paterson warned that a lower LME price relative to the SA

**BRENT MELVILLE**

price meant export earnings were bound to fall.

"During the 1988 boom period SA producers were selling overseas at a 14% discount and still clearing about R1 000 a ton. That margin has been drastically cut. The prevailing local price, as determined by the consumer price index, LME and prices of competing metals, now exceeds the import price," he said.

LME aluminium three-month prices ended at \$1 533 a ton last week after moving up to \$1 630 a ton earlier in the

year. Paterson expected pricing to continue until next year due to the relative oversupply of metals on world markets.

The price of secondary aluminium (reusable) follows London Metal Bulletin (LMB) pricing — similar to LME pricing.

Paterson said that the primary industry in SA had since 1971 upheld the policy that it provide a stable price environment. Increases are announced more or less on a yearly basis in line with the presiding inflation rate.

"However the industry will not export at the cost of inhibiting the local

market," he added. Alusaf's corporate director (through Genmin) Fred Clarke last month disclosed that Alusaf had reduced exports to 51 000 tons from 80 000 tons last year to meet local demand.

"The aluminium price to a large extent represents the availability of stock levels. At the moment there is international short-term surplus capacity. There is however, no reason to assume the situation will not improve in the longer term," said Paterson.

The optimistic longer term outlook is based on large demand from Eastern Europe.

## 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.

# Boom times ahead for platinum industry

Star 25/4/90 (217)

The platinum mining industry in South Africa is about to boom. Rustenburg Platinum, the world's largest producer of platinum, has announced a major expansion programme to meet new contractual commitments.

It also indicated a strong probability that a new platinum mine will be opened on the Platreef and that production at Lebowa Platinum Mines' Atok mine could be further expanded.

If all these projects get the go ahead, production of platinum ore should rise by about 400 000 tons a month in the next few years. This would be roughly equivalent to opening two new major platinum mines.

Rustenburg says it is increasing production by 170 000 tons a month — with 140 000 tons coming from the Amandelbult section and 30 000 tons from the Union Section. It adds that if should other negotiations that are under way prove successful further expansions will be required.

The Union section expansion should be completed by the end of September and the Amadelbult expansion by the end of June, 1992.

Rustenburg also announced that Potgietersrus Platinum, (PP) a company owned jointly by Rustenburg and Lebowa Platinum, will decide at the end of September, when a period of trial milling and mining ends, whether to establish a 200 000 tons a month platinum mine on the Platreef.

It says the front-end detailed mine design and initial estimates of capital expenditure are being prepared concurrently with the trial milling and mining programme.

The proposed Platreef mine is expected to have an average platinum group metals and gold grade of 8,7 g/t in situ, a platinum to palladium ratio of 1,1 to 1, an in situ nickel grade of 0,37

Diagonal Street

DEREK TOMMEY

percent, an average reef width of some 3,7 metres and a dip of between 40 degrees and 50 degrees.

At Atok the programme to raise production from 50 000 tons to 70 000 tons a month is on schedule and the mine is considering increasing production by a further 30 000 tons to 100 000 tons a month by August, 1992.

Should the Platreef mine get the go ahead, Lebowa's platinum production will rise four-fold in the next four years from 50 000 to 200 000 tons a month.

Meanwhile Barplats, which is in the Rand Mines group, reports that production at its newly opened Crocodile River platinum has not reached the levels initially expected. However, a throughout of 160 000 tons a month is expected by the third quarter and a milling rate of 250 000 tons a month by 1992.

Barplats managing director, Mr Eddie Crocker, says that no difficulties have been encountered in smelting the UG2 reef and that feasibility studies are well advanced for the erection of a chrome removal plant and a heavy media separation plant.

The depth of the planned vertical shaft on the West side of the mine is to be increased to provide greater mining flexibility and to open up additional ore reserves. Capital expenditure, including capitalised pre-production costs, for the six months to March 31 were R143 million. Expenditure for the remainder of the current financial years is estimated at R129 million.



# Rusplat to expand production by 30%

217

B/Dam 25/4/90

JCI's Rustenberg Platinum Holdings (Rusplat) is set to expand production by at least 30,3% in the next 40 months on the back of concluded long-term contracts.

This will add more than R1bn in current terms to its 1989 R2,9bn gross sales revenue, given static platinum and rand prices, JCI says.

Moreover, JCI says: "It is possible that further expansions will be required should other negotiations currently under way be concluded successfully."

Rusplat, the world's largest platinum producer, announces today a production increase of 170 000 tons a month. Production from new venture Potgietersrust Platinum's Platreef and expanded production at Lebowa's Atok Section will add another 133 000 tons a month to Rusplat's attributable production.

According to J D Andersen & Co's Dave Russell, Rusplat mills about 1-million tons a month. "Its further attributable 303 000 tons a month by September 1994 would increase its gross sales by about one-third."

Russell says the proportional increase in sales is likely to be higher than the increase in ore milled, as the platinum group metals grades disclosed today for Potgietersrust's Platreef are higher than exploited reefs UG2 and Merensky.

JCI marketing and planning GM Todd Bruce says: "All the new Rusplat expansion is going into contractual hands. The extra metal produced is not simply going

BARRY SERGEANT

to flood the market."

Russell says: "The fact that these expansions have come about from firm consumer demand re-affirms the view that the platinum market is much stronger than the current free market price would suggest."

"Given that most platinum business is conducted at contractual and not 'free market' prices, platinum's underlying supply and demand characteristics are excellent."

Rusplat enjoys a market capitalisation of almost R10bn, about the same as Driefontein, the heaviest gold counter on market capitalisation. Rusplat has an enormous tax shield and about R1bn in cash. Its Rustenberg section is the world's biggest underground mining operation.

Bruce says the capex needed for funding the expansions will be comparatively low, and would be financed in-house. He says either existing infrastructure will be used, or else mining will start off at a relatively low depth.

Moreover the parameters of the Platreef prospect are "superb, and likely to qualify the venture as the lowest-cost platinum producer."

Expansion, which has been planned for some time, has been initiated in response to new contractual requirements. "It is possible that further expansions will be required should other negotiations cur-

□ To Page 2

# Rusplat growth

B/Dam 25/4/90

217

□ From Page 1

rently under way be concluded successfully," he says.

Bruce confirms that the 8,7g/t *in situ* platinum group metals and gold grade for the proposed Potgietersrust Platinum's Platreef mine are about 25% higher than the Merensky Reef, which has always been known as "the" platinum reef.

The Platreef also has a very high nickel content of 0,37% — 3,7kg of nickle per ton milled. He says the average width reef of 3,7m is "ideal for low-cost trackless mining." Moreover, says Bruce, the reserves at all three mining sites "are indeterminate".

JCI's announcement on behalf of

Rustenberg Holdings and Lebowa says expansion at Rusplat is set to expand by 170 000 tons a month; 140 000 tons a month at the Amandeult section by end-June 1992 and 30 000 tons a month at the Union section by end-September 1990.

It says Lebowa, 22% held by Rustenberg Platinum Holdings, will expand production by 50 000 tons a month in the Atok section by August 1991.

And Potgietersrust Platinums, a 50/50 Rustenberg Holdings and Lebowa Plats venture, is scheduled to achieve a milling rate of 200 000 tons a month by not later than September 1994.

B/Ban 25/4/90

# Barplats delayed on mine targets

RIAAAN SMIT

BARPLATS's Crocodile River platinum mine will only reach its first-phase tonnage of 160 000 tons a month in the third quarter this year, the company says in an interim report.

When the R690m mine near Brits was officially opened in November last year, Barplats said first-phase tonnage would be reached during the first quarter of this year.

Barplats MD Eddie Crocker said, in the review published today, steps that had been taken to augment tonnage to this planned level included a review of the mining system to provide additional face and higher output from open-cast operations.

"Production from the No. 4 decline has been stepped up and we have no reason to change our forecast of a milling rate of 250 000 tons of ore a month by end-1992," he said in the review for the six months ended March 31.

Crocker said the mine should reach its optimum production mix — 70% of its ore from underground and the balance from open-cast operations — by December this year.

About R30m worth of

platinum group metals were in the refining process and Crocker said no difficulties had been encountered in smelting UG2 reef

This had been anticipated as a problem due to the higher chromium content of UG2, as opposed to the Merensky reef. The mine's viability hinged on the successful extraction of platinum group metals from UG2 through a Mintek-developed process.

Crocker said feasibility studies were well advanced for the planned erection at the mine of a chrome removal plant and a heavy media separation plant — both of which would improve recoveries.

## 217 Shaft

The depth of the planned vertical shaft on the west side of the mining area was to be increased to provide greater mining flexibility.

At the Kennedy's Vale mine near Steelpoort, shaft sinking and development continued ahead of schedule on the primary and dual purpose shafts, which were at depths of 794m and 824m.



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26/4/90 (217)

# Sharp correction in platinum price

By Neil Behrmann

LONDON — The platinum market has been badly hit by Rustenburg Platinum's announcement that it will be increasing output.

Initially the announcement hardly had any impact during London trading hours, but in New York the price plunged to a low of \$465 an ounce before recovering to \$472,50 at the close of trading.

Dealers were shocked because they thought that intended production increases were well known in the market.

In only two days trading, platinum tumbled by \$17 or 3,5 percent, a large move in commodity market terms. Its plunge affected gold and silver even though the dollar was relatively weak against the Deutsche mark.

Gold however has held above \$370, even though some of the more bearish dealers are expecting it to eventually slide below last September's lows.

In its announcement, Rustenburg did not specify how many extra ounces of platinum it would produce. But London dealers estimate that the annual increase will be around 150 000 ounces, raising annual output to 1,4 million ounces.

Impala's production is around 1 million ounces. Including Western Platinum and other producers, SA production in the coming year could rise to around 2,8 million ounces from 2,55 million ounces.

As has been reported repeatedly, investment demand for all precious metals has remained weak for several years, although there has been occasional bursts of activity.

Rallies have petered out, despite an acceleration in international inflation for a simple reason. Real interest rates are punitive. Why on earth buy precious metals when short term sterling rates are 15 percent, Dollars 8,25 percent and Deutsche mark more than 7 percent?

Platinum has fallen \$60 from its February peak, but is still trading at a relatively high premium of 27 percent over gold. Dealers say that so far physical demand has neither been affected by the slowdown in the US motor industry nor the Japanese stock market slump.

Automobile production is still relatively buoyant in Europe and tighter emission standards will ensure good orders for platinum in the coming year, says a spokesman of Johnson Matthey. More over the US is likely to introduce even tougher anti-pollution controls soon.

Platinum jewellery demand in Japan is also firm, says the Johnson Matthey spokesman.

Japanese imports in the first two months this year, however, dropped to 7,19 tons from 8,35 tons in the same 1989 period. Down to 52,5 tons last year from a record 67,5 tons in 1988, it appears that fewer Japanese investors and speculators are buying platinum. The sharp depreciation of the yen which raises prices in Japanese terms also does not help.

With producers selling into rallies, whenever they have the opportunity, there is certainly no shortage of platinum. Since interest rates are remaining high for much longer than expected, dealers say that business is slack.



# Rhombus, CMC negotiating over Nigel mines

A 11N

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 the Nigel gold mine and

217 dump treatment operation.

Sub Nigel did not have a treatment plant of its own while Nigel had this facility.

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.

## Gold and platinum stage minor comeback

217 JOHN CAVILL

LONDON — Platinum and gold prices staged a minor recovery in Europe yesterday after Wednesday's sharp retreat.

At the close in London platinum had recouped nearly \$5 of the \$17.35 fall to reach \$474 while gold at \$372.75 was \$1.50 up after its \$6.75 drop.

Reports from New York blamed platinum and gold sales by the Soviet Union, looking for foreign exchange to pay for imports, for the setback. Platinum did lead the way, falling in New York as Rustenburg confirmed plans to increase output by 30% over the next four years.

London traders, however, said there was no single cause. At Kleinwort Benson, one precious metals analyst said: "The market was already nervous. Some of the American professionals had tried to crank gold up but they failed and had to cut losses. Rustenburg only added to the situation."

Albert Loveless, at Smith New Court Ltd, said: "There was no special reason why gold should fall. Uncertainty is everywhere." 5/1 Day 27490

US analysts, however, maintained that Soviet problems with paying for imports are the primary cause as the oil price has weakened.

□ MERVYN HARRIS reports that Diagonal Street recovered yesterday from an oversold position after this week's sharp declines to enable the JSE overall index to retrace 34 points and go back above 3 000 and close at 3 011.

Dealers said the rebound was on a combination of technical factors with professionals covering short positions, further weakness in the finrand and buying at the lower levels.

RUSTENBURG FIM 2714190

## Expansion light (217)

What is not said in the announcements by Rustenburg and Leplat of plans to expand their Atok, Amandelbult and Union sections seems to be almost as important as what is. The Maandagshoek prospect on the eastern limb of the Bushveld Igneous Complex (BIC) does not figure in the company's plans, cocking a snook at government and its reluctance to concede tax benefits needed to make a new mine viable.

Of course, Rustenburg has not disclosed precisely what the new developments will mean in terms of additional production of platinum group metals. But most of the expansion is focused on the high-grade Amandelbult division, where mill throughput is to be lifted by 140 000 t, with a smaller 30 000 t expansion at Union section.

Still, in round figures, the present expansion should add about 150 000 oz of platinum, lifting the two companies' total annual output to about 1,5m oz — an increase which should be readily absorbed by growing European demand for platinum group metals in auto exhaust emission catalysts.

Still, this expansion is smaller than the next round, once the decision is taken to lift production at Leplat's Atok mine and to develop the Platreef project owned equally by Rustenburg and Leplat.

The Platreef ore grades 8,7 g/t of PGM and gold *in situ* and the ore's palladium content is relatively high — platinum:palladium in the ratio 1,1:1. In round figures establishment of a 200 000 t a month mine will deliver an annual 200 000 oz or so of platinum by September 1994. And, if Atok's

FIM 2714190 (217)

annual milling rate is lifted to 100 000 t, Rustenburg and Leplat together will have around 1,75 m oz of platinum to sell each year just as European demand is lifting off.

There seems little doubt the Platreef deposit will be exploited, despite the company's cautious announcement. Some further trial milling is needed but the mine's design will have been completed when that programme ends and a start on developing the new mine should be quick.

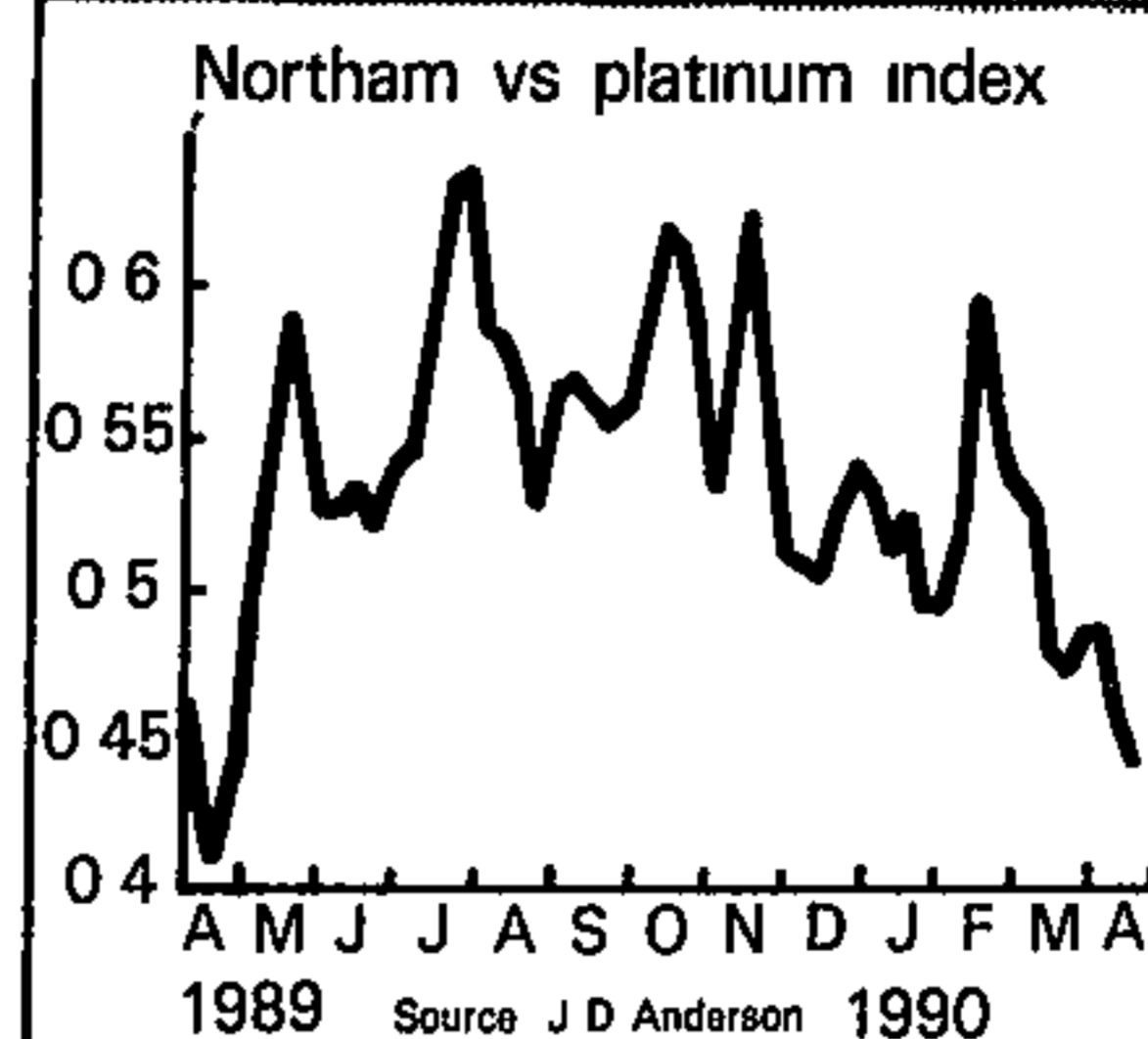
The effect of the likely capital expenditure on Rustenburg's distributable earnings is not disclosed but there should be no calls on shareholders for funds. The Amandelbult expansion involves an extension into comparatively shallow ore. The Platreef development will be more costly as its ore is deeper.

Jim Jones



FIM 27/4/90 ~~217~~ 217

## Lagging the sector



to an annual rate of 250 000 oz by fiscal 1994. Financial self-sufficiency is expected within the first two years from the start-up and a maiden dividend seems possible in the year to June 1993.

There are at least two factors affecting the Northam share price at present. Firstly, the market's general nervousness, particularly on the political front, is dissuading investors from looking further than a year out. Shares which are not yet yielding returns are being cold shouldered. Secondly, a line of 100 000 shares came on to the market last week which appears to have been fully placed. This volume compares with the past average monthly turnover of 116 000 shares and has obviously had a depressing influence on the price.

The foreign seller has been in the market for several weeks. And now his nervousness is no longer a factor, the share price seems well placed to rise.

Northam shareholders should also profit from the rights issue. GFSA group companies normally pitch the price of their rights some 10%-15% below the market. At the current price of 2.425c, the sell-off seems to have been overdone and the share is probably at a bottom in the present cycle.

*Gilhan Findlay*

NORTHAM

## Bottoming out?

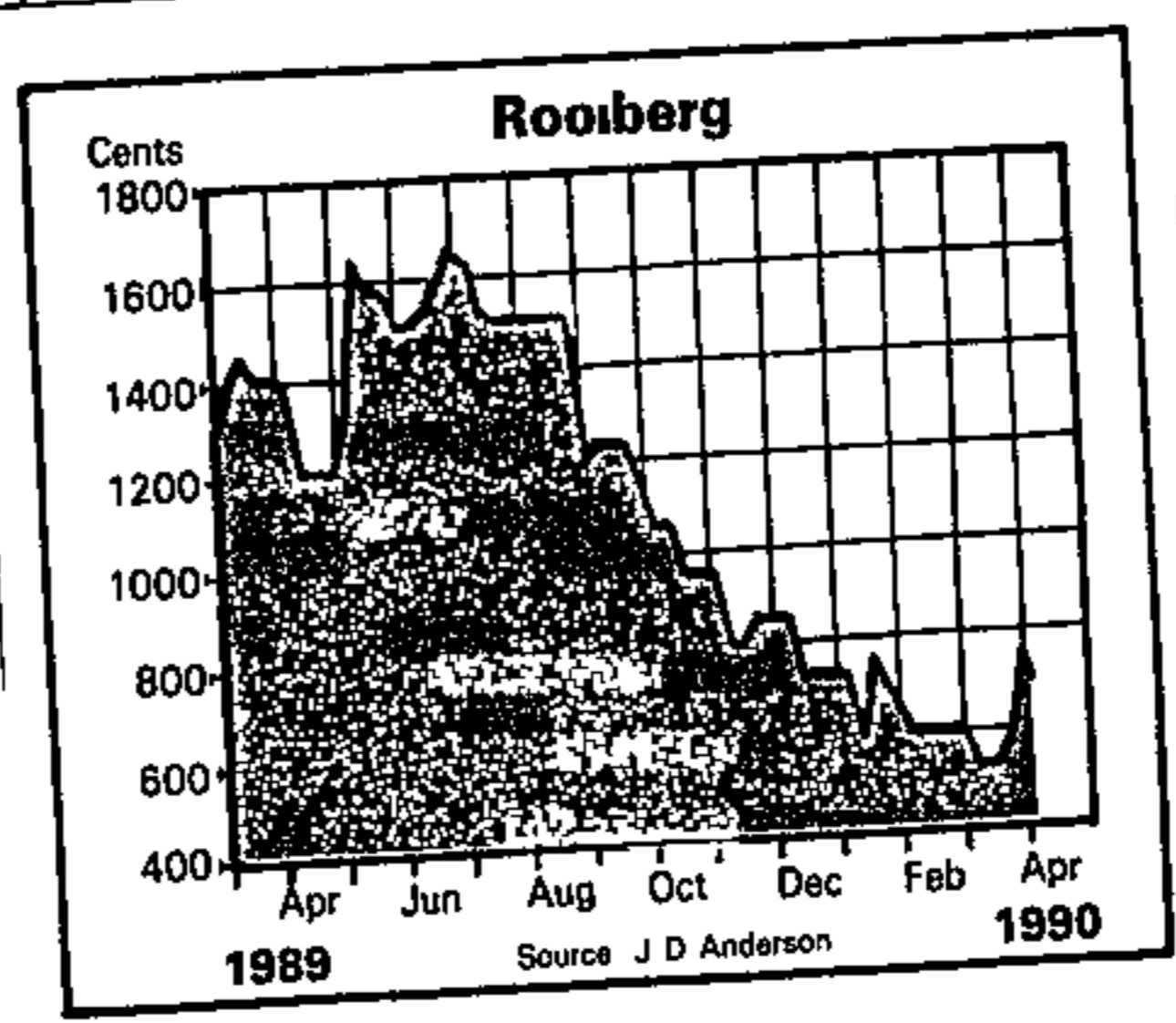
In the three weeks since Northam delivered its quarterly progress report, the developing mine's shares have fallen by nearly 8% against the JSE platinum index. At that time, chairman Alan Wright said R600m would be needed and, though he was not specific on the timing, it now appears the company is targeting a mid-June issue date.

This will be the last and largest of three rights issues needed for financing the developing mine — the first raised R256m in April 1987 and the second R274m in August 1988. If the three amounts are discounted at a rate of 16%, they equate to a total of R736m in June 1986 terms against parent GFSA's original estimate of R556m.

The market is clearly concerned ahead of the latest rights issue, but is the extent of the markdown justified? Essentially, nothing much has changed for the company. The total capex requirement is admittedly close to a third more than the original estimate but this should not come as any surprise. By June 1988, the overrun was 56% as a result of a more rapid staff build-up than planned, the advancing of some expenses and imported inflation with the rand's collapse.

A fairly detailed document released in January ahead of the listing on the International Stock Exchange in London in February revealed that platinum production is still scheduled to start in fiscal 1992, building up

FIM 2714/90 (217)



the N A D. area of the "A" mine. Capex in 1989 was R690 000 (1988: R28 000) and was scheduled to remain high this year, at R606 000, mainly for N A.D but this will be delayed.

The company has a strong balance sheet with cash at the end of 1989 of R7,2m, so the mine can finance loss-making operations for some while. At some stage, though, a decision will have to be taken whether to remain in production and, if so, at what level. The key will be the tin price. If it does not increase significantly over the next six months, shareholders can expect a scaling down of operations, if not complete closure.

Gillian Findlay

ROOIBERG FIM2714/90

**Under threat** (217)

**Activities:** Tin mining and smelting in the Warmbaths district  
**Control:** GFSA 48% (direct and indirect)  
**Chairman and MD:** J G Hopwood  
**Capital structure:** 2,1 ords Market capitalisation: R14,2m  
**Share market:** Price 685c Yields 4,4% on dividend, 11,8% on earnings; PE ratio, 8,5, cover, 2,70 12-month high, 1 650c, low, 525c Trading volume last quarter, 70 340 shares

Year to Dec 31	'86	'87	'88	'89
Turnover (Rm)	26,2	22,2	21,1	25,0
Pre-int profit (Rm)	(1,7)	(0,7)	0,5	1,0
Pre-int margin (%)	—	—	2,4	4,0
Earnings (c)	(17)	1	47	32
Dividends (c)	—	—	50	30
Tin sales (t)	1 871	1 507	1 260	1 129

Though Rooiberg Tin returned to the black two years ago and posted a 60% profit hike in 1989, the mine ran into difficulties and fell into the red in last year's final quarter. The greatest problem has been the highly volatile tin price which peaked at R29 000/t in the middle of 1989 only to sink to R17 000/t in December.

The average at-mine price received in 1989 was R22 102/t, which left a margin of 4,7% on the average cost of production of R21 109/t. If we assume a modest cost inflation rate of 12%, we are looking at costs this year of R23 642/t. And that means tin has to rise by a third from its present R18 170/t if costs are to be covered.

Tin's price outlook is not encouraging in the wake of recent substantial production increases and more mine openings planned in major producing countries. Nevertheless, the downside seems to be limited and analysts postulate a floor in the \$6 500-\$7 000/t range (R17 000-R18 000/t).

On the production side the mine is also facing problems. Head grades have dipped, leading to lower tin output, and there is a shortage of stope face. Compounding these difficulties is the greater cost of developing



# Platinum peps up a sick mining sector

S/T mds 29/4/90 217

THE JSE received a welcome boost from encouraging announcements from two platinum producers this week.

It was good news for a mining sector bedevilled by the end of gold's brief bull-run

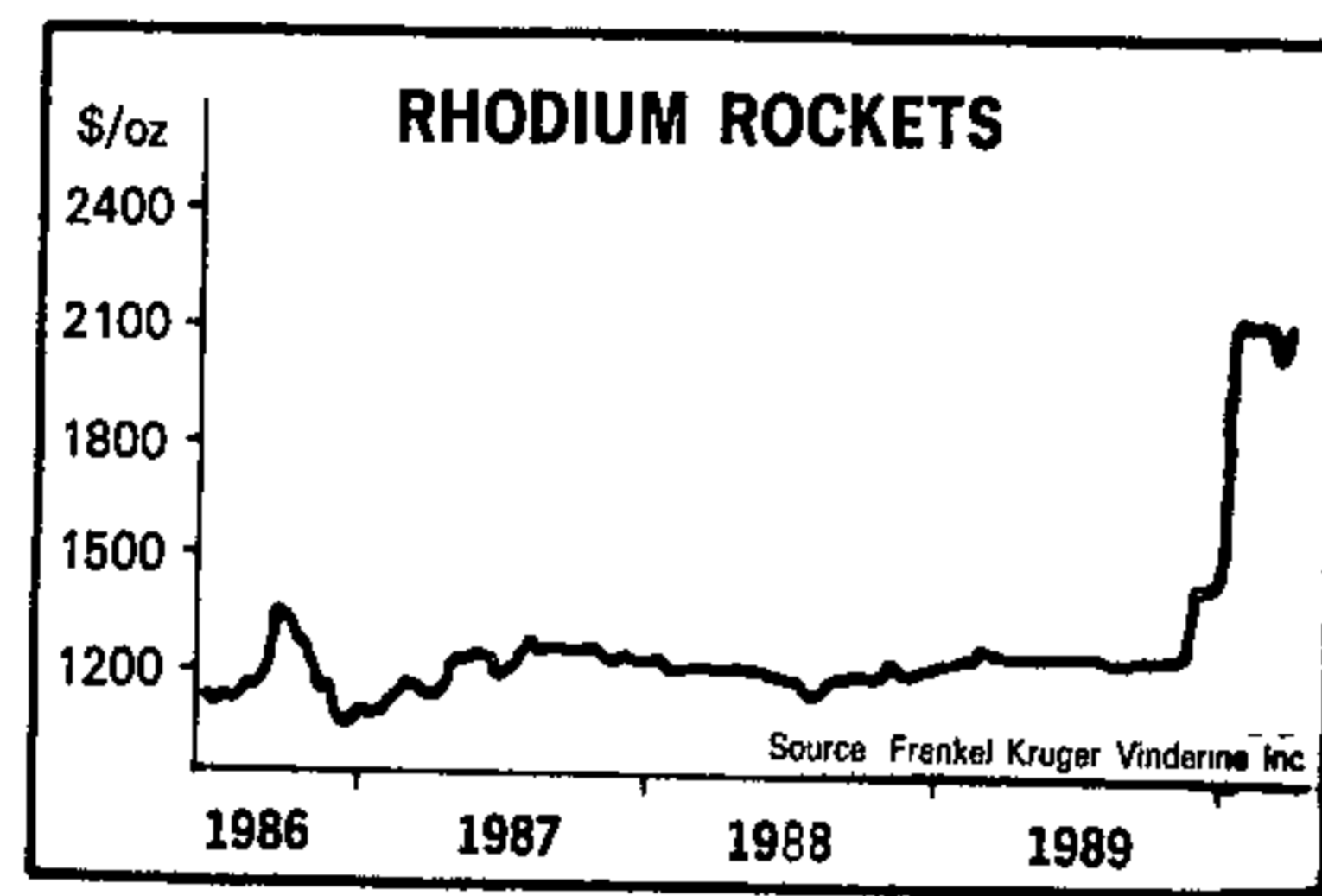
Barplats' Crocodile River Mine is building up to full production of 160 000 tons of ore a month at the yearend after a series of operational misfortunes

The metallurgical plant at the mine has two parallel streams designed to each treat 80 000 tons a month and in February they handled 132 000 tons

## GEARBOX

At the end of February a gearbox failure on a primary mill necessitated the shut-down of one complete stream. There are only seven such gearboxes in SA, of which four are at Crocodile River. Major maintenance is usually undertaken only every 10 years, so no spares of large components are held. The manufacture and installation of a gear delayed the restart until mid-April and only 90 000 tons of ore were processed in March.

Another problem has been the slow build-up of ore pro-



duction from underground because the mining method was changed from trackless (mechanised)

Supplementary ore is being recovered from an open-cast operation where some oxidation has taken place and metallurgical recovery has suffered. About half of the ore processed to date has been from underground although this proportion was lower in March because of a large "fall of ground"

The refining process has also experienced problems. The UG2 ore requires the addition of small amounts of sulphides of metals, such as nickel or copper, to the smelter.

This material has been brought from Prieska, Bindura and Foskor at Phalaborwa, but the use of Rand Mines' own material from the RM3 sand-recovery plant in Johannesburg introduced

arsenic into the process.

Although its use was stopped promptly, it has taken nearly five months to dilute and remove the arsenic from the system and metal sales have suffered as a result.

The problems have taken their toll of personnel with several defections at senior levels to other platinum producers. In spite of SA's shortage of skills, they have all been replaced.

On the positive side it would seem that ore recovery is building up according to the revised schedule. The sternest critics of the metallurgical process should now be silenced because initial sales of all platinum group metals have been made.

Barplats also has the highest rhodium output and benefits greatly from the high price of the metal which has

almost doubled in the past year.

Barplats' share price has understandably not followed the upward movement of others in the sector. But now that the worst is apparently over, it has recovery potential.

Rustenburg and Lebowa Plats announced in a joint statement that it planned to increase platinum production. Analysts estimate that it will lift output to 200 000oz a year.

The recently commissioned SAREF refinery would then be producing about 1.5-million ounces of platinum a year.

## SHALLOW

The increase will be achieved by treating an extra 140 000 tons of ore a month at the Amande-bult Section — 40 000 tons of Merensky ore from an extension of shallow operations along the strike and 100 000 tons of UG2 Reef which has never been mined before in this area and is close to surface.

The existing UG2 operations at Union Section will also be expanded to treat an extra 30 000 tons. The expansions will be complete by June 1992 and September 1990 respectively.

Some rearrangement of the concentrator at Amande-bult is necessary to have dual

streams of crushing and milling UG2 and Merensky ores separately.

The Atok Section, currently treating 50 000 tons a month of Merensky Reef, will be expanded to handle 70 000 tons by August 1991 — as previously announced — and a further expansion to 100 000 tons a month by August 1992 is being considered.

The announcement is significant since the increased production is in response to new contractual requirements and will not reach the free market with potentially deleterious effects on the spot price.

The move also signifies Rusplats' first major move to UG2 ore treatment — a clear indication that the deeper Merensky deposits are becoming less economic to recover.

An announcement is expected after September 1990 about the joint Potgietersrus Platreef project which could treat more than 200 000 tons of ore a month by September 1994.

Physical parameters released give a platinum group metals plus gold grade of 8.7 grams a ton in situ, a platinum-palladium ratio of 1.11, a nickel grade of 0.37%, and an average reef width of 3.7 metres with a dip of between 40 and 55 degrees.

That suggests the project is likely to go ahead.





Schematic of a catalytic converter showing noxious inputs and conversion products

ROB SEARLES ... cleaner exhaust gas brings big money Picture: Sue Kramer

# Catalysts earn R800m a year

5 Times  
6/5/90

217

SOUTH Africa's platinum riches have spawned an R800-million-a-year industry.

These are the projected foreign earnings from two autocatalyst ventures with European companies which have been announced in the past six weeks

A decision on a third plant could be made in the next two months. It would be backed by a Transkei engineering firm.

## Similar

Degusa AG of Frankfurt set up a venture with the Industrial Development Corporation (IDC) at the end of March and will go ahead with a plant in Port Elizabeth.

Now Johnson Matthey (JM) is to establish a similar but larger factory in Germiston. The total cost of both plants is about R60-million

JM, the world's largest producer of autocatalysts, will move its Wadeville plant east of Johannesburg at a cost of R35-million to assemble 2-million catalysts a year when fully operational. The Wadeville plant did not make autocatalysts

## Value

The plant will be built in another part of Germiston and will start production in July next year, says Rob Searles, market development director of the catalytic systems division of JM

The Degusa-IDC plant will have an eventual capacity of 1-million units a year

SA provides 80% of the world's platinum requirements and in line with Government thinking, it makes sense to add value to metal

By Don Robertson

production before it is exported. At present, autocatalyst production is confined to Europe, America and Australia

Each catalyst uses about 1,5 grams of either platinum and rhodium or platinum and palladium and sells for between R220 and R330 a unit.

The new plants will use about 170 000 ounces of platinum group metals a year from SA's mines

Exhaust catalysts are compulsory for all vehicles in America, Canada, Australia and Korea. Most European countries will insist that small cars use catalysts from mid-1992. Medium and large cars will have to use them by 1993

This will make European demand as large as that of the US and could be worth about R2,2-billion a year. Brazil, Mexico and Taiwan are expected to follow this lead

## Rebates

Rustenburg Platinum's decision to increase production by 30% will help to meet demand.

The new plants would not have been feasible without the assistance of the SA motor industry

The ceramic core, or monolith, for the catalyst will be imported and impregnated with a combination of platinum group metals. Companies which make exhausts will "can", or insert, the catalysts in stainless-steel sheaves. Motor manufacturers will export them to parent companies

Catalysts will earn the SA motor industry large export

rebates which can be used to offset component imports in terms of Phase Six of the local content programme

SA does not require the use of exhaust purifiers on vehicles. But legislation is not too far off

Each car emits enough acidic nitrogen oxides (NOx) in a year to dissolve almost 10kg of steel, or enough carbon monoxide (CO) to fill a three-bedroomed house. In Britain, cars emit enough NOx, CO and hydrocarbons a year to fill a 10-metre diameter tunnel circling the earth

# Kaolin mining company's ads anger residents

By JOHN YELD  
Environment Reporter

FULL-PAGE newspaper advertisements extolling the virtues of kaolin have been placed by Serina, the mining company which wants to extract the mineral from an open-cast mine on the slopes of Chapman's Peak

But residents opposed to the controversial mine have reacted strongly, saying the advertisement is misleading because the need for kaolin has never been at issue

The weekend advertisements — under a major heading "I am kaolin" — list the uses of the clay product, which is found in ceramic crockery, cosmetics, bricks, tiles, paint, tablets and medicines, quality paper and tyres

"I have been mined in the (Fish Hoek/Noordhoek) Valley for more than 20 years and I have always been a good neighbour," the advertisement continues

"This valley is the source of the purest known kaolin in the country and is a national asset"

Residents opposed to the mine are particularly incensed at the last line of the advertisement which reads "Next time

you visit our Noordhoek Valley, I'll be there Close at hand"

Serina's existing mine is at Brakkekloof, between Fish Hoek and Sun Valley, and the proposed mine on the slopes of Chapman's Peak in the Noordhoek Valley has not yet been officially sanctioned by the government

Save Chapman's Peak Action Group spokesman Mr John Butterfield said in response that scars from previous mining operations still existed, and that there were alternatives to the Chapman's Peak deposit

Mrs Heather Maltby, a Noordhoek resident and also a member of the action group, commented "They must be very worried to spend something in the region of R500 000 on advertisements. One wonders why they feel it necessary to extol the virtues of their product so effusively when its many uses are not in dispute

● Mrs Maltby was one of three recipients of an award for "outstanding efforts" to protect the environment, presented by a major retail chain store at the weekend

The other winners were Mrs Nan Rice of the Dolphin Action and Protection Group and Miss Di Wilson, Western Cape manager of the Wildlife Society

## River Day clean-up nets 40 tons of rubbish

Environment Reporter

NEARLY 4 000 volunteers collected 10 000 bags of litter weighing 40 tons from rivers, streams and beaches in the Peninsula on River Day last month.

Schoolchildren, Rotary Interact groups, boy scouts, SADF personnel and patients from Valkenberg Hospital were among the 3 893 who took part.

Co-ordinators of the event were the cleansing branch of the Cape Town City Council's city engineer's department, the Fairest Cape Association, Wildlife Society and Pick 'n Pay.

Council spokesman Mr Ted Doman said: "We were pleased with the enthusiasm by everyone who participated in the project"

Other River Day activities included a poetry competition for schools and an amateur photographic and video competition. The winners will be announced at a ceremony in Claremont tomorrow night

Momberg warns of  
reaction to mine

By JOHN YELD, Environment Reporter

THE government and companies involved in the proposed mining of kaolin on the slopes of Chapman's Peak should not underestimate the level of public opposition, Simon's Town MP Mr Jannie Momberg has warned

Speaking in parliament during the Mineral and Energy Affairs budget vote this week, Mr Momberg said there was a "tremendous clash" between the need to utilise the country's abundant minerals and the negative impact on the environment

Because the cost of mineral exploration was so high, there was a perception that such exploration led automatically to the granting of mining rights, despite the long-term implications for the environment

"It is gratifying that mining companies are becoming aware of the need to protect the environment, and of the strong guidelines laid down by the Department of Mineral and Energy Affairs to protect the environment against the impact of mining"

However, he did not believe that mining companies could give guarantees of rehabilitation 30 years into the future — as was the case with certain open-cast mining operations like the proposed kaolin mine at Chapman's Peak

"The problem appears to be that the State has no discretion to refuse a licence giving the company the right to mine, even though it is obvious that the impact on the environment will be catastrophic," he said

Mr Momberg appealed to the government and the mining company to take note of Noordhoek residents' opposition to the proposed mine



# Kaolin dust a health hazard, say residents

By KIM CLARKIN

KAOLIN dust is a health hazard, causing ear, nose, throat and respiratory problems, as well as coating windows, plants, furniture and cars, according to Sun Valley residents who live near the kaolin mine at Brakkekloof

These and other claims — that the dust clogs machinery, makes pools difficult to maintain and has even caused people to sell their property at a loss — were contained in 10 open letters handed to the Save Chapman's Peak Action Group by the residents

The letters were sent to government departments at the beginning of April. Among the addressees were the Minister for Environment Affairs (who has not yet replied) and the Minister of Mineral and Energy Affairs (who has "noted" the matter)

## Respiratory

Those opposing the proposed kaolin mine in Noordhoek are particularly concerned about the health aspects of kaolin dust while the mining company, Serina, says there is no proof

Cape Times 10/5/90

**THERE'S**

**NO (217)**

**PROOF,**

**SAYS**

**MINE**

that it poses a health threat.

A doctor practising in Fish Hoek, who used to work at the Ocean View Day Hospital, said she had treated employees from Serina for various respiratory problems but couldn't say that these were caused by kaolin dust although they may have been aggravated by it.

Mr Eric Smith from SCPAG said "According to local doctors there seems to be a high rate of bronchial asthma in Sun Valley near the mine. Ear, nose and throat ailments also appear to be high. "We are told that this

is coincidental and that a link with kaolin dust cannot be proved but it can't be disproved either

"Kaolin is used as a coagulant for stomach disorders because it smudges on contact with moisture. So what happens when it settles in the lungs?"

Mrs Julie Barkley, a resident in the area, said "My son Michael's asthma attacks date from the time we moved to Sun Valley when he was five-and-a-half years old. His attacks were so bad then that he had to be given oxygen in hospital and be sent to school in the Transvaal. While he was living in the Transvaal, he had no more asthma attacks.

## Pollen

"The doctor said the asthma was caused by pollen. We didn't question this but since my neighbour's daughter, who also had asthma, moved to Fish Hoek, she's been fine."

Fish Hoek has one of the highest pollen counts in the country.

Mrs M Webb said in her letter "We moved to Sun Valley, just below the kaolin mine, in December 1987. By February my daughter had developed chronic bronchial asthma which continued until we moved away from the area.

"Her condition then disappeared almost immediately."

According to Serina's managing director, Mr Stan Adler, no reports had been received of kaolin dust having an adverse effect on health and a link between the dust and any health problems had never been proved.

Professional photographer and resident for six years, Mr Richard Ashley, said when he saw Serina's advertisement in Saturday's Cape Times extolling kaolin's benefits he "felt like placing one telling the other side of the story."

## Negative

"We all know the positive aspects of kaolin but what are the negative aspects of the substance? What are the effects on

inhaling kaolin dust every day?

"Sand is a pleasure compared to this dust — it gets everywhere and even covers the copy-board of my process camera which is in a darkroom with silicon-sealed windows."

"If the company assures us of using the most modern methods of controlling the dust in the Noordhoek mine, then why do they not use those methods with the existing mine?"

Sun Valley residents who live near the kaolin mine say they have expressed their concern to Serina's management and one even brought a plastic shopping bag "half-full of kaolin dust" collected in her lounge to illustrate her point to the the management.

## Sand dunes

Mr Adler of Serina commented "The entire Fish Hoek area is covered in dust but I wouldn't say it was kaolin dust. There are a lot of sand dunes so it could be sand. In fact once, when a resident told us his porch was covered in kaolin dust, we investigated and found it was sand."

On the question of installing more sophisticated equipment to counter dust at the proposed Noordhoek mine, Mr Adler replied

"If the impact report recommends that additional dust emission controls are necessary we will take them."

However, he pointed out that as kaolin naturally has 12% moisture, there could be no dust from the mine only from the factory environment or the road surface.

Mrs Barkley said that about three or four years ago the mine installed a sprinkler system "but that made no difference to the kaolin dust problem."

A spokesman for the Department of Mineral and Energy Affairs said "The matter has been noted and once the impact report (from Serina) has been received by the minister it will be investigated."

The health aspect of kaolin dust had been raised "at least 10 to 15 times and the minister is aware of it."

He also said that despite the fact that a mining permit had been issued in 1988 the Department of Mineral and Energy Affairs could still stop the mine from going ahead.

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SUNDAY MAY 13th

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# Kaolin media war rages as D-day nears

Cap Times  
14/5/90

Staff Reporter

(217)

KAOLIN-MINING company Serina (Pty) Limited and its opponents, the Save Chapman's Peak Action Group, are engaged in a high-profile media war as the date draws nearer for a final decision on whether kaolin mining in the Noordhoek Valley will go ahead

Today was supposed to have been the final day for interested parties to register reaction to an environmental impact study, commissioned by Serina but done by independent consultants Steffen, Robertson and Kirsten

However, Mr Leslie Faber, a member of the Save Chapman's Peak group, said yesterday that the group drawing up the reaction statement had asked for a two-week extension

Meanwhile, adverts both for and against kaolin mining have been featured in the newspapers

Thousands of glossy brochures, full of information contained in the environmental impact study, were put in postboxes last week in Noordhoek, Fish Hoek, Sun Valley and Ocean View

According to the brochure, it would cost R25 million a year to import as much kaolin as can be mined in Noordhoek. Measures which Serina is willing to take to alleviate the effect of mining on the environment are also set out in the brochure

On the other hand, the Save Chapman's Peak Action Group placed an advertisement in a week-end newspaper that parodies the pro-mining group statement that "you'll find kaolin in things you use every day"

The advertisement runs this statement below an X-ray picture of a rib-cage — hinting strongly that one might find kaolin in one's lungs after mining begins



# SA platinum mines to increase output

for 15/5/90 217

By Neil Behrmann  
LONDON — South African platinum mines are planning to raise production by one million ounces in the next five years, says Johnson Matthey's annual review

The expansion will come from nine companies. The increase from Rustenburg's Lebowa Platinum joint venture will be 185 000 ounces

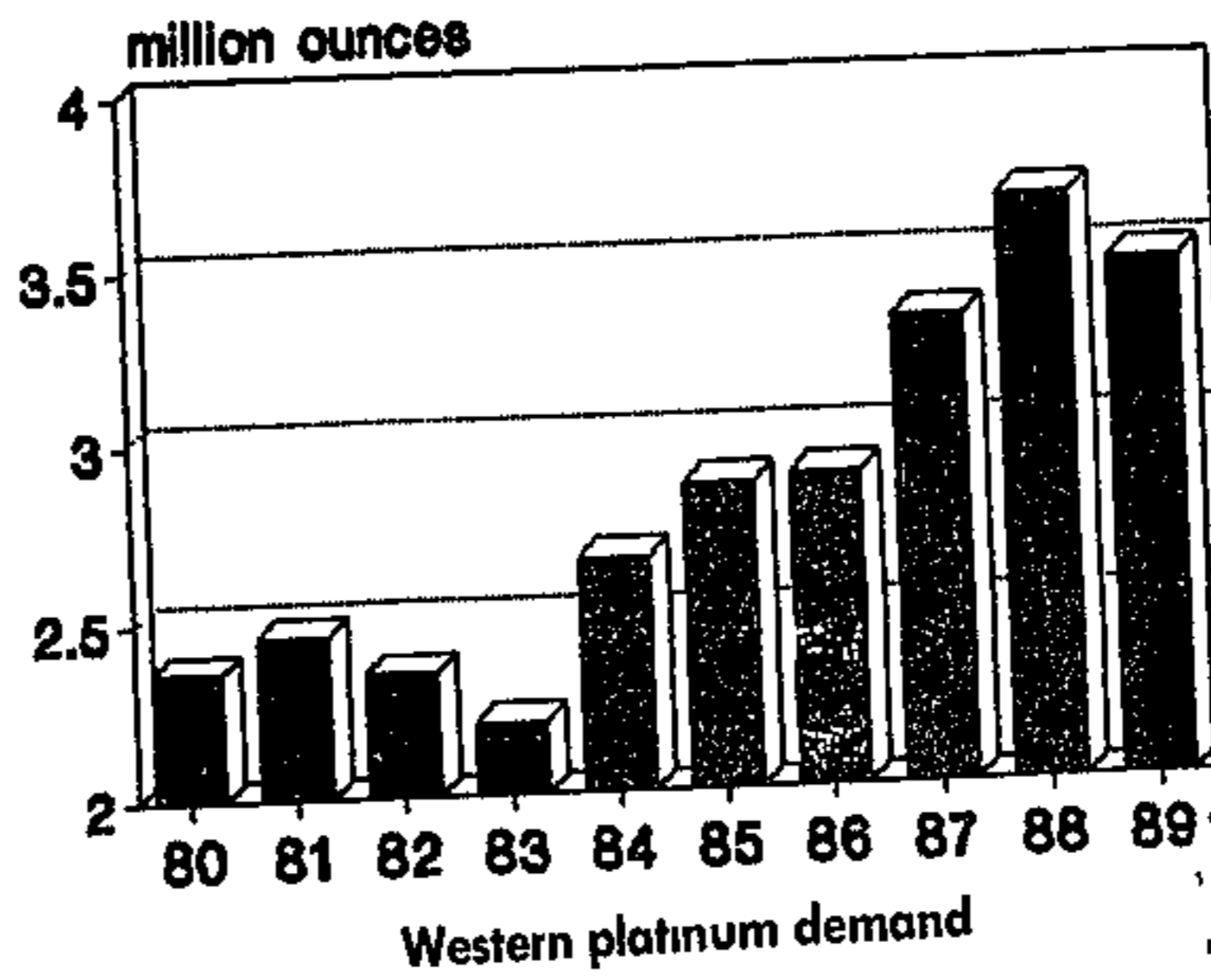
Last year South Africa sold 2,59 million ounces of platinum, or 77 percent of total world supplies.

Johnson Matthey forecasts that prices will range between \$470 and \$520 this year.

In 1989, the market was hit by a 25 percent surge in supplies from the Soviet Union to 550 000 ounces, the highest level in over a decade.

"The Soviet Union could well raise sales later in the year," says Johnson Matthey, but it projects lower exports of 440 000 ounces in 1990

Moreover, SA production, which rose by only



70 000 ounces in the past three years, will increase in 1990 as new mines build up towards capacity

These are Lonrho's Karee and Eastern Platinum mines and the Barplats operation at Crocodile River.

Lebowa Platinum and Western Platinum will continue expansion programmes

While supplies are higher, overall demand is waning

The report shows that total fabrication demand rose to to 3,17 million

ounces from 2,96 million ounces last year.

Platinum used in auto-catalysts grew weaker motor production in the US, however, indicates that platinum demand will not grow in this area in 1990

After five successive years of growth, platinum consumption in Western Europe may also remain at last year's level.

But total demand for platinum last year fell five percent to 3,47 million ounces because of a slump in investment demand



# Platinum supply falls short for fifth consecutive year

217

BIDMAY 15/5/90

RIAN SMIT

PRIMARY supplies of platinum reached a new peak of 3,375-million ounces last year, falling short of demand by 90 000oz, Johnson Matthey said in its 1990 Platinum Review released yesterday.

It was the fifth consecutive year the supply of newly mined platinum had fallen short of Western world demand

But the market paused for breath in 1989 and supply and demand were more closely in balance than in 1988, with supplies rising by 115 000oz, largely due to USSR sales, Johnson Matthey said

Demand fell by 195 000oz due to heavily reduced manufacture of coins and large investment bars — the only platinum consuming sector in which a reduction in offtake was recorded

The 160 000oz consumed for investment products represented less than 5% of demand compared with 17% in 1988

The Review said autocatalyst demand — the biggest consuming sector of platinum — was estimated at a record 1,45-million ounces, a rise of 9% compared with 1988 Recovery of platinum from catalysts removed from scrapped vehicles rose by 15 000oz to

175 000oz

Car manufacturers in Western Europe continued to fit catalysts in advance of EC legislation, boosting platinum and rhodium offtake Platinum purchases rose by 55 000oz to 300 000oz

The prospect of substantial growth in European demand for platinum in car catalysts, because of uniform exhaust emission standards after 1992, prompted several SA producers to announce plans for increased output in the 1990s

## Dominating

Demand from the North American car industry grew by 30 000oz to 720 000oz A fall in vehicle production was offset by an increase in platinum group metals (pgm) catalyst loadings and manufacturers' platinum stocks.

Jewellery demand reached an all-time high, with the Japanese domestic market dominating worldwide offtake of 1,305-million ounces

Demand from other industries rose by 40 000oz to 725 000oz, with increases in the petroleum, glass and electrical

sectors, while demand in the chemical industry was stable

Johnson Matthey expected platinum offtake for use in vehicle catalysts to remain the same this year in the US because of weaker car production, but expected it to increase in Western Europe as the compulsory date for strict emission limits for small cars approached and manufacturers anticipated the extension of the same standards to larger cars

It believed there was potential for further growth in jewellery demand in all regions. In Japan the manufacturers were looking to another year of increased production of platinum jewellery, but Johnson Matthey felt growth might be more modest than in 1989, in view of the substantial rise in distribution stocks during the past two years

The world was entering a period of higher interest rates to counter inflationary trends This signalled the likelihood of a slow-down in economic activity in the developed nations which was bound to have some impact on purchases of platinum group metals by industry, the Review said

# New workers sought as mine strikers go

JCI's Lebowa Platinum Mines is recruiting a new workforce after the mass dismissal of 1 500 strikers last week.

Recognition of the National Union of Mine-workers had been imminent at the time of the strike, which centred on demands for the dismissal of an overseer, said JCI spokesman Ann Dones. The strike started on a shift last Tuesday and spread to the entire underground workforce. They refused to follow normal grievance procedures.

About 450 NUM members are also said to be on strike at Consolidated Metallurgical Industries in protest against the dismissal of six colleagues.

Star 16/5/90

217

# South Wits moves into top gear

By Derek Tomney

South Witwatersrand (South Wits), the exploration company founded by geologist Dr Nic Stavrakis three years ago, is making waves again

It has announced several promising developments in its annual report, including the proposed listing in July of its nickel-copper-platinum venture, Southern Platreef (SouthPlats), the purchase of a diamond mine, and two substantial coal operations

SouthWits last years listed its gold producer, South Murchison

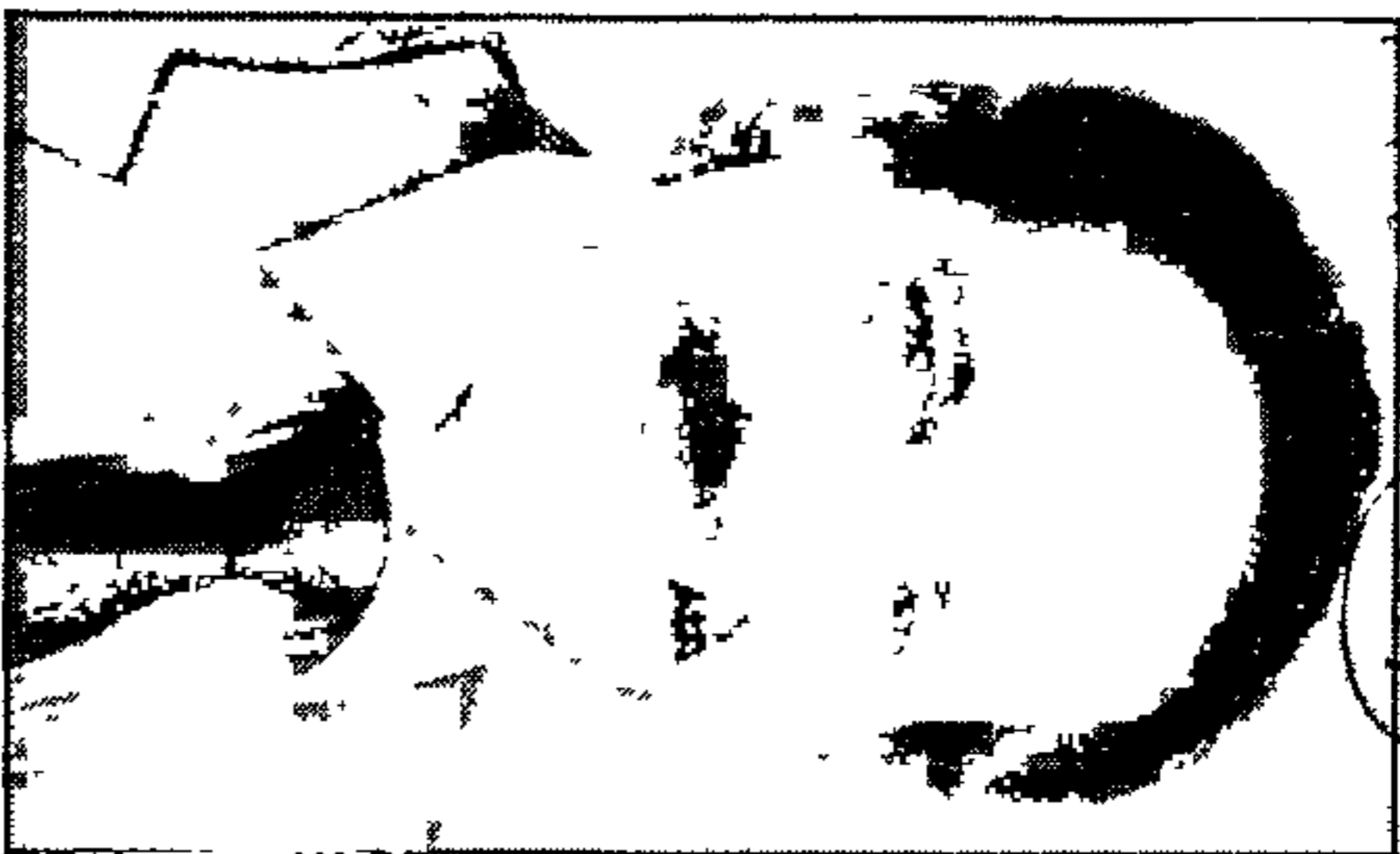
Dr Stavrakis founded SouthWits to develop the smaller mineral deposits which the large mining houses, owing to their high overheads, could not do with any great profit

After three years he has a great deal to show for his efforts

SouthPlats is to raise R5 million prior to its listing by an issue of shares in the ratio of four for every 100 SouthWits shares or options held

This issue has already been fully underwritten, suggesting that "big money" is showing considerable interest in the enterprise

Favourable metallurgical and



Dr Nic Stavrakis

mining test work led to the decision to raise the R5 million in order to conduct a full mining feasibility study expected to be completed within the next 12 months

Since the end of SouthWits' financial year it has bought the Shenadoah diamond mine near

Lichtenburg through the issue of 2,5 million shares to the liquidators of the Vermaas estate. The liquidators have resold the shares to a third party.

The mine was breaking even when taken over six weeks ago. But by conducting operations scientifically, the yield of diamonds, which are good quality gemstones, has doubled.

However, owing to the short time the company has been operating the mine, Dr Stavrakis is not prepared to forecast future mining results.

SouthWits has entered into an agreement with Rapid Coal Holdings, a member of the Frigate group, which will pay SouthWits royalty on certain coal rights.

These payments began in March and should increase SouthWits' earnings by about R100 000 this year and by R500 000 to R1 million a year in future years.

SouthWits has acquired a promising coal prospect on the Middelburg town lands.

Drilling indicates the presence of 12 million tons of superior quality coal for which there is a ready market. The extraction rate is expected to be above 75 percent.

A mining and marketing feasibility study should be completed by September. Plans include the development of chrome interests in the Brits district.

South Murchison should start treating 2 000 tons of ore from dumps next months. The recovery grade is expected to be about 0,75 grams a ton.

It is planned to increase production to 5 000 tons a month later this year and to start treating surface ore, which has an in situ grade of around six grams.

Despite its high level of exploration, SouthWits' balance sheet remains healthy. At the end of February the company had R2,0 million in cash, against R2,4 million a year earlier.

The operating loss was more than halved to R623 401 from R1 425 819 in 1988-89.

The accumulated loss for the year was R2,6 million (R1,9 million).

Dr Stavrakis attended and lectured at several SA universities before obtaining his doctorate at the University of Strathclyde in Scotland.

He worked for BP before deciding to start his own exploration company.

Sixty percent of SouthWits' shares are held by the directors.

P



b(Day 16/5/90)

# Silver mined in SA a bonus to producers despite low values

(217)  
RIAAN SMIT

ALTHOUGH the value of silver mined in SA is relatively low, it is a bonus to producers because the metal is not mined alone but as a by-product of gold, platinum and base metals

Based on the Minerals Bureau's February production figures, the latest available, producers theoretically earned about R7m from the 15,9 tons recovered at about \$5/oz

Crudely translated, this would amount to about R85m this year

Production in SA was 199,7 tons in 1988, a decrease of 4,5% from 1987.

SA ranked 10th in the world in terms of silver output in 1987, but its 208,1 tons are small when compared with Mexico's output of 2,4-million tons and second-ranked Peru at 2-million tons in the same year, according to BGS World Mineral Statistics.

The other big producers are third-ranked Canada at 1,4-million tons in 1987, the US at 1,2-million and Australia at 1,1-million tons.

These five producers accounted for 53% of world exports in 1987.

SA's silver output has more than doubled since the Black Mountain base metal mine in the North West Cape came into production in January 1980

This mine supplied 55% of local silver production in 1988

Gold mines and recovery plants accounted for 30,1% and the Palabora copper mine provided 8,7% of local silver output, the Bureau says in the latest edition of its SA's Mineral Industry, which reviews 1988

Silver in the bullion produced by some 80 gold mines and recovery plants is separated from the gold and cast into 37kg bars of 99,9% purity at the Rand Refinery, it says.

It is also a primary constituent of the lead and copper concentrates exported by Black Mountain, while at the Palabora mine silver is concentrated in anode sludge together with gold and platinum group metals and exported after the recovery of copper

Platinum mines export silver as an anode matte concentrate

About 360kg of the silver produced at the Rand Refinery, the official supplier to the domestic market, was sold to the SA Mint and other dealers in 1988, the Bureau says.

## Stable

As silver is a by-product of mining for other metals, its supply is insensitive to price changes.

The Bureau says during the last three decades the metal's price remained stable for long periods, particularly in the 1960s because of the US Treasury's regular disposal of its silver stockpile

After 1972 the price rose erratically to reach an average of \$5,40/oz.

In 1978 an investor rush threw the market into turmoil during 1979 and 1980 when a record price of \$50/oz was reached.

The price declined to a low of \$4,90/oz in June 1982 and after a minor peak of \$14,70/oz in February 1983, the price has traded between \$5 and \$8/oz.

The relative price of gold and silver moved in unison for many years, maintaining a ratio of between 30:1 and 40:1.

The trend was broken in 1980 when the silver price reached abnormally high levels

The ratio in New York last night was about 73:1

FIM 18/5/90 (217)

**Activities:** Developing platinum mine with copper, diamond and construction, mining and materials handling equipment interests

**Control:** Impala Platinum (55%)

**Chairman:** Ian Mackenzie, MD Tony Buchan

**Capital structure:** 12,8m ords Market capitalisation R338,4m

**Share market:** Price 2 650c Yields 3,1% on dividend, 15,0% on earnings, PE ratio, 6,7, cover, 4,9 12-month high, 4 000c, low, 2 150c Trading volume last quarter, 759 000 shares

Year to Dec 31	'86	'87	'88	'89
Turnover (Rm)	218,8	299,5	400,3	246,4
Pre-tax profit (Rm)	10,4	22,0	51,9	64,7
Pre-tax margin (%)	4,8	7,3	13,0	26,3
Earnings (c)	29	141	362	398
Dividends (c)	—	35	75	82
Dividend cover (times)	—	4,03	4,83	4,85

serves with a strike length of at least 14 km. The move to the mining board of the JSE should follow shortly.

Messina has been pruning its industrial interests for a few years in preparation for the conversion of the group into a platinum mining operation. Last year saw the disposal of the motor vehicle distribution network, the shipping company and a property holding company. All that is left of the old group is the copper mine, the diamond operations and Premier Equipment, which produces and distributes heavy equipment.

The steady flow of cash, largely from copper sales and the industrial division, with receipts from the various interests sold, resulted in a more than doubling in cash holdings to R114,3m, all interest-bearing debt was eliminated. Interest receipts rose to R16,3m.

With a platinum mine to develop, the distribution rate has been rather restrictive — dividend cover has been kept at nearly five times. The ore will be mined from surface initially while processing will be undertaken by parent Impala Platinum. Start-up costs will consequently be very much less than would otherwise have been the case.

With R114m in the bag, possibly R30m from the sale of Premier Equipment, additional interest income as well as the cash flow from operations, the group should be R200m on the way to financing the venture. The balance, expected to be around R50m, could be raised through a soft loan from Gencor without coming to the market for funds.

While waiting for the lease approval, bulk sampling has been (rather thoroughly) car-

ried out for the past year and a half. Both Merensky and UG2 have been intersected and production will be from both horizons — significant when one considers the current rhodium price and the potential for that metal with the growing demand for catalytic converters.

This aspect will probably become increasingly important to all platinum producers as consumption of rhodium is predicted to continue to outstrip supplies. Already commanding the world's highest commodity price at more than US\$2 100/oz, rhodium is set to rise further. Most producers could be scrambling to expand any UG2 output available.

Messina's past performance is not relevant to the group's prospects. As a developing mine, it is unlikely to pay dividends until achieving positive cash flow from the new venture. Initial output has been put at 60 000 t/month (Fox April 6) in 1994, building up to 160 000 t.

FIM 18/5/90

This should yield 140 000 oz platinum and 100 000 oz of platinum group metals. The deposit could support a mine double that size.

90 (217)

in the future and could become an important source of ore for Impala when its Bophuthatswana leases expire.

Gilhan Findlay

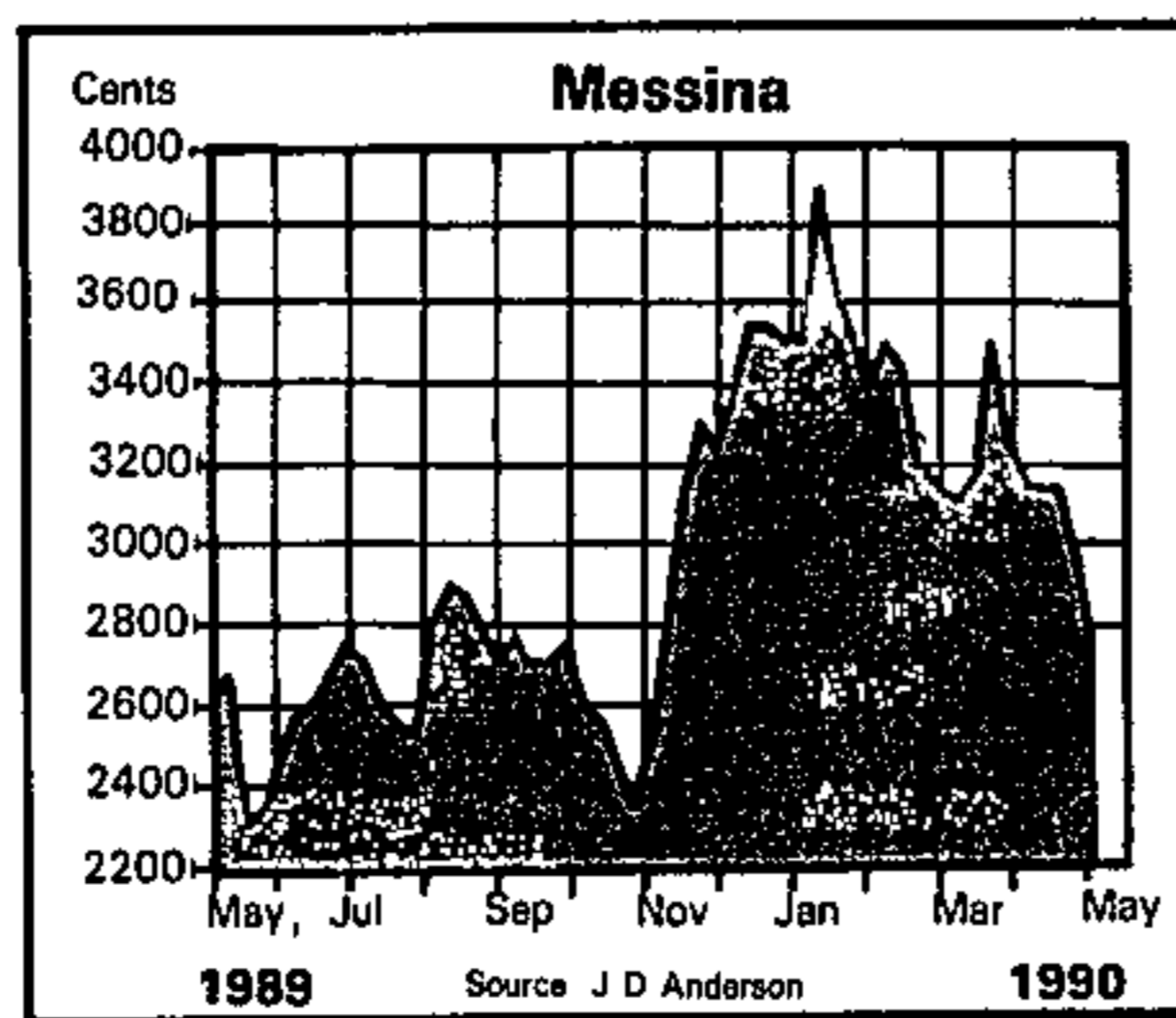
MESSINA

FIM 18/5/90

## Platinum plans

After signing a mineral lease with the Lebowan government at the end of March, over a portion of the farm Zebediela, the group is just a step away from developing its platinum mine.

Leases must still be signed over further portions of Zebediela and the contiguous farm Voorspoed, as well as nearby Doornvlei, to give the mine mineral rights to re-





FIM 18/5/90

(217)

**Other Services and Resources**

**Activities:** Operates a chrysotile asbestos mine in KaNgwane, holds 25% interest in the Von Brandis gold prospect

**Control:** Gefco 32,9%

**Executive Chairman:** H P Hart

**Capital structure:** 6,5m ords Market capitalisation R32,3m

**Share market:** Price 500c Yields 15,0% on dividend, 56,1% on earnings, PE ratio, 1,78, cover, 3,7 12-month high, 860c, low, 500c.

Trading volume last quarter, 223 000 shares

Year to Dec 31	'86	'87	'88	'89
Turnover (Rm)	39,1	40,4	57,0	74,1
Pre-tax profit (Rm)	2,7	2,0	11,4	22,4
Earnings (c)	41,2	31,6	177,2	280,7
Dividends (c)	—	—	35	75
Dividend cover (times)	—	—	5,1	3,7

through the prospect shaft and from the development stockpile

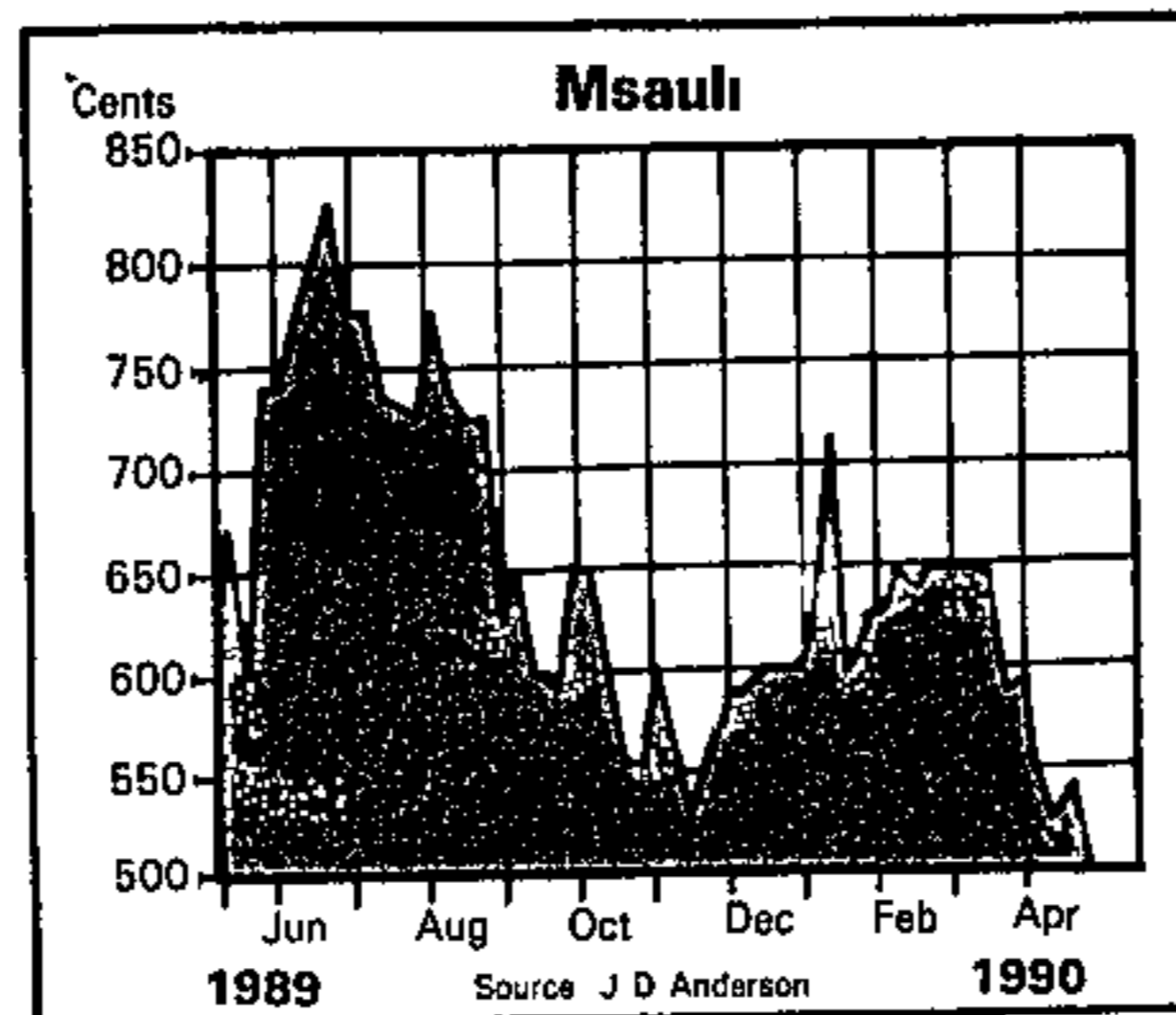
The company is aiming to strengthen its balance sheet to "create adequate provision for ongoing mining capital as well as for environmental restoration requirements" As a result dividend cover has been maintained at 3,7 times Cash and bank balances have risen to R21,6m from 1988's R7,8m Clearly, Msauli is preparing for a tighter market Still, this year the dividend should be at least maintained at 75c which puts the share on a 15% yield at a share price of 500c While future growth in earnings and dividends may be uncertain, the high, and now tax-free, yield cannot be ignored in the short term

Gillian Findlay

the firmer dollar prices together with the weakening of the rand The resulting 10% rise in the operating margin gave rise to a near doubling of the pre-tax profit

The Far East remains the principal market for Msauli's output, largely for the building industry In the face of considerable public concern regarding the health hazards posed by asbestos, the white fibres have fared somewhat better than the blue and brown fibres produced by Gefco, Msauli's largest shareholder As white asbestos, with its longer fibres, is regarded as being less of a risk, demand for the mineral has remained fairly buoyant

Capex was steady during 1989 at R2,3m with the emphasis being on the underground operations It should rise by to almost R3m this year, with the bias being on primary development and underground transport As the mine gets deeper, the effects will be felt



on operating costs and the cost containment of the past will be hard to match

As output cannot be increased in the short term, turnover will be dependent on the rand prices received, a function of both the dollar prices and the exchange rate As demand slackened off towards the end of last year, dollar prices have come under some pressure while the rand is not offering too much hope for aiding local prices Consequently, we are not likely to see the same sort of price increases which led to the latest results

The Von Brandis gold project, in which Msauli has a 25% share, is more or less on schedule, although the shaft sinking is about two months behind due to weathered ground conditions The plant should go into operation this month, being fed by ore hoisted

MSAULI FIM 18/5/90

(217)

**High-fibre diet**

Msauli is experiencing growing demand for its white (chrysotile) asbestos output The mine has been operating at its maximum capacity and a further 2,5% was squeezed out last year through "fine tuning of the production unit" The 20% rise in unit costs (a result of the deeper mining and abnormally high wage hikes) was more than offset by



LEPLAT FIM 18/5/90 (217)

**All out battle** (217)

Lebowa Plats' stand on last week's wildcat strike has overturned a hornet's nest. The company has fired 1 500 workers, almost the entire work force of its Atok mine, after attempts at negotiation failed to end two days of illegal strike action by black miners protesting at "racism" on the mine. Specifically, the men claim one mine overseer persistently

FIM 18/5/90 (217)

used racially offensive language

Rustenburg Platinum, which controls Leplat, says there has been a "campaign of mass defiance" at the mine and that management attempts to mediate a return to work were howled down by miners

Mine spokeswoman Anne Dones says Atok is recruiting replacement labour and had expected to have signed up about 1 000 men by Wednesday this week NUM spokesman Gerry Matjatladi says there are no skilled miners available in the area and adds that union attempts to talk to management were rejected early this week If Matjatladi is correct on the unavailability of skills, production could be disturbed for some weeks as novices are trained

Derek Ritchie, of Fergusson Bros, estimates that Atok is producing platinum at a rate of around 130 oz a day now, allowing for the lock-up in the new plant Production has been halted for at least a week and even if it resumes promptly, at least 2 000 oz, or about 5% of this year's estimated 47 000 oz, will be lost

Gillian Findlay

group is losing steam.

Gerald Hirshon

GEFCO F/M 18/5/90 (217)

## Beating fibrositis

**Activities:** Exploitation of blue asbestos and amosite deposits; holds 32,9% of Msauli Asbes and 25% of the Von Brandis gold prospect.

**Control:** Directors 48,4%.

**Executive Chairman:** H P Hart.

**Capital structure:** 35,9m ords. Market capitalisation: R70m.

**Share market:** Price: 195c. Yields: 11,5% on dividend, 33,8% on earnings, PE ratio, 2,96; cover, 2,9 12-month high, 375c; low, 150c. Trading volume last quarter, 1 620 000 shares.

Year to Dec 31	'86	'87	'88	'89
Turnover (Rm) . . . .	90,1	64,2	83,8	98,9
Pre-tax profit (Rm) ..	12,0	(4,8)	14,7	30,8
Earnings (c) . . . .	30	(15)	39	66
Dividends (c) . . . .	7,5	—	12,5	22,5
Dividend cover (times)	4,0	—	3,1	2,9

Though not back to its turnover and earnings of the early-Eighties, Gefco has staged a strong recovery from the R5m loss recorded in 1987. In the first full year since the August 1988 management buyout, performance has been rather striking. The operating margin rose to 30% from 19% in 1988 as a consequence of a combination of trading factors and a bit of luck.

Units costs rose marginally as production was increased following good demand from the Middle East and Africa. A drawdown from stocks also had a beneficial effect on unit costs, while revenue was increased with a modest rise in dollar prices coupled to a fall in the rand.

Capex rose to R3,5m last year from 1988's R1m in response to the year's higher production. A further output increase is planned this year and the shaft sinking is to be resumed which will mean another rise in capex, to around R5,5m.

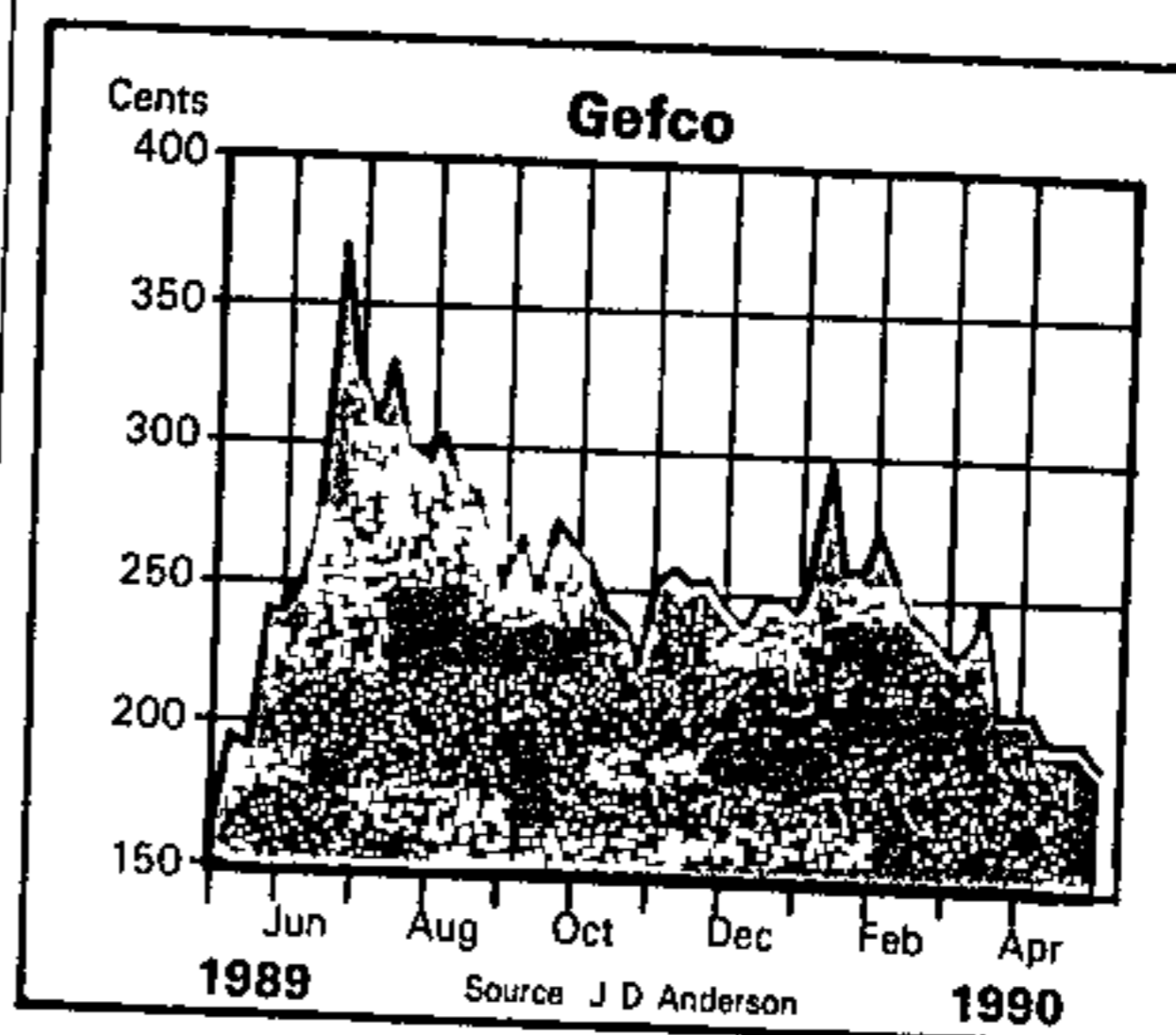
This year's production increases are un-

107

F/M 18/5/90 (217)

likely to be considerable as chairman Pat Hart states. "Demand for the group's fibres from traditional customers remains firm and marginal increases in sales of both blue and amosite fibre are currently expected"

He adds "due to the limited market for amphibole fibres, no significant improvement in sales volumes is seen in the longer term" If we are looking at only a small hike in output, the margin is unlikely to improve much from its present level. Hart himself believes unit costs will rise by at least the full inflation rate.

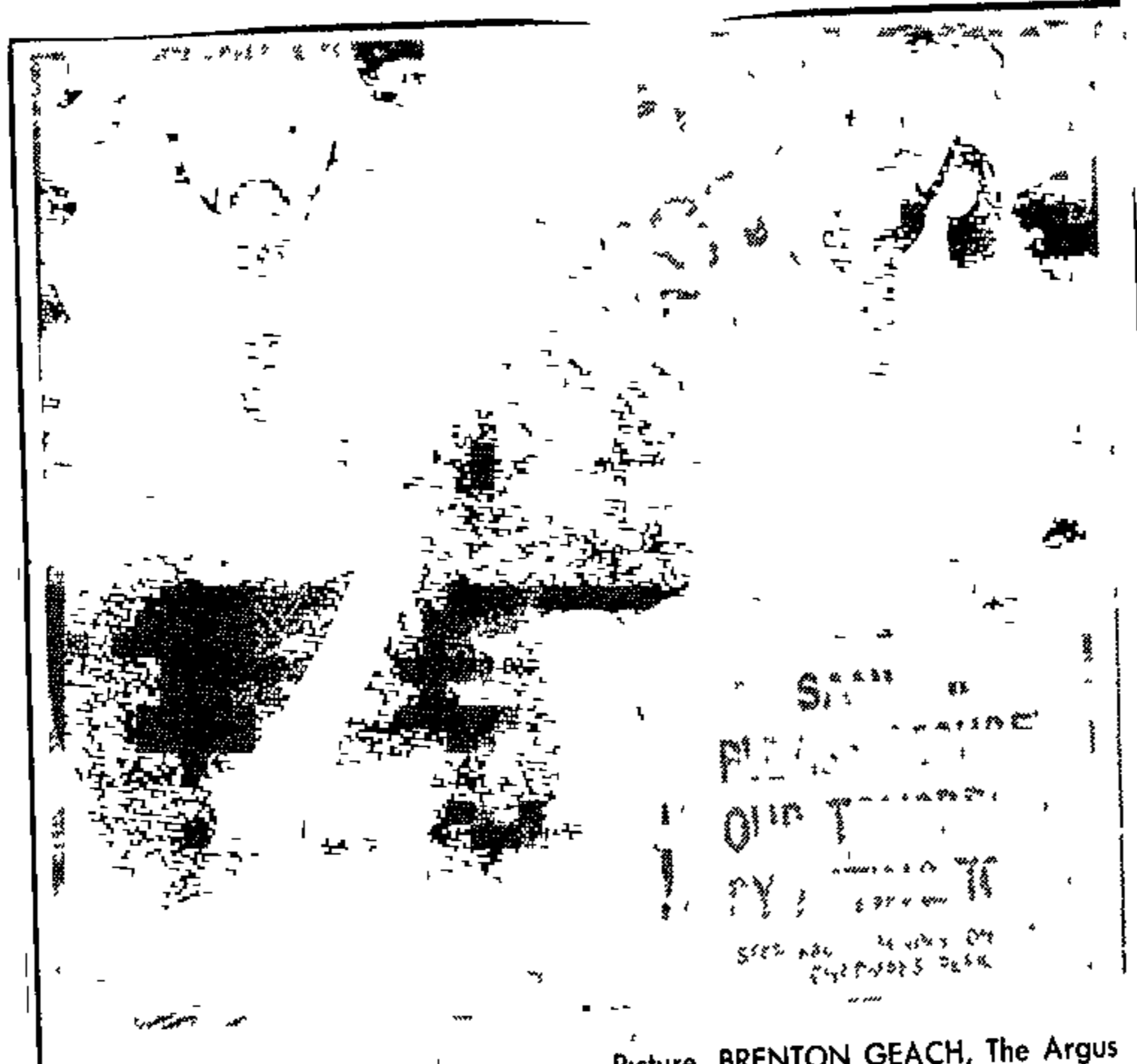


While sales should remain at present levels in the short term, the longer-term outlook is rather bleak. Without a significant rise in dollar prices, which is unlikely, or an equally-unlikely sharp fall in the rand, the group's dependence on the blue asbestos (crocidolite) and amosite markets will threaten its longer-term survival prospects. With its strong balance sheet and R48m in cash and money market assets, Gefco is ripe to make some acquisitions and will, indeed, need to make some to secure future growth.

The Von Brandis gold project seems to be progressing basically as planned, despite shaft-sinking delays. Its plant is being commissioned at present and, as an interim measure, some ore will be hoisted through the prospect shaft to augment milling of development ore in surface stocks.

At 195c, Gefco is at the bottom of its trading range of the past year and the market is clearly unexcited. However, a well-chosen investment or new mining venture could well change its prospects. The track record of management following the 1988 buyout has been impressive enough and the share should not be written off before its real potential, in terms of what it purchases, is known.

Gilhan Findlay



Picture BRENTON GEACH, The Argus

**KAOLIN KIDS:** Anthony Hoeben, William Soutter and Amy Smith join the protest at Sanlam's Bellville offices.

## Kaolin mine not ours, Sanlam tells protesters

By CLIVE SAWYER  
Tygerberg Bureau

SANLAM has no control over plans for the Chapman's Peak kaolin mine, officials told a group of women and children who staged a placard protest at the insurance giant's Bellville headquarters

The group of about 20 chanted "Sanlam stop that kaolin mine, Sanlam save our mountain," with children wearing imitation breathing masks

Spokesman Mrs Sandy Smith said: "We are parents and have brought our children to appeal to Sanlam as the parent company of Serina (the company behind plans for the mine) to

show it cares and stop the mine"

Security officials at first barred the protesters from entering the building

Public relations officials Mr Boet van der Spuy and Mr Wynand van Eyssen met the group outside the building

Mr Van der Spuy asked them "Why didn't you make an appointment? We could have made plans to receive you."

Told the protesters wanted to see a senior executive to hand him a bunch of proteas from the threatened mountain, Mr Van der Spuy said: "We do care but we have no say over what Serina does"

*Handwritten notes:*  
C.M. Tink's  
18/5/90  
217



## LydPlat ups income 10%

217 RIAAN SMIT

LYDENBURG Platinum investment company (Lyd-Plat) increased interim taxed income by 10% to R13,7m and increased dividends a share for the six months to April 30 by 5c to 75c. 810 7 18/5/90

Lydenburg Platinum's annual taxed income for 1989 was down marginally on its 1988 taxed income of R33m, which in turn was 49,6% higher than its 1987 taxed income.

# Rand Mines unlikely to meet its forecast profits

B/day 18/5/90

217

RAND Mines group will not achieve the modest increase in profits forecast in the 1989 chairman's statement, chairman Dammy Watt said in the group's published results for the six months to March 31.

This was largely due to the higher than expected rand/dollar exchange rate and the difficult trading conditions in the base minerals market, he said.

"These circumstances are expected to continue for the remainder of the year and, accordingly, attributable profits are expected to be at a similar level to those achieved last year (R216,3m)"

The 1989 attributable profit was up 31% on the previous year's attributable profit.

Watt said earnings a share were likely to be approximately 20% lower.

"Should the expected profits for the year materialise, the directors anticipate declaring an unchanged final dividend," he said.

## RIAAN SMIT

He pointed out although attributable income was only marginally down, earnings a share at 727c (886c) reflected a larger fall because of a 33% increase in the number of issued shares — 14,9-million compared with 11,2-million — following a rights offer to shareholders.

A group spokesman said the drop in margins and the exchange rate limited interim working profit to 9% on a 45% increase in turnover of R755m.

Taxed income for the six months increased 3% to R122,3m and the interim dividend a share was the same at 120c on marginally reduced attributable income of R98,3m (March 1989 R99,3m)

Factors contributing to the higher turnover were improved coal revenues, the increased share acquired in the Middelburg coal mine joint venture when BP sold its stake, and the consolidation of Vansa Vanadium for the full six months, directors said in their review of the six months

The group's expansion is reflected in its capex outlay of R589m (1989 R248m), mainly on its coal and platinum operations and its contracted capex commitments of R226m, the group spokesman said.

He said the stake of outside shareholders increased from R458m to R608m at the end of March.

Watt said the contribution of the coal division had grown by nearly 20% compared with the same period last year, and the contribution from the property division had also increased.

These compensated for the lower contributions by the gold and platinum divisions and by the gold dump recycling plants.

Compared with the corresponding six months, ratios are stronger with a total liabilities to equity ratio of 75% (98%) and a debt to equity ratio of 50% (63%).

Net asset value a share at March 31 was higher at R106,6 from R97,6 at end March 1989.

F/M 18/5/90 (217)

### WEST'S PLATINUM

'000 oz	1987	1988	1989
<b>Supply</b>			
South Africa	2 520	2 580	2 590
Other western mines	180	240	235
USSR sales	400	440	550
<b>Total</b>	<b>3 100</b>	<b>3 260</b>	<b>3 375</b>
<b>Demand</b>			
Autocats (net)	1 140	1 165	1 275
Jewellery	990	1 180	1 305
Investment (net)	490	630	160
Other (incl Comecon)	700	685	720
<b>Total</b>	<b>3 320</b>	<b>3 660</b>	<b>3 465</b>
(Shortfall)	(220)	(400)	(90)

Source Johnson Matthey, *Platinum 1990*

estimated 160 000 oz in 1989 from 1988's estimated 630 000 oz, completely overwhelming the effect on total demand of increased jewellery and auto catalyst offtake

In contrast to investment, demand from each of the industrial fabrication sectors rose. The Japanese, with their seemingly insatiable desire for platinum jewellery, almost single-handedly lifted consumption by jewellery manufacturers by 11%. Jewellery demand rose substantially in North America and Europe by 33% and 29% respectively, but of course from rather low bases. Autocatalyst demand was up 9% last year mostly from western Europe, tempered only slightly by a hike in recycling. Recovery of platinum from spent autocatalysts rose to an estimated 175 000 oz, up 15 000 oz.

On the supply side, the Soviet Union's lifting of its sales to the West by a quarter to the highest level in a decade could hardly

have come at a worse time. The Soviets were plainly driven to the market by their desperate need for foreign currency and were forced to sell into a falling market. Most of the sales took place in the second half of the year, at a time when internal unrest was mounting and funds were probably needed to finance Gorbachev's bribery of Soviet consumers.

Opinions differ as to the level of Soviet platinum output today and the extent to which the USSR would be able to sustain exports at this level. Rumours hit the market late last year that the Soviets were selling 20-year-old stocks, which seems to be borne out by the dramatic rise in the amount of metal reaching the West. If this were indeed the case, the well could dry up sooner or later, leaving a large gap in the platinum market.

Output from the new and existing mines rose marginally despite a modest decline from the US mine at Stillwater. But despite the lower offtake and higher level of supply, the market remained in deficit for the fifth consecutive year, even at a much reduced level.

JM expects Japanese buying to be the most important influence on the market this year. The country accounts for a shade under 50% of the OECD nations' platinum consumption and is a major store of investor holdings. With the yen price having risen, investors may be tempted to sell metal should it move above Y2 500/g. A price of Y2 200 is seen as being a floor, at which buying would restart. JM feels the metal will trade in a band between \$470/oz and \$520 for the rest of this year. That represents an average price 8% greater than last year's.

Gillian Findlay

PLATINUM F/M 18/5/90

### Losing shine (217)

Anyone who believed platinum demand is on an ever-rising curve should think again. Last year, according to *Platinum 1990*, the latest annual review by Johnson Matthey (JM) of the platinum industry, a fast evaporation of investment demand led to the first cut in Western demand for platinum in seven years.

Investment demand slumped to an esti-



# Japan key player in platinum

THE most important influence on the price of platinum this year will be the buying pattern in Japan.

Japan is the major buyer of platinum for use in jewellery. It is also the largest holder of platinum for investment, says the Platinum 1990 report produced by Johnson Matthey.

Also influencing the price will be the expected increase in demand from Europe for exhaust catalysts as the compulsory date for their use on small cars approaches.

It is not expected, however, that the price will rise much above \$500 an ounce from its current \$484. Johnson Matthey believes the price will fluctuate between \$470 and \$520 this year.

## Stocks

Inflation in most countries is increasing and interest rates are thus likely to rise. This will affect the purchase of platinum group metals (PGM) and most major users are expected to dip into stocks rather than buy new metal.

Nevertheless, there is potential for growth in jewellery demand in all regions in the Far East. South America will need platinum for glass, chemical and petroleum plants under construction.

Demand for platinum last year was 3,465-million ounces, 5% lower than in 1988, but the second highest ever. Supply was 3,375-million oz — 90 000oz short of demand. The supply from

By Don Robertson

Russia was 550 000oz, the highest in the past 10 years. But it is expected to fall to 1988 levels.

Three new mines in SA started production on a modest scale last year and plans by several mining houses to expand production could add a million ounces to supply by 1995.

Several other prospects are being investigated in SA. Anglo American will decide this year whether to go ahead with a nickel mine in the Eastern Transvaal. The mine could also produce 30 000oz of platinum and 80 000oz of palladium.

Southern Witwatersrand Exploration has a prospect near Potgietersrust and plans to develop an opencast mine to produce nickel, copper, platinum and palladium.

Anglovaal, the only mining house without platinum interests, is reported to have invested R6-million with Severin Mining in a property near Steelpoort.

Randex, the exploration arm of Gencor, has bought a share in two prospects, one near Pretoria and the other near Steelpoort. A feasibility study will be carried out over the next 18 months.

## Barmine shares hit a new low on firm JSE

BARPLATS Mines (Barmine) registered one of the largest losses on a firm Diagonal Street yesterday when the shares fell 8,7% or 40c to a new low of 420c

This is less than half its 12-month high of 900c in July last year, and comes against the background of bullish recommendations by stockbrokers.

Some analysts considered Barmine the cheapest share on the platinum board and others suggested it would be the pace-

RIAN SMIT  
and MERVYN HARRIS

maker on the market this year

Barmine MD Eddie Crocker said at a briefing for mining analysts yesterday he knew of no reason why the share price dropped to this extent (217)

The company had R51m in cash left after its R300m rights issue in September

□ To Page 2

## Barmine

last year and this would last until August/September this year, Crocker said

Further capital needed for Crocodile's River and developing Kennedy's Vale platinum mines would be raised through loans, he said.

But Crocker appeared to be hedging his bets later in the briefing when he said he could not rule out a rights issue entirely

He predicted Barmine would be financially self-sufficient towards the end of 1991, with a first dividend in 1992

Crocker admitted to a host of teething problems at Crocodile's River

But mining analysts said the extent of the problems at Crocodile's River had been

known in the market since late April, from Crocker's interim report.

An analyst who asked to remain anonymous said analysts knew about yesterday's briefing "simply because they expected bad news shares were dumped"

Crocker said among the problems at Crocodile's River was that the target of 160 000 a month was not achieved in March and would only be reached in August

Crocker, admitting Barmine was overconfident in its prospectus tonnage projection, said the target of 250 000 tons a month of ore milled would be reached by the end of 1992 as planned

□ From Page 1

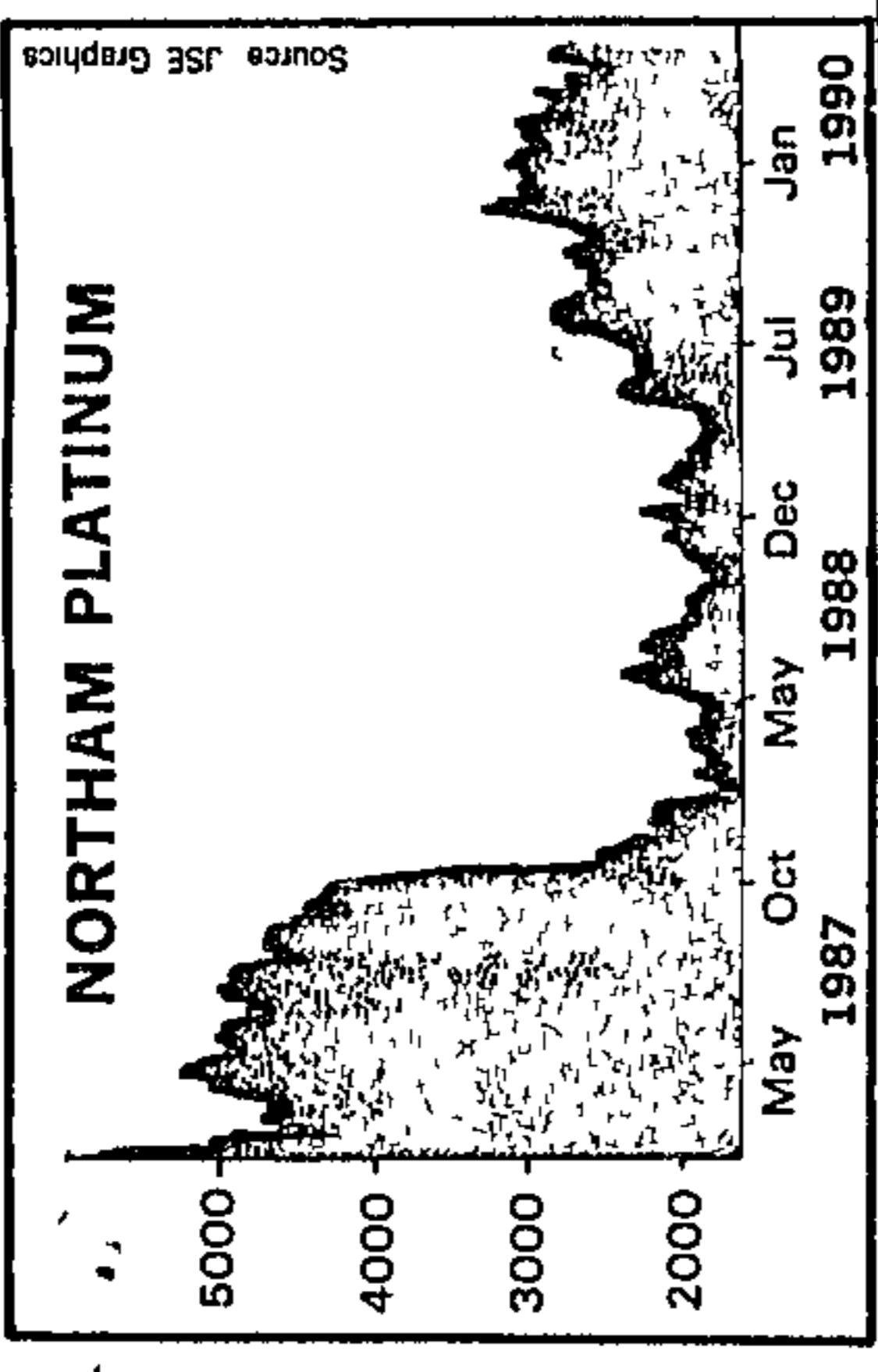


## DIAGONAL STREET

# GFSAs lifts the lid on Northam

STWes 20/5/90

217



Source JSE Graphics

**NORTHAM'S** third rights offer — planned from the outset — prompted my visiting managing director Alan Wright.

Mr Wright is an executive director of Gold Fields of SA, which manages the developing bushveld platinum mine GFSAs is not renowned for barring all, but the New South Africa has evidently got into Fox Street too. Mr Wright gave solid replies and even volunteered information

### MINOR

On announcing Northam in 1986, GFSAs became the first mining house in modern times to encroach on the domain of ICI's Rusplats and Gencor's Impala

Others have followed suit — Rand Mines is establishing a mine at Kennedy's Vale as well as assuming control of the ill-fated Lefkochrysos Impala and Rusplats have also announced expansion plans, and minor players are coming into the picture. So it has become the fashion to compare new ventures Northam looks the part.

The mine's depth and the total lack of infrastructure at the outset contribute to the

mium to the pitch price.

Johnson Matthey, which markets Rusplats' output, expects a blitz in supply in 1993. Mr Wright points out one or two holes in that argument.

The shortfall in the supply of platinum in recent years has been met by investor selling. This is a finite supply. The other factor has been Soviet selling.

Russia is not paying its bills as promptly as it used to and the conclusion is that it is strapped for cash, having sold all the family silver and other precious metals.

If these two sources of supply are dwindling, and demand for autocatalysts grows as expected, platinum's prospects look good

Cost-efficient recovery requires high technology and a platinum price of more than \$500 an ounce.

On the demand side, economic slowdown in America will lead to fewer cars being produced. But this should be offset by new measures in Europe where all vehicles will need a catalyst on the exhaust.

Every platinum producer claims that his working costs — closely guarded secrets — fall into the lowest quartile of the industry. Northam is no exception. Mr Wright agrees that Northam's depth will contribute to higher costs, but the grade will more than compensate.

Northam's cost of mining a head grade of 10 grams a ton would have to be twice that of a mine whose grade is only 5g/t to achieve the same level of profitability.

The reef at Northam is expected to hold good.

Potholes occur in platinum reef in contrast to the faults arising in gold mining. GFSAs is competent at deep-level gold mining, and Mr Wright does not expect the potholes to cause problems. A pothole can reach up to 1 000 metres across, but the floor is usually higher in precious metal content. The pot-

long lead time. Full production will be achieved in 1993, six years after its flotation.



ALAN WRIGHT ... billions not millions

The cost was forecast at R5.9-million in 1986 money terms. Mr Wright says the new forecast for the completed project is R1.24-billion in current money.

"Those billions roll out like millions used to," he says.

The present rights offer will raise R625-million. Members will be offered one share for every one held at a take-up price of R22. The market price is at a R5 pre-

holes will be mined through New methods always attract sceptics — some analysts believe the potholes could cause trouble.

Northam should intersect reef by the end of this year, and the first metal should be sold early in 1992. Full production will be reached in the year to June 1993.

A concentrator, smelter and base-metal refinery are under construction, but the precious metals will be recovered under a toll-refining agreement with Heraeus in Germany. Heraeus will help GFSAs to build its own refinery in SA when the time is ripe.

### HANSON

GFSAs owns 60.4% of Northam — it used to hold more than 75%. Consolidated Gold Fields — which owned 48% of GFSAs at the time Northam was launched — held 12%, and followed its rights at the last issue of shares.

Since the Hanson takeover, the Cons Gold stake has been sold. A new name on the share register is 81 Main Street Normines — also known as the Old Mutual — with 6.8%

# No 5 Old Mutual

BLACK investors make up a quarter of Old Mutual's 250 000 holders of unit trusts. This is disclosed as the insurer launches yet another fund — made up of specialist industrial equities — hard on the heels of the new gold and last year's income funds.

This brings the group's tally to five — the same number as arch-rival Sanlam. Sanlam has the only other industrial fund although it has a few mining counters.

The Old Mutual's products suit the season. Last year, interest rates were rising, so an income fund was launched in January this year, the gold price was running, so forward with the gold fund. Now gold is dead or dormant, and along comes an industrial fund.

The fund's manager, Adri-Allardice says the JSE is not overpriced in the long term and weakness in the



FIM 1/6/90

217

greater in the centre of the orebody. The pit's life is finite for, as the deeper it goes, the greater the proportion of waste to be mined per ton of ore. So, at some point, the cost structure swings in favour of an underground venture.

Options after the year 2000 are the underground route, recovery of ore left in the pit walls or deepening the pit below 750 m with maximum gradients and wall angles until it can go no further. The initial life of an underground mine would be 20 years but its annual copper production would be less than the present 140 000 t due to hoisting limitations. The shortfall could be made up through purchased material or through exploration for a new deposit.

But there is more to the group than just copper. Palamin also has a substantial vermiculite deposit while something is to be done with its huge magnetite stockpile — over 100Mt.

*Gillian Findlay*

PALAMIN FIM 1/6/90 217

### **Underground route**

What happens to copper mine Palabora when the life of its open pit ends at the end of the century? At last week's board meeting, the mine's directors approved an exploration programme to test the viability of going underground.

Southern Africa's largest open-cast copper mine has already seen the pit's life extended, from its originally planned end in 1992, to the year 2000, despite a vastly increased ore milling rate through a process of widening and deepening the pit.

MD Al Leroy says the mine will award a contract mid-year for a 460 m vertical shaft collared near the bottom of the pit, currently some 410 m deep. In addition, about 1 km of development will be done from the shaft bottom to undertake the 20 000 m of exploratory drilling and geo-technical work needed to assess the proposition.

The project will take just over 2 years to complete and, depending on its outcome, a decision on underground mining could be taken around 1994/95. Leroy could not give an estimate of the cost of the exploration.

Palabora's carrot-shaped orebody is large, but has a low copper grade of little more than 0,5%, though metal concentrations are

rec 4/6/90

# Lydex set to treat slimes dam

By Derek Tommey 217  
Lydenburg Exploration (Lydex), the minerals development company in which Old Mutual has a significant stake, is planning to produce gold.

In co-operation with Southern Prospecting, it has acquired from Welgadacht Exploration the rights to treat a slimes dam on the Far East Rand

The dam contains about 3,4 million tons of slimes averaging 0,47 g/t gold, 0,063 kg/ton U308 and 1,17 percent

director Rob Lee said last night Lydex was planning to treat the slimes

Lydex, Potchefstroom Gold Areas and Southern Prospecting have also entered into a joint venture agreement to acquire a 45 percent beneficial interest (50 percent contributory interest) in a gold exploration project generated by Southern Prospecting in the Evander area

The joint venture has bought 396 ha of strategically located

mineral rights and secured a further 2 344 ha under option.

Lydex paid for its share of the Evander mineral rights and dump permit by issuing 1,270 million fully paid shares

Lydex chairman Pieter Beiber says the company has significantly stepped up its exploration expenditure

In the six months to end-March it spent R2,3 million in this area, which is more than six times the R363 000 spent in the same period last year

## Exploration costs leave Lydenberg with a loss

SUBSTANTIALLY increased exploration expenditure has resulted in Lydenberg Exploration (Lydex) incurring a R636 000 loss for the six months to March 1990, results published today show.

Lydex increased its exploration expenditure to R2,3m for the six months to March 1990 from R363 000 for the same period last year.

The increased expenditure meant Lydex recorded a loss of R636 000 for the six months compared with a profit of R1,12m during the six months to March 1989, the statement said.

EDWARD WEST

Lydex chairman Peter Bieber said at the interim stage last year profits would be used for increased exploration

Lydex, in co-operation with Southern Prospecting, concluded an agreement in February 1990 with Welgedacht Exploration to acquire the rights to treat a slimes dam on the far East Rand, Bieber said.

The slimes dam contained about 3,4-million tons of slimes averaging 0,47g/ton gold, 0,063kg/ton U308 and 1,17% sulphur.

Lydex also entered into a joint

venture agreement with Potchefstroom Gold Areas and Southern Prospecting to acquire a 45% beneficial interest — 50% contributory interest — in a gold exploration project generated by Southern Prospecting in the Evander area.

This joint venture had so far purchased 397 ha of strategically located mineral rights and secured a further 2 344 ha under option.

Lydex settled its share of the cost of the Evander mineral rights and dump permit by the issue of 1 270 154 fully paid ordinary shares of 30c each.

BIDAM 4/6/90

217



## Messina signs Lebowa lease

01/04/90

RIAAN SMIT

(217)

MESSINA Platinum Mines has signed a mineral lease in Lebowa which means the company now has the mineral rights to an area with a strike length of about 14km

Messina signed mineral leases over the farms Zebedelia and Voorspoed at the end of March and were confident then that a further mineral lease over the adjacent farm Doornvlei would be signed

This was done at a celebration at the weekend hosted by the owners of the mineral rights, the Mphahlele tribe, and Impala Platinum Holdings MD Michael McMahon.

The first phase of the proposed mine will cost some R250m, according to Implats. The mine will have a milling capacity of 60 000 tons a month in 1994 with an eventual production target of roughly 100 000 oz of platinum a year

# Southplats to seek listing on JSE

EDWARD WEST

SOUTHERN Platreef Mining (Southplats) is to seek a listing on the JSE following an offer of 1-633 891 ordinary shares at 300c each to Southern Witwatersrand Exploration (Southwits) offerees

Southplats is a mining exploration company holding mineral rights near Potgietersrus in the Potgietersrus Venture Area in the northern limb of SA's Bushveld complex

Exploration showed possible ore reserves up to a 100m vertical depth of 21-million tons of extractable nickel of the order of 0,15%-0,4%, copper 0,15%-0,25% and platinum group metals and gold deposits of 0,7g/ton-5,5g/ton.

To further evaluate data on grades on tonnages of the Potgietersrus Venture Area a more detailed feasibility should be

undertaken, the prospectus said

Consequently the purpose of the Randex underwritten offer is to raise R4,9m which, together with the R89 847 raised from joint venture partners, will enable Southplats to fund the feasibility study.

The offer would also obtain a spread of shareholders required for a potential listing of Southplats on July 5 and afford Southwits offerees the opportunity of participating directly in Southplats.

The offer to Southwits opens on June 15 and closes on July 6. The directors said in the prospectus they did not envisage that the company would pay dividends in the short or medium term

217

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# New production set to keep copper off its 1989 highs

PALAMIN'S Republic Copper Prices (RCP) free on rail at Phalaborwa for the first and second quarters of this year are respectively 23.6% and 8.6% lower than during the same quarters last year.

The price last year was at historic high levels because of what London-based Metal Bulletin (MB) recently described as "a

RIAAN SMIT

diary of (supply) disruption". Supply problems continued this year, but new production coming on stream, including the massive Escondia mine in Chile, would smooth out many wrinkles in supply, keeping the price off its highs of last year.

The average RCP for the first quarter was R6 047 a ton compared with R7 916 in the same quarter last year, while the average second quarter price was R7 040 a ton compared with R7 724 last year.

Palamin, SA's only large copper mine, fixes the RCP at the beginning of each month based on the average price for the previous month on the London Metals Exchange (LME) and the average rand/pound exchange rate.

The copper price on commodity exchanges, such as the LME and Chicago Comex, is largely supply-driven

Thus, when in December 1988 copper producer SPCC declared force majeure on shipments of refined and blister copper following strikes, and Bougainville Copper mine in Papua New Guinea stopped production after a sabotage attack by rebel landowners seeking \$10 000 compensation for the use of their land, the price rose to more than £1 900 a ton.

In contrast, rising copper inventories saw the price decline from about £1 850 in September last year to below £1 400 a ton in February this year, only to rise sharply again on news of a total shutdown at Bougainville and low Comex/LME stocks.

The sharp downturn and equally steep upturn in April this year (see graph) in the price on the LME depressed the RCP quarterly average.

Simpson McKie analyst Henrie Vermeulen said yesterday this appeared to be a seasonal phenomenon because such a

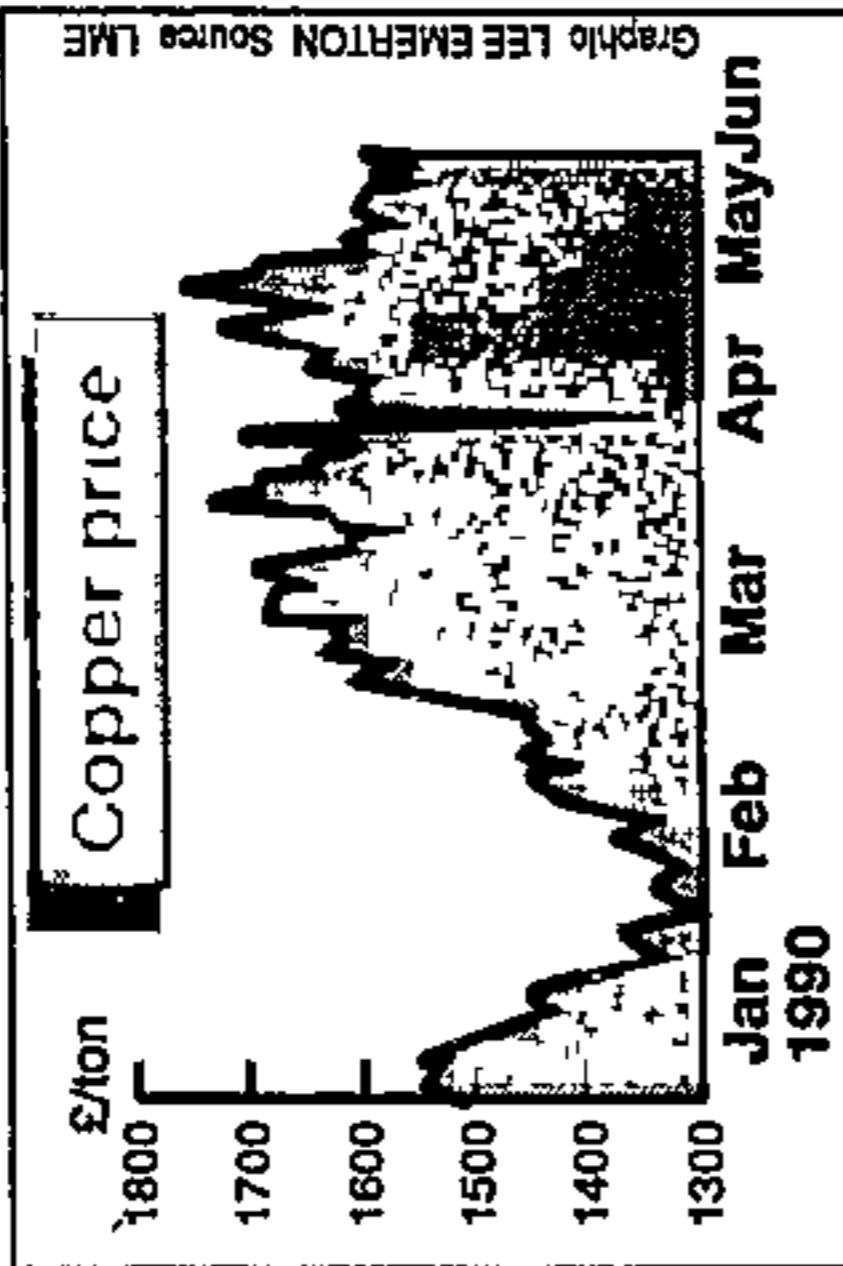
downturn had occurred during six out of the past seven years without an adequate supply/demand explanation.

Copper closed yesterday at a cash buyer price of £1 538 on the LME, down from £1 551 on Wednesday. Dealers seemed unperturbed by the news of a strike at one of two US copper mines where labour pacts expired at the end of the month, Reuter reported yesterday.

William O'Neill of brokers Merrill Lynch said copper producing companies were "always prepared for strikes" when they entered wage negotiations.

"Producers always have background inventories and supplies. Problems in Chile or Peru would be more significant for copper," he added.

MB says continued labour strife in Peru and high production costs on medium-size Peruvian copper mines might force them to curtail or cease production.





# SOUTHWITS spoons a cherry in platinum reef

**SOUTHWITS** shareholders will get a second bite at an exploration cherry as the independent mining group floats a platinum prospect.

Southern Platreef Mining Co (SouthPlats) holds mineral rights over the Potgietersrus Venture Area, close to the Northern Transvaal town. The main economic target is the Platreef, rich in nickel, copper, platinum-group metals (pgm) and gold.

The Platreef has not been widely studied, mainly because a major platinum supplier has taken up a large number of mineral rights.

SouthPlats and SouthWits managing director Nick Stavrakis floated SouthWits in 1988 as a portfolio of mineral rights which warranted further investigation.

The Potgietersrus rights are the core of SouthPlats. Preliminary investigations show that the venture area contains five mineralised bodies — a bit like a chain of sausages — which make up a possible ore reserve of 35-million tons.

It might not excite the blasé South Africans who are familiar with megatons of Merensky Reef, but the orebody at North American platinum flagship Stillwater is only a third of Platreef's size.

## Shallow

SouthPlats' prospectus reports the range of assayed head grades from its six boreholes, rather than averaged values, because more work needs to be done to quantify them.

Copper ranges from 0.15% to 0.25%, nickel from 0.15% to 0.4%, and pgm from 0.7 grams a ton to 5.5g/t. The precious metal content is not the highest, but this is compensated for by the shallow orebodies.

# Metal sausage train Promises the goods

The recovery grades are encouraging enough to have attracted the interest of Randex — a subsidiary of Genbel, behind which lies

The controlling shareholders of SouthPlats — Dr Stavrakis and two SouthWits directors — have undertaken to renounce to Randex the rights to subscribe for R1-million worth of shares.

Randex has agreed to sub-underwrite the offer to the extent of R3-million. The total offer is for R5-million. SouthWits shareholders and optionholders are entitled to four letters of allotment for every 100 units held at a subscription price of R3 Rand

Merchant Bank has underwritten the whole offer

There will be 10,66-million shares in SouthPlats, capitalising it initially at R30-million. SouthWits will retain 83%. SouthWits itself is capitalised at R34-million, of which the stake in SouthPlats will account for more than 70%.

## Option

Randex has been granted an option to buy enough SouthPlats shares from SouthWits to take its holding to 60%.

If the option is exercised, SouthWits will decide whether the shares delivered

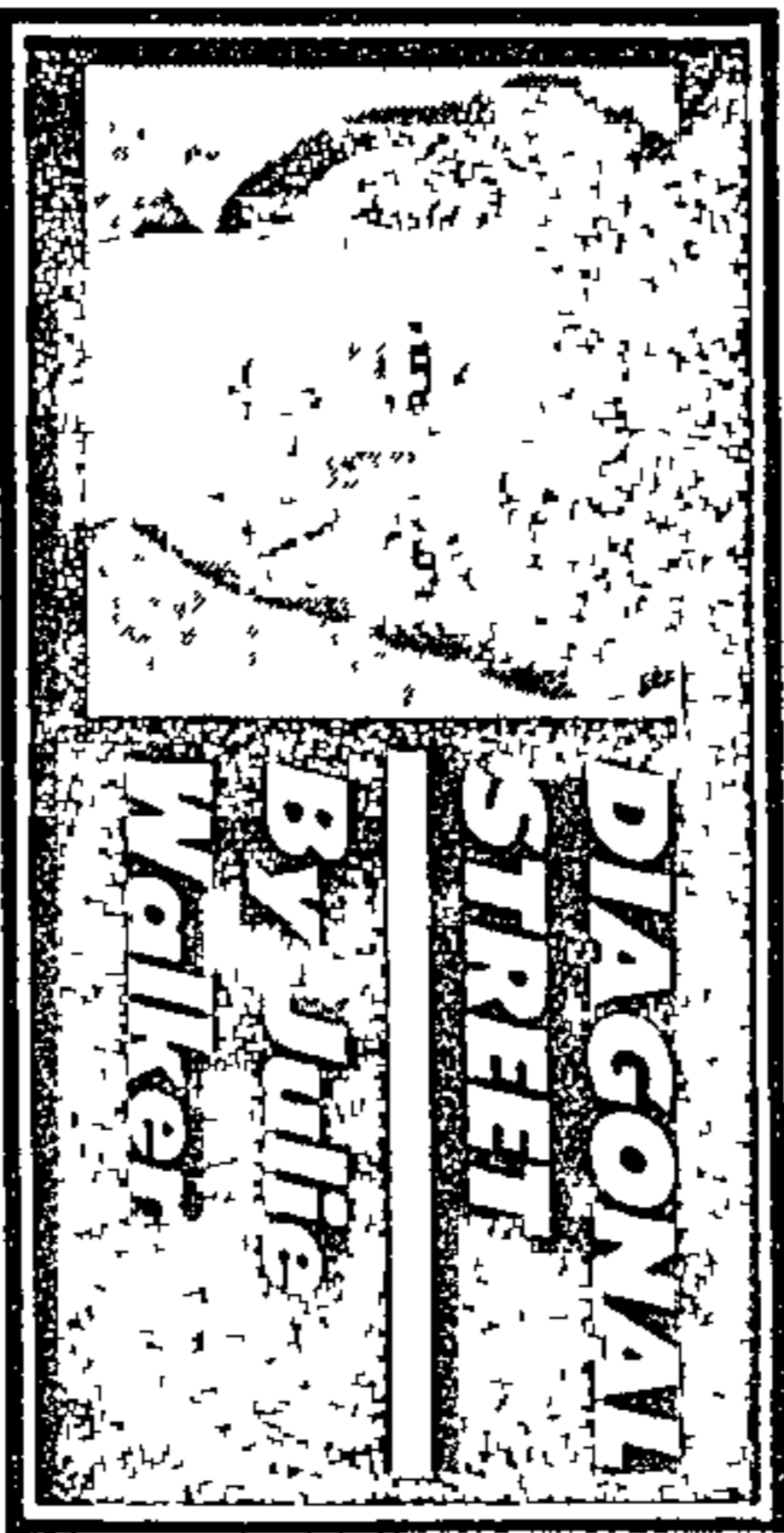
are existing ones or will form part of a new issue

Randex must give notice to exercise the option by June 30, 1991, or within 180 days of receiving the feasibility study from SouthWits

To determine the option price, a value of R50-million has been attributed to the Potgietersrus venture

If Randex takes up the option, it will be obliged to make an offer to the SouthPlats minority on similar terms. The prospectus says minorities may receive an offer of R4,70

It is too early to form an opinion about SouthPlats, but it looks reasonable.



# No losers for fine elect at Yelland

**YELLAND** Technology Holdings was not unusual in making shares available to its employees in the great rush to list in 1987.

Its prospectus offered 4,1-million shares at 140c each, 2,3-million being allocated by private placing. The proceeds of the private placing did not accrue to the company but to the sellers, two members of the Yelland family.

The offer's timing was less than perfect — it closed two weeks after the global collapse of equity markets. But managing director Des Smith says it was fully taken up.

Yelland forecast earnings for the year to February 1988 of 14,4c a share, placing the issue on a forward price-earnings ratio of 9,7. The times were buoyant, and it was not out of the ordinary although it seems

demanding now

An annualised dividend of 5,8c would be paid, yielding 4,1%

One intention of the offer was to "enable the Yelland group to give key directors and staff an opportunity to own shares in a listed company and thus encourage loyalty, continuity, performance and efficiency".

## Smiling

Another reason for the listing was to give D and J Yelland an opportunity to sell out — at a generous price.

Shortly before listing, Yelland allotted 300 000 ordinary shares at a subscription



NICK STAVRAKIS

## Money

**Back** *5/ Times 10/6/90*

**After** *10/6/90*

## Failure

were regarded as consideration for interest on the loan. The shares were pledged to the trustees as security for the loan Mr Smith and two Yellands are the trustees

Mr Smith tells me the trustees approached the JSE for permission to buy back the shares at 140c. This was done and shares were reissued at 45c

The 1990 accounts show a loan to the share incentive scheme of R207 000, down from R564 000. Another 160 000 shares were issued last year at 90c.

Mr Smith says new fringe benefits tax rules class the loan as a perk taxable at



## Changing tack (217)

Newly-listed granite company Minaco has acquired the Tivoli cutting works in Garankua, making it the largest of SA's dimension stone beneficiators. The group has also changed its initial strategy by developing only two quarries at this stage, instead of the four quoted in the prospectus.

The black granite deposit at Mooketsi, with an extraction rate of some 15% (7% large blocks and 8% small blocks) has been worked for about a year, while the pink-grey deposit near Parys has recently been re-opened.

Historical extraction rates at this quarry have exceeded 50%. Both units have good markets with a steady offtake of output while, in Natal, the Libode black-green deposit and the Tombo travertine quarry have been put on ice.

Detailed exploration of these, together with the yellow Arandis deposit in Namibia, is being undertaken. None of them will be brought into production until the two producing quarries generate a positive cash flow.

The Tivoli acquisition will more than double production capacity and, together with Marble Lime, brings the total number of gang saws within the group to seven, with an additional two on order. This compares with the five of Marlin, including two on order and places Minaco in the forefront of cutting granite and marble slabs in the southern hemisphere. But the SA producers are still way behind in world terms. The largest manufacturer internationally has more than 100 gang saws.

Minaco is clearly shifting emphasis from primary production to beneficiation, where greater profit margins are found, though the decision to delay the opening of other quarries may have something to do with slower growth in granite markets. *Gillian Findlay*

# Rustenburg chrome furnace heralds start of big export project

THE first tap from a 60 000 tons a year charge chrome furnace, part of a R100m mining and smelting project near Rustenberg by unlisted Purity Minerals and a foreign partner, was made yesterday.

A second furnace with the same capacity would be commissioned in July and the total production of 120 000 tons a year — worth about R124m at the current chrome price of about 47c a pound — would be exported, one of three local partners, Roger Ballen, confirmed yesterday.

The company's sole marketing agent, Gerhard Messinger, ferro-alloys division manager for Treibacher Chemische Werke

AG Austria, told a Metal Bulletin conference in Spain on Friday 60% would be marketed in Western Europe, 25% in the Far East and the rest in the Americas, Reuter reports.

SA partners in the little-known venture are Ballen, Andrew Nesbitt and Brian Morgan.

Nesbitt told Business Day last year the estimated cost for the project was in excess of R100m, which had been raised "with some foreign backing". Ballen declined yesterday to name the foreign backer, but confirmed the capex.

Ballen said Purity planned to produce

**RIAAN SMIT**  
charge chrome at full capacity in 1991.

The mine had an output of 30 000 tons a month. At chrome oxide grades of about 70%, this should yield about 22 000-25 000 tons of chromite concentrate a month.

Mineral rights covered 125 ha, although the freehold area was only about half that size. Estimated ore reserves were in excess of 7-million tons, equivalent to about 20 years' supply at planned production rates, he said.

Stoping would concentrate on the LG 6 and LG 6A chromite seams which outcrop

in oxidised form on the surface of the freehold property and dip at 12 degrees towards the north.

Ballen said the two thick seams were separated by a 30cm layer of pyroxinite waste and formed an overall 190cm stopping width. Two inline shafts followed the dip of the seams.

The commissioning of the furnaces were planned for June this year, Nesbitt said at the start of the project in May last year.

Messinger told the conference on stainless steel and raw material at Marbella that some chrome ore could be sold from Purity's mine, if it is surplus to the smelt-

ers' requirements  
He said the timing of the new plant start-up "wasn't our first choice", but he had confidence in the quality of Purity's products allowing it to make inroads into the market.

He expected chrome prices in the third quarter of this year to be unchanged from the second quarter but did not expect much material to be offered on a spot basis at the bottom end of the market — around 42c to 43c a pound — during the next three months.

Ferro-chrome prices are now close to 47c a pound, down from around \$1 a year

**ATLANTIS BUYERS' CO-OPERATIVE**

FORM 2		MEMBER ORDER FORM NO.		AFLWEMER DATUM	
LTD	NAAM	ADRES		REP	ADRES
	NAAM	ADRES			NAAM

(217)

B Day 18/6/90



by Dan 19/6/90 (217)

# Producers buying platinum dealers

LONDON — SA platinum producers, the biggest in the world, are buying the metal and an important by-product, rhodium, on the international open market because their own mines and refineries are not turning out enough, the Wall Street Journal yesterday reported dealers saying

The metal is being bought to meet sales commitments and for stockpiling against the possibility of further production disruptions, say dealers

Mainly as a result of these purchases, platinum at \$475 an ounce is performing far better than gold, which is languishing around \$346 an ounce, a four-year low

Its premium over gold has widened to \$129, or 38%, against a premium of \$90, or 21%, at the beginning of the year. In the mid-1980s, platinum traded at a discount to gold.

Meanwhile, the price of rhodium — an important by-product that is used

with platinum and palladium in "three-way" catalysts to reduce auto pollution emissions — soared to a record \$3 100 an ounce because of an acute shortage

London platinum merchants Ayrton Metals Ltd MD Brian Nathan says "Earlier this year we gave the first customer who bought rhodium at \$2 000 an ounce a bottle of champagne" At the time, such a price, up from around \$1 250 last August, appeared extraordinary, he says

## Bolstering

Now rhodium's surge shows no signs of slowing. The US General Services Administration has advised the Fed to buy 6 000 ounces of rhodium a year to build a stockpile of 30 000 ounces, Nathan says

Tight supply rather than robust de-

mand is bolstering platinum, rhodium and to a lesser extent palladium, dealers say

The slim supplies are mainly blamed on the SA mines, dealers say. They produced 2.6-million ounces of platinum last year and accounted for 77% of world supplies, says precious metals refiners and distributors Johnson Matthey Plc

The Soviet Union, the next biggest producer, which last year sold 550 000 ounces or 16% of total supplies, is also selling smaller amounts this year, Johnson Matthey says

Another factor in tight supplies is that output of a new, although smaller SA mine, Barplats, is coming on stream later than expected, Arnold says

Shortages of platinum, however, could be less critical in the next few months, dealers say — AP-DJ

# Exhausted Hotazel mine closes with a blast

SAMANCOR's Hotazel manganese mine in the Kalahari was officially closed yesterday by a ceremonial last blast set off by group MD Hans Smith as light rain fell in the barren territory.

The 31-year-old open-cast/underground mine was closed because mineable reserves were nearing exhaustion and geological research indicated limited

further potential, Samancor, the leading producer of manganese ore in the Western world, said yesterday

But it does not spell the end for the quaint hamlet, 60km from Kuruman in the Northern Cape Production lost from Hotazel would be made up from the nearby underground Wessels and open-cast Mamatwan mines. No-one would be re-trenched, it said

RIAN SMIT

Manganese was discovered on the farm Hotazel in 1955 and bought by SA Manganese, one of the companies which later merged to form Samancor

The mine was officially opened in November 1959 by then Minister of Mines Jan de Klerk, father of President F W de Klerk. Jan de Klerk, as guest

speaker, refused to use the word Hotazel because he considered it blasphemous

Production was started at a rate of 18 000 tons a month, which gradually increased to 120 000 tons a month during the early '70s. A total of 11-million tons of manganese was produced during the life of the mine at a present value of R7bn

Anticipating Hotazel's closure, Samancor decided

in 1988 on a major capital expansion programme at Wessels. The ore body was intersected on schedule in the new Western Block in November 1989 and infrastructure was being developed

The Council for Mineral Technology is investigating the use of manganese as a substitute for nickel in the production of stainless steel

B/day 20/6/90 (217)

# Sharp eyes focus on platinum

GOLD tumbles, but the sharp eyes in Johannesburg are not weeping

They are locked on platinum and the sensational rise of one metal in the platinum group in particular rhodium

Some 200km northwest of the city runs the famous Merensky platinum reef, arguably SA's jugular vein. It is at the centre of an unprecedented competition with the rhodium price explosion and the big mining companies locked in battle

Buried under an enormous plain in the Bushveld Igneous Complex is the key to the re-greening of the world and the vast clean-up of industrial pollution

From the tiny seam of the Merensky Reef, at times little more than 25cm thick, comes 80% of the western world's platinum — the metal that cleans car exhausts, is indispensable in the glass-making, chemicals and electronics industries, features in high-spend Japanese jewellery and forms the basis of the most effective anti-cancer compound yet. One saucer of Cisplatin for combating cancer is worth \$3m.

More than 62% of all platinum is used in industry or in vehicle catalytic converters that are fast becoming compulsory.

The platinum reef runs like a needle line on the rim of a giant saucer extending for over 350km and outcropping at Rustenburg. Until recently platinum has been a shallow mining affair, the Merensky a paddling pool compared with the Western Deep Levels gold mine, plunging to 3 962m. But that is changing

I visited Northam, the world's newest — and deepest — platinum mine, operated by Gold Fields of SA (GFSA) and quoted in London and Johannesburg

It is on the north-west extension of Merensky, and here all records are being

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Platinum — possibly a key to international "greening" through its use in catalytic converters — has SA's big mining companies locked in battle. **Bill Jamieson**, who recently went down the world's deepest platinum mine, reports.

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broken Northam is out to mine platinum at levels never before attempted, in the face of geological potholes ranging up to 500m in diameter, rock fracturing, water ingress and high temperatures due to the steep geothermic gradient

To reach the Merensky I descended the main shaft at Zondereinde, travelling down 1,800m at five metres a second

Not only is Northam mining Merensky reef, but it is also striking down to the rhodium-rich UG2 seam lying some 35m below. The mine will go down to 2 400m and will need 19 000 tons of ice a day to cool rock temperatures of 65C.

It is the UG2 that provides the excitement at Northam, for the buzzword across the veld is rhodium. The price shot to \$3,025 an ounce last week, a rise of 20% in three weeks, up 78% since January and almost three times the level for most of 1989. UG2 contains 7,6% rhodium, against 3% in Merensky

Demand for rhodium, an irreplaceable alloy in the three-way car catalytic converter, rose to 300 000 ounces last year, 79% of it going to the auto industry. Supply is barely able to meet demand, due to rise to 415 000 ounces by 1993 to meet tighter European and US standards on nitrous ox-

ide emission. Analysts are now talking of a price of \$5 000 before long

The rhodium price surge has added at least 10% to the in-situ value of Merensky ore and 20% to UG2. By 1994 Northam will be mining 250 000 ounces of platinum

This may be small beer against Rustenburg Platinum Mines, part of Johannesburg Consolidated Investments already producing 1,3-million ounces, and Impala with 1,1-million. But the significance is the use of new technology to mine platinum at this depth, the prospect of a rich haul of rhodium for Northam from the UG2 and the threat posed to the hegemony of Rustenburg as Northam and others threaten to cut into its market share

At the Brakspruit shaft I travelled down 650m in a series of hernia-inducing chair lifts, crawling through the gully to the Merensky seam. For 10 tons of ore mined, one ounce of platinum emerges after a complex crushing and refining process

It is at the new precious metals refinery nearby that the rhodium price puzzle is buried. Intense secrecy and embarrassed foot shuffling surrounds the mystery of the problems at the refinery where rhodium got "locked in" during the start of the vital extraction process last year. No visitors are allowed in and Rustenburg officials fight shy of giving figures, but informed sources suggest 40 000 ounces of rhodium have been trapped.

Another enigma is Russia, whose UG2 sales suddenly stopped dead in the last two months of 1989 and so far this year are running below 1989 levels. This is electrifying stuff for SA's platinum voortrekkers. Beneficiaries will include Northam, Gencor's Impala and Rustenburg, now digging into its UG2 — The Sunday Telegraph



## Barlow Rand workers squat

Dismissed workers of Barlow's Manufacturing Company have set up a squatter camp at the main gate of the Barlow Rand head office at Barlow Park, Sandton.

The National Union of Metalworkers yesterday said the workers were protesting about the dismissal of more than 400 workers by the company last year — Sapa.

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## ANTIABERG & FALSE BAY REVIEW

# SCPAG continues

# kaolin mine battle

By KIM CLARKIN

THE question of whether a kaolin mine will be established on the slopes of Chapman's Peak is in limbo until the impact report has been finalised by the mining company, Serina.

However, the Save Chapman's Peak Action Group (SCPAG) is formulating counter-proposals for the land which include declaring Chapman's Peak a national monument and turning the area into a fynbos reserve.

All queries and concerns have been filed on the draft impact study and Mr Carl Tarrant, MD of Serina, said the company would have to be "given some time to work through the information and then reply".

Meanwhile an appeal has been lodged with the National Monuments Council to have Chapman's Peak declared a national monument. Although this is being viewed sympathetically, there are snags. The area has to be clearly defined and negotiations could be lengthy as various parties own the land.

### Confident

Miss Hanneljie du Preez, regional representative for the National Monuments Council for the Western Cape, said exactly what was to be declared a national monument had to be established as well as the best way of protecting it as even then mining could go ahead.

"Our act does not make provision for mining activities and if you have mining rights, you can mine," she said.

There are also plans to establish a Chapman's Peak Trust to implement a restoration programme for the entire area and re-establish the fynbos from Hout Bay to Noordhoek.

Mr John Butterfield, spokesman for the trust, said it was confident the mine would not go ahead and had included the mine site in its plans.

"The primary source of alien vegetation choking Chapman's Peak is on the mine site. It has been allowed to progress uncontrolled for the last 15 years. For 10 years the land has been under Serina's control in terms of its mineral rights but the company has allowed it to become a seed farm for alien plants and a fire hazard."

### Fund-raising

Mr Butterfield also claimed it would benefit Serina to have the land overgrown with foreign plants because it "strengthens its case for the mine and could act as a shield for mining activities".

"Successful fynbos rehabilitation after open-cast mining is virtually impossible."

Botanists have identified substantial indigenous seed banks on the mountain slopes and established that, at this stage, reclamation was possible and relatively easy as the alien vegetation was first-generation.

SCPAG has applied for a fund-raising number as it believes funding would have to come from the private sector. "It appears the State doesn't have the financial resources — and other projects take priority."

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Blom 26/6/90

## Nickel trend seen as bright after 1990 (217)

RIAAN SMIT

ALTHOUGH nickel consumption was expected to fall by around 1,5% this year to 64 000 tons — the second consecutive year of decline — the trend thereafter appeared bright, CRU special steels and alloys research manager Jim Lennon told a recent Metal Bulletin conference in Spain.

Consumption in the short term was likely to continue to suffer from the effects of the stainless steel stock cycle. Stainless steel production accounted for about 60% of demand.

During 1988 and the first half of 1989 buyers accumulated large stocks for speculative reasons.

This pushed demand to levels well above those justified by underlying fundamentals, thus prolonging and intensifying the nickel shortage, Lennon said.

### Study

He put the growth rate for nickel in the 1990s at 2,5% to 3,5%. London-based MB magazine said this percentage growth translated into a trend consumption figure of between 725 000 and 765 000 tons by 1995.

Lennon said there would be nickel to supply the projected level of demand.

Meanwhile, Anglo American has completed a feasibility study of the 17 000-ton-a-year Uitkomst nickel mine in the Eastern Transvaal. A spokesman has denied that a decision whether or not to go ahead with the project would be influenced by Highveld Steel's and Samancor's decision on a proposed joint stainless steel plant venture, expected in July.



PLATINUM F/M 29/6/90

## Premium pointer <sup>(217)</sup>

Investors who opted for platinum instead of gold at the start of this year have reason to smile, despite the drop in prices. Platinum's premium on gold has shown a steady rise from less than 20% at the beginning of January and is edging towards 40%, a level last seen in May 1989.

This trend is important. Historically, the premium has widened during price booms and narrowed, or even turned into a deficit, when prices have fallen. That the indicator is bucking the tradition is a strong pointer to underlying firmness in the market.

Unconfirmed reports that producers have had to buy in metal to honour sales commitments have been circulating and could be true. Rustenburg Plats is known to be having supply difficulties owing to problems at the new refinery at the Rustenburg Section (see *Business*), though Impala is probably satisfying contracts through its own production.

Also on the supply side, the USSR is believed to be exporting less this year than the 550 000 oz which Johnson Matthey estimated for 1989.

Demand remains strong, the most important growth area being the European motor industry. The near-term target for platinum's premium to gold in the next few months is 45%. As soon as gold revives, platinum should follow suit and the gap between them could widen. The major question is how far this widening can go. History would indicate that it could reach 60%, though such a level would be shortlived.

Gilhan Findlay

F/M 29/6/90

(217)

the spiralling demand for it

With an international shortage in supply (SA contributes about 200 000 oz to total world production of 345 000 oz/year) and ever-increasing demand, rhodium could eventually top platinum as an earner of foreign exchange.

"On an annualised basis, the current price would earn SA about \$645m. But should the price shoot up to \$5 000/oz, as predicted in the US, annualised earnings would reach \$1bn," says Mintek president Aidan Edwards

Edwards says SA's current platinum production of about 2,5m oz would, at an average annual price of \$500/oz, earn about \$1,25bn in foreign exchange, or roughly R3bn at ruling rand exchange rates

Edwards has long predicted the severe world shortage of rhodium, fuelled by EC legislation making the use of catalytic converters compulsory in all new cars from 1992 "But the price surge has a downside," he warns "Consumers may be forced to find alternative metals should the price go too high."

Rustenburg Platinum MD Barry Davison (his group is the world's largest producer of platinum group metals), is convinced increased SA output, along with Russian supplies, will keep the price "within affordable levels" Russia produced about 130 000 oz of rhodium in 1989, according to Johnson Matthey's authoritative *Platinum 1990* publication.

The current price of rhodium may be high, but Davison believes the metal is still affordable "Even at the current price, the use of rhodium is still the most efficient way, both technically and economically, to meet the strict exhaust emission standards set in the industrial economies Increased supplies should help to stabilise the price in future," he predicts

Davison says production at Johnson Matthey's Rustenburg refinery is "improving on a daily basis." He does not see the problems experienced at the refinery as the cause of the latest price surge, though they triggered last year's advances which lifted the metal to all-time highs this January The prime cause, he says, is that demand outstrips supply in a very tight market And the outlook for increasing demand is "very favourable."

One of the problems in meeting soaring demand for the metal is that rhodium forms only a small percentage of the platinum metals mined in SA's Bushveld Igneous Complex. It represents about 5%-6% of total production in respect of the Merensky Reef, though it is proportionately higher — around 10%-12% — in the metals mined on the UG2 Reef, now coming on stream

Proportions of platinum group metals are more or less invariable, so if additional demand for rhodium is to be met, more ore has to be mined with a corresponding increase in platinum and palladium production Unchecked, that, in turn, could lead to a glut Fearing a platinum price collapse, producers

are, therefore, not going all out to meet rhodium demand in the current tight market But with the value of global rhodium sales approaching that of platinum, there could be a temptation to increase production.

Barplats' Crocodile River mine is one of the new local producers striving to meet the increased rhodium demand According to Edwards, its UG2 Reef holds "the world's richest rhodium deposits" Barplats marketing director Clive Tasker confirms that Crocodile's UG2 contains a rhodium content of 14%-15% to platinum. But the mine has experienced production and refinery problems However, Tasker predicts it should reach its first phase ore production target of about 160 000 t/month "within the next four to six weeks."

"Our rhodium is still being refined under contract in Europe. We are now developing state-of-the-art refining technology and should be in a position to handle our own rhodium refining within two to three years," he says

Tasker says Barplats is involved in "sensitive discussions" involving the manufacture of catalytic converters in SA This would be apart from the two existing initiatives by Algorax in Port Elizabeth and Johnson Matthey in Germiston, who together, propose making about 3m converters annually.

Last week, Trade & Industry Minister Kent Durr referred to a R500m initiative, involving foreign funds, to manufacture converters in SA The name of Sentrachem has already been mentioned in this context Sentrachem is heavily involved in the manufacture of injection moulded plastic components for German car manufacturers and government's Phase 6 local content incentives for local manufacture could be the carrot attracting further investment ■

RHODIUM PRICE F/M 29/6/90

## The sky is the limit?

Rhodium prices, now trading at around US\$3 225/oz, have shot up \$1 125 — a 54% increase — since January Commentators are now saying the price could reach around \$5 000/oz within a month. (217)

About 75%-80% of all rhodium produced now goes into the manufacture of catalytic converters for auto exhausts And, at this stage, there is no reasonable substitute for the metal. Nor is there any end in sight for

# Rhodium heads for the stars

By JOHN CAVILL · London

RHODIUM's price rocketed from \$3 325 an ounce on Wednesday to \$5 000 in one trade in London on Friday — a gain of 50% and nearly equal to that of the previous six months *(Times 11/7/90)*

"It's pretty breath-taking," said a dealer at Ayrton Metals, marketing agent for Impala Platinum.

"Supplies are so tight that deals, which used to be in lots of 4kg to 5kg, are down to 2kg or 3kg"

This week the fever intensified

## Stream 217

South Africa produces 200 000oz of rhodium, a by-product of its annual 2.5-million oz of platinum. At an annualised rate the current price of rhodium will earn \$1bn against about \$1.2bn from platinum.

Jeremy Coombes, research analyst at Johnson Matthey, makers of catalytic converters and platinum group marketing agents for Rustenburg, says "It started last year when Rustenburg's problems with its refinery coincided with the completion of Soviet rhodium sales."

"The lost metal will come out in due course as new production comes on stream, but in the meantime there has been no way of increasing supply."



JOHN CAVILL

LONDON — The platinum group metals markets are braced for new shocks this week after the price of rhodium shot up to \$5 000/oz on Friday — a jump of \$900 in one day *8/0 am 217190*

Spurred by Japanese buying and a shortage of supply, US and Western European car-makers charged into the market scabbling for 2kg-3kg at a time, with each deal pushing the price up another \$100/oz or more.

In the first week of May, rhodium was trading at \$2 100/oz after averaging about \$1 200 for most of 1989

One London trader said, "It is a dangerous market Demand keeps coming and supply is not responding to higher prices Rhodium could go to \$10 000 an ounce or

## Rhodium price jumps by \$900

*(217)*  
collapse if the big buyers suddenly withdraw"

Rhodium is used in car exhaust catalytic converters in a 15 ratio with platinum. Nearly 80% of last year's supply of 330 000oz (expected to be 345 000oz this year) was consumed by the motor industry against only 37% of platinum's total of 3.4-million ounces

This year's supply has still not recovered from problems at Rustenburg's refinery in Bophuthatswana late last year which coincided with a fall in Soviet sales. The refin-

To Page 2

## Rhodium *6/0 am 217190*

ery has yet to catch up with lost production

Catalytic converter maker Johnson Matthey had been buying in the spot market to meet contractual obligations

Meanwhile there is no sign of Russian rhodium coming onto the market — last year it sold an estimated 130 000oz. SA exports fell 10 000oz to 185 000oz but are expected to recover to 200 000oz this year.

London traders believe the Soviet Union has committed most of its output to Japan-

*(217)*  From Page 1

ese car makers and has nothing left to sell. Stockbrokers are now tipping Impala as a buy because it is highly geared to a rise in the rhodium price.

The latest mining review from James Capel says that on an estimated rhodium output of 100 000oz this year (against 1.15-million ounces of platinum, 600 000oz of palladium, 100 000oz of gold and 10 000 tons of nickel), a sustained price of \$3 200/oz could lift Impala's annual pre-tax profits by \$200m (R532m)

# Rhodium soars, gold picks up \$6

See 4/7/90  
Finance Staff

(217)

While gold gained about \$6 at the weekend, it is the platinum group metal rhodium which is catching the eye of precious metal dealers

Rhodium's price soared \$900 to \$5 000 an ounce on Friday and has now risen by almost \$3 000 in the past two months.

The buying has been led by the Japanese but on Friday European and US car manufacturers entered the market to secure the material for their production of autocatalysts.

Meanwhile, supply problems in the Soviet Union and South Africa have worsened the shortage on the market.

Rustenburg, the largest producer of both platinum and rhodium, is experiencing problems at its Bophuthatswana refinery, which were responsible for a 10 000 ounces fall in South African exports last year to 185 000 ounces.

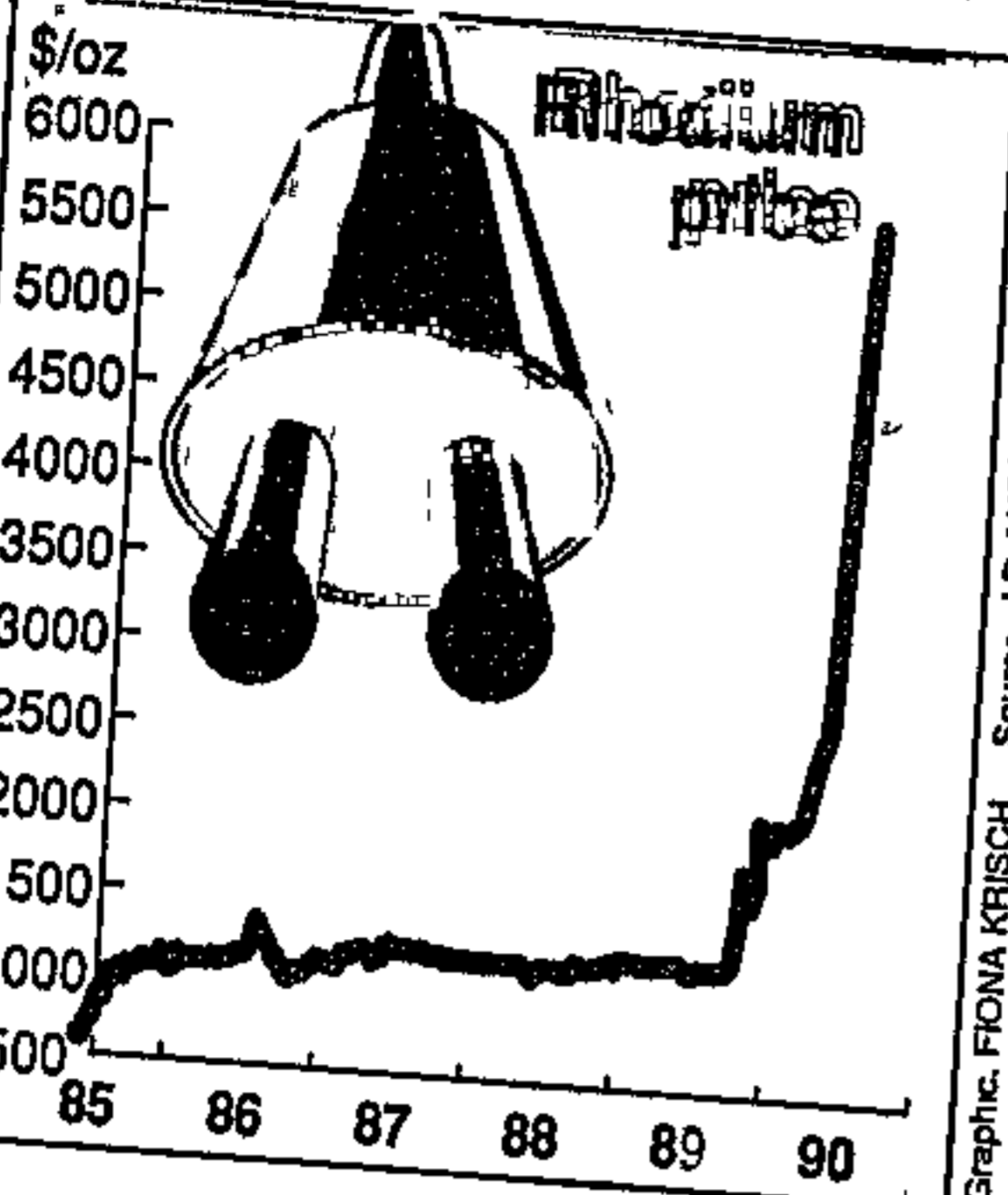
A continuing shortage is expected for the rest of the year, as South African exports are forecast to rise only moderately, while dealers say Soviet sales are already committed to Japanese car makers

Most of rhodium's supply to the market, which last year totalled 330 000 ounces, is used in the production of autocatalysts.

The gold price picked up \$6 in late trading in New York on Friday to a close of \$357,25 It followed this trend in Hong Kong where it opened at \$357,90 this morning.

The jump in the New York price followed the purchase of about 250 000 ounces by a major commodity fund. Analysts are, however, sceptical whether the metal can maintain the firmer trend They point out that buying occurred in thin trading and that more fundamental support is needed to push the price significantly higher.

# No sign of an early end to soaring rhodium price



Graphic: FIONA KRISCH Source: J D ANDERSON

LONDON — Rhodium's price roared upwards towards \$6 000/oz yesterday with no sign of an early end to the rise as demand for the metal continued from European, US and Japanese buyers

Yesterday rhodium had a brief respite in the morning Johnson Matthey, fabricators and marketing agents for Rustenburg Platinum, reported it made "smallish sales" of 5kg-10kg each to European buyers at \$5 250/oz

But with the opening of the New York market in the afternoon the price surged Johnson Matthey quoted a price of \$5 700 Soon after that Ayrton Metals, which handles Impala Platinum's sales, quoted \$5 500-\$6 000

A dealer at Ayrton Metals said "The way the market is we could go through

JOHN CAVILL

\$6 000 before New York closes tonight and be up another \$2 000 in the next few days It is only six working days since rhodium broke \$3 000" *31/04 31/7/90*

Yesterday morning Impala raised its producer price to \$5 100 from \$2 500 set last month

Johnson Matthey marketing manager Alan Austin said "Metal is coming through from the refineries in the normal way now and we are supplying contractual customers with no difficulty

"It is just that the market wants more and very few users of rhodium actually hold their stocks in a sellable form in their vaults — it is usually in the form of a

□ To Page 2

## Rhodium price *31/04 31/7/90*

product or in a process."

Platinum group metals analyst John Taylor at brokers James Capel said rhodium was being driven purely by fundamental demand

"The car makers are too scared to be caught short with the new environment controls coming up and at the moment there is no substitute for rhodium, although the chemical and electronic industries might find an alternative which would release supplies"

HELENA PATTEN reports that a spokesman for Rustenburg Platinum said the company was alarmed at the price hike and would prefer to have some stability.

"We can't bring more of the mineral to the market, because our supplies are in the ratio that it is mined and our mining plans are relatively fixed"

"Most of our sales of rhodium are by contract with automobile manufacturers,

the terms of which are determined individually In no case would the price we get be determined solely by the market price"

Analyst Dave Russell of JD Anderson had similar views

"The main suppliers of rhodium in SA — Rustenburg Platinum and Impala Platinum — don't react to this kind of price rise I would go so far as to say that 95% of the world's rhodium is sold on long-term contracts directly between suppliers and consumers There is no way that autocatalyst manufacturers are paying \$5 000 an ounce for their rhodium"

Kevin Kartun of Frankel Kruger Vinderne said the current price meant rhodium could take platinum's place as the revenue-earner for companies currently mining rhodium as a by-product of platinum, despite the minuscule proportions mined

□ From Page 1



# Price of rhodium soars to \$7 000

By AUDREY D'ANGELO  
Business Editor

THE price of rhodium — produced mostly in SA — continued to soar on international markets yesterday. It reached a dizzy \$7 000 an ounce in London, leaving gold and platinum far behind.

It has been pushed up, from a price of \$1 245 an ounce at the beginning of last year, by rising demand from industry combined with a shortage of supply.

But Alex Wagner of Davis, Borkum, Hare said yesterday that he thought the shortage would be eased within about three months and the price would slip back again.

Rhodium is one of three metals in the platinum group. The third is palladium. And rhodium is rarer than the other two.

It is used mostly in catalytic converters which remove noxious fumes from car exhausts.

Increasing concern for the environment, and tougher anti-pollution legislation in the US and Europe, ensure continuing demand for it.

But Rob Lee, assistant GM, investments, at Old Mutual said that total world production was not much more than 300 000 ounces a year.

SA's biggest producer is Impala Platinum. Its share price has risen from R74,50 on June 14 to R84 yesterday.

But in the short term, at least, the profits from rhodium's dramatic rise will go to overseas speculators.

Lee said that most rhodium was sold by the mines at prices fixed well ahead. The rise in price in the past few weeks has been on the spot market, "and that is very small."

"The rhodium price will have to stay up a long time before SA producers benefit."

Glenn Moore of Personal Trust agreed. "It is really a speculators' market."

Wagner said "I think the price is going to drop just as quickly as it rose."

"Impala and Rustenburg have had major problems with the recovery of rhodium in the past four or five months. This has caused a shortage and their customers have had to buy on the free market."

"I am surprised the Russians have not sold more at this price. I think it must be that they haven't got enough of the metal either. There is a real shortage."

"And a lot of automobile producers have been buying, trying to build up stocks in anticipation of a tightening of US regulations on emissions."

"I don't think the producers will reap the benefit of the higher price. They negotiate their prices about six months ahead and I think the present levels are pretty short term."

CHK Times 6/7/90

## 6 gunned down in terror shooting

DURBAN. — Six people were wounded when three men in a bakkie poured fire into crowded streets in the centre of Durban yesterday morning.

Police failed to find the bakkie, in spite of an intensive search, including the use of a police helicopter.

Police identified the injured women as Mrs Jenny Cunningham, 30, Ms Siso Zulu, 18, Ms Makhosazana Dhlamini, 21, and Ms D Msomi, 41. The men were identified as Mr Eugene Gumede, age unknown, and Mr S Naidoo, 31.

Police believe the shooting was sparked off by a revenge attack but developed into a random firing on innocent bystanders.

Mrs Cunningham was still in hospital last night. The other women were treated and discharged.

An eyewitness told police that about 11am a gunman suddenly began to fire at someone in the crowd near the fish market.

Pandemonium broke out and the crowd scattered. Three women were hit and were later found lying on the ground.

The gunman then walked toward a red bakkie in which there were two other armed men. He got into the vehicle, which then drove off. Without warning the men opened fire on pedestrians.

Two men went down and a stray bullet hit Mrs Cunningham of Amanzimtoti, who was in a car, in the head. — Own Correspondent, Sapa

RHODIUM

FIM 6/7/90

217

# How long can the joy ride last?

Last week the price of rhodium reached spectacular heights — US\$3 225/oz from just \$1 125/oz in January (*Business* June 29). What could the metal do for an encore? Well, on Tuesday the price was poised to breach \$7 000/oz.

There seems to be no end to the meteoric rise. Between Monday and Tuesday the price shot up by \$1 700/oz. A price of \$10 000/oz and higher now seem possible.

At \$7 000/oz, earnings from SA's annual production of roughly 200 000 oz could reach \$1.4bn, while a price of \$10 000/oz would increase earnings to \$2bn a year — or about R5.3bn. That would make rhodium SA's third largest foreign exchange earner, behind gold and diamonds.

But before SA can bank such a massive windfall several variables must be met:

- Legislation in Europe, Japan and the US making rhodium-content catalytic converters compulsory must remain in place. Rhodium is now the only catalyst that can reduce engine emissions of noxious nitrogen oxide. On this point, the Green movement probably calls the shots;
- The supply must not be increased. At this stage there are no signs of new supplies coming on the market;
- No substitute for rhodium's unique chemical characteristics must be found;
- Contract sale prices must move in line with spot market prices; and
- The ratio of rhodium used in the converters — now 0.011 oz a unit — must not drop.

So the outlook looks bullish. But Barplats marketing director Clive Tasker says prices are moving "too high, too fast" and the market needs to consolidate. Very little speculative buying is taking place, most buyers are industrial users scrambling for scarce stock, he says. But with the production pipeline — from mine to refined product — taking from six to nine months, there is little relief in sight on the supply side. "Most producers have run out of inventories and the market is dependent on physical production," he says.

With the risk that environmentalists might lobby strongly against new cars that do not meet strict exhaust emission standards, vehicle makers might be quite prepared to absorb the higher rhodium costs in order to retain market share in the ultra-competitive car markets of Europe, Japan and the US.

Even at \$10 000/oz, the increased cost — from a price of \$2 000/oz — for the rhodium in each converter would be only \$88 at the manufacturing level — from \$22 to \$110.

"But one must face the fact that such a rhodium price increase could lead to a 1%

hike in new car prices, which is not small," says Mintek president Aidan Edwards. "And rhodium could possibly collapse back to \$2 000/oz once most catalytic converter manufacturers have built up their inventories to satisfactory levels."

Edwards says hindsight proves that boom-and-bust cycles are inherent in most metal commodities. He quotes the huge price surges — and collapses — in vanadium (from \$2.60/lb in the early Eighties to \$13/lb, and back again to below \$4/lb); nickel (from \$1.70/lb to \$10/lb and back to about \$4/lb), and silver (driven by the Hunt brothers to about \$46/oz until it collapsed to below \$5/oz).

"Bubbles tend to burst and I foresee rhodium falling back to \$2 000/oz, once inven-

Todd Bruce says one reason is the production problems SA groups have encountered. Rusplats' refinery is now tending to all incoming production and also "eating into the backlog." Bruce also blames the price surge on a hoarding mentality by users scared of being caught with no supplies. *Arnold van Huyssteen*



Mintek's Aidan Edwards . . . collapse possible

ories have been built up to satisfactory levels," Edwards says.

Graham Titcombe, Johnson Matthey's (London) director of precious metals marketing, says Japanese buying seems to be underpinning the market.

"A lot of spot buyers who expected a correction after the previous surge have now entered the market. About 75% of all rhodium is sold on contract and the spot market remains thin. The combined interest of all the sideliners is pushing the price along."

Titcombe says excessively high rhodium prices might tempt users in glass and chemical industries, who buy about 20% of annual supplies, to sell their rhodium for windfall profits. "For example, an industrialist with a 5 000 oz rhodium stock may find himself \$25m richer since November. This windfall may be worth more than the entire business and the temptation is to sell."

But even an inventory sell-off could take months. Meanwhile, the market remains tight. Rusplats GM marketing and planning



# Rusplat waste<sup>(217)</sup> heralds rhodium bonanza

**Business Times Reporter**

THE soaring price of rhodium — it hit \$7 350 an ounce this week before settling in the \$6 900 to \$7 100 range — could give JCI's Rustenburg Platinum a bonanza.

Start-up problems at its refinery reduced the extraction of rhodium and left the group sitting on a pile of rhodium, which was priced at \$1 200/oz a year ago.

Market sources say 20 000 oz of rhodium built up in the tailings dam at Rustenburg before the teething problems were fixed. Managing director Barry Davison will not comment on the amount of unextracted rhodium, but he confirms that it is now being reclaimed.

Mr Davison says that towards the end of last year when extraction fell below planned levels, Rusplats "borrowed, leased and bought" rhodium on the open market to meet its commitments

5 Times \$17/90  
**Panic**

Now the plant is operating at planned levels and contracts are being met from new production

However much rhodium lies in the tailings, it is certainly worth much more than when it was mined.

Rusplats share price hit R90 this week after trading at R84.50 before the rhodium supply panic.

At week's end the rhodium price was looking "rock-steady" in London, said Tony Warwick-Ching, precious metals analyst at the Commodities Research United

Some analysts argue that SA mines will not benefit too much because they are committed to long-term contracts

But Frankel Kruger Vindrine platinum share analyst Kevin Kartun does not share this theory. He says contracts are determined by a formula related to market prices, exchange rates and other factors

*CHE T1975 10/1/90*

# Higher base metal prices boost Gold Field results

*217*

JOHANNESBURG — Higher average prices for copper, lead and zinc during the June quarter resulted in a general improvement in the Gold Fields base metal companies

However, Rooiberg continued to incur losses in spite of a slight improvement in the price of tin

The quarterly results released yesterday show that Gold Fields coal mines reported higher tonnage milled and increased sales of 2,1m tons (2m tons).

This, combined with a sharply lower tax bill of R3,4m (R6,9m), boosted profit after tax to R9,1m against the previous quarter's R4,3m.

Capex increased to R2,1m from the previous quarter's R1,1m

Rooiberg Tin's lower costs helped to offset the drop in ore treated to 66 000 tons (75 000) and lower sales of R4,3m (R6,1m) Loss after tax was accordingly a lower R893 000 compared with the previous quarter's R1,7m.

Zinc Corporation reported higher sales revenue in spite of a drop in

tonnage sold to 18 977 (22 857 tons) and profit after tax showed a corresponding increase to R8,6m (R6,2m)

Capex increased to R2m (R1,3m)

O'Okiep Copper's higher milling and sales which increased to R41,5m (R37,9m) resulted in a sharp increase in profit after tax to R13,7m (R6,3m)

Black Mountain Mineral Development Corporation reported a much improved profit after tax to R14,9m against the previous R7,2m Capex rose to R2,7m (R591 000).

Northam Platinum reflected an increase in capex to R106,4m (R48,3 million) while net income after tax was higher at R3,3m (R2,4m)

● Gold Fields (Namibia) reported improved sales for the June quarter of R102,5m (R70,1m), which boosted profit after tax to R3,7m compared with the previous quarter's R718 000.

Ore treated was lower at 413,769 tons against the previous figure of 431 057 tons.

Capex reflected a credit of R121 000 (R54 000). — Sapa

# Pay hike <sup>(210)</sup> agreement <sub>(217)</sub>

THE Federated Mining Union yesterday reached a wage agreement with Rustenburg Platinum Mines and Chrome Limited (Mooi-nooi Mine), a statement from the union said

The union and the RPM agreed on wage increases effective from July 1. *Sowetan 11/7/90*

Under the agreement, the minimum salary for surface workers has been raised from R430 to R503 a month, while for underground workers the minimum salary increased to R585.

At Chrome Limited, the union successfully negotiated a minimum salary of R420 a month for surface workers and R470 a month for underground workers



HIGHVELD FIM 13/7/90

## Cutting vanadium (217)

Highveld Steel & Vanadium has cut its vanadium pentoxide price for third-quarter delivery to bring it into line with that in the free market. It has also restricted its own production to stabilise the market. Nevertheless, the prospect of new supplies reaching the already oversupplied world market continues to restrain pentoxide prices and is already casting a cloud over Highveld's fourth-quarter prices.

Highveld, the world's principal producer, cut its third-quarter price to US\$3,35/lb from \$4,20 the previous quarter. This is still above the \$2,50 of the first quarter but well below 1989 prices. The cut might have been larger, New York metals analysts believe, but for the fact that over the past three weeks free market pentoxide prices have moved from about \$2,90 to \$3,15-\$3,20. This seems to have stemmed from a need to replenish inventories by steelmakers who cut purchases in anticipation of even lower prices.

Highveld marketing director Robert Herbertson ascribes the general market softening to customers and speculators expecting an intensification of the oversupply situation to lead to further price declines. Purchases by users are delayed and inventories run down with only essential restocking lifting prices. Fundamentally, he says, demand from the steel industry is sound and only slightly off 1988-1989 levels.

The maverick is Usko. It is busy commissioning a 9m lb production facility which is slated to add about 15% to world supply. That is if it can produce what is expected. A couple of weeks back *Metals Bulletin* reported that Usko's production had been halted because ore bought from RhoVan was sub-standard. The magazine added that it would be several weeks before appropriate ore could be delivered. Usko's competitors question the company's ability to produce what it expects but MD Johan Kaltwasser counters that commissioning is running according to plan.

Kaltwasser concedes there have been some teething problems but says they are not extraordinary. "This sort of thing can be expected when you are commissioning a plant."

In making its decision to produce vanadium, Usko used a base case of \$3,80/lb and an optimistic case of \$4,10/lb. With the producer price now at \$3,35 is it still a profitable venture? Kaltwasser will not be drawn on a break-even price but Kevin Kartun, Frankel Kruger's metals analyst, says a level of \$2-\$2,50 is the norm in the industry. Usko expects to have a 10% recovery advan-

FIM 13/7/90

(217)

tage from its shaft furnace over conventional rotary furnaces. On the other hand, its comparatively high ore transport costs are a drawback.

Usko is likely to go on unsettling the market until its facility is fully on stream.

Pam Baskind

# Crocodile comes right <sup>217</sup>

By JULIE WALKER

BARMINES' Crocodile River mine has had to tackle some tough teething problems, but managing director Eddie Crocker is confident that the Bushveld platinum venture is nearly out of the woods.

Rand Mines took over the Lefkochrysos mine in 1988 while it was in the early stages of development. Rand Mines changed the proposed stoping system from mechanised to traditional labour-intensive methods.

S/Times 15/7/90

## Target

Barmines raised R300-million last year to complete phase one production of 160 000 tons a month — a target it hoped to achieve by March 1990. But delays cropped up because not enough face was available for mining, made worse by falls of ground.

Mr Crocker says the target should be met by August. More than 145 000 tons were mined in June.

So far, R700-million has been spent at Crocodile

River. Some analysts believe a rights offer is in the offing, others say modest borrowings will do.

Mr Crocker says a rights issue cannot be ruled out.

Barmines' shares are weak — only 60c off their June low of 370c. The price was 885c a year ago. A rights offer could prove expensive in the long run.

Barmines is designed to mine only UG-2 Reef. Other mines treat a mixture of this and the Merensky Reef in the furnaces, and new technology has been developed for Barmines.

This involves the addition of a collector in which to catch the platinum metals.

Pyrite from RM3's operations was chosen, but unfortunately introduced arsenic into the system.

Mr Crocker says the arsenic should be out of the system within the next month because a copper-nickel ore is being used.

# Impala in deal with Degussa

By Sven Lunsche *Sto 17/7/90*

Genmin's Impala Platinum has signed a long-term agreement with the German mining group Degussa and its local subsidiary to supply platinum group metals for the manufacture of catalytic converters at Degussa's Algorax plant, near Port Elizabeth

Algorax recently announced plans to produce one million converters a year and analysts estimate that this production rate will require about 50 000 ounces of platinum

A limited amount of rhodium will also be supplied

The deal comes two months after UK-based Johnson Matthey announced plans to build a R35 million plant in Germiston, which will produce up to two mil-

lion converters a year (217) The Johnson Matthey plant will use up to 100 000 ounces of platinum, all of which will be supplied by Rustenburg Platinum.

Neither Impala nor Degussa SA would indicate whether Impala will be the sole supplier to Algorax, but an agreement to that extent would hold significant advantages for both groups.

## Exhaust systems

The platinum will be sold to local car manufacturers, who will produce exhaust systems incorporating the autocatalysts and sell the systems to their parent company or suppliers overseas

It is estimated that export earnings from the sale of exhaust systems that include autocatalysts

could total about R800 million annually.

Brian Gilbertson, Impala's chief executive officer, says the agreement marks the start of an important new relationship with Degussa AG of West Germany, one of the world's leading refiners and fabricators of platinum group metals.

The metals will be used for the local manufacture of autocatalysts for export, thus moving toward the Government's objective of adding value to exports

The production of converters receives government financial incentives in terms of local mineral beneficiation programmes and could speed up the call for local regulations on tighter emission standards for cars.

*[0'00)*

*(y > x) ^*



**COMP/**

# Impala to feed new factory

510am 18/11/90  
EDWIN UNDERWOOD

IMPALA Platinum will be supplying 48 000 ounces of platinum a year (4% of its total production) to West German Degussa AG's new Algorax plant near Port Elizabeth for the production of one-million catalytic converters a year, industry sources said yesterday.

Details of the long-term supply contract were disclosed after Monday's announcement that an agreement had been signed.

However, according to industry sources, were Algorax to produce a three-way catalytic converter, which is fast becoming the choice of car-makers in Europe, a platinum to rhodium ratio of 5:1 would be needed. On this basis, 9 600 oz of rhodium would be needed annually — 16% of Impala's total annual rhodium production of 60 000oz.

In the past six years, sales of platinum to the car industry worldwide increased from 615 000oz in 1983 to a total of 1,275-million ounces in 1989, an average yearly growth of 13%

According to Johnson Matthey's 1990 platinum report, the acceleration of environmental legislation in Western Europe would advance the point at which demand for platinum from the car industry reached maturity. Last year Johnson Matthey predicted platinum demand would reach a plateau in 1995.

Johnson Matthey now believed that nearly all the potential demand for platinum would come into place by 1993. By then, platinum offtake was likely to be around 750 000oz, two-and-a-half times the 1989 level

Impala's share price did not respond to Monday's announcement. It closed at R83,50 a share and has been fairly static over the past six months.

**Into the trough** (217)

Metal markets are likely to show renewed weakness in the second half of this year but that should prove the bottom of the current price cycle, according to London-based Metals & Minerals Research Services. For gold it sees little price improvement in 1991, after a fall to the 1986 level this year, while platinum and silver are not expected to do any better.

Its quarterly *Metals Analysis and Outlook* suggests: "1990 is witnessing a mild recession, with the auto industry and parts of the construction sector particularly depressed." It projects no overall growth in base metals consumption.

First to benefit from any pick-up should be aluminum. Having slowed down throughout 1989, demand growth for it has almost disappeared and, though production growth has also decelerated sharply — "from last year's impressive rate" — a small surplus is still expected. There should then be an increase in demand.

Other base metals forecast to show higher price averages next year are tin and nickel. Average price falls are projected for copper, lead and zinc.

The forecast for gold is an average US\$360/oz this year and \$365 next year ■

# BANKORP HOLDS FIRE

THERE'S no quick fix for beleaguered Bankorp. The effects of the extended shake-up at Sanlam's banking arm will be felt far down the line.

Surgery by former Nedcor chief executive Piet Liebenberg, who took over as executive chairman on June 1, will take time to produce a cure. *St Times 22/7/90*

Group results for the year to June 30 are likely to be delayed — and analysts expect poor figures, possibly earnings a share cut by nearly 40% to 77c.

Mr Liebenberg has predicted that the

By IAN SMITH

benefits of a leaner bank with three operating divisions will show on the bottom line only in the next financial year.

The share price has barely moved through the drama of the past two weeks, sticking at 285c, comfortably above its year's low of 250c, but well below the 1987 high of 705c.

It would make sense to present the worst scenario in the results now due, and investors are staying out of the market in spite of the attractive price earnings ratio of 2,6.

A banking analyst says, "Piet Liebenberg's personal stock is high after the good job he did at Nedcor and he appears to have done many of the right things."

"But the market will want to see positive effects. It will want to be sure no more skeletons are left in the cupboard."

## Staff

The likelihood of a new rights issue also overhangs the share.

The new Bankorp executive in charge of communication, Etienne van Loggerenberg, says the restructuring is working down from the top management level.

A central rationalisation committee is looking at all operations and it has been accepted that staff numbers will have to be reduced from 16 000.

Dr Van Loggerenberg cannot give a date for publication of results. "There is a lot of work to be done."

## Pooh-poohs for platinum claims

Business Times Reporter

*St Times 22/7/90*

CLAIMS about two platinum finds are being treated with scepticism by the South African industry — although there was some foreign selling of platinum shares after the London report.

The Indian deposit has not been publicised before, but the Peruvian deposit has been known for some time.

A laterite deposit in north-eastern India is reported to show platinum grades of between 220 and 520 grams a ton. Platinum alone in the Bushveld complex is about 4g/t.

A geologist says India was a part of Gondwanaland and it is not impossible for ores similar to SA's to occur there. However, laterites are notoriously inconsistent and usually shallow.

It seems more likely a case

of exaggerating the early results of grass-roots exploration than a find ripe to ruin the established platinum market, he says.

The deposit in southern Peru is reported to yield two tons of concentrates a day and contain high values of platinum group metals. But a high amount of iron makes refining difficult.

A backer of the Peruvian deposit says SA refineries have rejected approaches to treat the material. This seems unlikely because the refineries' major shareholders lack information about the deposits.

Underlining scepticism about the size and value of the Indian find is its announcement at a time when rhodium in particular is buoyant. There are few suppliers, making the price vulnerable to manipulation.



## Rhodium price 'will reach further highs'

ANDREW GILL

217  
THE rhodium price could continue rising to record highs in the next few weeks although the bubble was certain to burst at some stage, said analyst Euan Worthington of London stockbrokers S G Warburg Securities in its July International Mining Outlook. *231 2790*

Rhodium's dramatic rise, from \$1 280/oz to \$6 700/oz in eight months was attributed to recovery problems at Rustenberg Platinum's new precious metal refinery and to reduced Soviet sales. The metal traded in London on Friday at \$5 000/oz.

The report said there were suggestions that the Soviet Union, the world's second biggest supplier, had been withholding rhodium to push up prices and arrange long term contracts for its product. The USSR sold 130 000/oz of rhodium, compared with SA's 185 000/oz and Canada's 15 000/oz.

Projections for sales in 1990 for SA's three biggest producers, Rustenburg, Impala and Lonrho's Western Platinum were dependant on Rustenburg sorting out its metal recovery problems

Worthington estimated output would be about 90 000/oz for Rustenburg, 70 000/oz for Impala, 27 000/oz for Western Platinum and 10 000/oz for other SA producers. If the rhodium price averaged \$3 000/oz in 1990, it could translate into additional revenue of \$86/oz for Rustenburg, \$120/oz for Impala and \$260/oz for Western Platinum.

# Keeley adding value to its granite

26/7/90 Finance Staff

217

The Keeley granite-mining and exporting group is establishing facilities to add value to the materials it extracts from the ground.

Executive chairman Fred Keeley says in the 1990 annual report that a new factory processing granite roof tiles in the Ciskei is almost at full production, while the company is negotiating the purchase of a site for a plant in Boputhatswana.

Another tile plant is to be established in Zimbabwe

He says manufactured products will be sold in new markets to avoid upsetting block sales to existing customers.

Keeley is the world's biggest producer and exporter of granite, accounting for about half of this type of stone exported by South Africa.

It operates about 80 mines and sells to 25 countries

In addition to successful prospecting in the Transkei, the group began quarrying green granite in Natal in September

The mine is producing 1 000 tons a month, and several overseas clients are tendering for building projects in which they intend using the material

Mr Keeley says the new granite terminal at Durban harbour, with a capacity of 50 000 tons, has reached full efficiency.

# Metaclo's importance to UK group makes second offer to minorities likely

By Ann Crotty



Charles Millward of Millward Grebeck Securities. He restructured a British multinational's entire investment in South Africa by arranging a disinvestment through the financial rand, followed by a re-investment through standstill debt.

Another offer for the 23 percent minorities stake in Metal Closures SA seems likely given the importance of MCSA to the Wassall group and to Wassall management's growth plans

A 100 percent owned MCSA — with attractive prospects to use standstill debt to re-capitalise the company — would be an ideal income booster to help this fledgling conglomerate attract the necessary institutional support to fund reasonably rapid growth

Wassall as it stands today is just short of two years old. In September 1989 Wassall, the shoe retailer, was acquired by two Hanson executives

Their intention was to convert the company into a broadly based group as a vehicle for their acquisition trail

For the 12 months to end December 1988 Wassall reported pre-tax profit of £50 000. In the 12 months to end-December 1989 acquisitions boosted pre-tax profit to £3.2 million

In the second half of 1989 Wassall made a successful bid for the Metal Closures group — promising shareholders of the poorly performing group that the Wassall management team intended to take action immediately to improve the productivity and profitability of Metal Closures

The combined effect of a very weak performance from MC's UK operations and strong performances from MCSA had resulted in the SA subsidiary increasing its contribution to group taxed profit to more than 70 percent in 1989 from 20 percent in 1978

So the acquisition of MC was a major leap for Wassall and the importance of the role played by MCSA in that leap was enormous

### Two issues unresolved

Despite this the minority offer of R23.50 a share valued the SA subsidiary at around £14 million (£9 million at the financial rand rate) — only a third of the amount for the whole group despite the much greater contribution to group earnings

Two issues remain unresolved after the dropping of the offer

Firstly, the speed with which Wassall backed down is remarkable. The reason advanced by Wassall's legal advisers Webber Wentzel (that they wished to avoid lengthy litigation) is unsatisfactory

The minorities brought an urgent application which was granted on July 11 with a return date set for the hearing on August 1

If Wassall had been so confident of its legal position it should have attempted to overturn the ruling a mere two weeks later

Had it succeeded it could have implemented the resolutions redeeming the minorities' shares and delisted the company

The only option then left to the minorities would have been to proceed against Metal Closures under Section 252 of the Companies Act — the section that provides redress for oppression of minorities

The litigation may have been lengthy but Wassall would have achieved its objective and would be faced only with possible payment of damages. On this front it would have Finansbank and Volkskas Merchant Bank to endorse its R23 price

### Using standstill debt

The second issue is one of disclosure. The company and its advisers were silent throughout the controversy about suggestions that they were going to re-capitalise the company using standstill debt

Apart from the fact that MC, and particularly the directors of the local company, had a duty to disclose this material fact to minority shareholders before making the offer, the subsequent refusal even to discuss the matter, let alone issue a denial, is disturbing

Standstill debt has been used for several years as an alternative to financial rand investment. A multinational wishing to increase the capital of its local subsidiary could buy SA debt (at a discount similar to that on the financial rand) on the secondary market in London and then lend the money to its SA subsidiary

The fact that interest on the loan is tax deductible and does not attract withholding tax creates large cash flow benefits for the multinational parent

This concept was significantly refined last year by Charles Millward of Millward Grebeck Securities. In effect he restructured a UK multinational's entire in-

vestment in SA by arranging a disinvestment through the financial rand, which was followed by re-investment through standstill debt

Mr Millward estimates that the transaction increased the multinational's cash flow by about 40 percent. (The deal benefits the country because it achieves the rollover of significant amounts of debt caught in the net without affecting the country's reserves)

Such a deal is likely to be irresistible to the Hanson trained Wassall executives

As aggressive acquirers, their philosophy is likely to involve squeezing ever higher earnings out of operating subsidiaries in order to place shares at ever finer yields to fund the next acquisition

So the opportunity to restructure the SA subsidiary to enhance the cash flows bought something they are unlikely to pass up easily

The interest benefit generated by a restructure of MCSA, estimated by Mr Millward to be up to £1 million a year, would go a long way toward servicing the £14 million debt incurred in acquiring the MC group

Wassall will be relying to a great extent on MCSA's earnings while it gets the UK operation into shape. Unless it decides that the MCSA minorities present too many problems (the standstill debt scheme could not be implemented if there were minority shareholders) it seems just a matter of time before it has another run at the local company

### Ball in their court

Willie Ross of Finansbank says there has been no contact with Wassall and "the ball is entirely in their court now"

Winston Floquet of stockbrokers Martin & Co, who fought for the minorities case agrees that it is in Wassall's interest to make another offer but emphasises that a different method and different price should be used

He also points out that as some of the major minority shareholders have held the share since its listing some 40 years ago, they are reluctant to part with the scrip

This raises the possibility of offering the SA minorities the opportunity to participate in the overall group by exchanging MCSA shares for Wassall shares. Because of Reserve Bank restrictions this would require Wassall getting a listing on the JSE

Mr Floquet says this was considered in the initial stages of the deal. The Wassall management referred it to some of their UK institutional backers, who apparently were nervous about the South African role being given even greater prominence through a Wassall listing

### Take a second look

As one local analyst points out, going for a JSE listing does not look appropriate for a company trying to build a high price/earnings rating in the UK

But it may be that having failed with their first bid to take out the minorities, the Wassall team will take a second and keener look at the possibility of a JSE listing

Mr Millward believes the MCSA minority shareholders should be given the same offer as the MCOUK minorities — the opportunity to participate in Wassall

"If the share swop was done on an earnings basis SA minorities might reasonably expect to end up with some 10 percent of the shares in Wassall," he says

"From Wassall's point of view it gains access to another stock market with an ever-growing appetite for opportunities to invest in rand hedge stocks"

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## Barend to open new chrome mine

ROBERT GENTLE

(217)

A NEW chrome mine owned by mining entrepreneur Loucas Pouroulis will be opened today by Finance Minister Barend du Plessis, a spokesman for the minister's office disclosed yesterday.

The mine, called Goudini, is situated near the western Transvaal town of Zeerust and lies close to a number of existing chrome mines.

A Pouroulis' Golden Dumps group spokesman said the mine was a small, open-pit operation turning out high quality chrome for local and export markets.

It was at the commissioning stage, with production being phased in. The first shipments to export markets had started.

The mine will employ about 200 people at current production levels, with subsequent increases as production picks up.

The Golden Dumps spokesman declined to put a figure on the cost of the mine or the expected production volumes. There were no plans at the moment to have the mine listed, he said.

Although the outlook for chrome was unfavourable for the rest of the year, Goudini was "positioning itself" for the upturn expected in about nine months time.

Blom 26/7/90

## New mine set to double output

GOUDINI Chrome, mining entrepreneur Loucas Pouroulis's latest venture which exports to markets in the Far East, Europe and North America, was formally opened yesterday by Finance Minister Barend du Plessis. *Blom 27/7/90*

Goudini is scheduled to double its output to about 12 000 tons a month by September, which at current market prices of about \$60/ton, means annual revenue of at least \$720 000. *217*

It belongs to Canadian Gold Holdings, 75%-owned by the Pouroulis family trust and 25% by a European investor.

Du Plessis praised Pouroulis's entrepreneurship, saying it was the kind of spirit and confidence SA needed. "No challenge is too big for him to tackle," said Du Plessis, calling him a "dynamo" and a "rubber ball".

For many in the audience, which in-

ROBERT GENTLE

cluded representatives from some of Goudini's foreign clients, there was little doubt that this was an oblique reference to Pouroulis's ability to bounce back from the Lefkochrysos failure.

Lefko, his platinum venture listed in 1987, was bought by Rand Mines after a cash crisis. However, when asked if Goudini was his big comeback, Pouroulis said: "What comeback? I never left."

Goudini stands on a farm in the middle of two existing chrome mines in the Anglovaal and Amcoal stables — and Pouroulis has bought it.

For many observers, the Cypriot mining engineer stands poised to do another Lefko by taking on the giants in their own back yard.

# Bottom of base metals cycle 'likely in 1990'

Bl Day 31/7/90

217

RIAAN SMIT

RENEWED weakness in the base metal markets will probably be seen in the second half of 1990, Thursday's Metal Bulletin (MB) quotes Metal and Minerals Research Services (MMRS) as predicting.

But MMRS says in its latest Metals Analysis and Outlook it believes that 1990 will prove to be the bottom of the current cycle with aluminium expected to lead the base metals back up in 1991.

MMRS bases its view on three factors

Firstly, 1990 is witnessing a mild economic recession with the vehicle industry and parts of the construction sector particularly depressed.

"Base metal consumption is therefore expected to register no overall growth this year," and the third quarter, MMRS says, "will prove to be the bottom of the economic cycle, after which growth will accelerate"

Secondly, base metal production is now expected to rise by just 1.4% in 1990.

## Sentiment

MMRS says growth should be much faster next year through both capacity increases and better capacity utilisation rates.

Thirdly, stock replenishment over the balance of 1990 will be modest and this will leave cover still inadequate in 1991 as producers battle to improve capacity utilisation rates in the face of rising demand, it says

MMRS believes that in spite of an apparent improvement in sentiment, the stainless steel cyclical downturn has not yet run its course.

Nickle demand is, therefore, still falling and producer cuts and involuntary disruptions will not be sufficient to balance the market in 1990

"Only the strong cyclical upturn in demand next year will allow prices to stabilise and then rise again."

It also said renewed downward pressure on the price of copper would be sustained into 1991 because of the downturn in the vehicle and construction industries.



# Higher costs knock Rusplat earnings

RUSTENBURG Platinum Holdings — the world's largest platinum producer — suffered a drop in distributable profit in the year to end-June for the first time since 1984, but the dividend was up by 10c to 310c.

The decline in distributable profit to R551,3m (R595,7m) was caused by a 12,6% increase in the cost of sales and a 67,3% increase in renewals and replacement charges, which reflected the higher costs of "maintaining ore reserves at increasing depths", directors said yesterday.

The results compare with Rustenburg's exceptional 1989 year when taxed income increased to R600,6m (R388,9m) and earnings a share rose from 306,9c to 475,4c.

Gross sales revenue for the 1990 financial year was up from R2,932bn to R2,944bn in spite of the "generally lower" dollar prices received for most metals, they said.

Although earnings for rhodium were higher during the year under review, the substantial increase in the free market price which occurred towards the end of the financial year came too late to have a material effect on the annual results.

Profit on metal sales decreased by 11,9% to R1,28bn (R1,46bn) and net operating profit was down R118,7m to R1,465bn.

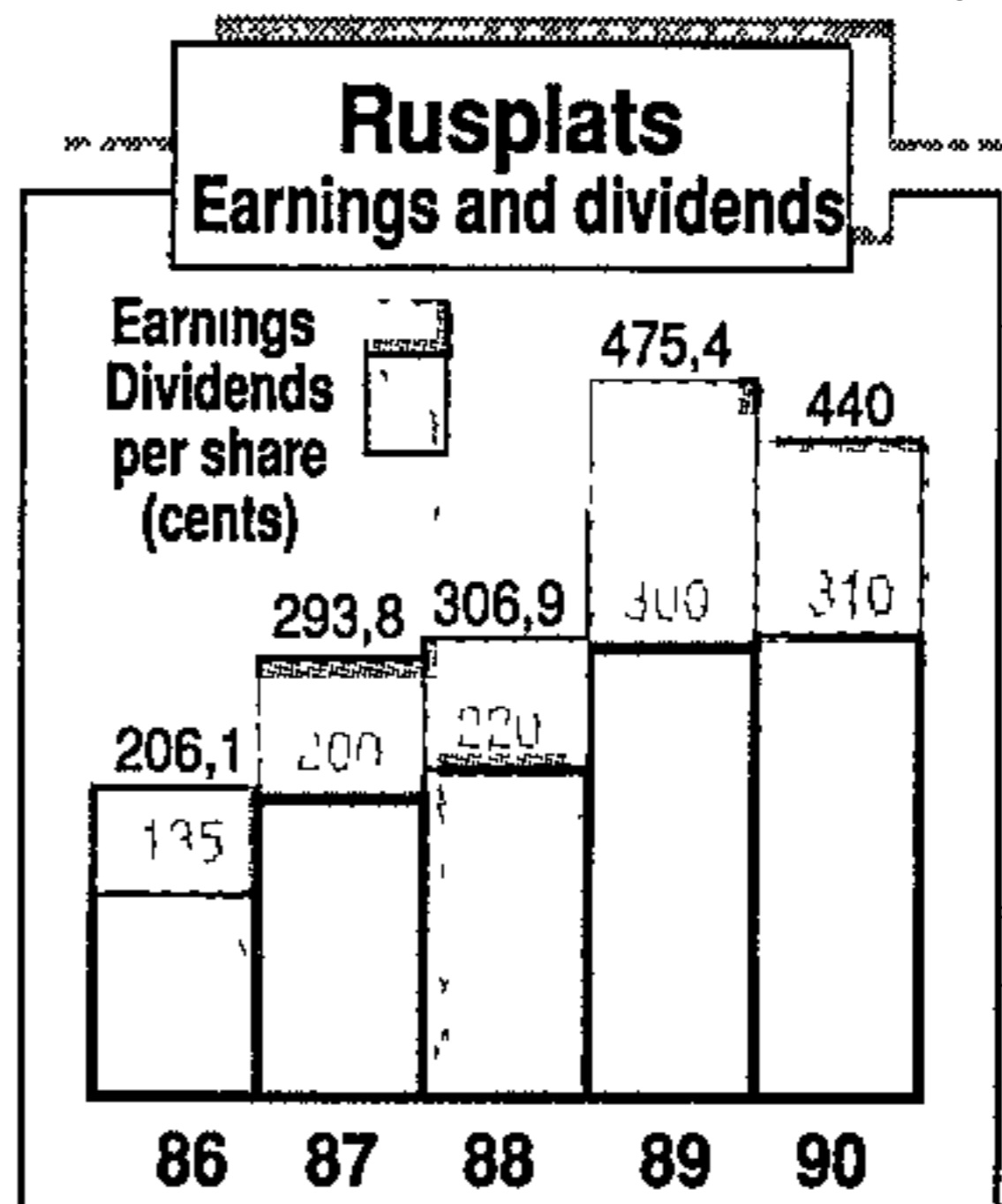
Reduced profits resulted in a 20,3% de-

RIAAAN SMIT

crease in the provision for tax, lease and tax normalisation compared with the previous year. Capex for the year was R313,2m (R245,5m) of which R73,6m (R102,3m) was for expansion and projects, directors said.

Chairman Pat Retief said in the 1989

□ To Page 2



Graphic LEE EMERTON Source RUSPLATS

## Rusplat

annual report that during the five years since 1984 when its distributable profit amounted to R100m, Rustenburg's distributable profit and dividends had increased at an average growth rate of 42,9% and 38% a year respectively.

Turnover of Consolidated Metallurgical Industries declined by 33,6% to R215,4m due to the combined effect of a 19% drop in both the price and volume of sales of ferrochrome, directors said yesterday.

Lower production volumes caused the

unit cost of sales to rise by about 30%. While earnings a share dropped from 236,6c to 167c, the dividend for the year was maintained at 115c.

Lebowa Platinum Mines' gross sales increased 13,1% due to increased volumes of metals sold, but sales costs rose by 21%.

Taxed income declined from R23,7m to R18,6m and earnings a share dropped from 19,7c to 15,5c, but the dividend was maintained at 7,5c.

□ From Page 1

# Asking price 'not a proposition'

B/day 1/8/90

ROBERT GENTLE

217

THE farm on which Lucas Pourouls's new Goudini Chrome mine stands had been the subject of previous offers by at least one of the existing mines in the area, it emerged yesterday.

However, according to a source from one of the mines, the asking price of around R6m — which included the farm and the mineral rights — had not been "an economical pro-

position".

The existing mines straddling Goudini are Marico, jointly owned by Samancor and Vereeniging Refractories (an Amcoal subsidiary), and Zeerust, controlled by JSE-listed Associated Ore & Metals (Assore).

The source, who did not wish to be identified, said that in any case, both Zeerust and Marico had substantial ore reserves of their own.

□ A Zeerust spokesman, clarifying a report in Monday's Business Day, said that while Anglovaal was the largest single outside shareholder in Zeerust with about 15% of the capital, it did not control the mine.

The spokesman quoted in the report was, in fact, from Assore.

FIM 318/90

217

dollar and as platinum prices tailed off in the second half of the year to end-June. In addition, platinum's price softness was compounded by an end to the nickel boom as the world's stainless steel manufacturers stopped their mad scramble for metal at any price.

Production volumes were little changed on the previous year — not surprising given the refinery problems which plagued the company for a large part of the year. And, as a result, financial 1990's turnover at R2,944bn was hardly changed from last year's level. The static production levels are borne out by the modest rise in the cost of sales. Costs were particularly well contained with an increase of 12,6%, comfortably below the inflation rate, but not enough to make up for

### UNDER PRESSURE

Year to 30 June	'88	'89	'90
Turnover (Rm)	2 367	2 932	2 944
Pre-tax profit (Rm)	980	1 441	1 225
Attributable (Rm)	385	596	551
Earnings (c)	306.9	475.4	440.0
Dividends (c)	220.0	300.0	310.0
Cover (c)	1.40	1.59	1.42

the stagnant sales revenue. Operating profit fell by 7,5%.

MD Barry Davison isn't going overboard about immediate prospects. He is unhappy that investment demand is in the doldrums, but happy that European demand for metal for motor exhaust catalysts is booming ahead of the implementation of EC clean-air regulations.

In the short-term, too, there should be no quantum increase in production from competitors which could help. The Soviet Union is a major imponderable, Davison believes, and reckons it will sell anything to raise cash, but does not know if it has platinum metal stocks to run down.

A 67% rise in the charge for replacements and renewals has been ascribed by the directors to "the higher costs associated with maintaining ore reserves at increasing depth."

The tax, lease and tax normalisation fell by 20% during the year on the back of the lower profit. The tax rate was also lower at 54,6% (58,3%), as a result of the 1,5% reduction in the tax surcharge and a higher level of non-mining income (which is taxed at 50%). Rusplat uses its tax normalisation charge to smooth out fluctuations in tax payments resulting from capex and other deductions.

At 440c, earnings were down only 7,5% from last year. Rusplat has opted to reduce its cover to 1,42 times, roughly the same level as it was two years ago. Davison is comfortable with this, pointing out that Rustenburg's cash position is strong and that the company can easily finance its planned capital spending programmes. This year's cash flow should, in any case, be boosted by higher volume sales as the refinery operates at full capacity and revenues benefit from the recent boom in rhodium prices.

Gillian Findlay

FINANCIAL MAIL AUGUST 3 1990

RUSTENBURG PLATINUM (217)

### Holding breath

After enjoying a procession of earlier exchange rate benefits, Rusplat started to suffer as the rand strengthened against the

FINANCIAL MAIL AUGUST 3 1990



# Ribbon Bateman deal

## Argentina first on world project list

SIT was 5/8/90: 217

**BATEMAN Project Holdings (Batepro), a subsidiary of the low-profile Edward L Bateman group, is destined to become a major player in the mining world and is looking for companies to buy.**

Projects in North and South America, Europe, Africa, the Pacific Rim, the Middle East and Asia are on the company's list.

Batepro chairman John Herselman says "In expanding our international activities, we shall seek to develop not only our capabilities organically, but focus on acquisitions and strategic alliances."

The first step is a R1.3-billion investment in a multi-mineral project in Argentina between

completed two contracts. A permanent branch has been opened in Santiago.

Batepro's operation in America has been awarded the biggest contract in its 15-year history — a 2-million-ton-a-year leach gold recovery plant in Idaho

The company is involved in modernising eight of the 14 sugar mills in Columbia. Batepro executive director Roger Falls says "We have a strong balance sheet."

At June 1989, Edward L Bateman had R81.5-million in cash

Although unable to say what effect the Argentinian project will have on the company, Mr Falls says it should boost the steady growth in turnover and profits of the past few years

In the year to June last, Edward L Bateman boosted turnover to R844-million from R735-million. Profits rose to R14.1-million from R8.4-million, equivalent to earnings of 53.1c a share compared with 31.8c. Dividends last year were 170c, covered 3.1 times. The share is trading at near its peak at R34

### Strong

Bateman has taken part in gold and other mining projects on several continents and in diamond recovery worldwide, the most notable being Argyle in Australia.

The group's sugar recovery expertise has opened up opportunities in Hawaii and Malawi as well as Colombia where subsidiary Sugar Consultants International has been working for the past five years. A new base is to be set up in Colombia

underlying thrust of this expansion will be our strength in mineral and mining technology and our specialist capabilities in the non-mining sector, such as for the sugar industry.

"During recent visits to the Pacific Rim and the United States, I had discussions with many existing and potential clients and was gratified to find that our group has a high international standing."

The company is also looking at Chile where Bateman Materials Handling has

### By DON ROBERTSON

Edward L Bateman Engineering (Elbec), the international arm of Batepro, and Yacimientos Mineros Aguas de Dionision It will produce copper, gold, silver and molybdenum. Dr Herselman says "We are confident that changes taking place here and elsewhere in the world will open up markets previously denied to SA companies."

Batepro plans to develop the Bajo la Alumbraera mining complex in the Beien area. Early indications are that it can produce 60 000 tons of copper, 7 000kg of gold, 10 000kg of silver and 300 tons of molybdenum a year.

The agreement between Batepro and Yacimientos is the culmination of 13 years of investigation in Argentina

### Intent

Catamarca province governor Ramon Eduardo Saadi visited SA in June to look at mining operations. As a result of his visit, a letter of intent was signed with Elbec.

In full production, the complex will rank with world leaders in copper production such as Palabora, Lornex and Bouganville.

When finally approved, Elbec will provide services, plant and equipment. Finance will be provided by a consortium of SA and foreign mining companies. Their names are withheld for the time being.

Dr Herselman says "The

# New average high for aluminium

PETER GALLI

THE average London Metal Exchange (LME) weekly price of primary aluminium reached a high of \$1 729 for the week ending July 30, an improvement of \$177 a ton on the \$1 552 for the week ended July 23.

The average monthly price of aluminium also reached a seven-month high of \$1 530 in July 1990. The previous high was \$1 629 in December 1989, falling to \$1 532 in January, and a low for the year of \$1 463 in February.

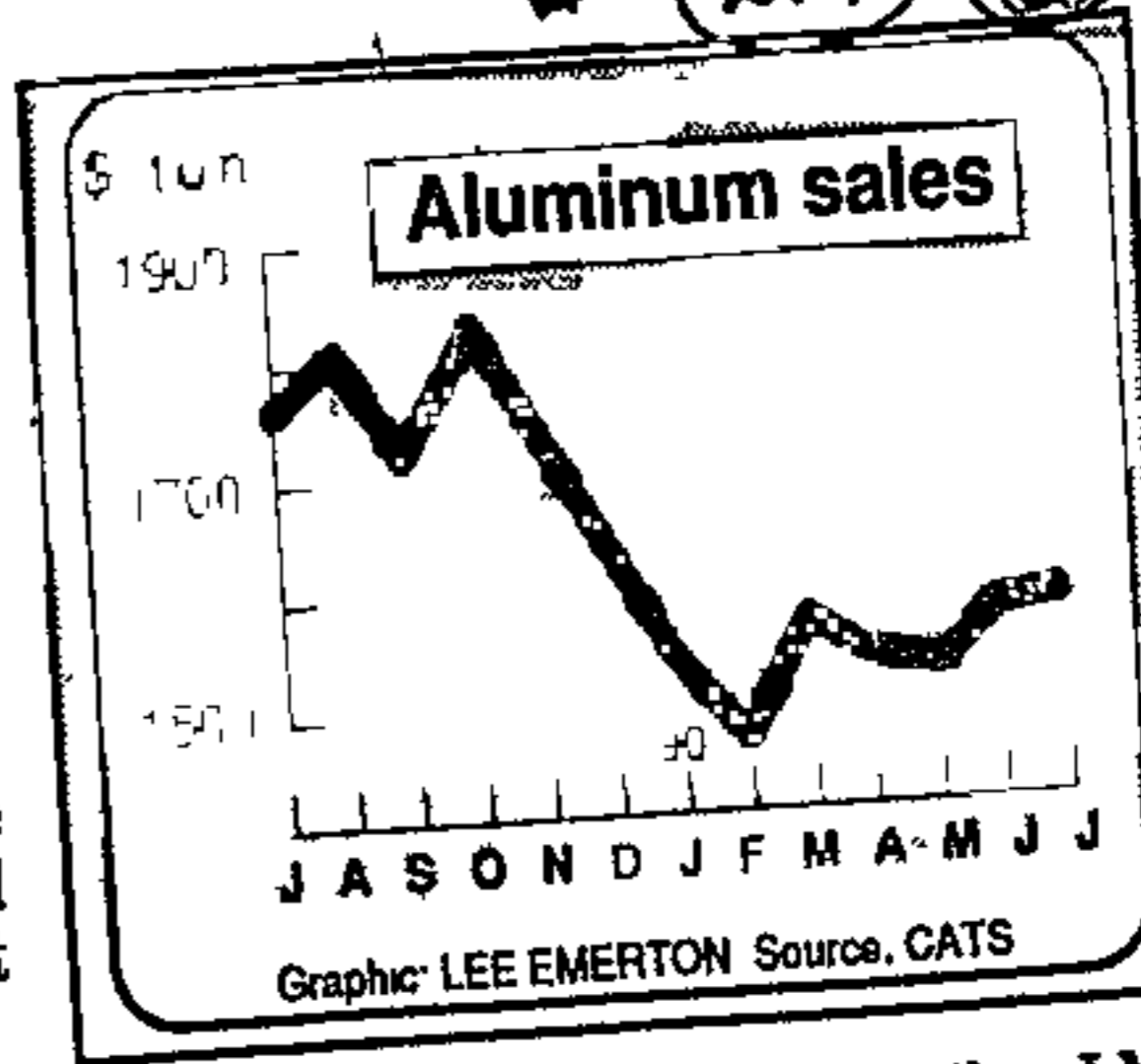
This new price represents a benefit for SA as export earnings will increase. As the local industry pays the stable SA price, the change in the LME will have no effect.

A spokesman for Alusaf said that no single factor

was responsible for this increase, and he could not determine what effect the Middle East tensions had had or how long the metal would remain at this value

Aluminium Federation of SA director Tony Paterson said it should be noted the LME price of aluminium rose during the 1987/88 period and then fell again during 1989 to the prices reflected.

He emphasised SA followed the long-term trend of the LME, but was not directly linked.



"We foresee the LME price drifting up to \$1 800 a ton by year end and continuing into the latter part of next year," Paterson said

# Genmin in R36-m granite deal

Star 7/8/90 Finance Staff (217)

General Mining (Genmin) has acquired a 75 percent interest in Transkei Pioneer Mining Company (TPMC), with effect from the beginning of July, for R36,19 million from private investors

TPMC owns three high-grade black granite deposits in the Willowvale area of Transkei. Exploitation began in 1989. Current production is 300 to 500 cubic metres of granite a month. Some 95 percent is exported

Genmin's general manager, business development and strategy, Trevor Rees, says an extensive drilling programme proved the deposits are not only high quality, but substantial.

Production will be raised over the next two years. It is estimated the reserves will last well into the next century even

if production is increased to 3 000 cubic metres a month.

Mr Rees says there is a huge demand for quality black granite abroad and that granite produced by TPMC is equal to the best Belfast Black. World demand for quality black granite exceeds production by 50 percent.

The mine provides job opportunities for 100 people and if production is increased the number could double. The company is investigating the possibility of cutting and polishing the stone locally, which will increase revenue substantially.

The previous owners, AC Baradas, PN Zappa, F Soldati, C Ferrari, M Zappa and E Zappa, still own 25 percent of the company.



## Messina passes interim dividend

A lower average copper price, a return to a full tax-paying position and a reduced contribution by the Premier Equipment group have impacted on the results of Messina, with earnings falling 55 percent for the six months to June.

The group's taxed earnings fell sharply to R11,6 million, compared with earnings of R50,4 million for the corresponding period last year.

Earnings a share showed a corresponding drop to 91c, compared with the previous figure

of 398c.

*Str 7/8/90 (217)*  
The need to conserve cash for the development of the platinum mine will continue.

The directors point out in the annual report that this constraint will have an influence on the company's dividend policy.

Accordingly the directors have decided to pass the interim dividend, which in 1989 was 32c.

Turnover for the six months decreased to R100,7 million from the previous year's R246,4 million. — Sapa.

# Messina's earnings a share plunge 55%

A LOWER average copper price, a return to full tax and the effect of the economic downturn, resulted in a 55% decline in mining group Messina's earnings a share to 91c (201c) in the six months to end-June

The interim dividend has been waived — 32c was paid last year. Shareholders were told of the need to conserve cash for the devel-

**PETER GALLI**

opment of the platinum mine, and that this constraint would have an influence on the dividend policy

Turnover fell 17% to R100,7m (R121,8m). A rise in the tax rate from 12% to 47,8% meant net income before extraordinary items plunged 54% to R11,6m

8 10 am 7/8/90  
(R25,5m). There was a reduced contribution from Premier Equipment Group because of the economic downturn. Net cash resources declined 8% from R112,3m to R104m, again as a result of tax payments and expenditure on Messina Platinum

Mineral lease agreements for Zebedielas Location and for Doornvlei were

signed between the Lebowa government as owner, the Lebowa government in trust for Chief Mphahlele and his tribe and Messina Platinum mines in March and May (217)

On July 20 the mineral lease agreement for Kaffirkraal, Kalkbult and Turfpan was signed between Messina Platinum and SA Development Trust.

## Ass Mang conducts mine study

PETER GALLI

217

ASSOCIATED Manganese Mines of SA (Ass Mang) is conducting a feasibility study into the expansion of the Nchwaneng manganese mine in the Cape, a mine spokesman said yesterday. *B1221 8/8/90*

Company sources said the mine was responsible for most of the company's output of 1 783m tons of manganese ore railings for the year ended December 1989. Metal Bulletin reported that production would be at least doubled if the proposed mine shaft came on stream.



## BUSINESS

# SA platinum shares skid on fear of rising oil price

MERVYN HARRIS

FEARS that rising oil prices will hit the global motor industry have put the skids under platinum shares on the JSE this week

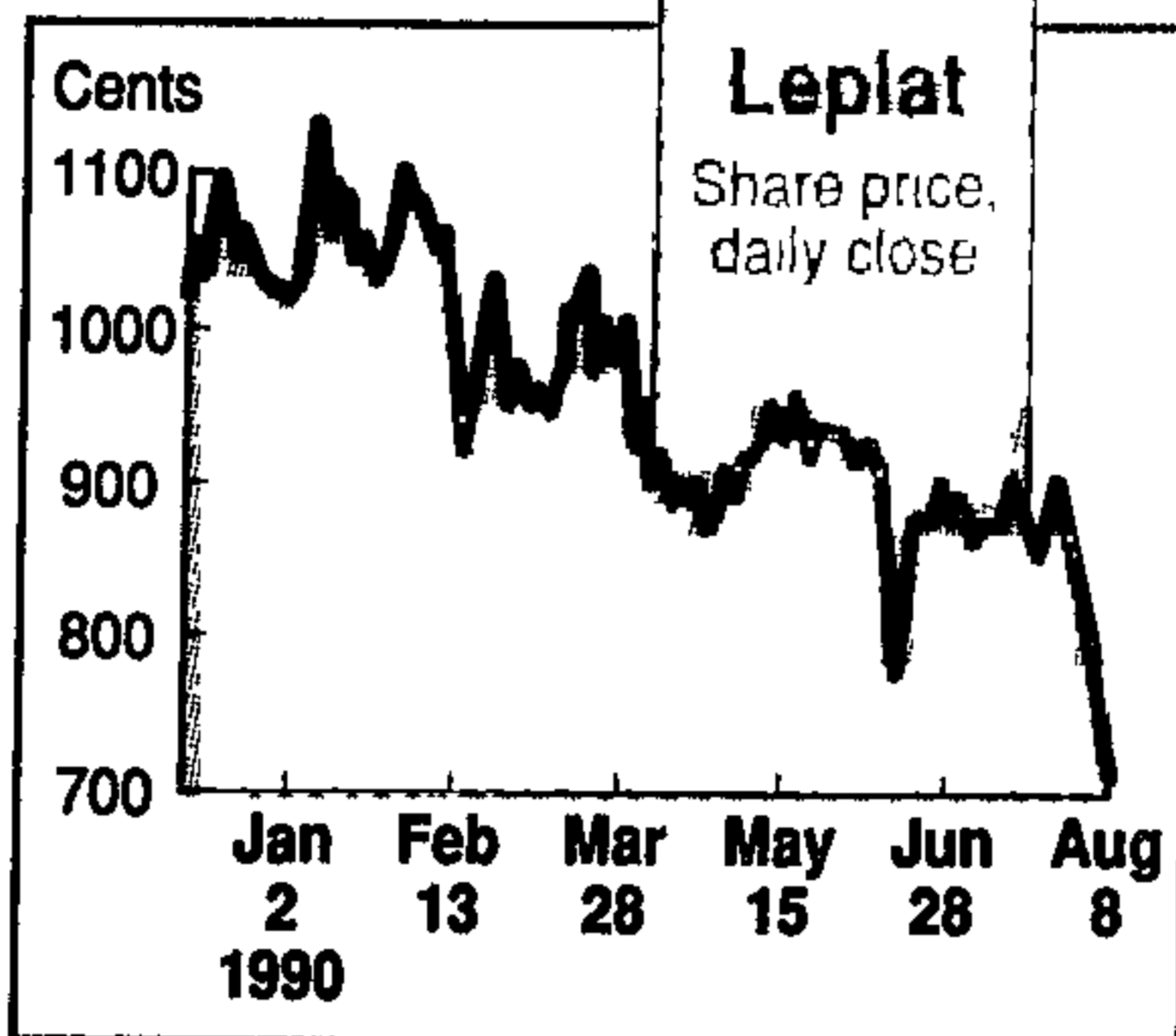
But coal shares moved up sharply yesterday on expectations of the industry benefiting from the substitution of coal for oil and as strike fears on SA coal mines receded

The \$10 surge in oil prices to the \$28/barrel level has helped lift international coal prices off their lower trend

Frankel Kruger Vindermine analyst Kevin Kartun said coal prices were moving up on an energy equivalent basis in response to higher oil prices

However, he cautioned that if economic growth slowed and freight rates increased in line with oil prices this could erode advantages of firmer prices.

Coal shares registered gains of up to 15,6% yesterday as in the case of Gold Fields Coal which rose 125c



Graphic: FIONA KRISCH Source: JSE

to 925c

Anglo-Transvaal Collieries rose 12% or 600c to R56, while Trans-Natal Coal Corporation was off a high of R11,50 to close 25c up at R11, a gain of 12,2% over the last two days.

Shares of sector leader Anglo American Coal gained R5 to a fresh peak of R95 and Witbank Colliery was up 200c to R96

Platinum depends heavily on industrial demand and economists estimate rising oil prices could trim 1% off global economic growth.

Sector leader Rustenburg Platinum (Rusplat) recouped an early 100c loss yesterday to close unchanged at R87 but is still 200c down since Monday Impala Platinum (Im-

plats) closed 125c off to R84,75, down 200c on the week, but the larger falls have been among the lesser priced shares which are testing new year lows

Barplats Mines shed 15c to 350c yesterday but was off a low of 345c, representing a steep decline from last month's high of 430c and the 810c of a year ago

Shares in holding company, Barplats Investments, slipped 10,5% or 100c to 850c and seem set to test the June low of 840c

The shares were at R21,50 exactly a year ago

Lebowa Platinum Mines (Leplat) fell to a low of 600c yesterday before recovering to close 15c off at 710c, a 38% slump from the January high of R11,40

Lydenburg Platinum and Northam Platinum have remained relatively steady at their respective prices of R66,50 and R26,50

Kartun said the poorer fundamentals in the platinum industry were reflected in the recent results of Rusplat and Leplat which reported lower earnings.

217

## Platinum find played down

By Day 10/8/90  
Own Correspondent

LONDON — Claims about the discovery of the world's richest platinum deposit in India have been toned down following "inconclusive testing" of laterite ores in the state of Orissa.

Last month an Orissa Mining Corporation executive reported an ore-body was being investigated which showed grades of 220-550 g/ton and which might contain 30 000 tons of platinum.

But yesterday a Metal Bulletin report quoted Orissa state's director of mining and geology as saying analysis results showed wide variations.

He said they were mounting a fresh sampling programme.

## Real non-gold figures down

LIZ ROUSE (217)

TOTAL real non-gold mining production for May 1990 showed a decrease of 2% compared to April 1990 after seasonal adjustment

This decrease was mainly because of declines in the production of coal (down 2,4%) and other metallic minerals (down 2%), according to latest figures released by the Central Statistical Service.

The total value of non-gold sales for May 1990 showed an increase of 12,5% for May 1990 compared to April 1990. This increase was mainly because of rises in the value of sales of other minerals (up 31,4%) and manganese (up 27,3%)

Actual sales for May 1990 amounted to R8 753,7m, down 3,7% on May 1989's sales of R9 094,2m

The production index declined 3,7% to 88,5 from 91,9 in May 1989

Seasonally adjusted sales amounted to R9 139,2m, down 3,6% from May 1989's R9 484,9, while the seasonally adjusted index showed a decrease of 2,8% to 89,3 from 91,9.



# Platinum shares,

By Sven Lamsche  
Gold and platinum shares were not the only beneficiaries of the escalating tensions in the Gulf Region.

As gold consolidated its position in the Far East this morning, platinum prices continued their recent rise on the back of the strengthening bullion price.

The price of platinum was fixed at a two-and-a-half-month high of \$502 in London late yesterday, up \$15.50 on the day.

However, the rise in platinum share prices was held back on the JSE as international investors channelled their funds

# Financial rand benefit

into the more established gold sector. Nevertheless, the platinum index still gained 115-point to 6189, with Renssenburg picking up 225c to R87.25.

International investors were not deterred by a rise in the financial rand to its highest level since early March. The currency closed 2.5 percent, or 10c stronger at R3.70 to the US dollar.

The commercial rand, an obvious beneficiary from the soaring gold price, was also helped by a slightly weaker dollar.

The rand closed at R2.584 to the dollar, compared with Friday's close of R2.60. However, the rand lost further ground

against the Deutchmark and sterling, but remained steady against the yen.

Wall Street and the Tokyo Stock Exchange, however, reported a welcome recovery this morning, which dealers attributed to bargain-hunting and a lack of fresh negative news from the Middle East.

Oil prices firmed again yesterday. Brent crude gained about \$1 to avclose of \$26.11 in London yesterday — but dealers expect a slight easing of the price after the Saudi Ambassador to the US indicated that Opec would meet soon to consider steps to limit the impact of the crisis.

# Platinum shares, financial rand benefit

By Sven Lumsche  
Str. (4/8) 90  
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## Tight supply aids price of rhodium

PETER GALLI

217

THE delay in production at Rustenburg Platinum's new refinery, tight supply and robust demand — and increased demand from the automobile industry — were responsible for the sharp increase in the price of platinum-group metal rhodium in the past two months. *BIDAY 14/8/90*

The price of rhodium rose from an average of \$2 362/oz in June, to an average of \$3 029/oz in July, and stood at \$4 800/oz yesterday.

Johnson Matthey's 1990 platinum review said SA supplied 56% of the world's rhodium in 1989, 31% of which was supplied by Rustenburg Platinum. A mine spokesman said anticipated production had been reached.

An Impala Platinum Holdings spokesman said yesterday the more stringent regulations required worldwide for the tighter control of automobile emissions had increased the demand for three-way autocatalysts, which had strained the already tight supply of rhodium.

The Minerals Bureau's Johan Odenaal said the ratio of platinum mined in SA to rhodium was 17:1, while autocatalysts needed five parts of platinum to one of rhodium.

Motor manufacturers, worried about the availability of rhodium, had also been buying increased quantities.



News in Brief

*SAF Times 14/8/90*  
**Miners on murder charge** (27)

WELKOM — Ten mineworkers employed at the President Steyn gold mine yesterday appeared in the Welkom Magistrate's Court on a provisional charge of murder. This follows the death of Mr Nicolaas Jordaan. The case was postponed pending further investigation

# Implats sets out R1-bn promotion plan

SA 15/8/90

217

By Derek Tommey

A four-point plan to improve the market rating of Impala Platinum, the world's second largest platinum producer, and raise its share price sharply higher, was announced yesterday by newly appointed chairman, Brian Gilbertson.

The plan includes

- Seeking a listing on the JSE, possibly by the end of the calendar year, for its Bophuthatswana platinum mining operations;
- Obtaining sufficient reserves to enable Impala to continue mining well into the next century;
- Embarking on a major expansion programme costing R1,1 billion to increase platinum production by 35 percent in the next four years; and
- Obtaining more favourable terms from General Motors for existing platinum group contracts and also additional orders from General Motors for substantial quantities on competitive terms.

Writing in Impala's annual report, Mr Gilbertson says that over the past decade the market rating of Impala has declined

against its major competitor, Rustenburg Platinum.

Impala's market capitalisation is half that of Rustenburg although its production was some 75 percent to 80 percent of Rustenburg.

This shows that Impala shareholders are losing out.

Inquiries had shown that the poor rating was the result of concern about security of its current lease area as a result of disagreement with the Bafokeng Tribe, the extent of its reserves, the mine's cost structure and the uncertainty about its future expansion.

Mr Gilbertson says new contracts have been signed with the Bafokeng Tribe extending its right to mine the existing lease area until the reserves are exhausted and also giving it exclusive right to apply for a mining lease over the adjoining Deeps area, and which will continue until the reserves there are depleted.

The contract specifies that the Bafokeng Tribe will be able to subscribe for up to 7 percent of the equity of the Impala group company conducting mining operations in Bophuthatswana.

To facilitate this Impala will form a new company in which these operations will be placed and which will seek a listing before the end of the year.

Two boreholes have been drilled in the Deeps, one of which gave expected results and the other much higher than expected results. Six further boreholes are being sunk in the area.

The current Impala will become a holding company for the group's Bophuthatswana company and its interests in Messina, Western Platinum and Eastern Platinum and Moddergat — if that comes to fruition.

Mr Gilbertson said that Impala was competitive with other producers. As a result of acquiring the right to mine the Deeps, Impala is planning to increase production from 1,08 million ounces to 1,35 million by 1995.

This will cost R450 million next year and about R675 million in the following year.

He said he was gratified that General Motors had placed orders for significant increases in platinum group metals as this was a confident commitment by the world's largest company to the use of platinum in automobile catalysts.

Sur 15/8/97 (217)

## Profits down but dividend unchanged

Impala Platinum's attributable profits dropped R74,0 million in the year ended June to R403,8 million. This was the first time since 1982 that Impala had reported a lower profit.

However, Impala's chairman, Mr Brian Gilbertson, pointed out that the figures were still the second highest ever by the company. A final dividend of 170c has been declared making an unchanged total of 250c for the year.

Impala's sales revenue was virtually unchanged at R2,09 billion, but the cost of sales rose by 34 percent to R1,34 billion, partly as a result of a few extraordinary items.

The platinum market is being affected by a sharp decline in the demand for platinum for investment purposes which is resulting in a surplus, says Mr Gilbertson.

Therefore the platinum price is not expected to rise much above its present levels in the immediate future.

He said it was hard to say what this year's profits would be.



## Implats plan to increase its output

B10 am 15/8/90  
RIAAN SMIT

IMPALA Platinum Holdings plans to increase output from 1,08-million ounces to 1,35-million by 1995.

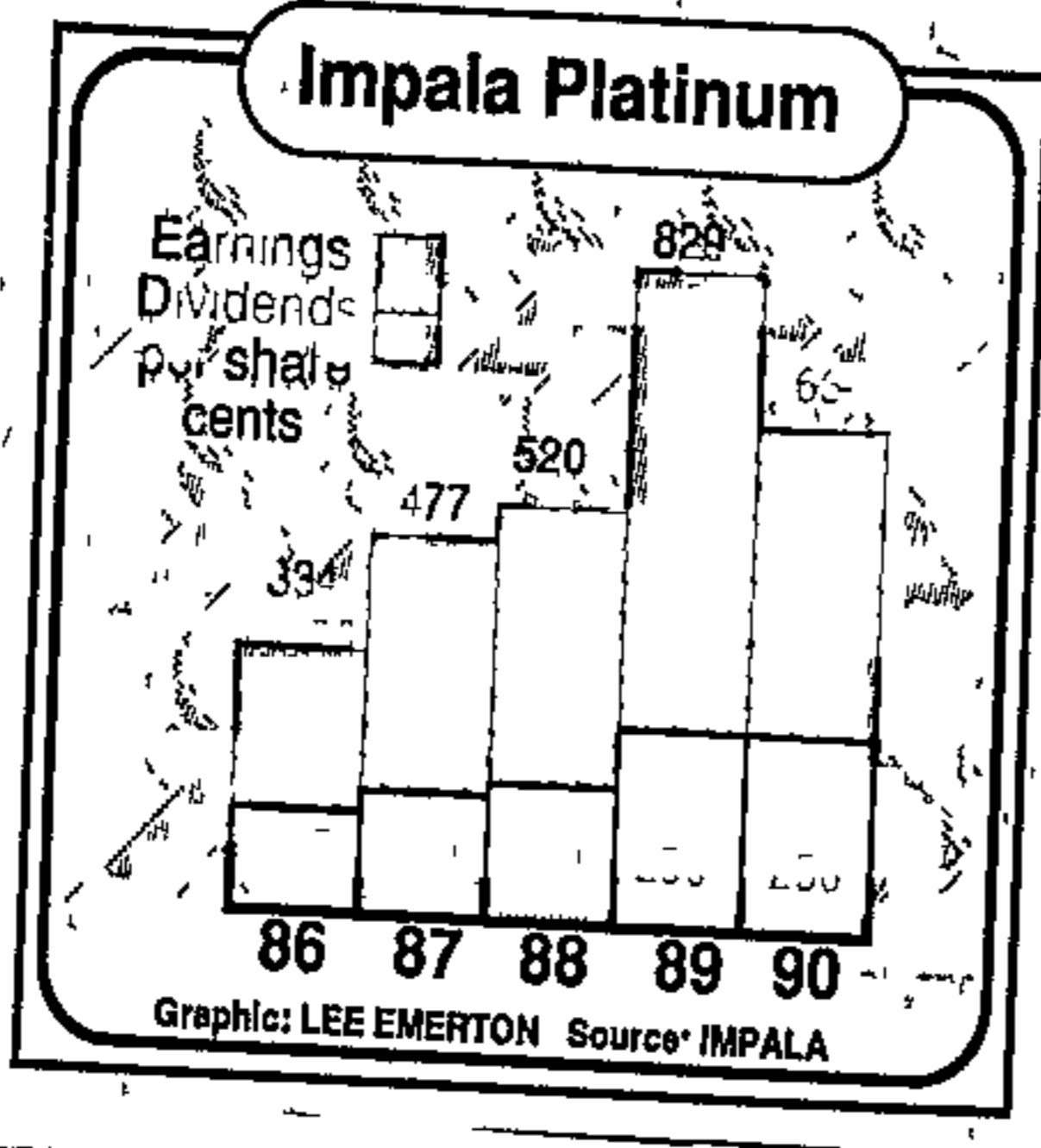
It announced yesterday it had renegotiated an increased supply contract with General Motors (GM).

The announcement was made as results for the year to end-June were released. These showed the group's attributable income dropped — for the first time since 1982 — 15,5% to R403,8m (R477,8m).

Chairman Brian Gilbertson said yesterday this income was still substantially above the R299,8m for 1988.

The board declared a final dividend of

□ To Page 2



## Implats B10 am 15/8/90

170c a share, giving an unchanged total dividend of 250c. Revenue from sales amounted to R2,09bn, virtually unchanged from the previous financial year, but the cost of sales increased 34% to R1,34bn. The total mining and refining costs an ounce of platinum increased 16,7%.

Increased output would come from a new mine at Messina (75 000oz a year), two new mills on the existing lease area dedicated to treating UG2 reef (150 000oz), and 45 000oz from process refinements.

The terms of the contract with GM had not been "favourable" to Implats in the past, but this had been rectified during negotiations were concluded in mid-June, he said. He declined to specify the size of the contract but said the amount supplied to GM would "jump up" from 1994 onwards. Demand by the autocatalyst industry was expected to grow by 700 000oz during the next five to six years.

217

□ From Page 1

Gilbertson said initial steps had been taken to list a company on the JSE and London's International Stock Exchange, which would group Implats's mining interests in Bophuthatswana. The Bafokeng tribe would be represented on the board.

He was confident the group would announce a new mine at the Moddergat deposit southwest of Amandelbult.

Implats would build a new refinery in Bophuthatswana as soon as production from "The Deeps" area exceeded the capacity of the refinery at Springs. Implats's right to mine the existing lease area had been extended until the reserves were exhausted, and a new contract had been signed entitling Impala to prospect and apply for a mining lease for "The Deeps".

The group had also entered a long-term agreement with Degussa AG to supply platinum group metals for the manufacture of vehicle catalysts.

CHIT TENTS 15/8/90  
247

# Implats reports 15% decrease in income

JOHANNESBURG — Impala Platinum Holdings (Implats) annual figures for the year ended June, released yesterday, show that for the first time since 1982 the group reported lower profits than that of the preceding year.

Attributable income decreased by about 15% to R403,8m, and earnings a share showed a corresponding decrease to 634c (829c).

Group revenue from sales amounted to R2,09bn which virtually unchanged from the previous year, but cost of sales during the financial year increased by

34% to R1,34bn. Total mining and refining costs per oz of platinum refined increased by 16,7% which is slightly higher than the average rate of inflation for the year under review.

The board declared a final dividend of 170c a share to give an unchanged total dividend of 250c.

Implats new chairman Brian Gilbertson who replaced former chairman Steve Ellis last week, said yesterday that a sharp decline in demand for platinum investment products occurred in 1989 and this seemed

likely to persist in 1990. Consequently, supply might exceed demand by more than 200 000 oz in 1990, and the platinum price was therefore unlikely to rise much above the current low levels in the immediate future.

In his review Mr Gilbertson said in the longer term the market outlook was more favourable and strong growth was expected, particularly for autocatalyst applications. During the past two decades the demand for platinum in the autocatalyst industry had grown to 1,5m oz a year — Sapa

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## SOWETAN BUSINESS

# Bafokeng tribe grants Genmin prospecting rights

*Sowetan 16/8/90*

*217*

IMPALA Platinum Limited, owned by Genmin, has been granted the rights to prospect and apply for a mining lease for "The Deeps", next to the existing platinum mine in the territory.

According to Mr Brian Gilbertson, chief executive of Genmin, it was granted permission by the trustees of the Bafokeng tribe, on whose land the ore is, and the Bophutatswana government

The agreement was signed in Mmabatho on August 2

However, a spokesman for Chief Edward Molotlegi said as far as the exiled ruler was concerned any agreement entered into by his rival was of no effect. Chief Edward has

disputed previous agreements entered into by the Bophutatswana government and Genmin, claiming that Chief George Molotlegi, who has signed the agreements and enjoys Chief Lucas Mangope's support, does not have the tribe's authority

### Valid

Gilbertson this week said he hoped the issue was now settled and as far as he was aware the agreements were valid and enforceable in terms of the law

According to the recent agreement the tribe will receive up to 16 percent of taxable income derived from mining "The Deeps" and may subscribe for up to seven

percent of the shares in the company.

The tribe will also have a representative on the board. Last year the tribe received R75 million in royalties and in 1987 R32 million

Gilbertson said the company's value on the Johannesburg Stock Exchange was R5 000 million and Bafokeng can thus own up to R300 million in shares

A listing on the JSE is to be sought and the board is also considering one on the international stock exchange in London

Platinum is an export commodity whose present value is plus minus 500 US dollars (about R1 300) an ounce

Gilbertson also said a

refinery may be built in the near future depending on the capacity of the refinery in Springs. At present about 1,1 million ounces are extracted and mining "The Deeps" will result in another 45 000 ounces being extracted

He said two bursaries will be offered to enable the training of students who will occupy senior administrative or technical posts in future

### Substance

Southern Africa presently supplies 80 percent of the world's platinum supplies. The substance is used overseas as a filter for leaded petrol. South Africa has not yet passed legislation forcing car manufacturers to produce cars which only use unleaded fuel.

Europe and the US introduced unleaded fuel after pressure from environmental groups



# Palamin slashes interim 26,7%

By Derek Tommey (217) Palabora Mining Company's interim report has some shocks for shareholders. The lower copper price and production problems have led to a 26,7 percent cut in the interim dividend from the 150c paid last year to 110c a share this year.

At the same time the company has announced that it is embarking on what must be a fairly expensive exploration programme, which includes the sinking of a shaft, to assess the feasibility of underground mining operations.

No cost is mentioned. But a taste of what is likely to come can be found in the figure for approved capital commitments. This has jumped from R15,9 million at the end of June last year to R94,7 million at the end of June this year.

Sinking of the 4,8 metre

wide shaft, will start towards the end of the month. It is to be sunk from Bench 30 in the open pit and will be 573 metres deep. See 17/8/90.

Palabora's operating profit dropped 32,8 percent in the six months ended June to R245,2 million from R366,0 million a year ago. Turnover dropped 17,4 percent from R660,4 million to R545,6 million as a result of the average copper price declining from R7761 to R6713 a ton in the first half of the year and a 23 percent reduction in smelter operations.

But a 37,4 percent drop in taxation from R220,9 million to R138,4 million greatly helped to reduce the drop in taxed profit to 29,2 percent — from R157,9 million equal to 558c a share last year, to R111,8 million equal to 395c a share this year.

# Costs knock Gefco, Msauli

ASBESTOS producers Gefco and Msauli both posted lower results for the six months to end-June, compared with the records set during 1989.

Gefco's turnover for the period rose 19% to R57m (R48m during the previous period), but operating income was down 106% to R7,2m (R14,9m).

This loss could be attributed to higher unit production costs at the Kuruman and Penge mines, commissioning costs and labour problems, executive chairman Pat Hart said yesterday.

Net income after tax was R5,8m, 102% lower than in the same period last year. Earnings a share fell to 16c (32,3c). A dividend of 4c (7,5c) was declared.

Msauli's turnover for the period rose 6% to R33m (R31m), while operating in-

8109 17/8/90  
PETER GALLI

come dropped 70% from R9,2m to R5,4m as production volume declined because of temporary mining problems.

A 112% reduction in net income after tax to R3,8m (R8,1m) was suffered. However, Msauli declared a dividend of 20c (25c) on a 112% plunge in earnings a share to 59,4c (126c).

Hart said the results were in line with expectations. "Gefco will at least maintain this level of performance in the second half of the year, while Msauli is expected to exceed it."

Gefco's production problems were being addressed. Volumes were expected to improve and the markets for Gefco's and Msauli's products remained firm. However, the mines' profit-

ability would be affected by the stronger rand.

In view of the recent slump in the gold price, commissioning of the Von Brandis gold mine, in which both companies have a 25% stake, had been delayed.

A six-month underground development programme had been initiated to improve ore availability.



# The Gilbertson factor

After years of non-disclosure, Impala Platinum is lifting some of the veil on its operations. Though it might be carping to point out that some years ago Lonrho's Western Platinum disclosed more detail, Impala's new disclosures bear the unmistakable imprimatur of new chairman Brian Gilbertson.

This time round the platinum company has not only disclosed its latest production levels, but also tells shareholders of its expansion plans through to the mid-Nineties and is candid about the group's security of tenure over its mining leases and its principal sales contract with General Motors. Some years ago, when he took over at Trans-Natal, Gilbertson decided that openness was desirable. He followed up with fuller disclosure of Gencor's gold mines' operations and has now extended the policy to the formerly highly secretive platinum business. Openness does not imply the reporting standards introduced by Gilbertson are not prudent — if anything they are over-prudent and loaded with provisions.

The group's turnover was unchanged during the year at R2,09bn (R2,091bn), but a high rate of increase in the cost of sales led to a 23,5% drop in earnings. Two principal items adversely affected the results: a change in the accounting policy for stock and a R29,3m provision for non-resident shareholders' tax (NRST) for this and previous years. In an unusual move, the platinum group metals contained in the pipeline have been capitalised at R249,2m and been effectively frozen at this year's value.

Without these two factors, the cost escalation would have been a more reasonable 16,7%. Nevertheless, the group posted its second-highest earnings at 634c (829c). The total dividend has been maintained at 250c, meaning that the final was cut by 5c to 170c.

Beyond this, full settlement has been reached with Bophuthatswana's Bafokeng tribe over the existing and the formerly-disputed Deeps mineral rights. Among other things, the company and the tribe have agreed that Impala should have the exclusive right to mine the current lease area and the

Deeps extension until they are both worked out. They have also agreed the Bafokeng tribe may buy up to 7% of the Impala group company mining in Bophuthatswana.

To this end, a new listing will be sought, probably using Impala Platinum Mines, the operating company, before the end of this year. The Bafokeng will have the right to appoint a director to the new company's board, a move designed to avoid the problems experienced in the past when the Bafokeng believed Impala was hiding facts necessary to calculate royalties due to the tribe. In any event, Impala's new level of disclosure will go some way to alleviating the situation.

"High priority will now be given to finalising our long-term plans to mine the Deeps," says Gilbertson. Also, the Messina feasibility study will be completed by the end of this year and in all likelihood go ahead with a mine at a rate of 75 000 oz/year. Last financial year Impala as a whole increased platinum production by 35 000 oz to 1,08m oz, expects a similar increase this financial year and plans to raise total output from 1,08m oz now to 1,35m oz by fiscal 1995.

Other than the Messina output, 45 000 oz of additional platinum is scheduled to come from process improvements and 150 000 oz from expansion at existing operations, facilitated by the commissioning of two new mills. These will be for the sole processing of UG2 ore rather than the Merensky, indicating a rise in output from the rhodium-rich UG2 reef.

Dave Russell of J D Anderson estimates that Impala is producing ore in a 70:30 ratio from Merensky and UG2 respectively. "Though we are looking at a moving target, the proportions of metal in Merensky are roughly 55% platinum, 30% palladium and 2% rhodium. The levels for UG2 are probably 35% platinum, 35% palladium and 10% rhodium," says Russell.

Using these estimates, we can approximate present palladium production at about 700 000 oz a year and rhodium at 100 000 oz a year.

About half of Impala's output is sold to General Motors on contract. Originally negotiated when the mine started production, the long-term contract had become seriously disadvantageous to Impala. A restructuring in 1987 helped, but one can assume that the by-product metals were still being sold at bargain-basement prices. The dramatic rise in the rhodium price certainly highlighted this and would have given Impala some leverage for another renegotiation. Also, perhaps GM might have been scared by the recent rhodium shortage and reckoned security of supply warranted paying better



Impala's Gilbertson... telling it like it is

prices for Impala's metals.

"The most disadvantageous aspect of the contract was lifted on July 1. The contract is still not at competing prices but will improve each year until end-1994, when it expires. Beyond that, the contract will be fully competitive," states Gilbertson. More importantly, GM has agreed to buy "substantial additional quantities of PGMs on competitive terms" from about 1993 onwards.

Another first in the chairman's review is that an estimated platinum supply/demand balance has been given. It differs from that of Johnson Matthey in that a surplus of supply over demand is estimated for both 1989 and 1990. Impala sees a higher level of recycled material as well as a greater amount of newly mined platinum coming on to the market.

However, Gilbertson is confident regarding the longer-term outlook for the metal. "Autocatalyst demand might increase by some 700 000 oz between calendar 1989 and 1995," he says. "Total demand for platinum (excluding investment demand) might increase by more than 1m oz."

It is on the basis of these forecasts that Impala intends to raise output by 25% over the same period to maintain its market position.

Gillian Findlay

## IMPALA'S RESULTS

Down, not out

Year to Jun 30	'88	'89	'90
Rm			
Turnover	1 588,7	2 091,1	2 089,9
Operating profit	664,4	1 139,0	846,3
Attributable income	299,8	477,8	403,8
Earnings (c)	520	829	634
Dividend (c)	180	250	250
Dividend cover (x)	2,89	3,31	2,54

KERSAF FIM 1718/90

## Back to the screen

The movies are still an affordable luxury but enthusiasm for trips to the tables of far-flung casino resorts is being tempered, as reflected in Kersaf's results for the year to end-June.

But, while tight economic conditions will continue to restrain the group's growth this year, expansion plans at the resorts and the



# Palabora explores expansion

217  
w/ Mail 17/8 d - 19/8/90

By REG RUMNEY

COPPER producer Palabora Mining has announced that a contract has been awarded to Gold Fields Cementation to sink a shaft to assess the feasibility of mining underground

Sinking operations, which will begin towards the end of this month, will establish whether South Africa's major copper producer stays in business long into the future or closes shop within a few years.

Palabora also announced yesterday that its after-tax profit for the six months to end June dropped 11,6 percent to R139,6-million. This included an extraordinary adjustment of R27,8-million, as the group changed stock valuation from LIFO to FIFO.

The drop in profits was caused mainly by lower tonnages of copper sold at a lower price.

Sales of copper for the six months were 57 999 tons, around 17 percent lower than the comparable period last year. Production of copper concentrates was on target, but technical problems with the smelter meant it produced 23 percent less than expected.

The copper price on the London Metal Exchange averaged £1 537 a ton (R6 713) compared with the average for the same period last year of £1 788 a ton (R7 761).

Palabora MD Al Leroy said yesterday an underground mine would extend the life of Palabora by at least 20 years.

If underground mining is not feasible, pit-wall mining could mean another two to five years of copper production.

Now prices enter... was no place for it in the... 26/8/90... 217

# Samancor ready to take on world in price

SAMANCOR, the largest producer of chrome and manganese, is "prepared to take on the world" and match any ferrochrome producer on prices.

But managing director Hans Smith warns that if ferrochrome prices do not recover, profits are likely to fall in the current year.

The group's market muscle and low production costs in world terms will allow it to beat all comers on price.

Announcing a modest increase in earnings for the year to June, Mr Smith says the price of ferrochrome "fell out of bed". But manganese prices rose by 50%.

Attributable profits rose by 18% to R538,7-million annualised from R568,6-million in the 15 months to June 1989. Earnings, however, fell by 6% to 322c a share from 379c on the increase in issued capital after the acquisition of Gencor's chrome

By DON ROBERTSON

interests. A total dividend of 180c has been declared (200c).

The company lifted cash holdings to R638,5-million from R501,6-million at June 1989.

## Marginally

Mr Smith says that unless there is a significant recovery in ferrochrome prices, group profits in the current year will not match the 1990 figure, particularly if the rand maintains its strength against the dollar.

Mr Smith says Samancor entered the market last year at a price of US51,50c a pound

for ferrochrome. But competition came in at a price of US47c.

"We are marginally profitable at this level, while they are not and we are in a stronger position than the others. If we keep prices below US55c a pound we could put the others out of business.

"I am prepared to follow them down to US37c a pound, at which point we will still be profitable. I am prepared to take on the world. We are not too despondent."

Mr Smith says the R3-billion stainless-steel plant which Samancor, Highveld Steel and a group of Taiwanese companies intended to build in SA and Taiwan, has been postponed indefinitely.

"Contractual and governmental arrangements related to the Columbus stainless-steel project have proved more time-consuming than expected. We are still on track along with Highveld and even if it takes another six months, we want to do it." An announcement is not expected before February.

A venture between Samancor and Consolidated Metallurgical Industries to buy Chromecorp has been abandoned. Samancor is, however, going ahead with negotiations on its own.

Mr Smith says that apart from the Columbus project, no major expansion programmes are being considered.

**PETER GALLI**

DETAILED planning, compilation of capital and operating expenditure estimates and subsequent financial analysis for Messina Platinum are on schedule, Messina's annual report says.

This follows the mineral lease agreements signed earlier this year for Zebedielas Location, Doornvlei

*BIDAM 27/8/90*  
**Plans for Messina Platinum on track**

and Voorspoed.

Significant progress has been made regarding the technical assessment of the project, and options have been examined on an order-of-magnitude basis to provide direction for planning, which will be completed by November. This is when the applica-

tion for project approval will be made to the board.

A capital budget of R20,2m has been approved for the project for the period July to December 1990, in addition to the R5m which was issued by the holding company for mineral leases.

217



# Randex spends heavily on growth

By Derek Tomney

217

Randex, the country's largest mineral rights participation company, has established firm foundations for future growth, its report for the year ended June 30 shows.

Randex's operations by acquiring rights to promising mineralised areas and then turning them to account.

With some R20 million from the sale of its shares in Lydenburg Exploration, Randex spent heavily in the year ended June, outlaying R18,45 million on exploration and other expenses. This was almost R3 million more than the

R15,5 million outlaid last year.

Managing director Mr Mike Saner said the company consolidated and rationalised its mineral rights portfolio.

It acquired a 54 percent stake in the recently announced Weltevreden gold mine, and formed Randex Namibia to house its Tsongoari base metals venture and the Karibib gold venture.

This exploration expenditure lifted the value of Randex's mineral and participation rights from R63,1 million a year ago to R78,0 million — providing Randex with substantial "trading" stock.

However, Randex was also able to turn to account its valuable mineral rights adjoining the Winkelhaak gold mine.

Winkelhaak acquired these rights and in return will provide Randex with 30 percent of the pre-tax income from this area when it is mined.

This deal assures the long-term future of Randex, says Mr Saner.

Mr Saner said Randex aims to provide its shareholders with early stage access to investments in new mining projects, and cash flows from royalty and tribute agreements.

Shareholders benefit from subscription right in major projects.

As is normal with mineral rights companies, Randex has not declared a dividend for the year.

Mainly as a result of the sale of Lydenburg shares, Randex had a net income of R3,2 million (loss R7,2 million) for the year ended June.

Capital employed at June 30 amounted to R109,6 million of which R4,0 million comprised investments and R23,1 million net current assets. The balance was made up by mining and other fixed assets and mineral and participation rights.

## Mine problems overcome

01 Dec 29/8/90 RIAAN SMIT

(217)

THE troubled Crocodile River platinum mine was overcoming its start-up problems and had reached its first-phase milling rate of 160 000 tons a month, Barplats MD Eddie Crocker said yesterday.

Sinking of the R700m mine's new Number One vertical shaft to extract ore from an area between two faults had also begun, he said.

The shallow underground/open-cast mine, known as Lefkochrysos before it was sold to Rand Mines platinum division Barplats, was officially opened during November last year.

Crocodile River is one of three Rand Mines projects to develop its platinum interest. The other two are the developing Kennedy's Vale mine near Steelpoort and a R100m platinum group refining complex at Brakpan.

# Genbel's changes pay off

GENBEL Investments increased its distributable income for the year to June 30 by 23,9% and declared a dividend of 27,5c a share

The R3,6bn investment company's portfolio was now more focused and reflected a number of changes, MD Anton Botha said yesterday *by Day 29/8/90*

"We have significantly increased our offshore, energy and metals and minerals investments, we have reduced our gold and mining finance holdings, and we have increased our exposure to platinum and diamonds."

Distributable income increased from R96,8m for 1989 to R119,9m, which translates into earnings a share of 28,8c.

Botha said the changes to the portfolio were prompted by management's decision to diversify out of low growth gold shares into resource-based equities with better prospects and to reduce the number of stocks in the portfolio

During the year, Genbel cut back its holdings from 39 to 31 stocks and further

RIAAN SMIT

reduced its gold exposure from 29,5% to 22,7% of the market value of the portfolio.

Botha said the company's major achievement of the past year was the improvement in portfolio value from R2,5bn to R3,6bn by portfolio changes.

"Since Genbel's formation in 1984 one of management's objectives has been to increase the net asset value per Genbel share. Over the period, net asset value has increased from 313c to 785c a share, a compound annual growth rate of 16,5%. Some 217c or 46% of the increase in net asset value can be ascribed to the upgrading of the portfolio over this period," he said

(217)  
At June 30, Impala Platinum was Genbel's single largest investment at R521m or 14,3% of the portfolio. It was followed by Genbeheer (11,8%), Kinross/Winkelhaak (9,7%), TransAtlantic (9,5%), and Engen (7,2%)



It says inflation is likely to

grow by just one percent in 1991.  
— Financial Times.

Textiles, sold off its textile businesses for R78,2 million, be-

and the company's skilled management

# Price slump hits Assmang, Feralloys

Associated Manganese Mines (Assmang) and its wholly owned subsidiary, Feralloys, have reported sharply lower earnings for the six months to June as a result of lower sales earnings, combined with an exceptional fall in the prices of ferrochrome.

As a result Feralloys has passed its dividend, whereas in 1989 it paid out R46,4 million, which was equivalent to 1600c per share.

The net effect of these factors was that Assmang's consolidated earnings were reduced to R50,4 million in the half-year,

87c 3/8/90 (217)  
compared with R86,7 million in the first half of 1989, the interim report shows.

The company has lowered its interim dividend to 500c (1200c) a share.

The board reports that although demand and prices for ferrochrome are not expected to improve in the current half-year, price increases have been achieved for ferro-manganese, iron and manganese ores.

The most significant of these price increases applies to manganese ores.

Turnover during the half-year dropped to R285,5 million

(R399,2 million), leading to a net operating profit of R105,7 million (R166,4 million).

However, the interest bill was cut to R4,7 million (R6 million), leaving a pre-tax profit of R101 million (R160,4 million).

## Tax charge

Consequently, the tax charge and the state's share of profit decreased to R44,3 million (R67,4 million).

After deducting a transfer to non-distributable reserves of an unchanged R6,3 million, consoli-

dated earnings were R50,4 million (R86,7 million)

This was equivalent to earnings of 1420c (2443c) a share, which covers the dividend 2,8 (2) times

The consolidated balance sheet shows that net current assets were slightly higher at R148,9 million (R147,6 million).

Net asset value increased to 8688c (7576c) a share.

Capital expenditure during the period amounted to R29,1 million (R8,5 million)

Commitments amounted to R33,9 million (R3,2 million). — Sapa.

# New row over Bafokeng mining rights looms

Sowetan 31/8/90

189

217

A NEW row is brewing between the two chiefs of the Bafokeng tribe regarding the granting of rights to Impala Platinum Ltd mining lease in respect of "The Deeps" in Bophuthatswana.

Chief Edward Molotlegi, who took Impala to court in 1989 alleging the company repudiated its rights to the mining area, says the new deal with the mining company is not valid.

Chief Edward is in exile in Bophuthatswana after fleeing the country following an abortive coup in Bophuthatswana.

He was twice detained. Chief Edwards says he intends to challenge the validity of the contract in



Chief GEORGE MOLOTLEGI

the Supreme Court - a move that might herald the start of a campaign to dispossess Impala of its rights to "The Deeps."

He has already briefed his legal representatives to take the necessary action.

In Chief Molotlegi's absence, his brother George Molotlegi, who has been appointed acting chief, and the government of Bophuthatswana, have awarded Impala the right to prospect and apply for a mining lease in respect of "The Deeps", a rich ore-body underlying the Bafokeng tribal land.

However, the chairman of the Bafokeng Tribal Authority, Mr Kebareng Bogopane, has refuted claims that Chief George had the right to act on his brother's behalf.

He said Chief Molotlegi had four children, who in terms of the tribal laws, should act in his stead.

He said the people were loyal to the chief and there was no way legally his brother could be appointed to his position.

He said the deal of giving Genmin subsidiary access to the platinum area known as "The Deeps" was invalid and when the Chief Molotlegi returned to Bophuthatswana from self-imposed exile, the contract would be challenged.

Background to the dispute was Impala's refusal in 1987-88 to reveal certain material to the tribe, on whose land it mines, except on instruction from the tribe's trustee, President Lucas Mangope.

## Bad blood

Chief Molotlegi contended in a court that Mangope was not a trustee.

It is understood that there has been bad blood between Mangope and the chief.

In agreeing to the new deal with Impala, Chief George said that his brother in exile had been informed about the deal. He did not want to comment further on his brother's involvement.

He said: "We believe the new agreement holds

considerable benefits for the tribe. Not only will it extend the life of Impala's mining operations in the region, but it will also substantially increase the Bafokeng's revenue in respect of royalties.

"The income is essential for the development of our people. The money is to be utilised for the building of schools, clinics, houses and the like.

"We believe we have secured an excellent deal for our people and my brother has been informed about it.

"The royalties payable to the Bafokeng tribe will be 16 percent of the profits derived from mining the deeps. There is a significant improvement on the agreement in respect of the existing mining operations. In addition, we will be represented on the board of the company designated by Impala to mine The Deeps."

He said that the third advantage was the right to subscribe to seven percent of the shares of the company which would be responsible for mining "The Deeps."

# Assmang income down by <sup>by way</sup> 41,9% <sup>31/8/90</sup> <sub>(217)</sub>

LOWER sales volumes for all products of Anglovaal's Associated Manganese Mines of SA (Assmang) and low ferrochrome prices affecting its subsidiary, Feralloys, reduced consolidated income for the six months to June 30 by 41,9%.

As a result, Assmang more than halved its interim dividend by paying 500c a share (1989: 1 200c).

Feralloys, which is a wholly owned subsidiary, passed its dividend. In 1989 it paid 1 600c a share.

Feralloys' income for the six months under review was not stated, but Assmang's 1989 annual report said Feralloys recorded taxed income of R72,1m (1988: R38,3m) for that year.

The board yesterday repeated chairman Basil Hersov's forecast in the 1989 annual report by saying demand and prices for ferrochrome were not expected to improve yet.

The market for stainless steel, which has ferrochrome as a key ingredient, last year fell by 3% to 10,4 million tons due to overcapacity.

Analysts believe it will not strengthen until inevitable rationalisation be-

**RIAAN SMIT**  
tween producers takes place — a process which could take one to two years.

But Assmang's board also said there had been price increases for ferro-manganese, iron and manganese ores

Turnover for the half-year dropped to R285,5m (R399,2m), leading to a net operating profit of R105,7m (R166,4m), but interest was cut to R4,7m (R6,0m), leaving a pre-tax profit of R101,0m (R160,4m).

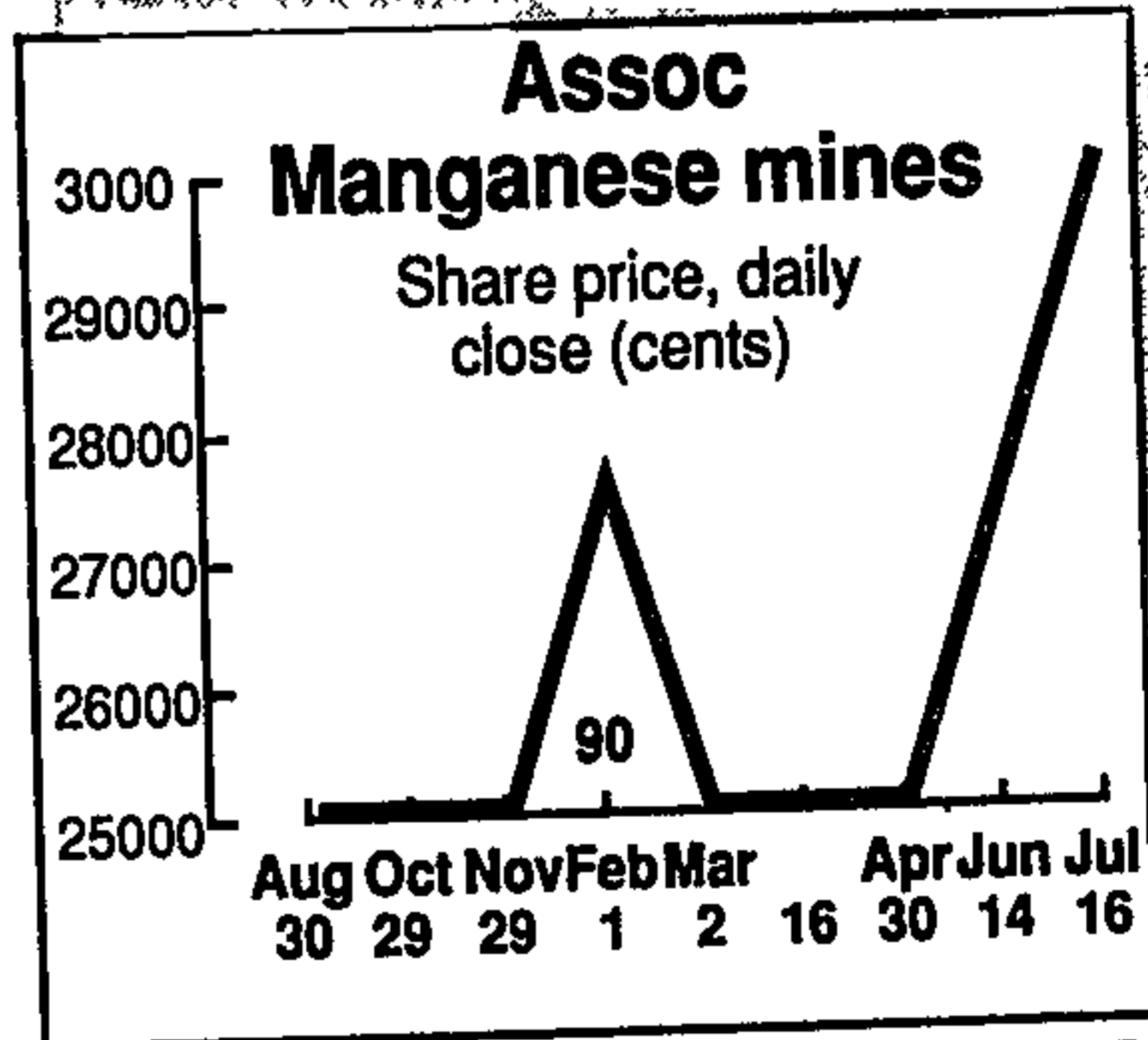
The tax charge and state's share of profit de-

creased to R44,9m (R67,4m) and after deducting a transfer to non-distributable reserves of an unchanged R6,3m, consolidated earnings were R50,4m (R86,7m).

This was equivalent to earnings of 1 420c (2 443c) a share, which covered the dividend 2,8 (2,0) times.

The consolidated balance sheet shows that net current assets were slightly higher at R148,9m (R147,6m) and the net asset value rose to 8 688c (7 576c) a share.

Capital expenditure during the period totalled R29,1m (R8,5m).



Graphic: LEE EMERTON Source: JSE



MINING — OTHER

1990

SEPT. — ~~NOV~~ DEC.

# Bleak outlook for SA's tin producers

217  
187  
Blom 31/9/90

PETER GALLI

THE recent drop in the London Metal Exchange tin price to a 44-month low of about \$5 855 a ton does not bode well for SA producers, industry sources said at the weekend.

An industry spokesman said that none of SA's tin producers had been operating at a profit even before the price fell to its low and this would put existing mines under additional pressure.

Iscor's UIS tin mine in Namibia is already threatened with closure.

Union Tin Mines temporarily suspended tin recovery operations earlier this year and GFSA's Rooiberg mine showed a drop in ore treated, with further drops predicted.

Should the price remain at this level or drop further, local producers will seriously have to consider whether they can sustain these continued losses, with the threat of closure being quite real, industry sources said.

After the tin crisis which followed the collapse of the International Tin Council's

(ITC) tin price support scheme in 1985, the market took a plunge, but recovered in 1987 when a supply control scheme was instituted by the Association of Tin Producing Countries (ATPC).

Frankel Kruger Vinderene mining analyst Kevin Kartun said SA tin mines had very high fixed costs and annual production cost increases were greater than the rate of inflation.

Recent substantial increases in production costs and more mine openings planned in major producing countries, as well as the flooding of the market by Brazil and China, contributed to the downturn in price.

Brazil, which together with China operates on voluntary quotas and does not have to adhere to association quotas, has recently announced that it will join the association.

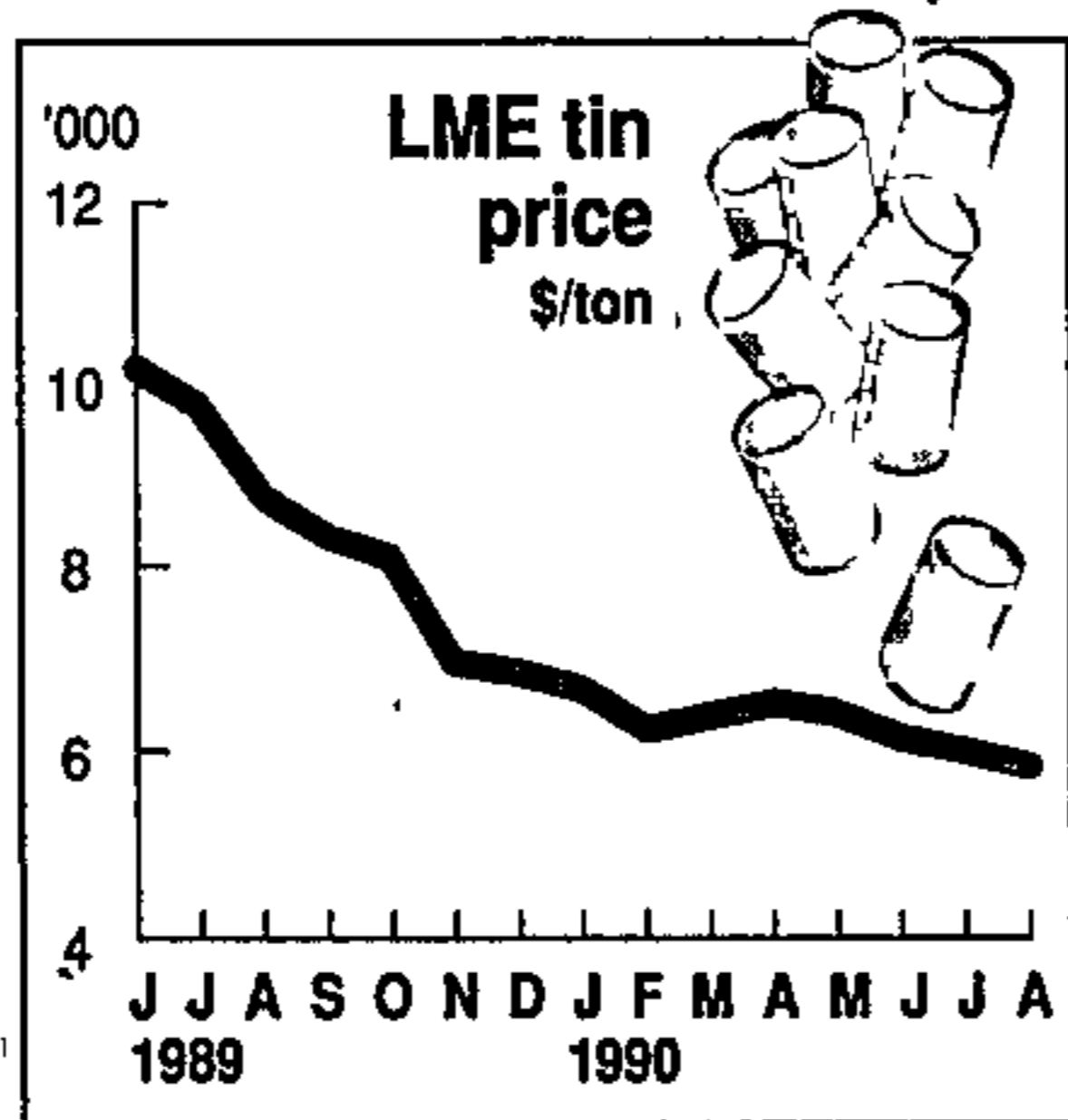
In this event, adherence to association's quotas could have an effect on the supply and subsequent price of tin.

The tin market was in a state of change and was trying to adjust to the new supply and demand pattern. SA manufactures tin almost exclusively for its local market — in the region of 2 000 tons — with producers just meeting local demand.

The SA market plays a minute part in the world picture, with Brazil, the largest tin producer, producing about 50 000 tons a year.

Prospects for the industry look increasingly bleak and unless the tin price increases markedly, which seems unlikely given the oversupply in the world market, it will be faced with a difficult choice.

However, Kartun believes that it would not be an entirely bad thing if SA began to import low cost tin from abroad.



Graphic: FIONA KRISCH Source: MINERALS BUREAU

CMI

(217) (scribble)

### BUYING MARKET SHARE

**CMI has** bought Purity Chrome in a strategic move to increase its share of the world market and rationalise the SA ferrochrome industry

FIM 719190

Purity Chrome, founded by Roger Ballen, Andrew Nesbitt and Brian Morgan, comprises a chrome mine, with a run-of-mine output of about 30 000 t/month and a ferrochrome plant in the Rustenburg area. The plant, two 33 MVA furnaces, has an annual capacity of 120 000 t of ferrochrome and increases CMI's present capacity of 210 000 t/year by more than a third.

CMI paid about R182m cash, inclusive of a \$43,5m (R112m) existing loan. Market analysts consider this a good deal since the plant is practically new — it commenced production in June.

Marketing director Allan Kuhnert says CMI now supplies 7% of the world market and the immediate objective is to increase this to 10%. This could have been achieved

FOX FIM 719190 (217) (scribble)

through new additions to its existing capacity, but would have increased excess capacity in the industry. By buying Purity, CMI can meet its market share objective by absorbing existing capacity in the industry.

The acquisition is expected to have a negative impact on CMI's earnings in the short term but will "be of material benefit to shareholders in the longer term". Initial costs of setting up outlets for Purity's production in the depressed ferrochrome market and interest costs relating to the purchase package, will depress earnings this year.

But, with world demand for ferrochrome thought to be bottoming out and with further rationalisation among producers — Samancor is said to be interested in buying Chromecorp — the longer-term benefits of controlling a higher market share and more stable prices should flow through to CMI later.

*Pam Baskind*



Star 11/9/90

(118) (217)

#### Finance Staff

Middle Witwatersrand (Mid Wits) has targeted the Northern Orange Free State for the bulk of its search for gold, platinum and base minerals, says chairman Clive Menell.

He says in the annual report that expenditure on exploration and buying mineral rights rose to R32 million in the year to June (R27 million previously).

"It is estimated that during the current year exploration expenditure will be of the order of R36 million and, as in the recent past, will be expended mainly in the Northern Orange Free State on gold exploration (R13,5 million) and the purchase of mineral rights (R13,2 million)," he says.

Referring to the ongoing exploration programme in the southern region of the Sun prospecting area that is aimed at defining ore body boundaries and reef/grade continuity, Mr Menell says once the programme has been completed and the results evaluated — expected to be by mid-1991

## Mid Wits fixes sights on OFS

— shareholders will be informed

Drilling is continuing in the northern part of the Sun area, where selected mineral rights have been bought.

Drilling to the north — in the Oribi area — has led to a closer definition of targeted areas

More exploration is being undertaken on portions of the Townlands, Klerksdorp, and for platinum and base minerals in other areas.

On De Beers' decision to establish a diamond mine at Venetia — the minerals rights are held by Saturn Mining, in which Mid Wits has a 65,6 percent interest — Mr Menell says limited diamond production is expected in the second half of 1990, once the existing recovery plant has been upgraded and extended.

Completion of a new plant is expected by mid-1992

Pending the recovery of the estimated R1,1 billion capital, Saturn will be entitled to a minimum 12,5 percent of the mine's profits before capex.

Once capex has been recouped, the mine's taxed earnings will be divided equally between Saturn and De Beers.

Mid Wits' consolidated taxed profit for the year was R26,3 million (1989, R30,8 million), equivalent to 10,8c (12,7c) a share.

Dividends totalled an unchanged 6c a share, covered 1,8 times (2,1 times) by earnings.

The book value of the investment portfolio at year-end was R146,9 million (R148,6 million), while the market value of the quoted investments was R659 million (R617 million).

However, by August 24 — the date of the report — the market value had risen to R789,6 million

# Lower output, leaner margins erode Marlin

By Jabulani Sikhakhane

Hit by lower production at the Kwaggaskop quarry, reduced margins and a less favourable exchange rate, granite producer Marlin has reported a 54,4 percent drop in earnings to 38,3c per share for the year to June.

Group profits after tax and minority shareholders' interest at R16,585 million were 15,7 percent lower than the directors' forecast of R19,7 million made in February when the interim figures were announced.

Operating income was R21,9 million (R29,8 million) Finance charges rose from R670 000 to R3,7 million

A final dividend of 7c per ordinary share has been declared, making a total of 14c for the year — 16c lower than in 1989

Chairman Peter Gam attributes the poor performance to production problems at the Kwaggaskop quarry in the Eastern Transvaal.

Management expected production would be back to normal by March, but problems continued into July

Other negative factors included severe price-cutting by competitors

Margins were under pressure as production costs rose faster than the price of stones, while the less favourable rand/dollar exchange rate added more pressure

Marlin is considering acquisitions and expansion opportunities, both locally and overseas

Marlin Holdings — the pyramid holding company — posted maiden attributable earnings of R3,5 million, equal to 22,9c per share on an annualised basis

Earnings were 5,7c and a dividend of 5,6c has been declared

By Jabulani Sikhakhane

With the collapse in demand for platinum investment products, coupled with increased production capacity, analysts are forecasting an oversupply in the platinum market.

J D Anderson analyst Dave Russell says that between 1975 and 1989 (the most representative business cycle, with both boom and recessionary periods), the growth in demand for platinum rose at a compound rate of 1,83 percent a year.

New technological advances in auto-catalysts in the mid-to-late 1970s helped boost demand for platinum.

If one accepts the historic growth in demand, the platinum market could be in for a severe oversupply from which only established producers with strong balance sheets and low production costs will survive.

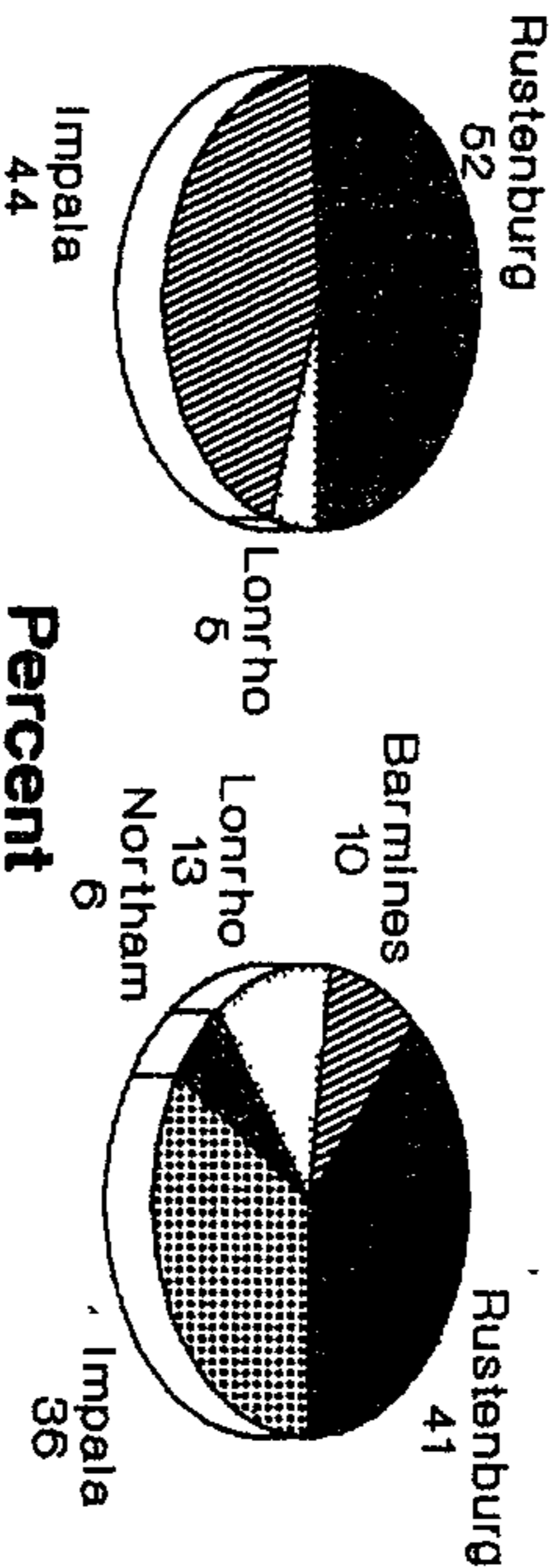
### Annual growth

Ed Hern, Rudolph analyst Robin Washer expects annual growth in production from South Africa to average 8,5 percent over the next five years, with local output rising by 1,34 million ounces and maintaining the local market share of western output at 93 percent.

While the new producers coming on stream in the next five years are hoping to grow their market shares, Impala and Rustenburg, the largest producers, are jealously guarding their local market shares (35 percent and 40 percent respectively).

Both have announced major expansion programmes to increase production in the next five years. The two have also tied up supply contracts in the emerging European markets. Impala recently made a deal with

# Oversupply of platinum seen



## Share of SA platinum production

the German mining group Degusa to supply platinum group metals for the manufacture of catalytic converters at Degussa's Algorax plant, near Port Elizabeth.

Rustenburg is also understood to have signed some contracts in Europe through Johnson Matthey. Under this scenario, Washer forecasts an oversupply of about 500 000 ounces by the mid-1990s.

Alex Wagner of Davis Borkum believes that between now and 1994, the platinum market will be dependent on increased demand for platinum investment products absorbing this excess supply.

However, investment products have become less attractive, he says. Investors have been switching to paper currencies and equities.

Impala estimates that investment demand fell from the 1988 peak of 630 000 ounces to 160 000 ounces in 1989.

Mr Wagner says investment demand should absorb about 165 000 ounces this year, leaving an oversupply of 225 000 ounces, against a deficit of 180 000 ounces in 1989.

In contrast, platinum producers are optimistic about the future of platinum group metals. This optimism stems from the environmental legislation in

Europe which they hope will act as a sponge to the excess supply.

Impala chief executive Brian Gilbertson forecasts that demand for auto-catalysts should increase by about 700 000 ounces between calendar 1989 and 1995.

Assuming reasonable growth rates in jewellery (the second largest market for platinum group metals) and industrial applications, total demand for platinum (excluding investment demand) should rise by more than 1 million ounces over this period.

Such strong growth could help boost demand for platinum investment products with potential beneficial effects on the platinum price.

### Higher oil prices

Analysts, however, warn that higher oil prices could lead to lower car sales and therefore less demand for auto-catalysts.

Despite this gloomy picture, analysts say the high rhodium price could help cushion the impact of a downturn. Kevin Kartun of Frankel, Kruger Vindernie thinks a higher rhodium price could boost earnings of major platinum producers by about 20 percent.

In general, analysts think Rustenburg (which has R1 billion in cash resources) and Impala are better placed to weather the storm. Both have ore reserves which can be developed at low capital costs.

But in the short term Rustenburg is more likely to maintain earnings and dividend growth in line with the inflation rate, while Impala should show flat earnings and dividends growth. However, Impala shareholders should get more incremental benefits from Impala's expansion programme.



## Restructuring boosts Afmin

B/10<sup>am</sup> 12/9/90 RIAAN SMIT

217

AFMIN Holdings' attributable earnings for the 12 months to end-June rose sharply from R247 000 to R1,5m following the restructuring since mid-1989 of the independent mining investment and holding company.

The year-end was changed to end-December but the results cover a 12-month period

No dividend was declared, the next being for the period to December 1990

The company has interests in dimension stone (granite) mainly through its 45% stake in Minaco acquired in February this year, base metals, gold, management and exploration, and mining industrial supplies.

Afmin acquired mining supply company ASL Ventak, Zinc & Lead (Namibia) and Namib Lead Mines in July last year. Afmin's Roodepoort Gold Mine was mothballed at a cost of R1,1m but this loss was offset by the disposal of surplus assets

Minaco yesterday also reported interim results for the four months to June 30 which were better in most respects than its prospectus forecasts.

14/9/90 (217)

# Platinum price slump sets producers thinking

By Sven Lunsche

LONDON — As the platinum price continues to hover at two-and-a-half-year lows, SA mines could be forced to stockpile large portions of recently announced production increases

On the London market, platinum touched \$450 earlier this week, its lowest level since the first quarter of 1988, but has since then steadied at \$455

It has been tracking gold since the start of the Gulf crisis and the premium between the two has almost halved over the last month.

However, it is weaker fundamentals that are underpinning the bearish trend

Johnson Matthey's Jeremy Coombes, author of the group's Platinum publication, says the balance between supply and demand this year will be much tighter than once thought.

Some analysts are more specific. Rhona O'Connell, analyst with Shearson Lehman Hutton, predicts total supplies will be 3.6 million ounces this year, about 160 000 ounces above demand.

The market has been hit, in particular, by a rise in supplies from SA and the Soviet Union

Mr Coombes says increased sup-

plies have been reaching the market from Lonrho's Western Platinum and, say market sources, to a lesser extent from Impala.

The world's two biggest mines, Impala and Rustenburg, have over the last few months announced significant increases in output, effective over the next few years.

However, says Mr Coombes, it is unlikely that some of these additional supplies will reach the market if fundamentals do not improve.

Rather, the mines could build up stockpiles and wait for an improvement in the market. It would also allow for greater security of supplies in the wake of rising tension in the SA labour market.

On the demand side, Mr Coombes says the Gulf crisis could force the West into a recession, with a consequent decline in demand.

The use of automotive catalysts has been slowing in the US and the European Community in the wake of an economic slowdown

Mr Coombes says jewellery demand from Japan, the biggest consumer of platinum, is still showing growth and could offset some weaker demand in the Japanese industrial sector

# Rich kaolin deposit found

By Tom Hood

217

its. See 14/9/90

CAPE TOWN — A major deposit of as much as 40 million tons of kaolin has been discovered at Klipheuwel, between Stellenbosch and Malmesbury

Willem Smith, chairman of Dalsig Mining, the listed Stellenbosch-based mining exploration company, said yesterday leading companies were being approached to put up the money needed to exploit the deposit.

Besides lining up finance, the company would ask Stellenbosch University to make an environmental impact study of the area

"We don't intend making a move without full consultation about the environment"

The area was mostly ordinary wheatland or grazing land

The company has bought about 1500ha of land covering the depos-

"We don't know the quality throughout the deposit, but it varies from mediocre to supreme," he said.

Mr Smith confirmed that discussions had been held with major industrial companies, including Shell, about developing the deposits as a joint venture

He said Dalsig was basically an exploration company and did the field work, but lacked the resources to finance the erection of plant and infrastructure.

"Major companies throughout the world are looking for kaolin deposits near a harbour," he said

Asked if mining was certain to go ahead, Mr. Smith said "There is a distinct possibility I won't go higher than that at present"

Market speculation has put a tag of more than R30 million on the cost of development



# Slide in base metals sullies RTZ figures

By Neil Behrmann

First-half pre-tax profits of RTZ tumbled 23 percent to £475 million (R2,3 billion) because of the slowdown in base metals trade.

Group turnover of the biggest mining company in the world fell 19 percent to £2,7 billion (R4,9 billion) and earnings per share dipped 14 percent to 2,3p.

"RTZ is not immune to uncertain economic circumstances," chairman Sir Alistair Frame said yesterday.

"These problems are compounded by developments in the Middle East,

which have been reflected in rising oil prices, a fall in the dollar and the recent strength of sterling."

"A large proportion of the decline in sales revenue can be attributed to the sale of businesses last year," he said.

But turnover of present divisions dipped by six percent because of lower base-metals prices, particularly those of aluminium and copper.

Net earnings declined less than pre-tax profits because of a lower tax bill.

Palabora's contribution to total

earnings declined to 3,7 percent from five percent in the same period last year, mainly because sterling had surged against the rand.

Rossing Uranium's share price fell to 2,2 percent from 3,2 percent.

The fall in RTZ's profits is a warning to base-metals bulls who claim that copper, zinc and aluminium will ignore the slowdown in the world economy.

RTZ's natural resources division recorded a 16 percent loss in sales to £271 million (R1,3 billion) from £323 million (R1,5 billion) the year before.

The company related the loss to lower metals prices in the US where aluminium has fallen by 26 percent and copper by 15 percent.

Losses were also incurred in the company's related industrial businesses where sales slid by 17 percent to £24 million (R115 million) from £29 million (R139 million).

Tight monetary policies in the UK and US contributed to the downturn in the commercial construction sector.

RTZ said that major assets acquired last year, including BP Minerals, were performing satisfactorily, although below levels recorded in the first half of last year.

Sir Derek Birkin, RTZ's chief executive, said that the company had shown a healthy resilience to lower metal prices, and that it was in a strong financial position.

Gearing — the ratio of debt to shareholders' funds — was at a relatively low 29 percent, he said.

RTZ Shares climbed 5p to 453p in the wake of the results.

217 14/9/90

## Ample reserves at Prieska's copper/zinc mine

Finance Staff (217)

It is estimated that Anglovaal's Prieska copper/zinc mine has enough underground ore reserves to maintain a monthly hoisting rate of 30 000 tons of mill feed well into 1991.

It will continue to treat 110 000 tons of ore a month from its low-grade surface dump, chairman DJ Crowe says in his review for the year to June.

"The overall profitability of these operations will be determined by the rand metal prices achieved and by the extent to which operating costs can be contained.

"These factors will be closely

monitored to ensure that if overall profitability cannot be maintained operations will be closed down without delay.

"In view of the foregoing, it is not possible to forecast likely earnings for the current year," he says.

Following the planned sale of the mine's koepe winder, the man winder was converted to a rock winder, but problems encountered with the conversion delayed the introduction of the new mining plan by about three months.

With about 110 000 tons of ore being drawn from the low-grade plant, sharply lower head grades

reduced production of copper and zinc concentrates.

Consequently, there was an operating loss of R1,1 million (1989 R21,3 million profit). However, after adding non-mining income of R2,4 million (R3,4 million), pre-tax profit was R1,3 million (R24,7 million).

Tax was R1,5 million (R13 million) and R3,4 million (R0,6 million) was transferred from non-distributable reserves, being recoupments from asset sales.

This led to a distributable profit of R3,3 million (R12,2 million), equivalent to six cents per share (23 cents per share). No dividends were declared.

RIAAN SMIT

SUBSTANTIALLY lower production levels and copper prices caused Prieska Copper Mines an operating loss of R1,1m for the year to end-June, compared with an operating profit of R21,3m for the previous year, MD D J Crowe said in his annual report released yesterday.

## Low prices, falling production hurt Prieska

Following diminished availability of payable ore from underground, the main winder at the Anglovaal mine at Copperton was converted to a rock winder, but problems with the conversion delayed implementation of a new mining plan by three months, he said.

During this period only low-grade surface material was treated.

Crowe said it was estimated the mine had sufficient underground ore reserves to maintain a monthly hoisting rate of about 30 000 tons "well into 1991".

It would continue to treat about

110 000 tons of ore a month from its low-grade surface dump.

The annual report mentioned fully developed and valued ore reserves of 282 030 tons compared with 427 546 tons last year.

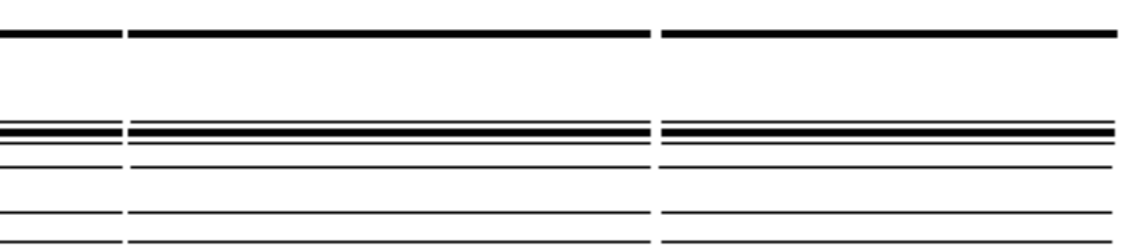
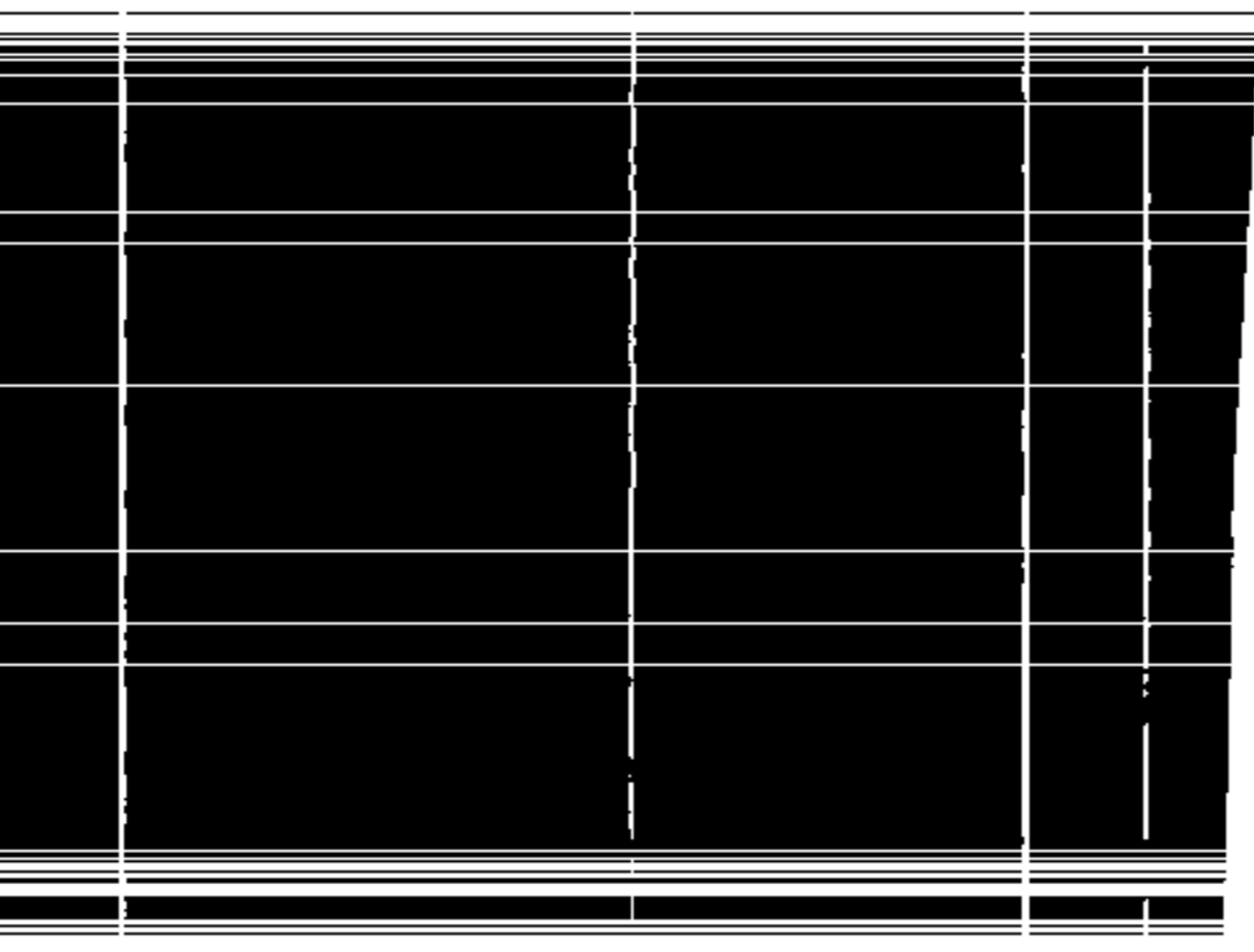
Average grade of ore milled also dropped from 0,64% to 0,37%.

Consequently, production of copper and zinc concentrates was sharply lower at 12 764 tons (1989 25 992) and 23 400 tons (39 662) respectively.

The average rand copper price received declined by 14%, although the average rand zinc price was 9% up. "In the current year average rand

prices for both not expected to be prices for the

Crowe said The mine has a profit of R13,6m for the year and other





# Northam starts talking contracts

(217) Apr 19/9/96

By Derek Tommey

Northam, Gold Field's new platinum mine located next to Rustenburg's Amandelbult section, expects to establish its first stopes early in 1991 and to produce its first metal for sale in February 1992.

The chairman, Mr AJ Wright, says that an amount of R232,7 million was spent on capital works in the year ended June. Shafts absorbed R59 million, the reduction plant and refineries R66 million, ventilation and refrigeration and pumping R24 million, and staff accommodation R33 million.

Capital expenditure in the current year is estimated at R414 million, of which R44 million will be spent on shafts, R131 million on the reduction plant and refineries, R44 million on accommodation and amenities and R90 million on development and preproduction expenditure.

Northam raised

R625 million from a rights issue in February and at the end of June was holding R619,4 million in cash. The rights issue should enable the mine to reach self-sufficiency which is expected to be in the 1992-93 financial year.

## DEMAND

Mr Wright says world demand for platinum remained buoyant during 1989-90 and the future outlook for platinum continues to be favourable, although developments in the Middle East could affect the autocatalyst market.

As production is planned to start soon the company is holding discussions with prospective selling agents. These negotiations should be completed in the next few months.

Following this, the company will make more intensive contact with prospective customers with a view to entering contracts.

## Copper shortage predicted for the '90s

COPPER will be in short supply throughout the '90s in spite of intense activity in the development of new mine projects, a new study by London's Commodities Research Unit (CRU) indicates

Even though mines with the capacity to produce 1,62-million tons of copper a year were being developed, the extra tonnage would fall short of tonnage lost to the market because of mine closures and the expected growth in demand by the year 2000, Metal Bulletin quoted the study as saying *810m 1991/90*.

Furthermore, even if consumption growth fell to 2,5% during the '90s from the 3,4% annual rate seen since 1985, about

RIAAAN SMIT

850 000-900 000 tons a year of capacity would be needed by the year 2000 in addition to the 1,62-million tons in capacity now under development (217)

"While such an outcome is not impossible, it will take an extended period of high prices, reminiscent of 1964-74, to bring it about," CRU said

The study surveyed 27 projects and suggested that 770 000 tons of the new capacity would be viable at a copper price of 90c a pound and could be in production by 1995, with a further 510 000 tons by 2000

## Assore posts 7,5% rise in net income

6 May 1970

PETER GALLI

MINING company Associated Ore & Metal Corporation (Assore) — which derived most of its income from its 44,8% interest in Associated Manganese Mines of SA (Assmang) — posted a 7,5% increase in net income to R38,5m (R35,8m) for the year to end-June

The results were significantly affected by an accounting policy change related to the recognition of Assmang dividends, a spokesman said

Earnings a share strengthened by 8% to 2 747c (2 548c) and a final dividend of 500c was declared which, added to the interim dividend of 500c, gave a total dividend 43% higher at 1 000c (700c)

217

### Fee income

Dividends received from Assmang were 15% down at R27,1m (R32,2m), which reflected the decrease in sales demand for all the products handled by the group, and the exceptional fall in the price of ferrochrome prior to the June year-end.

Earnings improved from increases in fee income in subsidiaries Ore & Metal Company and African Mining & Trust Company

The results from Assore's chrome mining subsidiaries Rustenburg Minerals Development Company and Zeerust Chrome Mines were improved on last year, but were affected by the unexpected reduction in chrome ore prices from May 1, the spokesman said

EXECUTIVE SUIT



# End of the road for Rusplat's profit run

By Derek Tommey

Despite a drop in profits, Rustenburg Platinum Holdings (Rusplat) has maintained its final dividend at 185c

This boosts its total for 1989-90 to 310c — up 3,3 percent on the previous year.

Attributable earnings of the world's largest platinum mine fell R44 million in the year to June to R551,3 million — bringing to an end one of the most remarkable profit runs ever seen in South Africa

From 1984 to 1989 profits climbed steadily year by year from a mere R100,1 million to R595,6 million — a sixfold rise in earnings in five years.

While chairman PF Retief makes no profit forecast, which seems prudent in the light of the recent fall in the platinum price, he is confident that the upward trend in profits will be resumed in coming years.

"The prospects for platinum demand appear sound," he says.

"Rustenburg remains committed to ensuring not only that its shareholders participate fully in the expected market growth, but that they are best protected in terms of Rustenburg's financial position, cost structures and market networks to weather any downturns that are sure to oc-

cur from time to time."

Rustenburg increased sales slightly in the year to June to R2,94 billion, even though a lower average dollar price was received for many of the platinum group metals, which was further aggravated by the firmer rand

Although the increase in the cost of sales was well contained in relation to inflation, it still resulted in operating profit declining slightly to R1,5 billion

A 67,3 percent increase in expenditure on renewals and replacements to R239,6 million led to pre-tax profit dropping 14,9

percent to R1,2 billion.

But a 20,3 percent decrease in tax and tax normalisation helped limit the decline in distributable profits to 7,5 percent at R551,3 million

Mr Retief says the mines continued to perform satisfactorily, with average on-mine cost an ounce of platinum rising by only 12,7 percent

Although the build-up of production at the new precious metals refinery was slower than expected, the plant should reach design capacity in the "coming period"

Mr Retief says demand for platinum in the 1989 calendar year by the automotive, jewellery and industrial markets is estimated to have risen by more than nine percent to a total of 3,44 million ounces.

However, the lacklustre performance of the investment sector limited total demand to 3,64 million ounces

Although this was the second-highest year-on-record, it was 180 000 ounces lower than the 3,82 million ounces of 1988

Demand by the autocatalyst sector reached a record high, while the jewellery market's off-take rose 11 percent to a record 1,3 million ounces.

Industrial demand rose six percent to 685 000 ounces, but investment demand fell 61 percent to 130 000 ounces.

Mr Retief says platinum's role in controlling air pollution stands it in good stead in what is shaping up to become the environmental decade of the 20th century.

The expected adoption of the Clean Air Act with its more stringent "US-1993" standards will not only increase demand for platinum group metals in North America, but will tend to set a new world standard, which many countries might well be moved to adopt, he says.

## Setbacks undermine Leplat

By Derek Tommey

Potholes and lower productivity arising from the negative attitude of certain segments of the workforce are affecting production at Lebowa Platinum Mines (Leplat).

This has resulted in a shortage of face length and is preventing the mine from achieving its planned mining rate of 70 000 tons a month, says chairman PF Retief.

He says the construction programme to increase mill throughput from 50 000 tons to 70 000 tons a month is on schedule and on

budget, but difficulties are being felt in mining the necessary tonnage from underground.

Lebowa increased sales 13 percent to R77,5 million in the year to June

But pre-tax profit dropped 29 percent to R20,4 million.

However, a lower tax charge resulted in attributable income falling only 21,5 percent to R18,6 million.

The final dividend has been maintained at 5c a share, making an unchanged total of 7,5c for the year.

217/8/20/9/90

## COMPANIES

### 'Green' surge a bonus for platinum

THE 1990s are shaping up as the environmental awareness decade of the 20th century, and this appears to support the growing demand for platinum, says Rustenberg Platinum (Rusplats) and Lebowa Platinum (Leplat) chairman Pat Retief

In his annual reviews of the two JCI operations, Retief said Rusplats had during August reported distributable profit of R551,3m for the year to end-June — 7,5% down on the previous financial year — while Leplat reported a 21,5% decline in after tax profit to R18,6m

"Platinum's role in the fields of air pollution control from mobile and stationary sources, in clean and environmentally friendly power generation through fuel cells, and water purification, stand it in good stead in what is shaping up to become the environmental decade of the 20th century," Retief said

US car pollution standards had become the de facto world standard, he said

ET  
RIAAN SMIT

The expected adoption of the new Clean Air Bill in the US with more stringent "US-1993" standards would not only increase demand for platinum group metals in North America, but would also tend to set a new world standard which many countries might adopt during the second half of the decade

Developments in Eastern Europe and the Soviet Union suggested that these regions would follow Western Europe in terms of consumer and environmental trends *B104 20/9/90*

"Apart from unforeseen circumstances such as major recessions, platinum demand on balance looks to be solidly based," he said.

Retief concluded with a warning that platinum producers' expansion plans would make platinum market conditions more competitive



## USKO opens <sup>(217)</sup> vanadium plant *Skv*

By Derek Tommey *21/9/90*

A bright idea for the use of an idle pelletising plant at USKO came to fruition yesterday when the company commissioned its vanadium pentoxide plant at Vereeniging.

A company official said that the additional outlay needed to bring the plant into operation was R22 million. If USKO had started from scratch it would have had to outlay some R300 million.

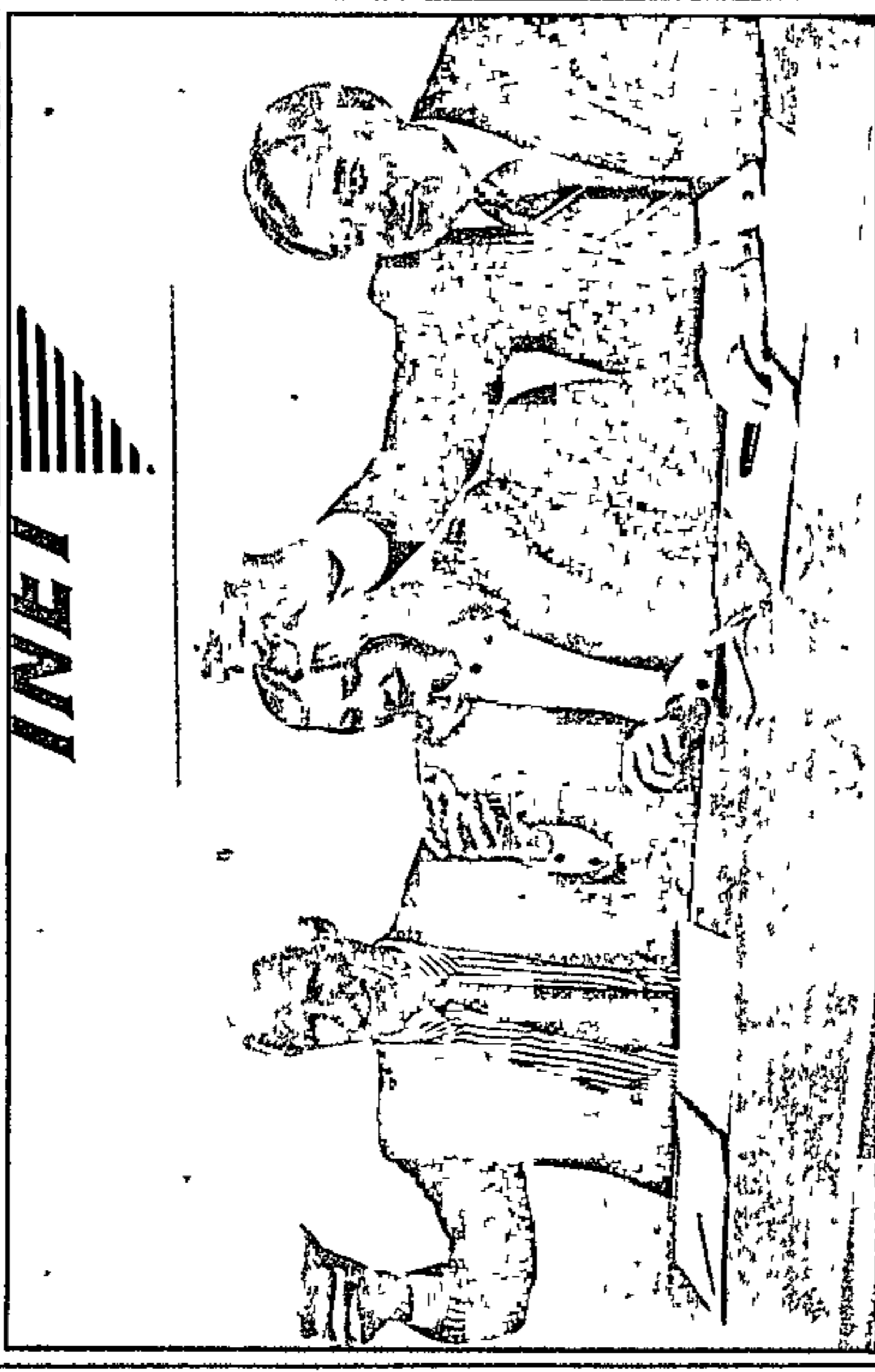
USKO also intends in time to extract titanium from the magnetite and use the iron rich by-product as a raw material for steel production.



# SA takes a shine

# shine to Lonrho

## ON THE BALL WITH I-NET



**I-NET**

**THE NEWS COMES ALIVE** Stockbroker Ivor Jones, I-Net managing director Anne Finlayson and Times Media managing director Stephen Mulholland toast the best in the business. Picture STEVE GREEN

**BUSINESS TIMES REPORTER**

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Institutions companies and even stockbroking firms competing with Ivor Jones Roy are prime targets of the service.

To illustrate the advantage of the system a subscriber may read on a computerised news page that the Reserve Bank has cut the discount rate by two percentage points. In seconds he will be able to find out from I-Net which JSE listed companies are highest geared and likely to receive the biggest direct benefit.

When tax changes are made in the budget users will be able to learn quickly which companies are most affected, by how much and for better or worse.

Subscribers to I-Net will achieve in minutes what used to take hours even days as any dealer in securities knows. A head start in dealing is money. No sophisticated investor will be able to afford not to have this service.

The system is built around parts of the existing IJR Market Analysis network, which has several hundred users. Added to this will be a comprehensive SA financial and general news service from Business Day and a major European news service from Reuters.

**Exhaustive**

Because it will be based on local area networking between personal computers the sophisticated computerised financial information service will be cheaper than rival foreign services, which charge up to R3 000 a month a service.

I-Net will give far more detail on SA markets and companies than foreign rivals. Unlike them it will offer historical information and time series.

Mr Jones says the capital investment runs "well into eight figures".

In its exhaustive data base Ivor Jones Roy has detailed statistics and analysis going back 25 years for most listed companies.

I-Net will be a separate company jointly owned by IML — publishers of the Sunday Times, Financial Mail Busi-

ness Day and 40 other publications — and Ivor Jones Roy.

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**R796m lowest tencile**

**SOUTH African institutions have been heavy buyers of the shares of UK conglomerate Lonrho and may now have as much as 10% of the company.**

Lonrho is a controversial conglomerate valued at R11-billion, founded and controlled by colourful entrepreneur Tiny Rowland. It has extensive interests in SA, Europe, the US — and black Africa. It has a large gold mine in Ghana and huge plantations and estates in other African countries.

Lonrho claims to produce half of Africa's food. In SA it has large stakes in Western Platinum, Duker and other companies.

As SA institutions have been buying attracted largely by Lonrho's platinum interests and the possibility of rapprochement between SA and Africa. London holders have been bearish and selling.

Notwithstanding SA purchases of an estimated 28-million shares for R800-million in the past four months the price has slumped from R20 to R15 since August.

Stockbrokers say Sanlam has been asked by the London Takeover Panel to state its intentions because its holding has moved above 5%. But Sanlam investment chief Ronnie Masson denies the claim.

**BIGGEST**

He says We have been buying Lonrho as a good hedge purely for portfolio purposes but we have only 1% of the company.

According to the Lonrho share register on September 14 Eight One Main Street nominees with 9.4-million shares is the biggest holder in SA. McGregor's Who Owns Whom says the nominee company belongs to Old Mutual.

Old Mutual has 1.3-million shares in its own name and those in Eight One Street would take the total to 16.5-million shares — 2.5% of Lonrho's equity.

But an Old Mutual spokesman denies that Eight One Main Street holds shares for it. He thinks it is a nominee company for Nedbank.

Other Lonrho holders are Sanlam with 7.9 million, Steilbosch Nominees (3.6-million), Southern Life (2.5-million), First National Bank Nominees (1.7 million) and Sepen (1.3-million). The big six SA holders have 33.3-million shares or 5.3%.

**NEGATIVE**

The actual SA holding is thought to be higher because the 4.5% of the company traded in the past few months has probably not been registered. Shareholders have six

## But Brits scary of its appeal

Another attraction is Mr Rowland's valuation of his company at £8 a share. Some Lonrho followers expect Mr Rowland to retire and asset strippers to realise the company's real worth.

Lonrho's value has long been disputed. The African assets and earnings are consolidated at official exchange rates that have little bearing on reality. But bulls say assets outside black Africa make the share good value.

## Grey-cash black-out

**By IAN SMITH**

"It appears that the Reserve Bank is trying to gain better control of money supply. It stands to reason that many loan transactions through deposit taking institutions will be outlawed."

The Reserve Bank receives regular returns from official deposit takers, such as banks and building societies but it does not know what is happening in inter-company loans.

**Foul**

The legislation says holding companies will still be able to lend to subsidiaries, but the Registrar of Deposits taking institutions will have power to exercise tighter control.

Mr Lear says "This will help maintain confidence in the banking system and give a more precise picture of money supply and credit."

"I believe that in practice the Registrar will make exceptions and that some unofficial lending will be allowed to continue. But companies and unofficial deposit takers should seek professional advice."

He says attorneys and estate agents who are not official deposit takers may find that some of their trust account operations run foul of the new law.

**By ROGER MAKINGS**

This week ground technicians called off an overtime ban which could have disrupted both domestic and foreign services. They received pay and other improvements.

In a break with procedure SAA management and not Transnet conducted the talks.

Airline workers are seeking market-related salaries and rejecting lower rates offered by Government institutions.

Earlier this year about 110 technicians resigned to take up other jobs and two years ago many pilots quit for

## SAA freed from Transnet web

**EMBATTLED** SA Airways has settled its fourth pay dispute this year — three of which could have seriously disrupted operations.

The negotiations have set a pattern taking workers directly connected with flight operations out of the web of Transnet, which sets pay for all its employees.

In April the South African Airways Pilots Association threatened to take management to arbitration if pay demands agreed to earlier were not met.

A month later flight engineers threatened a work-to-rule which could have seriously affected flights abroad.

Two months ago senior administrative staff threatened to stop work

higher-paid jobs abroad. Instead of trying to replace trained staff members SAA seems to be investing in their skills.

The question is to what extent will SAA which is working towards privatisation be held to ransom by those responsible for keeping aircraft aloft?

Senior manager public relations Mr Leon Els says: "We have settled disputes in the spirit of negotiation and with the interests of the airline at heart. Future salary talks will be conducted in the same way."

Management and staff realise that differences can be settled without resorting to industrial action jeopardising the airline's smooth running.

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**Lesofho**



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Other Lonrho holders are Sanlam with 7,9-million, Stellenbosch Nominees (3,6-million), Southern Life (2,5-million), First National Bank Nominees (1,7 million) and Sepon (1,3-million). The big six SA holders have 33,3-million shares, or 5,3%.

## NEGATIVE

The actual SA holding is thought to be higher because the 4,5% of the company traded in the past few months has probably not been registered. Shareholders have six months to register.

Lonrho has fallen on the London Stock Exchange. But heavy SA buying has helped the share to outperform the sliding London market by about 14%.

Some brokers attributed the fall to a negative report by UK stockbroker Shearson Lehmann. The report, by analyst Robert Davies, is said to be an internal document and will not be sent to clients.

Mr Davies says Lonrho does not have much room for dividend growth. Returns from property are likely to be down, US earnings will not be great given the strong

# But Brits scary of its appeal

*STimes 23/7/90*  
**BUSINESS TIMES REPORTER**

pound and weak dollar, and the group is highly geared.

Mr Davies has "not yet" revised his forecasts. Last May, he expected pre-tax profit to fall from £273,2-million to £253-million for the year to September 30. He expects profits to recover to £298-million in the following year.

What alerted SA buyers to Lonrho's attractions as a neglected rand hedge was the deal with Western Platinum

Another attraction is Mr Rowland's valuation of his company at £8 a share. Some Lonrho followers expect Mr Rowland, 73, to retire and asset strippers to realise the company's real worth.

Lonrho's value has long been disputed. The African assets and earnings are consolidated at official exchange rates that have little bearing on reality. But bulls say assets outside black Africa make the share good value.

## SAA freed from

EMBATTLED SA Airways has settled its fourth pay dispute this year — three of which could have seriously disrupted operations.

The negotiations have set a pattern taking workers directly connected with flight operations out of the web of Transnet, which sets pay for all its employees.

In April, the South African Airways Pilots Association threatened to take management to arbitration if pay demands, agreed to earlier, were not met.

A month later, flight engineers threatened a work-to-rule which could have seriously affected flights abroad.

Two months ago, senior administrative staff threatened to stop work.

By ROGER M

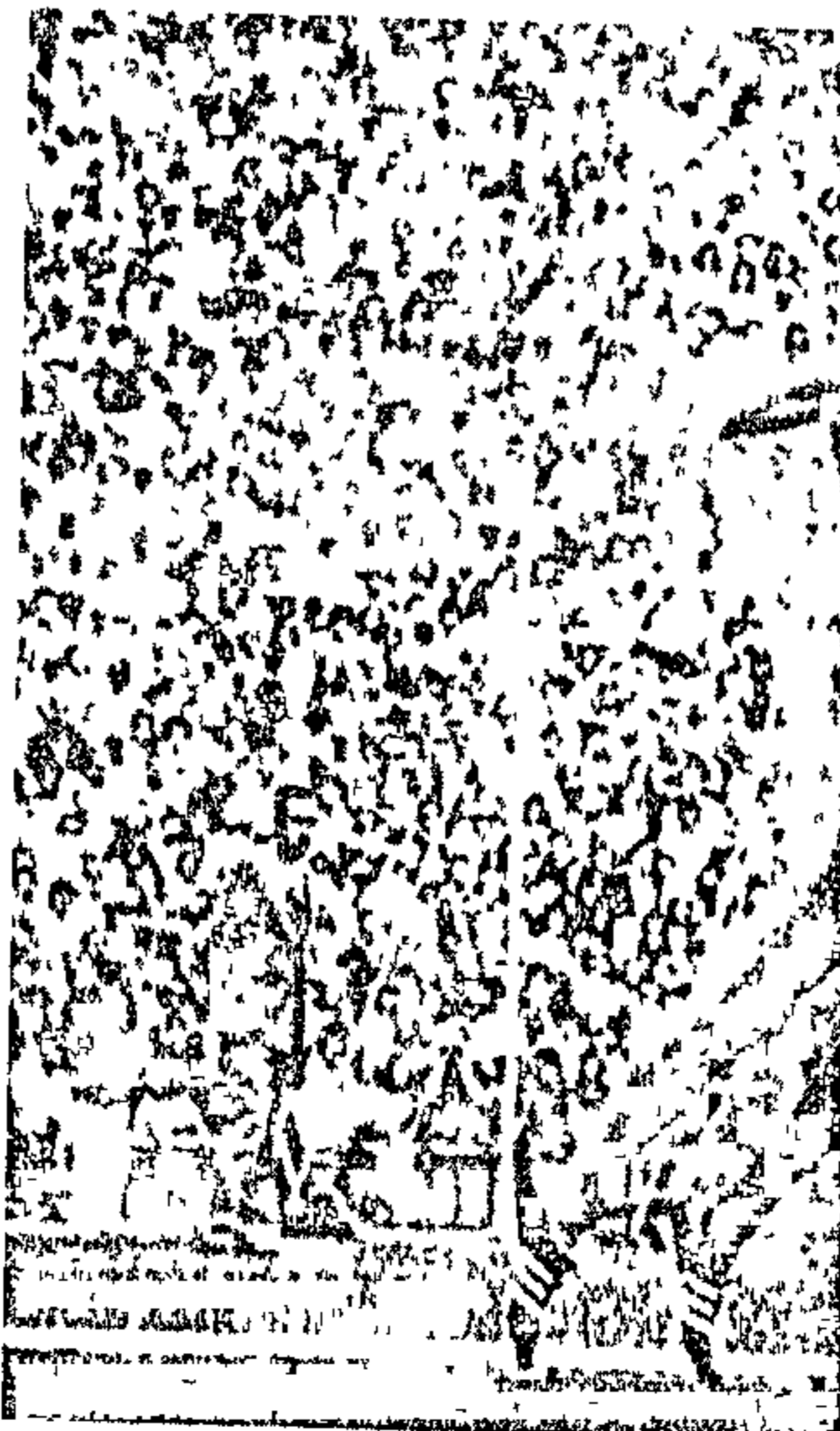
*STimes 2*  
This week ground to off an overtime ban disrupted both domestic services. They receive improvements.

In a break with management and not ted the talks.

Airline workers are related salaries and rates offered by Gov tions.

Earlier this year at cians resigned to take u two years ago many

## A Wits Postgraduate Keeping y





# Samancor fears effect of ferrochrome slump

B [Day] 26/9/90

PETER GALLI

SAMANCOR, the world's largest manganese producer, has forecast that its group profits will be lower than those achieved in the 1989 year unless there is a significant recovery in ferrochrome prices.

However, while the prospects for ferrochrome remained bleak, the group was budgeting for higher profits from manganese, Samancor chairman Brian Gilbertson said in his chairman's review released today.

He added that the decline in profits would be aggravated if the rand maintained its strength relative to the dollar.

"Due to the oversupply position and the relentless competition among producers, it is difficult to see any meaningful recovery in ferrochrome prices in the short term," he said. "In addition, the group will experience a major reduction in the level of its export incentives"

A decrease in demand coupled with increased supply from new production facilities led to a collapse in ferrochrome prices. Production of ferrochrome and intermediate car-

bon ferrochrome had been reduced in line with the lower demand, facilitating overdue maintenance work on production facilities, Gilbertson said

On the positive side, manganese and chrome activities were the major contributors to the group's profits in the 1990 financial year, with income from manganese products and ore increasing relative to the income from chrome products. Generally higher prices together with a weaker rand caused the operating profits from manganese ore to increase significantly

## Concern

However, the sharp price increases over the past two years had evoked concern from long-term customers, and the group was investigating means of increasing output to meet the strong demand and moderate future prices, Gilbertson said

The demand for manganese alloys also remained firm, with the average dollar prices received rising nearly

24%, though the price of silico-manganese came under pressure

The average dollar prices achieved for chrome ore exports in the 1990 financial year also rose by over 20%. Nevertheless, Gilbertson predicted that due to the high SA inflation rate, profits from chrome ore are unlikely to increase in the new financial year

In view of the downturn in the ferrochrome market, certain planned capital and other expenditures were deferred. However, total group expenditure amounted to R192m, with a small increase in expenditure budgeted for the new financial year

The Samancor Foundation was also established in January 1990 to spearhead the group's community involvement. R15m was set aside for investment in a trust fund, the proceeds of which would be used for deserving projects. To date, 11 projects have been approved, amounting to R1m

The 12 months to end-June was a record year for Samancor, with group turnover exceeding R2bn, attributable income increasing by 18% to R538,8m, and cash holdings rising to R638,5m

# Giant platinum mine in offing

star 28/9/90 (21F)

By Derek Tommey

South Africa is to get what appears to be a highly profitable new platinum mine

Rustenburg Platinum the world's biggest producer, said last night that it and Lebowa Platinum Mines had decided to establish a new mine on the Platreef

The mine will cost R923 million in June 1990 money terms, including a R134 million contingency element

However, inflationary price increases are expected to push up the total cost to R1,34 billion by 1994, by which time it will be milling 200 000 tons of ore a month. At this milling rate the mine should have a life of 26 years

It will be operated by Potgietersrus Platinum, which is jointly owned by Rustenburg and Lebowa Plats

Rustenburg had until the end of this month to decide whether to establish the mine and has been

conducting a trial mining and milling programme, which has apparently been successfully completed

It is estimated that the ore has an average platinum-group metals and gold grade of 8,5 grams a ton in-situ, an average platinum palladium ratio of 1,11, an in-situ nickel grade of 0,37 percent and an average copper in-situ grade of 0,20 percent

The average reef width is four metres, with a dip of 50 to 55 degrees

The reef sub-outcrops about 30 metres below surface

While it would be possible to mine the reef by open-cast methods, development was still being investigated, said Barry Davison, MD of Rustenburg Platinum

He said Rustenburg was confident that the shallow nature and the width and grades of the Platreef area to be mined would ensure the venture was one of the industry's lowest-cost producers

Estimates based on the figures

given by Mr Davison suggest the mine could have sales revenue of R800 million to R1 billion a year at the current platinum price and rand exchange rate

Mr Davison said it would not be possible to complete the financial arrangements until the completion of further studies

Clarity would also have to be obtained on the Government's ring-fencing proposals before company structures and financing arrangements could be finalised

He said Rustenburg would have no difficulty following up its rights, but that it could be a problem for Lebowa.

Both Rustenburg and Lebowa would report to shareholders as soon as the financing arrangements had been finalised

Rustenburg said recently it was expanding production 30 percent in the next three years

Lebowa reported earlier this year that it would double its production from its Atok mine

# ASA lifts holdings in platinum shares

By Derek Tommey

ASA, the undoubted king of the gold share investment trusts, has plumped for platinum.

Its quarterly report for the three months to August 31 shows that it has sharply increased its holdings of Rustenburg Platinum from 652 500 shares to 1 014 800, and has raised its holdings of Impala shares from 170 000 to 262 700

ASA is something of a special case.

Established with a special dispensation from the South Africa government and listed only on the New York Stock Exchange, the trust's R15 billion portfolio is regarded as representing the cream of South African mining and mining financial shares.

Changes in its portfolio, therefore, attract considerable attention in the investment world, here and overseas

It is also the share that many Americans buy whenever they believe an increase in the gold price is in the offing

Since the Iraqi occupation of Kuwait, ASA's share price has risen about six percent to \$50.

This compares with a net asset value on August 21 of \$62,42.

In the three months to August, it added to its holdings of

Beatrix, De Beers and Gencor.

It reduced its holdings in Western Deep and VZal Reefs and sold all its shares in Rand Mines.

The other shares in its South Africa portfolio at the end of August were Driefontein, Kloof, Hartebeestfontein, Southvaal, Zandpan, Kinross, Winkelhaak, Amcoal, Anglo American, GFSA, Minorco, Samancor and Sasol.

## Holdings sold

ASA also has a small portfolio of Canadian golds

During the quarter it sold its holdings in American Barrick, worth R11,95 million at May 31, for Teck Corporation shares, which had a portfolio value of R12 million at August 31.

Teck is a diversified group producing zinc, lead, silver, copper, fertiliser and gold

ASA's other 'Canadian shares are Hemlo and Placer Dome

The market value of ASA's portfolio at August 31 was R1,53 billion, up from R1,49 billion at the end of May.

Net investment income for the nine months to August was R45 million — down from R63,8 million a year ago.

Dividends equal to R5,82 (R5,86) were paid for the nine-month period.



CML 1/2/15 28/9/90 (217)

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From ROBERT GENTLE

JOHANNESBURG — A new platinum mine costing R1,34bn and designed to treat 200 000 tons of ore per month by the end of 1994 is to be established in Lebowa

The mine is Potgietersrus Platinums (PP), owned jointly by two companies in the Johannesburg Consolidated Investments (JCI) stable — Rustenburg Platinum (the world's largest producer) and Lebowa Platinum.

The announcement was made at a Press briefing at JCI last night presented by Rustenburg MD Barry Davison, consulting mining engineer Les Halasz and marketing director Todd Bruce

The decision to go ahead with the PP project had been taken earlier in the day and followed the successful completion of a trial

# R1,34bn platinum mine for Lebowa

mining and milling programme on the Platreef announced on November 1 1989.

"We are confident that the shallow nature, the width, and grades of the Platreef area to be mined will ensure that the venture will be one of the lowest cost producers in the industry" a joint statement said.

Estimated physical data for proposed underground operation were an average platinum group metals and gold grade of 8,5 g/ton in-situ, an average platinum/palladium ratio of 1,1:1, a platinum/rhodium ratio of 14,7:1; and in-situ nickel grade of 0,37%; an average copper in-situ

grade of 0,20%, an average reef width of 4 metre at a dip of between 50 and 55 degrees

The R1,34bn capital cost of the project amounted to R923m in June 1990 terms, and included a R134m contingency element.

The conference heard it was not possible at this stage to finalise the funding arrangements required by Rustenburg and Lebowa until further studies had been completed.

Clarity would also have to be obtained on the government's ring fencing proposals (whereby a new mine's development can be written off against the

tax base of an existing mine) before company structures and financing arrangements could be finalised.

However, Davison said it was "obvious" Lebowa did not have the means to finance 50% of the project cost. It was "too early" to specify whether Lebowa would resort to options like loans or a rights issue.

Asked whether the new project could cause problems of oversupply — SA already provides 80% of world supply — Davison said: "We are extraordinarily confident of the long-term fundamentals of platinum."

B10am 28/9/90

# R36m gold search planned

PETER GALLI

ANGLOVAAL's Free State mine, Loraine, says that drilling results from six boreholes in its mineral rights area warrant a further drilling programme over the next two years at a cost of R36,5m.

This programme will comprise 17 boreholes and three deflections from existing holes, says a media release issued today.

It should establish the nature, location and extent of payable ore reserves underlying the mineral rights area north of Loraine's northern boundary, says technical adviser Anglovaal.

The results showed that at least portions of the area contain a number of well-developed conglomerate reef horizons at mineable depth.

These horizons are hosted by the Central Rand Group rock formation, which is typical of the Orange Free State goldfield.

Analysts say the results delineate the area of highest possible mineralisation, and would probably result in Loraine sinking a new shaft or entering into an arrangement with the Sun prospect, which lies further north.

The drilling results have confirmed the continuation of the Eldorado reefs with good grades, running northwards, the presence of the Big Pebble reef consisting of

three conglomerate zones, in all boreholes, with the best mineralisation straddling the syncline, and the "B" reef in the vicinity of the synclinal structure yielding good gold grades.

Also confirmed is the presence of the Basal reef in two boreholes, of which Z1 gave encouraging values.

The depth of the various reefs varies between 2 000 and 3 000 metres.

It is believed that the trough area within this structure controls the payability of both the Eldorado and Big Pebble Reefs.

Based on this, the mine intends to extend the borehole programme.

A further announcement will be made as to how the project is to be funded. This will be designed to ensure that the programme will not be curtailed should there be excessive demands on Loraine's cash reserves as a result of its current and foreseen operating losses due to rising costs and the static, low rand gold price, the release said.

Shareholders have been advised to exercise caution in respect of dealing in the company's shares pending the further announcement.

# Encouraging values discovered — PGA

B12 am  
28/9/90

PETER GALLI

(214)

MINING exploration company Potchefstroom Gold Areas (PGA) and operator Anglo American Corporation had found encouraging values in their exploration activities, PGA MD Chris von Christierson said yesterday.

Anglo had reported that drilling adjacent to the northern boundary of the Vyfhoek joint venture intersected Bird and Carbon leader Reefs, which indicated the presence of two major reefs in the Potchefstroom Gap, he said on the release of PGA's interim results.

PGA posted a loss of R161 000 for the six months to end-June (R648 000 loss during the previous period).

This was mostly because revenue raised by a rights issue during the second half of 1989 raised interest received 460% to 55m (R277 000 previously).

Expenditure on exploration more than doubled to R1,47m (R704 000), with Anglo continuing exploration on the Mooirivier venture.

The company also entered into a joint venture agreement with Lydenburg Exploration and Southern Prospecting to acquire a 45% beneficial interest (50% contributory interest) in a gold exploration project generated by Southern Prospecting in the Evander area.

The joint venture had bought 398 ha of strategically located mineral rights and secured a further 5 009ha under option. The purchase of these mineral rights was settled by an issue of 355 869 ordinary shares

Negotiations to place this project with a mining house were taking place, Von Christierson said.

"Despite the depressed economic climate we continue to remain active," he added

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2/1

17



# R1,34bn platinum mine for Lebowa

B10<sup>m</sup> 28/9/90  
217  
100

A NEW platinum mine costing an estimated R1,34bn and designed to treat 200 000 tons of ore a month by the end of 1994 is to be established in Lebowa.

The mine is Potgietersrus Platinums (PP), owned jointly by two companies in the Johannesburg Consolidated Investments (JCI) stable — Rustenburg Platinum (the world's largest producer) and Lebowa Platinum.

The announcement was made at a briefing at JCI last night presented by Rustenburg MD Barry Davison, consulting mining engineer Les Halasz and marketing director Todd Bruce.

The decision to go ahead with the project was taken earlier in the day and followed the successful completion of a trial mining and milling programme on the Platreef announced on November 1 1989.

"We are confident that the shallow nature, the width, and grades of the Platreef area to be mined will ensure that the venture will be one of the lowest cost producers in the industry," a joint statement said. Estimated physical data for proposed



● DAVISON

## ROBERT GENTLE

underground operations were an average platinum group metals and gold grade of 8,5 g/ton in situ; an average platinum/palladium ratio of 1,1:1, a platinum/rhodium ratio of 14,7:1; and in situ nickel grade of 0,37%; an average copper in situ grade of 0,20%, an average reef width of 4m at a dip of between 50 and 55 degrees.

The project's R1,34bn capital cost amounted to R923m in June 1990 terms, including a R134m contingency element.

The conference heard it was not possible to finalise the funding arrangements required by Rustenburg and Lebowa until further studies had been completed.

Clarity would also have to be obtained on government's ring fencing proposals (whereby a new mine's development can be written off against the tax base of an existing mine) before finalising company structures and financing arrangements.

However, Davison said it was "obvious" Lebowa did not have the means to finance 50% of the project cost. It was "too early" to specify whether Lebowa would resort to options like loans or a rights issue.

Asked whether the new project could cause problems of oversupply — SA already provides 80% of world supply — Davison said: "We are extraordinarily confident of the long-term fundamentals of platinum."

Further details of the project would be given at a presentation to the Investment Analysts Society at the JSE on Monday.

# Platinum price slumps to lowest level in four years

Monday 1/10/90

RIAAN SMIT

PLATINUM closed at its lowest level in more than four years in London on Friday.

It fell on fears of an oil-driven recession cutting demand for auto-catalysts, and concern that oversupply might follow SA producers' recent expansion plans.

The metal closed at \$431,75 in London — a 50-month low — while its premium to gold fell to \$23 — a 30-month low.

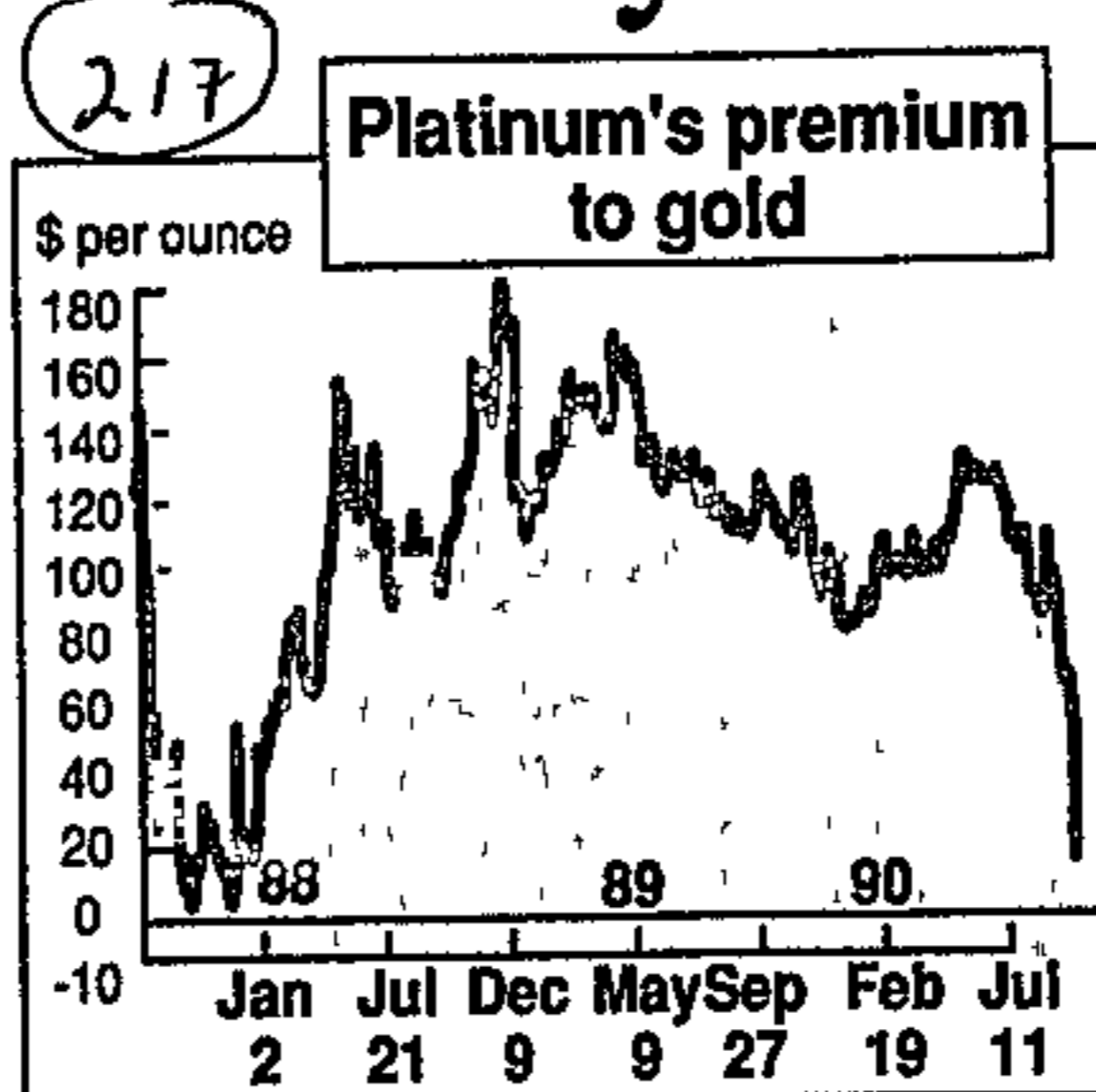
Auto catalysts, used to reduce exhaust pollution from motor vehicles, account for more than a third of platinum demand every year. SA mines supply more than 80% of the world demand for newly mined platinum.

J D Anderson's Dave Russell said the firm's latest estimate of the supply/demand balance for the metal "underscores our previous fears — the market is going into a state of oversupply with little in the way of improving demand fundamentals".

J D Anderson figures showing platinum supply and demand, including recycling, indicated that supply could exceed demand by about 400 000 ounces by early next year.

Russell said unless growth in demand exceeded the historic compound growth rate of 1,93% a year, or unless the planned rate of supply growth of about 4,5% a year was slowed, a shake-up was inevitable in the platinum producing companies.

"Current economic thinking seems set on a recessionary scenario, so increased demand seems unlikely," he said.



Graphic LEE EMERTON Source MATHISON & HOLLIDGE INFORMATION SYSTEM

Because of the secretive nature of platinum producers in SA, the market could not judge whether producers' claims that their expanded production was already sold on contract were true or not, analysts said.

Russell said he felt a shake-up in the SA platinum market was fast approaching.

He said he would not be "surprised" to see Impala Platinum's (Implats) Messina put on hold and Moddergat stopped; a slowing in expansion at Lonrho's Karee and East Plats; Rand Mines' Crocodile River slowing development to 250 000 tons a month and Kennedy's Vale stopped or sold; Gold Field's Northam not expanding beyond 275 000 ounces; and Lebowa's Mandagshoek venture shelved and the new mine on the Platreef announced on Friday not expanding beyond 200 000 ounces

# Opencast method mooted for new platinum venture

Star 2/10/90

(27)

By Derek Tommey

The new platinum mine owned by Potgietersrus Platinum might initially use opencast instead of underground methods, says Barry Davison, MD of Rustenburg Platinum Mines.

He was speaking at a seminar on the mine in Johannesburg last night.

Rustenburg and Lebowa Platinum each have a 50 percent stake in the company.

Mining analysts at the seminar said the cost of opencast mining was about half that of underground mining and this could make a substantial difference to the profit outlook.

Mr Davison said the possibility of starting operations with opencast methods only arose with the recent discovery of good ore

values at shallow depths.

Reef outcrops are usually heavily oxidised and of low value.

But at the new mine unweathered ore has been found 15 to 30 metres below surface.

Mr Davison said starting opencast operations (which would produce early profits) would also help Lebowa in its financing of the mine.

RL Menne of JCI said consideration was being given to mining the Platreef by opencast methods before turning to underground mining, rather than using opencast and underground methods in parallel.

At the moment it was planned to bring the mine to full production using underground methods by the

fourth quarter of 1994.

The mine would mill 200 000 tons of ore a month at a working cost of around R76 a ton.

This figure did not include the cost of refining the concentrates or the need to redeem capital expenditure.

However, he believed that the Platreef mine would be able to weather any decline in the price of one or several of its products.

These are the platinum group metals, together with copper and nickel.

Calculations based purely on underground mining showed that shareholders would get a real return of 13 percent.

The 13 percent return would rise dramatically if ring-fencing regulations were relaxed.



# Platinum expected to support new JCI mine

JOHANNESBURG Consolidated Investment Company (JCI) believes that even at current low platinum prices, operating costs at its new R1,34bn Potgietersrus Platinums (PP) venture will be met solely by platinum revenue from the mine.

The venture on the Platreef between JCI's Rustenberg Platinum (Rustplats) and Lebowa Platinum announced last week will produce 192 000 ounces of platinum a year from its start-up date in September 1994, company officials said at a briefing yesterday.

Its annual production also includes 177 000 ounces of palladium, 13 000 ounces of rhodium, 26 000 ounces of gold, 5 600 tons of copper and 3 500 tons of nickel.

The officials were clearly not worried about the low platinum price, saying the project could absorb substantial cost/price movements and still remain viable.

Projected cost a ton milled was R75,67, the officials said, while projected yield would be over 13%.

B/Dcom 2/16/90  
RIAAN SMIT

"We are confident that the shallow nature, the width and grades of the Platreef area to be mined will ensure that the venture will be one of the lowest-cost producers in the industry," Rustplats and Lebowa said in a joint statement last week.

Although funding of the mine has not been finalised, the officials outlined a number of options, including using Rustplats's tax shield in terms of the 25% ring fencing concession announced in the March budget.

## Treated

The two companies are not sure whether the ring fencing concession applies to the greenfields venture, and have approached government for clarification. If it applies it will only benefit Rustplats substantially because of the size of its tax shield.

Schemes being looked at to ease Lebowa's share of capex are open-casting the shallowest part of the mine to generate revenue ahead of scheduled full production.

Another option was to treat ore from development work at Atok's plant, 130km east of the mine, instead of stockpiling all of it as reserves.

It also emerged that the project would effectively consist of two mines, Sandsloot and Tweefontein.

At full production capacity of 200 000 tons of ore a month, 100 000 tons would be sourced from each section and treated separately in a metallurgical plant costing R189,7m in June 1990 terms.

The horizontal cut and fill method would be used to mine the Platreef.

Average in-situ pgm (platinum group metals) and gold grade for Tweefontein is 7,6g/t over an average reef width of 3,62m and for Sandsloot 8,63g/t over 4,7m. The average mill head grade is estimated at 6,91g/t.

The average copper and nickel grades for the two sections are 0,326% and 0,169% respectively.

Ore reserves total 60-million tons assayed down to a depth of 733m — a 26-year mine life. Officials emphasised the reef extended below 733m.

# GFC Mining wins Phalaborwa contract

B 10<sup>mm</sup>  
4/10/90 RIAAN SMIT (217)

GFC Mining, a division of Cementation Africa, has been awarded a contract to undertake the underground exploration work at Palabora Mining Company's (Palamin) open-pit copper mine at Phalaborwa.

The contract, for an undisclosed sum, consists of the sinking of an exploration shaft from Bench 30 in the open pit and driving a tunnel across the ore body, as well as about 20km of underground exploration drilling.

Palamin produces between 135 000 and 137 000 tons of copper a year, while SA's consumption has been static at about 70 000 tons a year for most of the '80s.

In August, the company said the project would be undertaken to assess the feasibility of establishing underground mining operations.

If feasible, an underground mine would extend the life of the mine by 20 years and produce between 60 000 and 65 000 tons a year. Economically viable mining from the pit was estimated to end in the year 2002. The proposed underground mine would be phased in from 1995.

GFC said the 572m exploration shaft would be sunk from about 330m below pit collar. The exploration tunnel would be 980m in length and incorporate 13 diamond drilling sites.

Problems faced by Palamin and GFC include pit temperatures as high as 45°C in summer as well as restricted site space on Bench 30. In addition, open pit blasting would take place two to three times a week and each blast would require evacuation of the shaft sinking site.



POTGIETERSRUS PLATINUM

FIM 5/10/90

# ANOTHER COSTLY EXPANSION

(217)

JCI's new platinum mine — to be developed in the northern Transvaal — is bigger and more costly than many expected. But its importance lies also in the statement the group is making about the future of the market and its determination to defend its market share.

The venture will produce 192 000 oz/year and is to cost R923m in June 1990 terms, or an escalated R1,34bn. Such an outlay underlines JCI's confidence in the long-term outlook for platinum demand (see *Leaders*)

The Potgietersrus Platinum project, owned 50:50 by Rusplats and Lebowa Plats, is in the northern limb of the Bushveld Igneous Complex. Project work on the new mine is to start immediately. Commissioning is scheduled for the first quarter of 1994 and trial mining will continue until September that year.

In effect there will be two operating mines, Sandsloot and Tweefontein, and both will exploit the Platreef horizon. This orebody differs from the Merensky and UG2 reefs in nature and grade. Average in situ, four element grade — platinum, palladium, rhodium and gold — for Tweefontein is 7,6 g/t over an average reef width of 3,62 m; for Sandsloot it is 8,63 g/t over 4,7 m. Average mill head grade for the two is estimated at

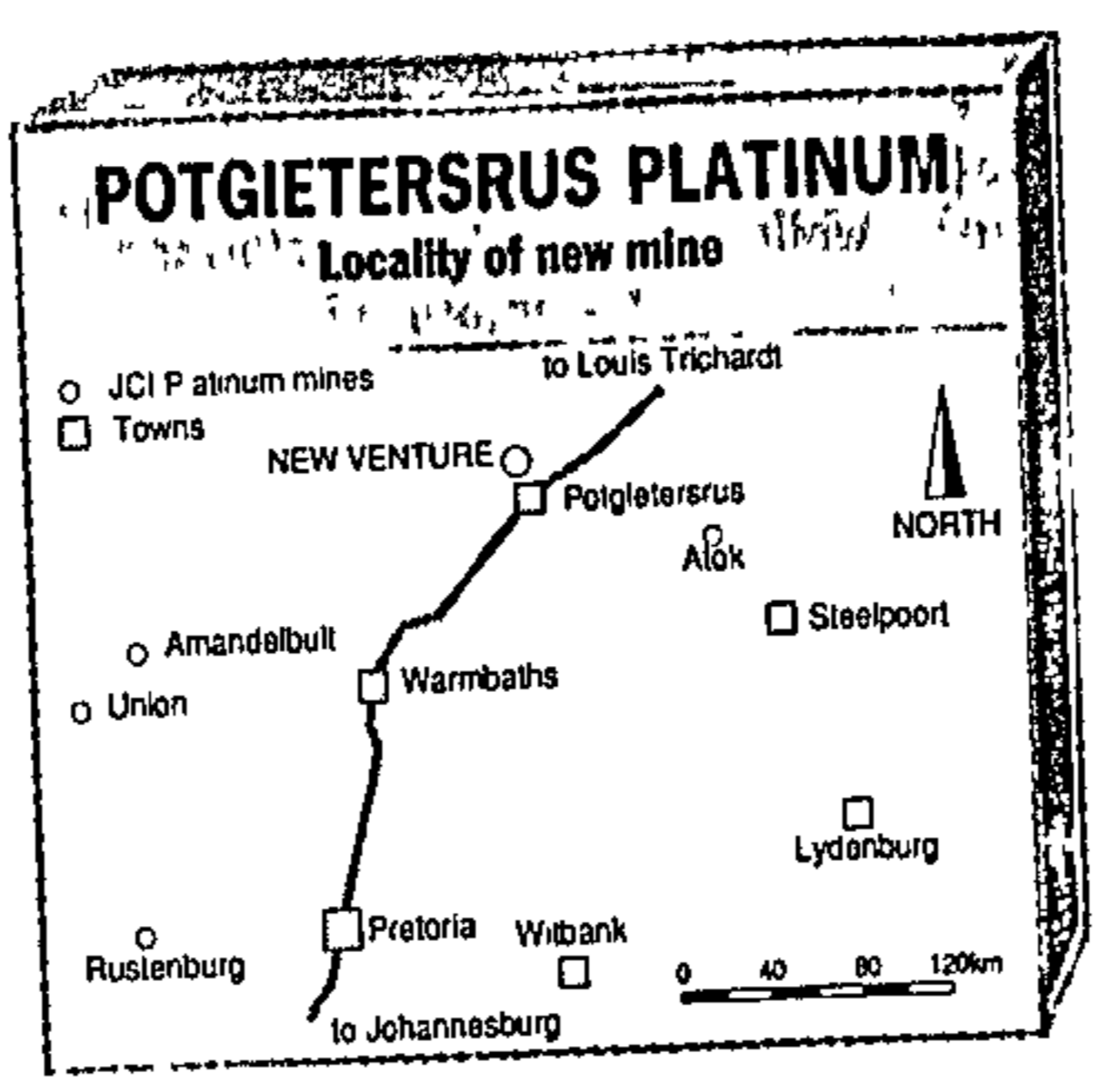
## POTGIETERSRUS PLATINUM

	Output at full production	FM price assumptions
		R
Platinum	192 000 oz	1 200/oz
Palladium	177 000 oz	380/oz
Rhodium	13 000 oz	6 800/oz
Gold	26 000 oz	1 050/oz
Nickel	5 600 T	23 000/T
Copper	3 500 T	6 500/T

6,91 g/t, while overall nickel content is estimated at 0,326% with copper at 0,169%

The reef pinches and swells, with widths varying from 2 m to 15 m, and dips steeply, from 35° to 50°, to the west. Different mining techniques to those used on the Merensky and UG2 will be needed. The most suitable option is the horizontal cut-and-fill method. Though this is used on many base metal mines throughout the world, it will be a first for the SA platinum industry and may require specialised machinery in certain areas. The group does not see this as a problem: the width and shallowness of the reef will enable mining at relatively low cost.

On-mine working costs are expected to be R75,67/t, of which a third has been allocated to the labour force. The mine will be



relatively capital-intensive, employing only 1 600, which should enable high productivity. This would also explain the fairly high capital cost, bearing in mind no smelter or refinery will be built. Significant contingencies have also been allowed in the capex — an important factor considering the cost overruns which have plagued other new platinum mines.

Ore will be concentrated on the mine but smelting and refining done by Rustenburg for a fee. Unlike UG2, the ore is easily processed. Input from the two units will be processed separately in a metallurgical plant costing R188m in June 1990 terms.

Estimated ore reserves total 60 Mt to a stoping depth of 733 m. This gives the mine a life of about 25 years though the reef extends far deeper. A decision to mine deeper would merely depend on the economics.

In determining the viability of the venture, long-term moving average prices have been used for the platinum group metals (PGM) and base metals, with the exception of rhodium. On current prices platinum revenue alone should cover operating costs with the rest contributing to capex, tax and profit. On the stated output figures and our price assumptions (see table), this would mean an operating profit margin exceeding 50%, more than those earned by existing platinum producers.

Based on the assumptions given, the project's real return would be about 13%, compared with the JCI corporate hurdle rate for new ventures of 8%. The project is obviously sensitive to metal price variations, working costs and capex. If any two of these deteriorated by 10% the yield would still not fall below 8%.

Funding has yet to be finalised. While Rusplat can easily do so out of cash and cashflow, it poses a problem for Lebowa Plats. The group is looking for ways of financing the mine as efficiently as possible, probably using a combination of debt and

equity. Several options are being considered. Clarification is being sought on whether the 25% ring-fencing concession would apply. This would help Rusplat but not make much difference to Lebowa Plats, due to their respective tax bases.

There is also the possibility of advancing the processing of ore from development work. It could easily be treated at Atok, 130 km east of the proposed mine, if the old processing plant were refurbished. Another option to advance revenues further would be to use opencast methods in the shallowest part of the mine. Both these possibilities would reduce the capex required up front. While problems remain, the mine is definitely to go ahead, with the new platinum reaching the market by end-1994 at the latest.

Gillian Findlay



But he is an old politician being rewarded by the American presidency, to which he has at best limited access and from which he gets limited support. While he has steered the bank away from its past sentimental economics — no mean undertaking — he is not going to add much innovation to the world monetary order.

This cannot be an encouraging situation. On the one hand, the G7 politicians have an arrogant approach to markets and are constantly trying to rig exchange rates, often to avoid the implementation of awkward dom-

estic economic adjustments. On the other, the economic diplomats of the IMF and World Bank allow themselves and their bureaucracies to drift into the supporting role of developmental agencies whose resources are unavailable directly to private enterprise, where they would be more productively used, though at greater risk.

A substantial case can, of course, be made that exchange rate volatility, far from being an aberration, is the natural order of things, and that markets have, through futures and options (made possible in turn by advanced

technologies), adapted to the situation.

Now that, at least among the G7, there is greater harmony of monetary and fiscal policy, the volatility is more likely to come not from the restraints placed by the member nations themselves on trade and financial flows — in almost every case for spurious economic reasons. Justifications are sought, as with our own exchange controls, in economic terms for what amounts to bad governance.

□ Report by Nigel Bruce at the IMF and World Bank meetings in Washington

IMPLATS/RUSPLATS

# WHAT'S COOKING

FIM 5/10/90

(217)

## WITHOUT DEEP RECESSION, DEMAND SHOULD MATCH EXPECTATIONS

**Platinum shares** are trading below their highs — and some have fallen sharply. Yet SA producers continue to invest heavily in expansion ahead of what is seen as a decade of growth. Do the softer share prices indicate a looming fight over market share?

Platinum producers continue to express confidence despite the recent announcements of expansions — and yet more production increases may be announced. Says Rusplat MD Barry Davison, "We are the largest platinum producer and we intend to stay that way."

As if to stress the point, Rusplat and its associate Lebowa Platinum this week announced the go-ahead for a joint venture costing an escalated R1,34bn to exploit the Platreef deposit of Potgietersrust Platinum. In terms of an agreement with the Lebowa government, the mine must operate at a minimum of 200 000 t/month by September 1994 which will yield 192 000 oz platinum a year (see *Fox*).

Other producers have also revealed their future plans. Lonrho's two SA producers could take their combined output to some 850 000 oz of platinum annually by 1995-1996, from the 400 000 oz currently being produced.

"The entire 850 000 oz to be produced at full capacity has been contracted for," stresses MD Terence Wilkinson. "So there is unlikely to be any disruption to the platinum market when it comes on stream. We believe the market will be able to bear the full amount, despite production increases announced by other producers."

Rusplat had earlier announced expansions at both its Amandelbult and Union sec-

tions the former by 140 000 t/month and the latter by 30 000 t/month, to be achieved in June 1992 and October 1990 respectively. "This should add about 250 000 oz a year to Rusplats' platinum production," says Kevin Kartun of Frankel Kruger Vinderine. Lebowa Plats is currently expanding production to 100 000 t/month, "or 120 000 oz a year," estimates Kartun.

Chairman Brian Gilbertson recently released Implats' production plans over the next five years. From the present 1,08m oz of platinum coming from the group, Implats intends to take this to 1,35m oz by 1995. About 45 000 oz will come from process improvements at existing operations, another 150 000 oz will be obtained by commissioning two new mills to process UG2 ore from the current Impala lease area, and the final 75 000 oz will come from the new Messina mine.

Such developments in the platinum market could hardly have come at a worse time. The price of the metal, at around US\$440, has fallen to its lowest level in over four years. Analysts argue convincingly on both sides of the debate on the future supply/demand balance. The price indicates investors fear an excess of the metal as the raised output is announced and an oil-driven recess-

sion looms. Producers who are clearly in direct contact with consumers are confident the increase in supplies will easily find a home.

With Iraq showing signs of seeking a negotiated settlement to the Gulf crisis, the danger of a deep or long recession may be easing. In addition, the new output will only come on to the market over the next five years — not overnight. Should demand not live up to producers' expectations, though, it is unlikely all these plans will go ahead as stated. Some new projects may well be put on hold, while others would be slowed down.

One thing that has made an assessment of the market outlook easier is improved disclosure of information, particularly from leading producers. The platinum companies have long been secretive, preferring to avoid releasing relevant details on tonnages, grades, geological conditions, working costs or development results — let alone a breakdown of the various metals produced.

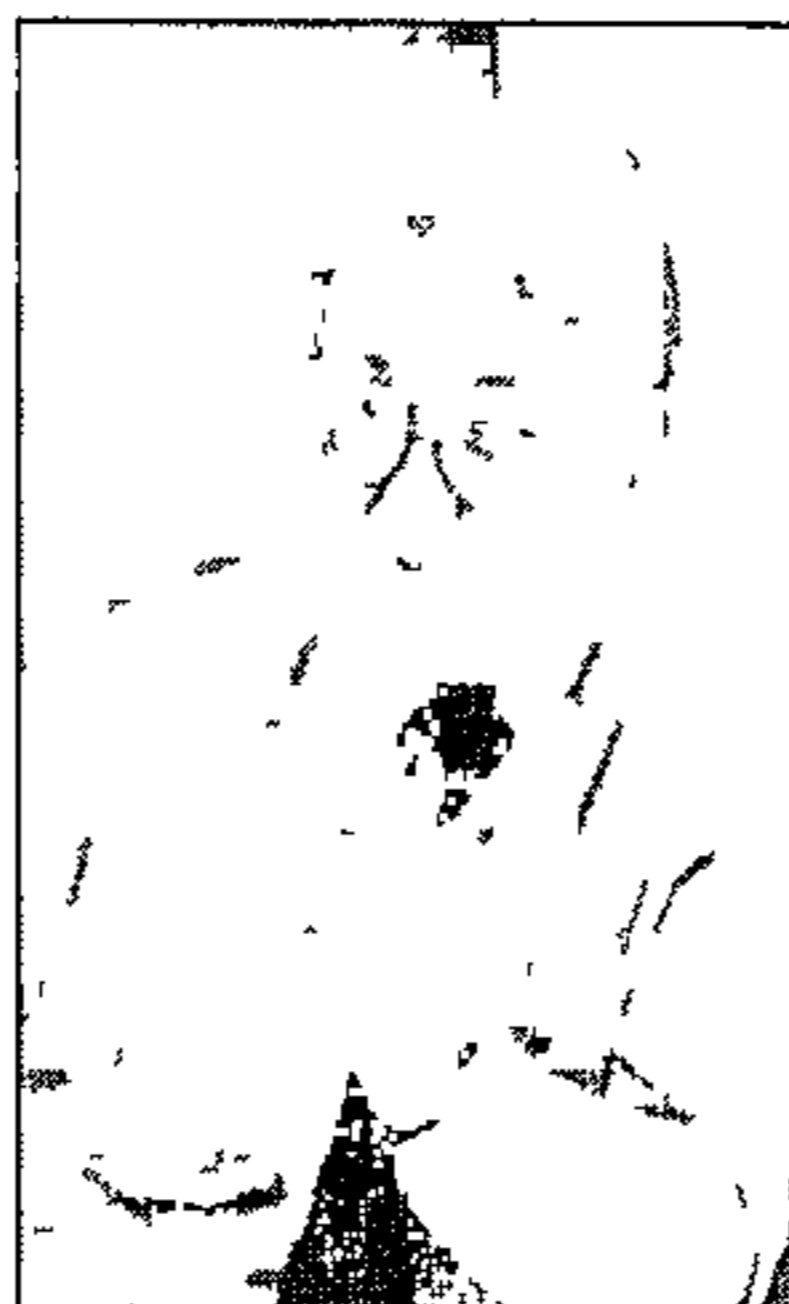
Disclosure by the two leading producers — Rusplats and Implats — has come a long way since both gave turnover only as percentage increases. Entry of several new producers into the SA arena in 1986 and 1987, with their far greater disclosure, was an important turning point.

Even the Rusplats spinoff, Lebowa Platinum, published previously unrevealed information when it came to the market in 1987. A loosening up did start a little earlier though, Rusplats gave turnover figures in 1983 for the first time, while Implats revealed this only in 1987.

In August, in a combined release of 1990 results and of the annual report, Im-



Gilbertson



Davison



Wilkinson

P.T.O.



JCI

# FLOW OF NEW PROJECTS

(217) FIMS/10/90

**Activities:** Mining house with principal interests in platinum, gold, base metals and minerals, diamonds, exploration, industry and property.

**Control:** Anglo American Corp 39,8%

**Chairman:** P F Retief

**Capital structure:** 147,5m ords Market capitalisation R5,9bn

**Share market:** Price: 4 000c Yields 3,3% on dividend; 10,2% on earnings, p e ratio, 9,8, cover, 2,2 12-month high, 6 100c, low, 3 600c Trading volume last quarter, 2,59m shares.

Year to June 30	'87	'88	'89	'90
<b>Investments:</b>				
Listed (Rbn)	4,60	3,45	5,19	6,55
Unlisted	0,81	0,69	1,4	1,56
<b>Performance</b>				
Investment income (Rm)	191	235	294	363
Other income (Rm)	142	88	112	89
Pre-tax profit (Rm)	333	323	406	452
<b>Earnings</b>				
attributable (c)	182	195	246	291
Equity	256	272	386	408
Dividends (c)	75	88	110	132
Net worth (R)	38,89	30,82	48,20	60,10

For JCI, much of the past decade was devoted to consolidation of the major interests, nurturing funding capability and preparing for expansions to come later. After a more active phase during the past couple of years, several new projects have now been completed or are under way.

These include the expansion of ferrochrome capacity at Consolidated Metallurgical Industries (CMI), the acquisition for R235m of a 40% interest in the Middelburg Mine export joint venture and a significant increase in capacity for Rustenburg Platinum (Rusplat) announced earlier this year.

With the exception of the coal acquisition, which gave some small support to the group's trading income in the 1990 year, effects of these have yet to be seen. Robust profit growth over the past five years — when the compound growth in EPS exceeded 27% a year — was largely fuelled by firm export prices, depreciation of the rand and the surge in domestic corporate profits.

Tougher conditions in the 1990 year are shown in the reduction in the increase in



JCI's Retief .. a difficult year

equity earnings to only 5,6%, though attributable earnings were up by 18,2%. Chairman Pat Retief says it was a difficult year for the group, but he emphasises JCI's business.

And, plainly, the house is entering the Nineties with a healthy pipeline of new ventures that should bode well for the longer-term performance.

Despite an over-supply of ferrochrome, CMI last month enlarged its presence in the market by acquiring Purity Ferrochrome. This week, JCI announced a new platinum producer, a R935m mine on the Platreef, as a joint venture between Rusplat and Lebowa Platinum. In the gold sector, management continues to mull over the South Deep prospect, though here, too, there have been developments, with the recent announcement of a listing for South Deep Exploration Co (Sodexo).

Substantial financing will be required for the new mining projects and they are absorbing much of management's attention. Only a net R102m was spent on additions to investments last year, the main item being the investment in the rights issue made by 32,2%-held Premier Group. For the rest, the only change to the investment portfolio was an increase from 22,9% to 24,1% in the stake in Times Media, which is becoming established as an income stock.

Platinum remains the largest contributor to JCI's income (see chart). The group is moving aggressively to prepare for forecast growth in demand over the decade and to defend its dominant market share in the face of expansions by existing competitors and by new entrants — even if this means contesting a price war at some stage. Rusplat, held

32,6%, had some R900m at June 30 and should have no difficulty carrying its own funding needs.

For the much smaller, 20,1%-held Lebowa Platinum, financing of its involvement in the Platreef venture is problematic (see *Leaders*) and a structure for the project has yet to be finalised, but it should not affect JCI's cash position adversely.

Should the South Deep prospect go ahead, it will almost certainly be much more costly than Platreef. Risks in such a venture are considerable, but three points are worth noting. Firstly, JCI is evidently moving cautiously and, though making enthusiastic noises about the large ore reserves involved, is not rushing into decisions. Secondly, after mining plans were revised last year, capital costs will not be nearly as large as appeared earlier (*Fox* September 29 1989).

Finally, progress is being made with both exploration and funding arrangements, as shown by recent announcements of a R232m rights offer for Sodexo. More details on Sodexo should be available soon.

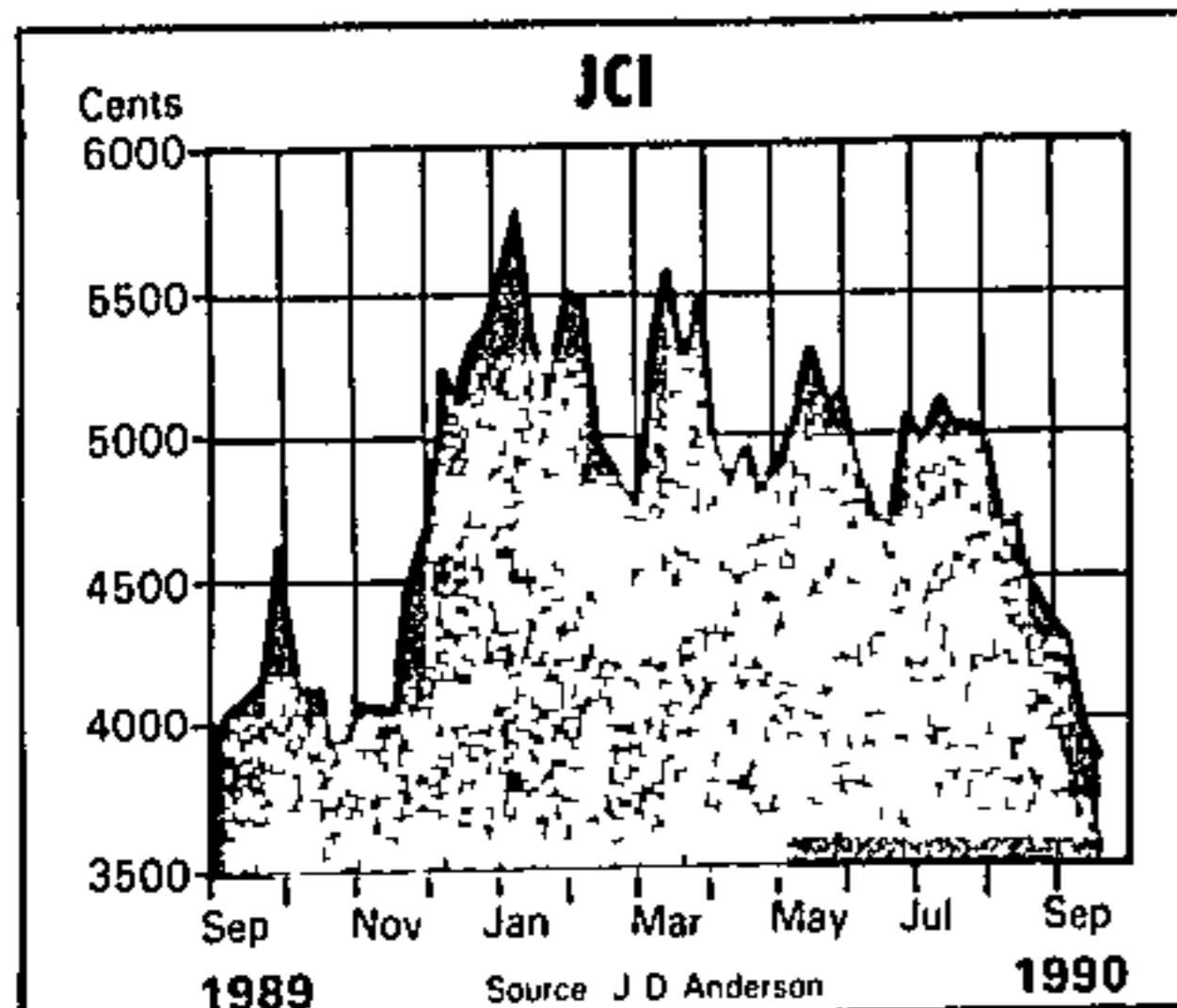
Among other gold prospects, evaluation of the Doornrivier prospect north of H J Joel and Beatrix mines is nearing completion, 18 boreholes have been drilled, with the final four for completion this year and preliminary feasibility studies are under way.

The existing gold operations continue to struggle, though action is being taken. Retief says the curtailment of unprofitable operations at Western Areas' North shaft and the proposed sale of its interest in the South Deep prospect to Sodexo, are designed to return the mine to profitability and to secure its future.

H J Joel gold mine has obviously disappointed. After technical and, more importantly, geological problems, it has an accumulated deficit of R83m and last year's production target was not met. With this year's gold price, a profit will not be possible from the targeted tonnage throughput of 80 000 t/month. An expansion of throughput to make better use of the infrastructure is being considered, better grades are also expected soon.

In the coal division, Retief says, Tavistock has benefited from the Middelburg acquisition, as well as from improved prices received by the Arthur Taylor export joint venture in a strengthening world market for SA coal.

Retief says changing attitudes towards the country, with renewed uncertainty about Gulf oil supplies, may further strengthen this trend, notwithstanding the temporary accumulation of stocks in Australia and entry of new competitors. He adds that Tavistock is well placed to take advantage of any market growth, a position that will be further con-



P.T.O.

**CURRENT AFFAIRS**

F14 5/10/90

To its credit, RBM took heed and made the study public. Closer inspection showed that a lot of potentially harmful effects of mining had not been looked into

A much fuller assessment is expected towards the middle of next year and will be available for public comment, it was announced in Durban this week. The assessment will then be examined by a review panel and, though its recommendations can be overturned by government, it will be very difficult to justify the mining operation if the panel finds it should not go ahead

An important part of the assessment, and a relatively minor issue when the mining proposals first came up, will be to weigh the value of mining against the tourism potential of the area

Privately, Natal Parks Board members have for years been nurturing a plan to link reserves on the eastern shores, forming a super-conservation area stretching along the coast to the borders of Mozambique and Swaziland.

With tourism viewed increasingly as an important foreign exchange earner, the conservation lobby might be a serious rival to mining.

What is important, however, is that the St Lucia controversy has shown that, given a common purpose, the public can influence government decisions ■

CONSERVATION F14 5/10/90  
**INTO THE OPEN**

A year ago, a move by Richards Bay Minerals (RBM) to mine titanium along the shores of Lake St Lucia, on the Natal north coast, sparked one of the most intense public campaigns seen in the province. Children marched in protest, petitions were signed and bumper stickers condemning the mining proposals became common

What heightened the emotional response was the perception that the mineral company was trying to rush through the proposals along with a supporting environmental study compiled in only a few months



# Channel is suspended on DCM board

*8/10 am 5/10/90*  
CHANNEL Mining Investments, which has minor granite and chrome interests, was suspended on the DCM board yesterday and has issued a cautionary announcement that negotiations are in progress that may have a material effect on the share price

Channel slid sharply this week and shed 1c to 3c yesterday ahead of the suspension announcement.

The last available figures show that Channel suffered a loss of R1,05m in the six

**LIZ ROUSE**  
months to end-December 1989 and had net current liabilities of R3,2m

The loss was attributed to expenses in establishing the Elandsdrift Chrome

Mine Since the date of reporting these results, March 8, the chrome market has turned sour Channel said it had increased its 25% holding in Steelchrome to 50,4% from Dr C J B Dreyer

# SINKING TO NEW DEPTHS

By DON ROBERTSON

AN exploratory shaft is to be sunk at the bottom of the biggest man-made hole in the world — the Palabora Mining copper mine in the northern Transvaal

The company hopes to extend the life of the mine in the northern Transvaal by developing the ore body below the opencast pit, which is already 1km deep

A contract has been awarded to GFC Mining, a member of the Cementation group

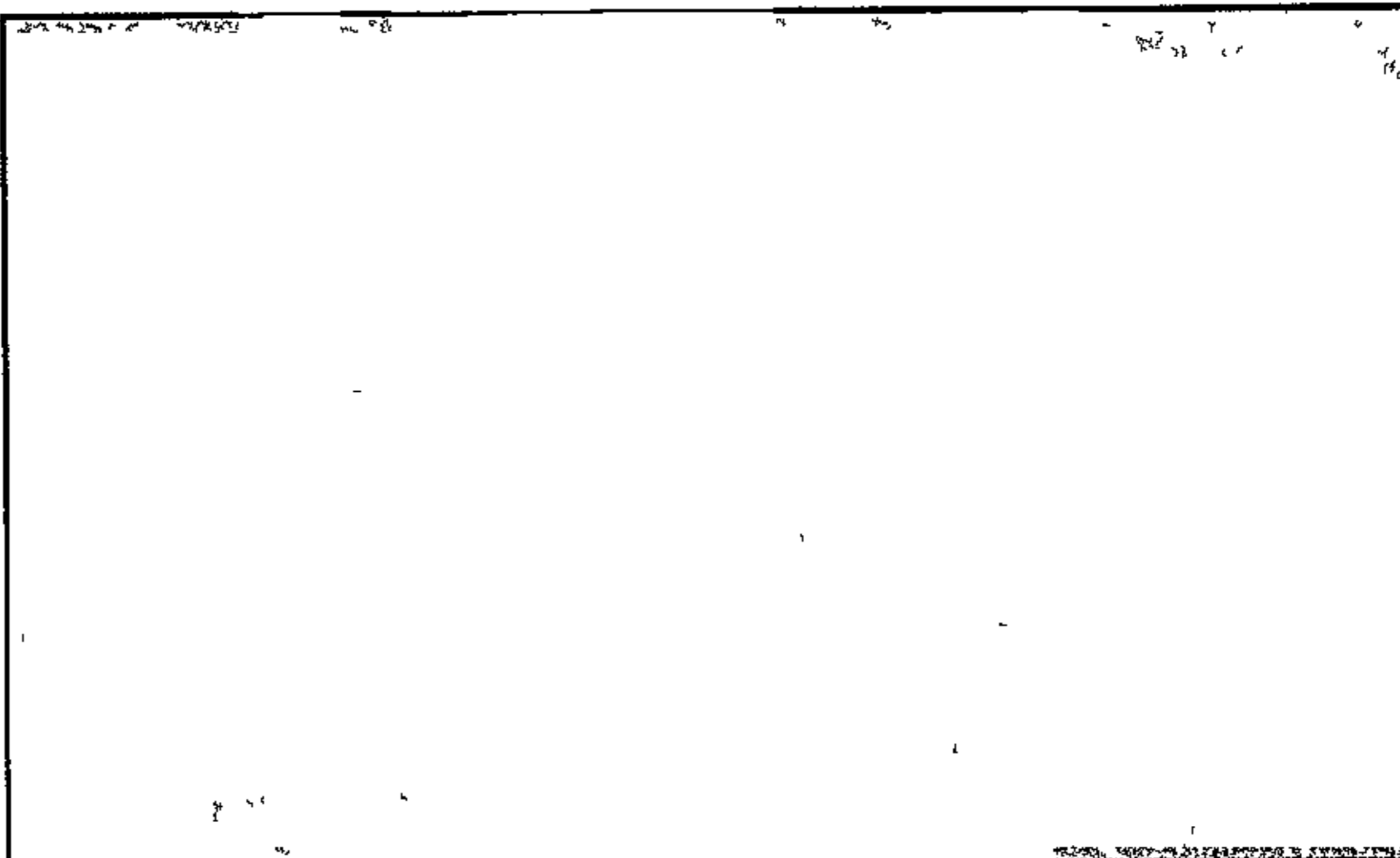
Once access to the lower ore body has been achieved and grades and the shape of the body has been established, a decision will be taken, probably in 1994, whether to continue mining

Should Palamin decide to go ahead, the life of the mine could be extended by about 20 years. Because of logistical problems, the life of the open pit operation is expected to end in 2001 or 2002.

## Stopes (217)

"At present we have no proper information on grades in the lower ore body or its shape. We also do not know what size stopes we will be able to use or whether we will be able to mechanise," says managing director Al Leroy.

"From now until 1992 we



## GOING DOWN . . . a shaft could extend the life of Palabora's opencast pit

will assess and design a mining method and will be able to establish a more detailed mining technology.

"In the 1970s, nine diamond drill holes were put down to 1400m below surface and these indicated that shape and grade of the ore body remained consistent. We will, however, have to design the mine with a higher cut-off grade than the open pit," says Mr Leroy.

Palamin is one of the largest copper mining operations in the world, but operates at the lowest grade. In 1989, the average grade was 0,492% of copper a ton, com-

pared with 0,454% in the previous year. In 1989, the company loaded and hauled 62,1-million tons of ore and waste from the open pit

## Closure <sup>51 Times</sup> 7/1990

The cost of production last year averaged R2 833 a ton compared with a selling price of R7 537 a ton. This produced attributable profits of R290,5-million on a turnover of R1,2-billion

Mr Leroy says, however, that production from underground will be about half of that from the opencast mine, but will still involve the min-

ing of about 30 000 tons a day. Last year, the company produced 115 689 tons of refined copper from the pit.

The opening of underground mining will be dovetailed into the closure of the opencast operation. Access and haulage shafts will probably be situated outside the pit

GFC will sink the 572m shaft into the ore body from about 330m below surface at Bench 30 in the open cast mine and a horizontal 980m exploration tunnel with 13 diamond drilling sites. This will facilitate about 20 000m of underground.

# Troubled Cons Murch slashes costs

CONSOLIDATED Murchison (Cons Murch) — the world's largest antimony producer, which is threatened with closure — has begun a cost-cutting strategy to enable it to survive in the face of an oversupply of antimony on world markets and heavy price discounting by Chinese producers

The eastern Transvaal mine has cut its milling rate by 25%, frozen salaries and wages for the current financial year, limited its capex, and deferred payment of all fees due to JCI (217) ~~(217)~~

Disclosing this survival strategy in his annual review for the year to June 30, chairman Mike Hawarden said it was necessary to stem the Letaba mine's negative cash flow (217) ~~(217)~~ *pidam 9/10/90*

Hawarden said prices were unlikely to improve materially in the short to medium term, providing there were no serious supply disruptions

RIAAAN SMIT

"Against this background, the only hope of survival for the company is to increase gold recovery significantly and to produce a value-enhanced antimony product"

To this end opportunities existed for enhancing gold recovery and producing crude antimony oxide through the use of new technology which, if adopted, could permit the phasing out of the pipe reactors with their attendant high operating costs

But Hawarden warned that the company's position was so precarious it might not be able to afford the capital expenditure these changes would require and the mine might have to be placed on care and maintenance. At the financial year-end, the company had a net cash deficit of R1,5m (1989 R7,3m credit)

Cons Murch has reported an operating

□ To Page 2

## Cons Murch *blom 9/10/90*

loss of R7,7m on a turnover of R34,3m for the year, compared with an operating profit of R8,3m last year on a turnover of R54,6m. Loss after tax was R6,4m (R10,2m profit)

Antimony is a brittle, silvery white metallic element used mainly in alloys. It sold at more than \$2 100 a ton in January 1988, but has been languishing around \$1 700 since August that year.

The mine also produces gold as a by-product — 531kg during the 1990 financial

*(217) (217)* □ From Page 1

year and 902kg in 1989 — its best figure for the past five years

The 25% reduction in the milling rate began on July 1 to reduce concentrate production to a level more in keeping with current sales, Hawarden said. This means the milling rate will be around 300 000 tons for the current financial year (1990 390 765 tons, 1989 457 063 tons).

Capex, R4,2m for the year and R5,6m last year, would be limited to essential items to maintain production at the current level for up to two years



## UAL's unit trust emerges as top gilt fund performer

LIZ ROUSE

217

THE UAL Gilt Unit Trust achieved an excellent return of 19,54% for the year to September, making it a top performing gilt fund.

Clive Turner, MD of UAL Management Company, says income distributed to unitholders showed a 6,24% increase to 176,25c, with a yield of 16,8% achieved in a challenging and competitive environment.

The 85,4% growth in the fund's total assets was accompanied by a continued defensive profile in the structure of the fund, with exposure to medium and longer-dated stocks being maintained.

UAL's general fund showed a 50,13% increase in income distributed to unitholders. Turner said this improvement resulted from higher dividends from the fund's investments and continuing high interest rates on cash holdings. Overall performance measured 9,44%.

Vaal Reefs, Barlows, AECI and NEI Africa were eliminated from the portfolio and the diamond component was reduced by a partial sale of De Beers. Holdings in SA Manganese and Iscor were acquired.

UAL Mining and Resources achieved a total return of 3,15%, which should be seen against a negative return (-6%) from the mining financials index.

Direct exposure to gold shares was reduced by the elimination of Driefontein and a reduction in Hartebeestfontein. In platinums, the fund followed its rights in Northam, increased Impala and sold Lebowa and Lydenburg.

Vansa Vanadium, Sasol and Iscor were also sold. Anglovaal loan stock was sold and the 5% participating preference shares were converted into Anglovaal N shares. The JCI holding was reduced marginally.

# Prospecting could lead ET Cons away from gold

EASTERN Transvaal Consolidated (ET Cons) has initiated a prospecting programme for nickel, copper and platinum group metals which, if successful, will diversify the small Anglovaal mining company out of gold.

The R5,1m prospecting programme is centred on a farm next to Anglo American Corporation's Uitkomst nickel prospect.

Announcing the move at ET Cons's AGM on Tuesday, chairman Rob Wilson said it was expected the prospecting programme on the farm Slaaihoek near Badplaas in the Eastern Transvaal would be completed towards the end of 1991.

If the project developed into a new mine, it would give ET Cons a new lease on life because its three small gold mines, New Consort, Agnes, and Sheba in the Baberton area, dated from early this century and "ore reserves are becoming limited", the 1990 annual report said.

Rising costs and lower gold prices

have clipped the reserves immediately available for mining and reduced operating flexibilities.

At the end of June, declared available ore reserves calculated on a gold price pay limit of R32 500/kg were 704 400 tons with an average grade of 17,1 g/t. In 1989 available reserves were calculated at a gold price of R33 200/kg and totalled 900 250 tons at an average grade of 16,7 g/t.

The Slaaihoek mineral rights and mining title belonged to ET Cons, Wilson said. The farm appeared to be on top of an ore body called the Uitkomst Suite which an outside geologist said was similar in mineral content as to that explored by Anglo for its Uitkomst prospect.

Anglo American new business divisional manager Graham Craig told Business Day in March its proposed mine would have an output of 17 000 tons of nickel. In 1989 SA produced about 40 000 tons.

Preliminary capital cost had been measured against the \$10 to \$12 an annual pound yardstick used by the world's largest nickel producer, Canada-based Inco. This showed the project appeared to be competitive.

However, an Anglo spokesman said on Tuesday the decision on whether to go ahead with Uitkomst had been deferred to early next year.

Uitkomst envisaged output translated into capital cost of more than R1bn at \$11 a pound, he said. Although Uitkomst would be SA's first primary nickel mine, 30% of the mine's revenue would be from platinum, copper and other metals mined as by-products, Craig said.

ET Cons announced today that the 20-for-1 subdivision of its ordinary shares — approved by shareholders at the AGM on Tuesday — will take effect as from Monday October 15. As the price will be adjusted accordingly, shareholders have been advised to exercise caution in their dealings.

BIDAY 11/10/90  
RIAAN SMIT

## COMPANIES

### Minorco takes over EC's only tungsten mine

LONDON — Minorco, the Anglo-De Beers international resource group, is to pay £14.9m for Charter Consolidated's 81.6% interest in Beralt Tin & Wolfram, the only source of tungsten inside the EC, and 100% of the metal marketing company Anmercosa Sales

Beralt (BTW) owns the Panasqueira wolframite (tungsten ore) mine, 300km north-east of Lisbon, in partnership with the Portuguese government, which has 19.4% of BTW.

Charter (36% owned by Minorco) announced earlier

JOHN CAVILL

this year that it was selling BTW as part of the strategy of re-focusing the group's operations into four main industrial divisions and disposing of low-yielding assets and investments.

Beralt, which has an estimated 14.5-million tons of reserves with a wolframite grade of 0.38%, has long been struggling with Chinese price cutting and dumping in the tungsten market — a fate also suffered by antimony producer Consolidated Murchison. Minorco said yesterday

that the combined pre-tax losses of BTW and Anmercosa in the year ended March 1990 — totalled £177 000. (217)

Minorco joint MD Roger Phillimore said yesterday that while the deal would make little impact on the group's earnings and assets, it established a base for exploring the "considerable" natural resource potential of Portugal and Spain.

"Beralt is also a high grade, long life mine which produces a premium quality product and we think we can do something with it."



# Slump for ferrochromium expected

THE world ferrochromium industry — of which SA is the world's largest supplier — is in a state of oversupply which could result in 500 000 tons of production being lost in the industry within three years.

This was the message delivered by Mid-delburg Steel and Alloys Chromium MD Paddy Probert at the recent Heinz Pariser conference in Prague, Czechoslovakia.

The fortunes of the industry were inextricably linked to those of its major consumers, stainless steel producers, and the second half of 1990 had seen a sharp decline in stainless steel production levels.

Probert said Western world stainless steel production reached an all-time high of 10,6-million tons in 1988.

The second half of 1989, following a record first half, had seen a sharp decline in production levels in a destocking cycle.

As a result, 1989 production at 10,1-million tons was 4% down on 1988. The expectation was that 1990 production would be about 10-million tons.

Expected average growth during the 1990s was around 3,2% a year. Industry related factors to influence the long term

RIAAN SMIT

growth prospects for stainless steel were

- Environmental awareness in the form of compelled addition of catalytic converters to all cars,

- The infrastructural development of Eastern Europe and the low per capita consumption of stainless steel there,

- The increasing globalisation of the industry,

- Substitution gains and losses and new applications, and

- Nickel — in terms of price and availability.

Of ferrochromium, Probert said this industry experienced a rapid increase in capacity expansions after the shortages of 1988. Overcapacity had resulted as demand from the stainless steel industry slumped.

In a range of US\$45c-50c/lb, only SA and Zimbabwe were marginally profitable.

"Resulting from the above, it is estimated that between 1990 and 1993 more than 500 000 tons of capacity could exit the industry," Probert said

610 000 11/10/90

217

# Weaker showing at base metal mines

12/10/90  
Lower average metal prices, with the exception of copper, affected after tax profits of Gold Fields coal and base metal companies for the September quarter.

All companies, with the exception of Zinc Corporation of SA, reported lower after tax profits. The further decline in the tin price resulted in Rooiberg Tin continuing to incur losses despite the beneficial effect of the rationalisation programme.

Gold Fields Coal's tonnage mined was little changed at 2,6 million tons, but the company reported lower sales of R56,9 million (R67,1 million) and a drop in sundry revenue to R809 000 (R1,6 million). After tax profit reflected a sharp drop

to R4,4 million (R9,0 million).

Capex was higher at R2,6 million (R2,1 million).

Rooiberg Tin's ore treated decreased to 60000 tons (66000 tons), while tin grade increased to 0,59 percent (0,50 percent). This resulted from further planned steps taken by the company to reduce losses being incurred.

Cost of sales were lower at R4,6 million (R5,5 million) and after tax loss for the quarter was reduced to R51 900 from the previous quarter's loss of R893 000.

Black Mountain Mineral Development reported higher sales at R66,0 million (R47,7 million), but the sharply higher cost of sales at R44,9 million (R23,7 mil-

lion) as well as lower sundry revenue of R1,3 million (R2,6 million reduced after tax profit to R14,1 million (R14,9 million).

Zinc Corporation of SA's higher sales tonnage of 22812 tons (18977 tons) boosted sales revenue to R104,5 million (R88,8 million). Profit after a higher tax was accordingly at R8,8 million (R8,6 million) in spite of a higher tax bill of R8,7 million (R7,5 million).

O'Okiep copper company's higher tonnage milled of 508300 tons 489200 tons) was offset by a lower grade of 1,32 percent (1,45 percent) and an increase in cost of sales to R34,3 million (R26,6 million). A drop in sundry revenue to R2,4 million (R4,2 million) further impacted

on profit after tax which fell to R12,9 million (R13,7 million).

Northam Platinum's capital expenditure was lower at R67,2 million (R106,1 million). Net income after tax increased to R11,9 million (R3,3 million).

Gold Fields of Namibia reported a drop in tonnage treated to 407302 tons (413769 tons) and lower sales of R100,0 million (R102,5 million).

Lower cost of sales at R81,3 million (R84,7 million) and freight and realisation costs which decreased to R9,2 million (R9,6 million), helped to boost before tax profit to R8,6 million (R7,2 million).

Profit, after a tax bill of R3,6 million (R3,4 million), increased to R5,1 million (R3,8 million).—Sapa

# 217 Mining shares hit by platinum's fall

Blom 12/10/90

PLUNGING platinum and silver prices on global bullion markets put early pressure on gold and sent mining shares tumbling on Diagonal Street yesterday.

And Wall Street took another plunge for the third day in succession with the Dow Jones industrial average falling 41.5 points to a year low of 2 366.

This came on the 78,22 point (3,1%) fall on Tuesday and the 39,85 point fall on Wednesday. Tokyo was down 909,48 points (3,8%) and London's FTSE-100 index was 19,6 points lower yesterday.

On the JSE foreign selling of flagship De Beers added to the market's woes and the overall index shed 1,6% or 45 points to 2 648. The all gold index slumped 71 points or 4,7% to 1 438, while platinum shares were testing new year lows.

Gold staged a late rally from morning lows of \$384,50 to close unchanged in London at \$389,75. In New York gold rose \$1,40 to close at \$390,15. Analysts said gold rebounded on firm oil prices — the spot price for Brent crude was up 80c at about \$41 — and perceptions that it was a good buy amid tensions in the Middle East.

Platinum slumped from \$432 to a low of

MERVYN HARRIS

\$407 before recovering to close at \$419, its lowest level since early 1986, and silver sunk to \$4,24, its lowest level since December 1976 on the back of oversupply and continued lack of investor interest. It ended at \$4,31 with the gold-silver ratio of 87,85 at its highest-ever level.

Stockbroker Frankel Kruger Vinderine's Peter Davey said that oversupply conditions in the platinum market were being compounded by the poor outlook for world car sales in the wake of rising oil prices.

JOHN CAVILL reports that nickel prices fell sharply in London yesterday, being hit by strong selling from Europe on reports of renewed Soviet exports.

The cash price dropped \$450 to \$9 025 a ton and three months forward nickel lost \$425 at \$8 662 a ton. SA's platinum mines produce about 30 000 tons of nickel as a by-product — just over 5% of the Western world total.

Nickel, which hit a low of \$6 075 a ton earlier this year, had rallied by 87% to \$11 375. But it has been under steady pressure for the last month.



# Rhodium's surge comes to the rescue of platinum producers

Star 16/10/90

217

By Derek Tommey

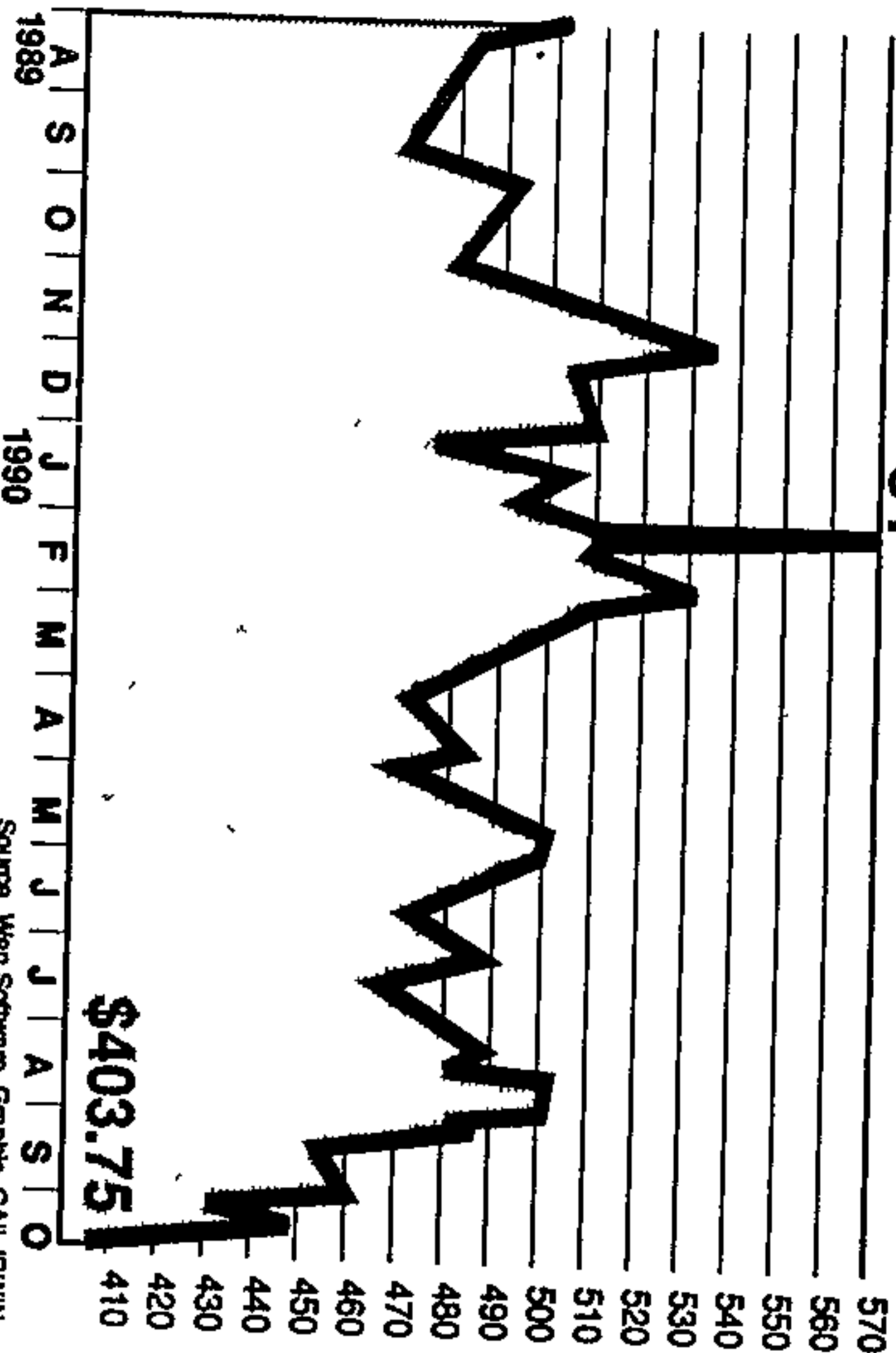
Hit by fears of a major world economic recession, the price of platinum tumbled yesterday — casting a pall over the share market and probably also giving the monetary and fiscal authorities in Pretoria another cause for concern as the metal is one of South Africa's major exports

However, it is possible that platinum investors may have reacted too sharply when the price dropped more than \$14 an ounce in London yesterday to a four year low of \$403.75 following what appears to be large short-selling by speculators

This brought the fall in the platinum price since the end of July to around \$72 an ounce, or by some 16 percent

Dealers believe that fears that the high oil price caused by the Persian Gulf crisis might lead to a major world recession in the next 12 months and to a sharply lower demand for cars and thus for plat-

Platinum closing price



num is the main reason for the heavy speculative selling of the metal

The major users of platinum are manufacturers of catalytic converters for cleansing car exhausts. However, increased platinum

sales, by the Russians are believed to be factor as well, as is disbanding by rich Middle East refugees who need cash for their living expenses and also to finance the campaign against Iraq. The drop in the metal's price

Source: West Software Graphs. GAIL IRWIN

caused the share price of Rustenburg Platinum Mines, the world's largest producer of the metal, to shed 100c yesterday to close at 5925c

This brought the fall since the end of July to R32 — or some 35 percent. However, the price of shares of Impala, Rustenburg's main competitor, has fallen even more. They fell 150c yesterday to 5200c to stand some R.33 or 38.8 percent below their end-July price.

But while the drop in the platinum price may have upset some investors, it has had little effect at the mine

Mr Barry Davison head of JCI's platinum division, which controls Rustenburg, said last night that the company was concerned about the drop in the metal price as sales of platinum were at market related prices but there was no intention of cutting production

In fact, the physical demand for platinum was strong, he said. The Japanese, who are the second major buyers of platinum mainly for jewellery, were also strong

buyers. The 26 percent drop in the yen price of platinum in the past three months had encouraged the Japanese to go bargain hunting

Since July the price of platinum in Tokyo has dropped from 2276 yen a gram to 1672 yen.

Mr Rodney Yaldwyn, head of mining research at Simpson McKie, pointed out that the loss the platinum producers have suffered from the drop in price has been more than made good by the jump in the rhodium price.

Earlier this year rhodium was selling at around \$1 500 an ounce. It is now \$5 300 an ounce and, as yet, has shown no signs of falling

Mr Yaldwyn said that should the platinum and rhodium prices remain at their present levels during the next 12 months, the platinum producers would show larger profits than last year and not smaller ones.

In the light of these comments it seems that the platinum mining industry will continue to be in a strong and healthy position — unless there is a more significant drop in price.



# PPRUST'S NEW mine a Streets-Fire winner

STimes 11/01/90

213

JCI is playing its platinum cards very cleverly.

The management company and major shareholder of Rustenburg Platinum Mines and Lebowa Platinum Mines — which jointly hold Potgietersrust Platinum (PPrust) — announced before the contractual deadline of September 30 that a new mine would be established on the Platreef.

Top man Barry Davison added that there was no hurry to start.

The method of funding the R1-billion or so project was not outlined because it has not yet been decided JCI is waiting on the tax man with regard to ring-fencing — the offsetting of capital expenditure against the taxable income of the shareholders' other inter-



5 600 tons of nickel and 3 500 tons of copper, from the end of 1994

JCI's evaluation says that 80% of the value will come from platinum rhodium and nickel. Production of platinum alone will cover operating costs.

The working cost is forecast at R76 a ton milled, plus a refining charge. This includes R1250 a ton for backfilling — part of the chosen horizontal cut-and-fill mining method. Although the generally wide reef pinches and swells over tens of metres, mechanised mining will be used.

But the financial part of

cast mining had not been the base case or been considered earlier.

JCI said that new geological data had only recently come to light — a rather specious excuse considering the work done in the past.

Using the base case, the project promises a yield of 13% — well above JCI's corporate rate of return. Yardsuck of 8%. If opencast mining is established the rate will be higher, sooner.

Mr Russell says spare concentrator capacity is available at Lebowa's Atok mine that could be used to treat opencast material. He says it would be easy to opencast to 300m at low cost.

## Cheaper

(For those who find that a bit hard to swallow, operations at Palabora Mining are down to far greater depths.)

Mr Russell calculates the average production cost on the Platreef at R500 an ounce of platinum including by-product revenues, compared with his estimate of the industry's average at R750.

Mr Davison parried a question on why PPrust was not being made much larger with he reply that expansions already announced at JCI's other mines would be cheaper still.

This does not mean that JCI will abandon the plan to mine underground Strip-



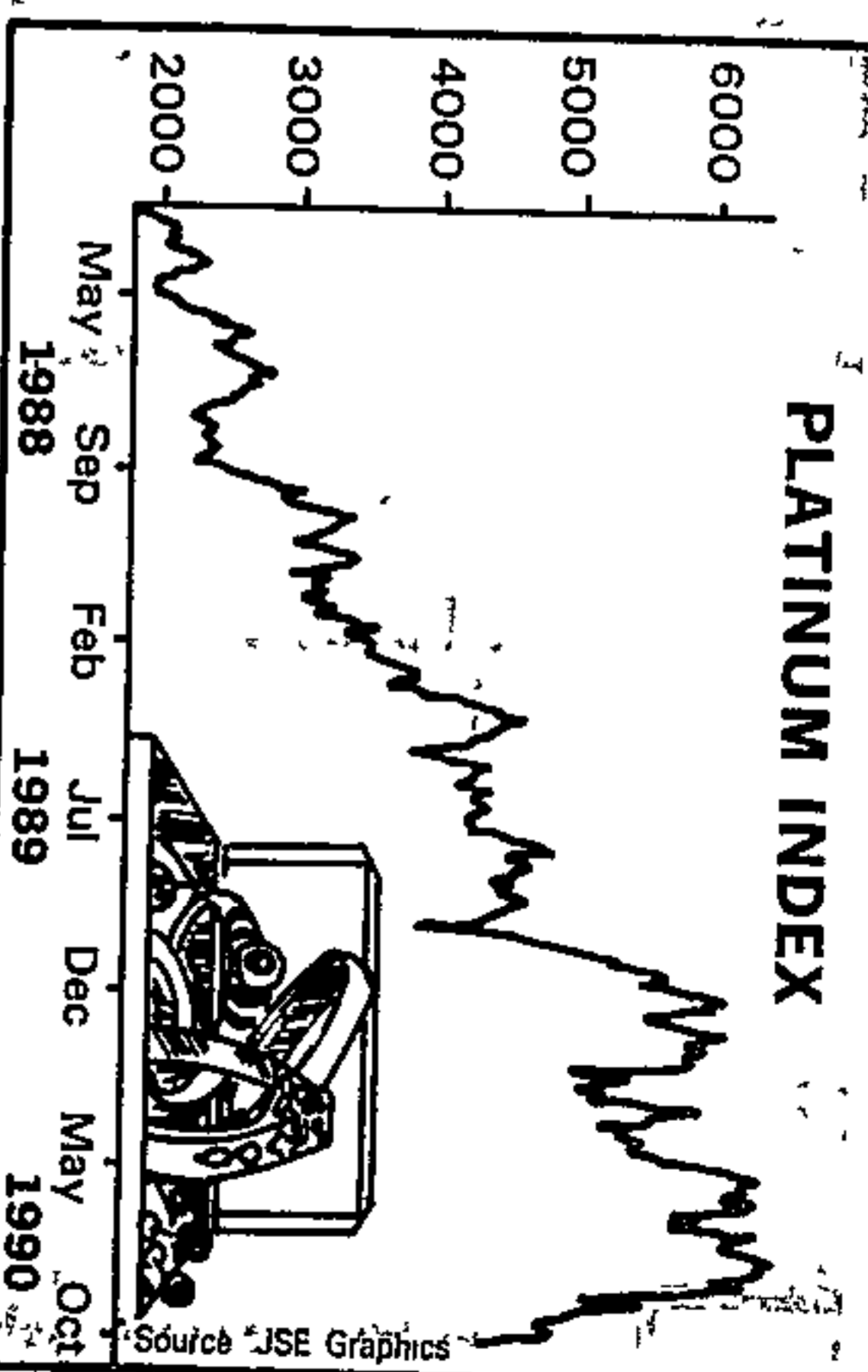
BARRY DAVISON Confident

ping ratios in opencast mining result in lower grades to the mill but the initial capital cost for underground mining is far greater.

Opencast mining offers a solution to the funding problems of Lebowa Platinum. Meeting its half-billion base case mine over four years is beyond its cash capabilities, and borrowings will be costly.

New equity finance still seems likely, but for a much smaller amount if the opencast option is taken as this could accelerate cash flows rather than waiting for underground operations to come on stream.

Cash could be quickly generated from the treatment of converter matte. PPrust would avoid commissioning the plant with oxidised material from



to fears of a recession and the consequent fall off in the demand for motor vehicles.

Catalyst production for motor vehicles is one of the major uses of platinum-group metals. Jewellery is another, of which sales could suffer in hard times.

## Fashionable

But platinum mines are not established on short-term prospects. In the long term, the Platreef project looks a winner.

The fashionable view is that there could be an oversupply of platinum in the light of several new projects announced lately, and

opencast mining. This would be stripped and stockpiled rather than put through the concentrator. It is thought that oxidised ore from opencast mining contributed to the start-up difficulties at Barplats' Crocodile River mine near Brits.

## Fears

JCI is fortunate to have metallurgist Ewan Kirby, who came from Barplats, to help in this regard.

Mr Russell believes that in any event, any tax break would be icing on the cake for Rusplats and Lebowa Plats shareholders. The shares hardly moved from their recent lows on the announcement, but this is negative sentiment.

The platinum market is depressed again. The sharp rise in the oil price has led

the lowest-cost producers will be the least vulnerable to pricing problems.

As Barry Davison says, "A year from now we'll be knee-deep in blood, and none of it will be mine."

THE platinum price reached its lowest level in four years at the end of September as fears worsened that demand would exceed supply. The price hit a shade under \$432 an ounce — still a large premium to the gold price. But the gap narrowed to about \$20 from last December's peak of \$180.

January futures contracts in the metal are of the order of \$448 an ounce. The fallaway of investment demand has also hit the price.

## Venture

The ball has been tossed fully into the Receiver's court. Will a greenfields venture qualify for the 25% concession mentioned in this year's budget? Will the 25% be increased? JCI says it does not know.

At a presentation to the Investment Analysts Society on Monday, JCI outlined what it refers to as the base case for a 200 000-ton-a-month mine on the Bushveld complex's northern limb.

Details of grades, tonnage, mining, geology, engineering and processing were presented on the basis of a pair of decline shaft operations, one on the farm Sandstoot and the other on Tweelontein in Lebowa, about 30km north west of Potgietersrust.

## Costs

The grade fed to the mill will be just under 7g/t over the initial 26-year life of the project to a depth of 733m, but the option to continue looks assured.

Yearly production of platinum will be 192 000 oz, 1 77 000 oz of palladium, 1 3 000 oz of rhodium and 26 000 oz of gold as well as



Sec 25/10/90

217

# Platinum bears on 'wrong track'

By Derek Tomney

Pat Retief, chairman of Rustenburg Platinum Holdings, the world's biggest producer, told platinum market analysts today they were wrong in being bears of the metal.

He said there were several bullish factors affecting platinum, including an expected large increase in European demand for autocatalysts and also continued

record sales to the jewellery trade in Japan.

In the past six weeks the price of platinum had dropped about 15 percent and was now between \$420 and \$425 an ounce, up from its recent low of \$389.

Recent developments had led some commentators to categorise platinum as an industrial metal caught in a web of worldwide recession, with consumption reducing and supply increasing. "I do not agree with this nar-

row analysis, or with the underlying sentiment which has caused platinum to react the way it has for the following reasons."

The car industry was the largest consumer of platinum and a recession in the United States which caused production to fall by a further 20 percent would cut demand by some 150 000 ounces.

However, tighter emission legislation was requiring the US motor industry to use more platinum group metals (PGM) in each vehicle and these higher loadings

would at least balance any reduction brought about by lower car sales.

More important, Western Europe, the largest vehicle manufacturer by far, was now only beginning to gear up for the compulsory fitting of autocatalysts.

In 1993 when legislation would require all new vehicles to be equipped with autocatalysts, extra demand would approach 500 000 ounces.

## Jewellery demand

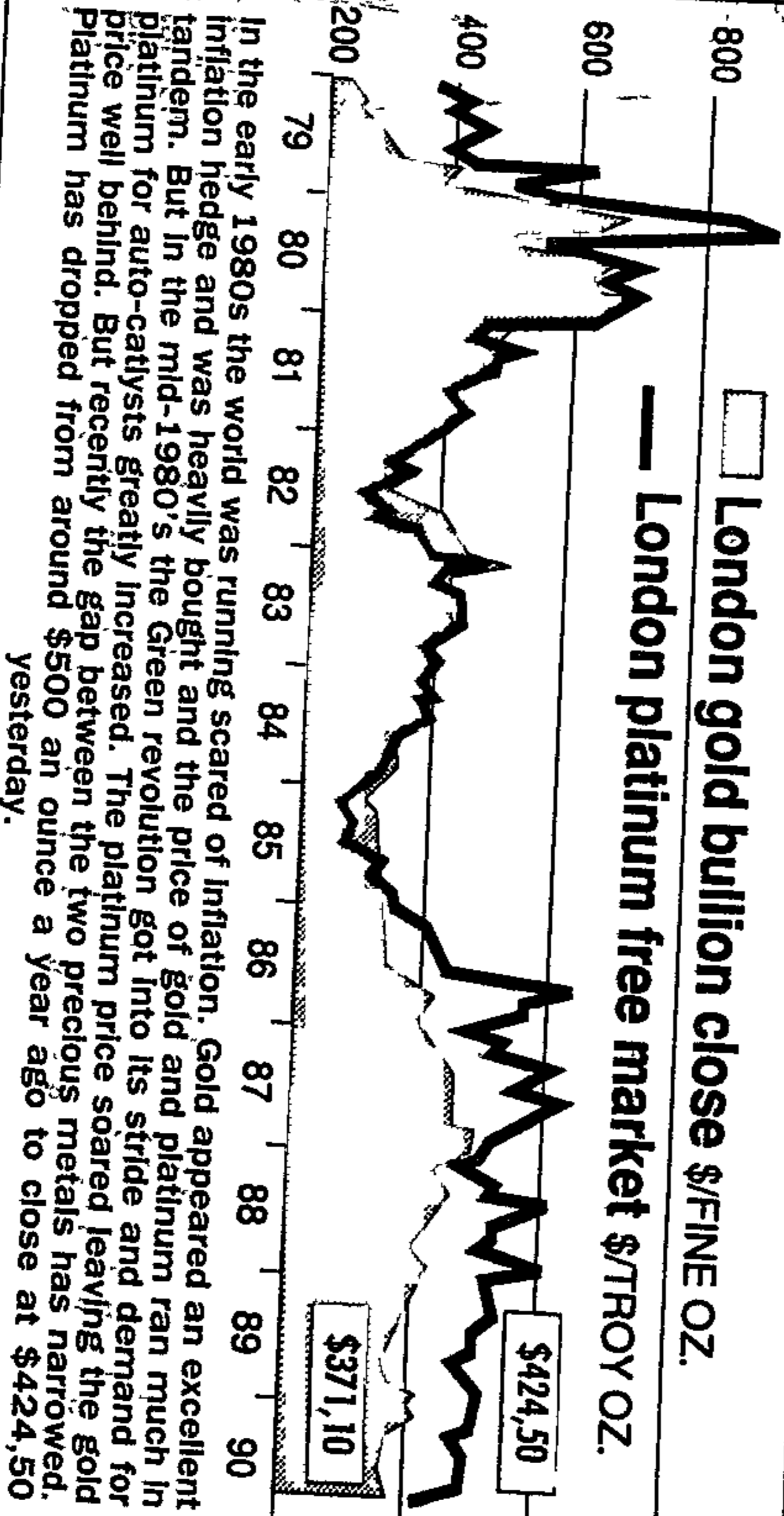
The Japanese jewellery industry was the second largest consumer of platinum. It was almost certain that sales to this industry in 1990 would reach a consumption record.

In the nine months ended September Japan imported 40.5 tons of platinum, against 37.5 tons in the 1989 period.

It was true investors had shied away from platinum in recent times and were insignificant consumers of physical platinum today, taking five percent of the metal last year, and probably two percent this year.

But investment demand remained a very real opportunity for the platinum industry.

An increase in platinum production would make for a more competitive platinum market. But Rustenburg was confident there would be a market for its own increased production.



In the early 1980s the world was running scared of inflation. Gold appeared an excellent inflation hedge and was heavily bought and the price of gold and platinum ran much in tandem. But in the mid-1980's the Green revolution got into its stride and demand for platinum for auto-catalysts greatly increased. The platinum price soared leaving the gold price well behind. But recently the gap between the two precious metals has narrowed. Platinum has dropped from around \$500 an ounce a year ago to close at \$424.50 yesterday.





No. 2469 26 October 1990

## ALIENS ACT, 1937

CHANGE OF SURNAME.—NAIDOO TO  
KILWIN

The Minister of Home Affairs has been pleased under the provisions of section 9 of the Aliens Act, 1937 (Act No 1 of 1937), to authorise Charles Kilwin Naidoo, residing at 6 Renaud Road, Sydenham, Durban, to assume the surname of **Kilwin**.

No. 2470 26 October 1990

## ALIENS ACT, 1937

CHANGE OF SURNAME.—WHITEL TO  
THOMSON

The Minister of Home Affairs has been pleased under the provisions of section 9 of the Aliens Act, 1937 (Act No. 1 of 1937), to authorise Christopher Michael Whitel, residing at 5 Assegaa Street, Brackendowns, Alberton, to assume the surname of **Thomson**.

No. 2471 26 October 1990

## ALIENS ACT, 1937

CHANGE OF SURNAME.—KHANYILE TO  
KEYWORTH

The Minister of Home Affairs has been pleased under the provisions of section 9 of the Aliens Act, 1937 (Act No. 1 of 1937), to authorise Thandiwe Lizzie Khanyile and her minor children Sifiso Welcome and Michael, residing at 4 Chestnut Place, Woodlands, Pietermaritzburg, to assume the surname of **Keyworth**.

No. 2477 26 October 1990

## ALIENS ACT, 1937

CHANGE OF SURNAME.—MULLER TO  
BARTHUS

The Minister of Home Affairs has been pleased under the provisions of section 9 of the Aliens Act, 1937 (Act No. 1 of 1937), to authorise Gavin Muller, residing at 7 Church Street, Athlone, 7764, to assume the surname of **Barthus**.

217  
DEPARTMENT OF MINERAL AND  
ENERGY AFFAIRS

No. 2492 26 October 1990

## DECLARATION OF WORK IN NATIONAL INTEREST

The Minister of Mineral and Energy Affairs and Public Enterprise, in terms of section 9 (1) (f) of the Mines and Works Act, 1956 (Act 27 of 1956), declares that in his opinion the performance of certain work, details of which appear in the Schedule, at the chrome mine of Hernic (Pty) Limited, situated on Portion 155 of the farm Elandskraal in the Magisterial District of Brts, is necessary in the national interest and that it may be performed on all Sundays until and including 2 December 1990.

## SCHEDULE

The operation of the crushing and washing plant of the chrome mine.

No. 2469 26 Oktober 1990

## WET OP VREEMDELINGE, 1937

VANSVERANDERING —NAIDOO IN  
KILWIN

Dit het die Minister van Binnelandse Sake behaag om, kragtens die bepalings van artikel 9 van die Wet op Vreemdelinge, 1937 (Wet No 1 van 1937), Charles Kilwin Naidoo, woonagtig te Renaudweg 6, Sydenham, Durban, te magtig om die van **Kilwin** aan te neem

No. 2470 26 Oktober 1990

## WET OP VREEMDELINGE, 1937

VANSVERANDERING.—WHITEL IN  
THOMSON

Dit het die Minister van Binnelandse Sake behaag om, kragtens die bepalings van artikel 9 van die Wet op Vreemdelinge, 1937 (Wet No 1 van 1937), Christopher Michael Whitel, woonagtig te Assegaastraat 5, Brackendowns, Alberton, te magtig om die van **Thomson** aan te neem.

No. 2471 26 Oktober 1990

## WET OP VREEMDELINGE, 1937

VANSVERANDERING.—KHANYILE IN  
KEYWORTH

Dit het die Minister van Binnelandse Sake behaag om, kragtens die bepalings van artikel 9 van die Wet op Vreemdelinge, 1937 (Wet No 1 van 1937), Thandiwe Lizzie Khanyile en haar minderjarige kinders Sifiso Welcome en Michael, woonagtig te Chestnutplek 4, Woodlands, Pietermaritzburg, te magtig om die van **Keyworth** aan te neem

No. 2477 26 Oktober 1990

## WET OP VREEMDELINGE, 1937

VANSVERANDERING —MULLER IN  
BARTHUS

Dit het die Minister van Binnelandse Sake behaag om, kragtens die bepalings van artikel 9 van die Wet op Vreemdelinge, 1937 (Wet No 1 van 1937), Gavin Muller, woonagtig te Kerkstraat 7, Athlone, 7764, te magtig om die van **Barthus** aan te neem.

DEPARTEMENT VAN MINERAAL- EN  
ENERGIESAKE

No. 2492 26 Oktober 1990

## VERKLARING VAN WERK IN NASIONALE BELANG

Die Minister van Mineraal- en Energiesake en Openbare Ondernemings het kragtens artikel 9 (1) (f) van die Wet op Myne en Bedrywe, 1956 (Wet No 27 van 1956) verklaar dat na sy mening die verrigting van sekere werk, waarvan die besonderhede in die Bylae verskyn, by die chroommyn van Hernic (Pty) Limited, geleë op Gedeelte 155 van die plaas Elandskraal in die landdrostdistrik Brits, in die nasionale belang, nodig is en op alle Sondae tot en met 2 Desember 1990, voortgesit mag word.

## BYLAE

Die bedryf van die vergruisings- en wasaanleg van die chroommyn.

## Report predicts lean times for platinum prices in '91

PLATINUM prices are likely to take a sharp dip next year unless there is an increase in demand to keep up with heightened supply, the latest quarterly metals review by brokerage firm E W Balderson warns.

The review says because more than 60% of demand is classified as industrial, and because declining international car sales will restrict the European auto-catalyst sector next year, both investment and jewellery offtake will have to increase "substantially".

The platinum market is expected to remain prone to supply exceeding fabrication demand by some margin.

The report suggests that even if Japanese jewellery demand remains firm, de-

BRENT MELVILLE

mand would probably not fully take up the extra supplies resulting from Rustenburg and Impala Platinum's planned expansions next year (217)

Rustenburg and Impala Platinum have announced expansions aimed at maintaining market share.

Rustenburg's plan, announced in April, was followed by an announcement by Impala in August. Impala's expansion will increase production by about 8,4 tons a year by 1995.

"In total non-socialist world mine production is expected to rise 4% this year and a further 7% to 102 tons in 1991," the report estimates.



ANGLOVAAL CONSOLIDATED

FIM 2/11/90

217

# INDUSTRY OFFSETS LOW GOLD PRICE

**Activities:** Mining and Industrial group  
**Control:** Anglovaal Holdings has 50,3% of the voting ordinary shares equivalent to 14,8% of the ordinary share capital. The Hersov and Menell families own 51,4% of Avhold  
**Chairman:** B E Hersov, deputy chairman C S Menell  
**Capital structure:** 17,8m ords, 42,7m "N" ords. Market capitalisation R2 783m  
**Share market:** Price 4 600c. Yields 2% on dividend, 11,5% on earnings, p/e ratio, 8,7, cover, 5,8. 12-month high, 8 000c, low, 3 900c. Trading volume last quarter, 168 000 shares

Year to June 30	'87	'88	'89	'90
<b>Investments:</b>				
Book value (Rm)	279	338	652	714
Marked value (Rm)	1 389	1 188	1 603	1 685
<b>Performance</b>				
Trading income (Rm)	258	404	475	588
Investment inc (Rm)	64	57	66	48
Earnings (c)	311	340	427	530
Dividends (c)	58,5	65	76	92
Net worth (R)	34	32	42	47



Anglovaal's Hersov... a challenge to maintain EPS

A sharp rise in earnings from Associated Manganese and an increased contribution from Anglovaal Industries boosted performance, despite a decline in the profitability of gold interests. To promote long-term development, the group held an R822m rights issue, entered the financial services field, consolidated its electronic interests and restructured its capital and loan stock.

A fall in the gold price in real terms is reflected in the poor performance of the four gold mines (Lorraine, Harties, ET Cons and Village), whose cumulative distributable profits fell 30%. Capex of only R53m (R111m) cushioned the squeeze of a lower rand gold price and steadily increasing working costs, but gold's contribution to group earnings fell from 16% to 5%.

The rise in the contribution of other minerals and increase in equity accounted earnings from R46m to R104m was mostly due to

## SOURCING EARNINGS

	1989		1990	
	Rm	%	Rm	%
Gold mining	28,7	16	12,6	5
Other minerals	26,0	14	73,9	31
Construction/electronics	11,0	6	17,1	7
Diversified businesses	30,1	16	34,3	15
Dry food/beverages	23,2	13	24,4	10
Frozen food	23,6	13	24,4	10
Packaging/rubber	27,4	15	30,6	13
Finance and other	12,6	7	19,0	8
	182,6	100	238,2	100

a significant increase in AssMang's profits. Higher dollar prices for manganese and iron ores and manganese and chrome alloys and a lower average value of the rand/dollar exchange rate allowed for a 133% rise in profits after tax to R160m.

Earnings were also bumped up by a full year's contribution from chrome producer Lavino SA. But reduced volumes and prices in the second half limited the benefits.

Prieska's bottom-line earnings fell to R3m (R12m). Problems with implementing a new mining plan for treatment of low-grade surface ore turned a R21,3m operating profit into a R1,1m loss and led to a fall in the production of zinc and copper concentrates.

Continuing oversupply and weak prices of antimony and a 41% drop in gold output pushed Cons Murch into the red at operating level. Capex exacerbated this and there was a net loss of 170c a share (75c profit).

UK-based Anglo Pacific Resources went some way towards achieving its goal of becoming a diversified mining group. It acquired industrial mineral company Anglo European Minerals for £10,5m and also Fife Silica Sands and Shetland Talc and has started mining a marble deposit in north-western Scotland.

Continuing high spending on exploration and mineral rights also restricted earnings growth. Most of the R97m was spent on continuing gold exploration in the northern OFS while exploration for platinum and base minerals took place elsewhere.

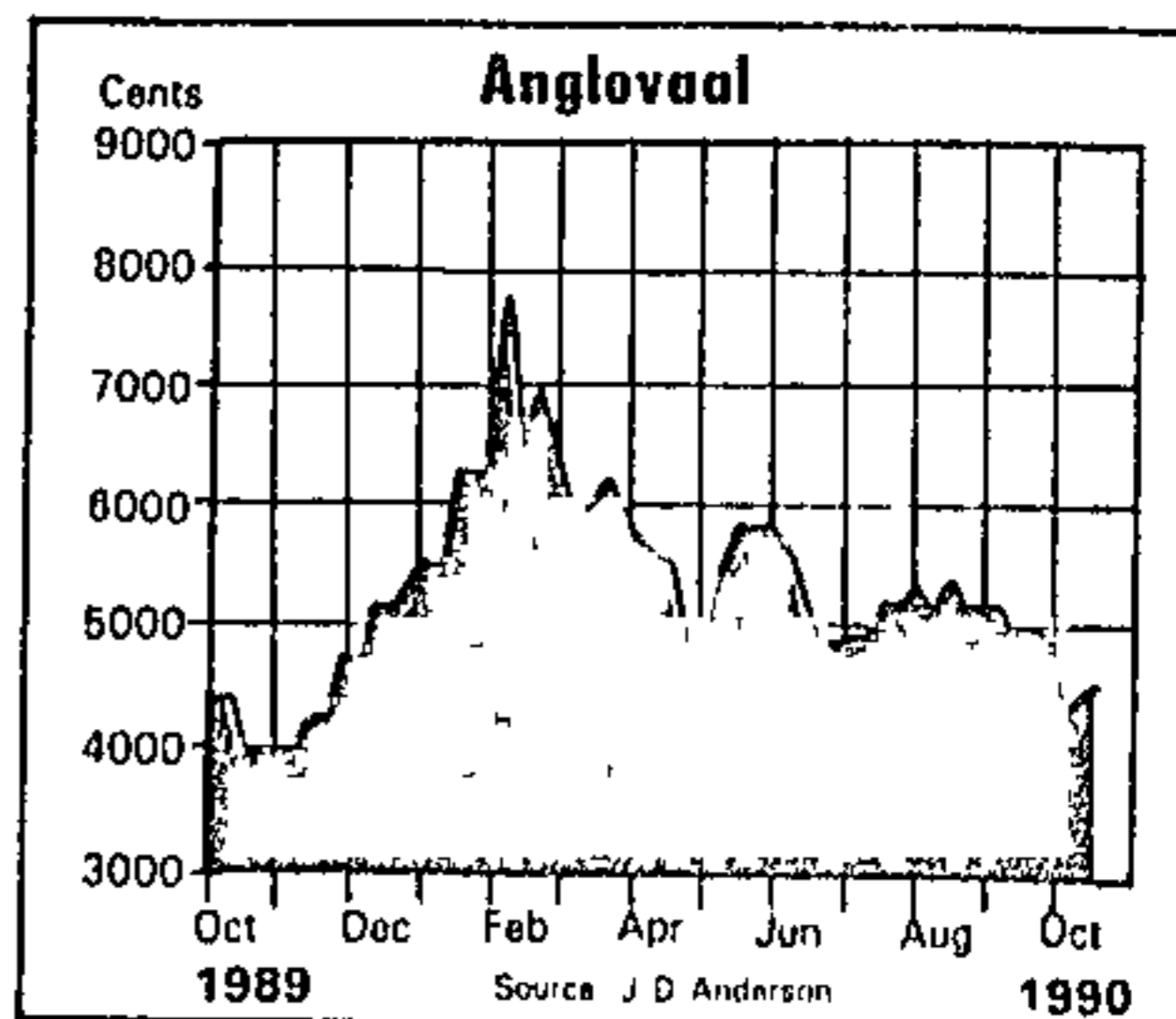
AVI's industrial interests increased operating profits 30% to R634,8m despite deteriorating trading conditions but per share earnings rose by a comparatively low 12% following a restructuring (FM October 26).

The group established a new R500m assurance arm. In April 1989, a 42% interest in

AA Life Assurance was acquired and listed via a reverse takeover in February 1990. In May, agreement was reached for AA Life and Crusader Life to combine their assets, with AV Insurance Holdings becoming the holding company and the two companies as independent operating companies. A centralised administration is expected to achieve substantial savings. But Chve Menell, the new group's chairman, says life assurance will not escape general economic slowdown.

The outlook for MidWits remains tied to trends in metal prices but earnings will be buoyed by interest on the R439m raised in its rights issue. The fall in the ferrochrome price will affect AssMang, though prices of some of its other products are rising. And the decline in volumes and prices of chrome ore may affect Lavino Prieska's future contribution is expected to be minimal but conditions at Cons Murch could stabilise.

Difficult trading conditions and volatile commodity prices are cited by Basil Hersov as reasons for seeing the "maintenance of earnings per share on the increased share capital" as a challenge, though total earnings should grow. The group is budgeting for improved earnings from industrial interests.



but this could be tempered by a further deterioration in socio-economic conditions.

Net worth of R47 is fully reflected in the current share price.

Avhold — whose only material investment is 50,2% of Anglovaal — reported earnings of 527,6c, a quarter higher than in 1989, and paid a dividend of 91,5c (75,5c). Its net worth is R4,93, slightly higher than a R4,80 market price.

Pam Baskind

TRADEGRO/METRO FIM 2/11/90

## AREAS OF DISCOMFORT

Sunkorp's "optimism" has over the past five years repeatedly led many investors to believe that its wholesale and retail arm, Tra-

## Vansa stops main business activity

B10am 5/11/90

RIAAN SMIT

217



VANSA Vanadium, suspended on the JSE on Friday, said yesterday it was ceasing mining and production of vanadium pentoxide at its 250-tons-a-month Steelpoort operation because of the "severely depressed" market.

Although its main business would be closed, it would not affect the company's Winterveld chrome mining operations or its 24% stake in Barplats Investments, a spokesman said.

An announcement published by the company today said all matters associated with the cessation of its vanadium operations near Steelpoort in the eastern Transvaal were being addressed. These included talks with union delegates.

"In addition, management is evaluating various alternatives to turn these assets to account," it said.

The depressed market for vanadium pentoxide, because of substantial lower international demand for vanadium bearing steel, would result in the vanadium operation "trading at a loss with consequential negative cash flows".

Group operating profit fell 77% to R10,6m compared to R40,5m in the 1989 financial year. Profit after tax was R9,2m (R39,7m) which, a lower appropriation for capex of R7,8m (R14,5m), left attributable profit of R1,4m. This prompted the board to pass the dividend for the year



# Vansa halts vanadium output

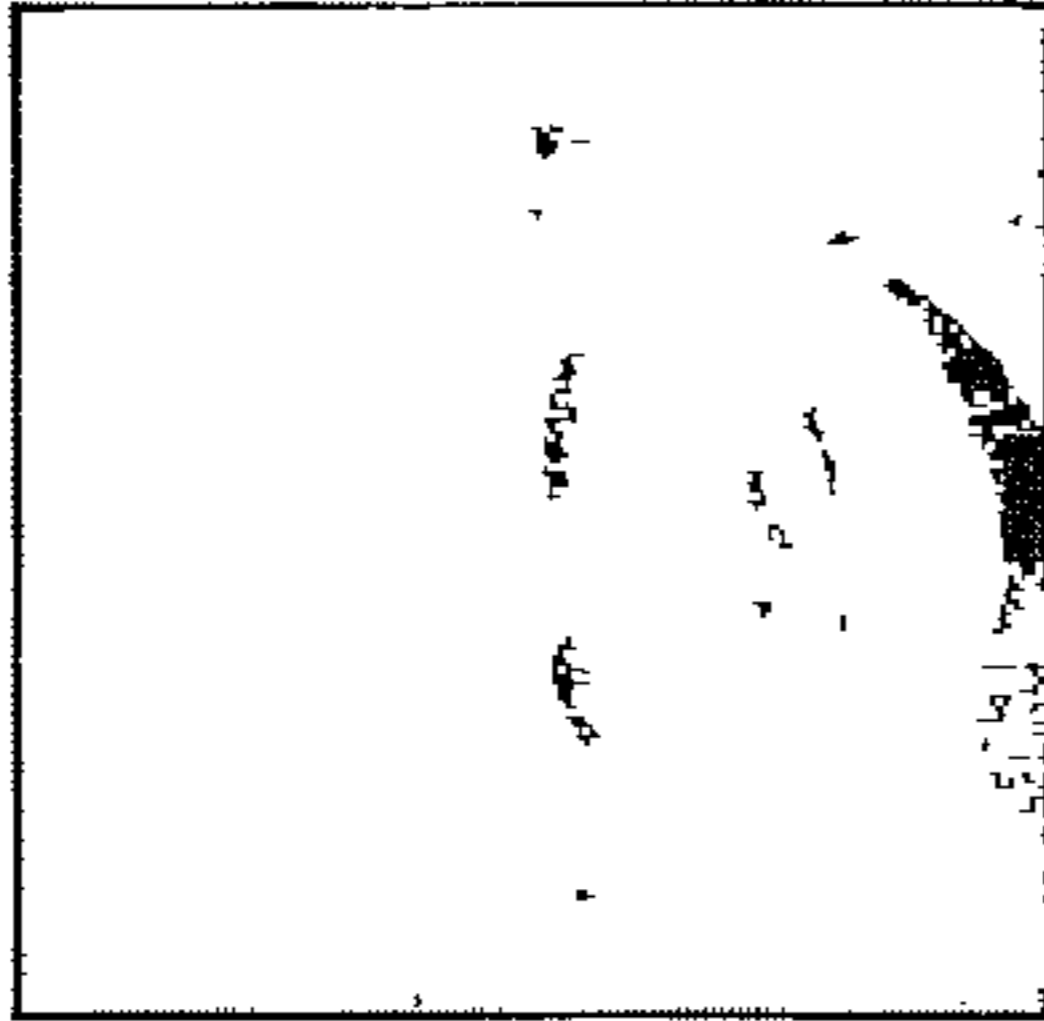
By Derek Tommey

Vansa Vanadium is to halt production of vanadium pentoxide — scarcely two years after it started up — in a bid to stop the operation running at a loss

Vansa says the decision has been forced on it by the current severely depressed vanadium pentoxide market, which is expected to continue for the foreseeable future, and which follows a 95 percent drop in attributable profits in the year to September

Vansa employs 360 people, of whom about 100 are skilled and the balance unskilled

Discussions are taking place with all relevant trade unions. However, the cessation of



Allen Sealey... management evaluating various alternatives

vanadium production does not mean that Vansa's earnings capacity will cease.

Its wholly owned subsidiary, Winterveld Chrome Mines, the largest chrome producer in the

world, will continue in production.

And Vansa still has its 12 percent stake in Barplats, which will be issuing its preliminary profit statement for 1989-90 tomorrow.

Vansa's preliminary profit statement shows that group operating profit fell 77 percent from R40,5 million to R10,6 million.

The company received R1,6 million in interest receipts, against R553 000 in payments last year. But tax rose from R365 000 to R3,1 million

Capital expenditure took R7,9 million (R14,6 million), leaving attributable profit of R1,3 million (R25,2 million) — equal to 2,8c (63c) a share

The dividend has been passed.

Last year Vansa paid a maiden dividend of 25c a share.

Chairman Allen Sealey says

no closure costs have been provided for in these figures

He says that all matters associated with the expeditious cessation of Vansa's operations are being addressed

This includes discussions with all relevant unions

He says management is evaluating various alternatives to turn these assets to account

The world market downturn in demand for chrome and vanadium, which first became evident late in 1989 and which has persisted in the first nine months of this year, severely affected Vansa's turnover

Substantially lower international demand for vanadium bearing steels, which became evident during the latter part of 1989, prevailed for most of 1990, resulting in a significant downturn in price

The current depressed vanadium pentoxide market would

result in the vanadium operation trading at a loss, with a consequential negative cash flows

The company's chrome operations have also been facing difficult times.

The directors say a drop in world stainless steel production in 1990 and high inventories of stainless steel caused a significant decrease in the demand for chrome ore during the year

Retained income at the September year-end was R16,4 million (R15 million)

Vansa's deteriorating fortunes are reflected in its share price

After reaching a peak of 895c in April last year, it has been falling steadily

By December it had fallen below 400c

Though it recovered to 500c early this year, it closed at 290c last Friday

Sta 5/11/90 217



## Rand Mines platinum mine mothballed

6/11/90 RIAAN SMIT (217)

IN A shake-out of its mining operations, Rand Mines yesterday said it was mothballing the developing Kennedy's Vale platinum mine in the eastern Transvaal and was cutting output at Harmony gold mine by 500kg a month.

MD Eddie Crocker of group platinum arm Barplats said yesterday only when its other platinum mine, Crocodile River near Brits, was paying dividends and generating positive cash flow would the company consider starting up Kennedy's Vale.

Rationalisation of Harmony in the Free State because of the persistently low rand gold price and cash outflows from losses would cut output from 2 500kg a month to 2 000kg, the company said yesterday.

Harmony reported an after tax loss of R11,6m for the September quarter.

The company said tonnages milled were to be reduced by 30% to 550 000 tons a month, production levels at four of the mine's seven shafts (Harmony 2,3, and 4, and Virginia 1) would be lowered, and one of its four metallurgical plants, the Harmony plant, would be closed.

"Mining will be conducted in those areas where profits can be realised," it said.

Total job losses were not yet clear and discussions with relevant trade unions had started, the company said in a statement.

Although an overall loss was expected for the company's current financial year to June 30 1991, profitability would be restored in the second half of the year, providing there were no further reductions in the gold price and the production levels now planned were achieved.

Crocker said the decision to mothball Kennedy's Vale was taken because of the cost of the five-month delay in bringing Crocodile River to its first phase milling rate of 160 000 tons of ore a month. The weaker platinum market and the threat of worldwide recession were also taken into consideration.

He said contracts for the sale of first phase production from Crocodile River

□ To Page 2

## Mine closed

6/11/90  
had been concluded "on favourable terms" and "substantial progress" had been made with the sale of second-phase production.

Audited results for the year to September 30 released today show Barplats Mines with just over R3m (1989 15 months. R2,7m) in attributable profit. Holding company Barplats Investments made R7m (R5,7m). Total capex on Crocodile River and Ken-

217 □ From Page 1  
ned's Vale and on refinery facilities for the year was R294m (R340m). Capital commitments at year-end was R91m.

□ The overall results for the Rand Mines group were due to be published today but was postponed by 24 hours. A spokesman said yesterday the delay was "administrative and certainly nothing ominous".

# Prieska set to close in face of price plunge

B/D am 6/11/90

217

MARCIA KLEIN

PRIESKA Copper Mines — Anglovaal's copper and zinc producer — is almost certain to cease operations in the first quarter of 1991, according to an announcement issued today

The group will cease underground mining and related surface operations unless there is clear evidence before the end of December of a "near-term reversal of the current downtrend in the SA rand prices for copper and zinc".

Prieska — which has been reviewing the continuance of its operations for the last two years — posted an operating loss of R1,1m (profit of R21,3m) in the year to June 1990, and earnings at 6c a share were down from 35,7c from the previous year.

Prieska had an average labour strength of 656 in June compared with 1 119 in the previous year

The profitability of Prieska's operations has been sensitive to SA rand prices of copper and zinc.

Future operations — with rapidly decreasing availability of underground ore supplemented by material from surface dumps — are unlikely to yield operat-

ing profits, the report said

At the June year-end, chairman David Crowe expected Prieska to sustain underground production at 30 000 tons per month until well into 1991, and for treatment of the low grade surface waste dump — containing about four-million tons of material — to continue at a rate of 110 000 tons per month

However, he added operations would close down "without delay" if overall profitability could not be maintained.

Provision was made at year-end for an estimated R13,6m in closure costs and for statutory rehabilitation and other obligations following the cessation of operations.

SAMANCOR, a subsidiary of JSE-listed Gencor's mining arm Genmin, is the world's largest producer of integrated alloys.

In the past year, its exports have increased by 119% — 88% of its production is exported.

MD Hans Smith says the

# Leading the world in alloy production

company is ranked as the world's number one alloy producer, the world's number one ferrochrome producer (with an estimated 20% of the world market), and the world's number two

*BID 6/11/90*  
producer of ferromanganese (with an estimated 17% of the world market).

"But with the bottom falling out of the ferrochrome market there will be a major reduction in earn-

ings contributions from this," Smith says.

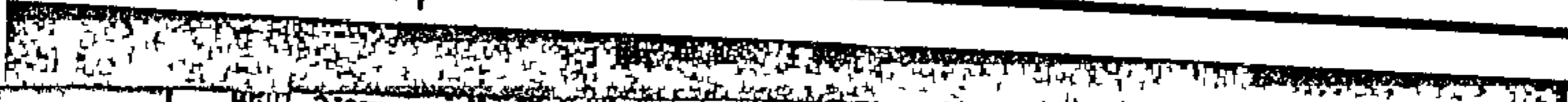
But, by turning the slump in the market to its advantage and using the time to revamp and refurbish plants, Samancor expects

*217*  
to sell the same tonnages this year as last.

"Something to look forward to in the new SA is obtaining cheaper foreign project financing," Smith says.

## 30 years

of mining



generated products abroad... had more than 50% increase in the past year we have





# SA vanadium sector 'safe'

PETER GALLI

THE curtailment of mining and vanadium pentoxide production operations at Vansa Vanadium's Steelport operation is not expected to adversely affect the interest of the industry, industry sources said this week.

They were unanimous in the belief that the curtailment of the 250-ton-a-month Steelport operation would not be detrimental to the SA industry. The drop in output would be absorbed by producers or would help alleviate the oversupply situation caused by the inflow of low-priced material from China late last year.

The SA vanadium recovery industry now lies predominantly in the hands of two operations — Highveld Steel & Vanadium (HS & V) and Transvaal Alloys. Other players are Vametco Minerals in Bophuthatswana and Rhombus Vanadium. Rhombus's ore will be upgraded at its mine, and then trucked to Vereeniging where Usko will extract vanadium. Usko's planned capacity is 9 000

tons per annum of vanadium pentoxide.

A HS & V spokesman said yesterday the vanadium market was extremely depressed compared with the boom a year ago, and confirmed the curtailment of operations at Vansa would not have a massive short-term effect.

## Strengthen

He said HS & V had been reducing production as the market dictated, but that these were temporary moves and could be reversed if the situation changed. Transvaal Alloys refused to comment.

Vanadium is used as an alloying element that is added to strengthen a large variety of steel products.

While the 1990 steel production figures for the USA and western Europe are lower than the 1989 figures, it has to be borne in mind that 1989 was a

record year for steel production, and that 1990 production figures are still above 1987/1988 levels. The market for ferrous commodities should therefore be strong, a source said.

Not only is SA the largest producer and exporter of vanadium in the world, but it also has the largest reserves. Figures released by the Minerals Bureau show that in 1988, world vanadium production was 71 641 tons, with SA (including Bophuthatswana's production) producing 31 473 tons, equivalent to 43,9% of world output.

The Minerals Bureau reported that in 1989 SA's exports increased to 29 550 tons, but that no comparable world figure was available as yet. SA has a vanadium reserve base of 5 400 kilotons or 32,6% of the world's reserves.

Most of the vanadium sold locally is in the form of ferrovanadium and Nitrovan.

The price of vanadium pentoxide has declined, standing at between \$2,50 and \$2,70 per pound at present.



# Samancor's foreign earnings hit R1,6-bn

By Lynn Carlisle

From an export base of R723 million at year-end June 1988, chrome, manganese and alloys producer Samancor boosted foreign earnings to R1,65 billion in its financial year ending June 1990.

Presented with the State President's Award for Export Achievement at a banquet held in Johannesburg last night, Samancor MD Hans Smith says increased volumes arising from progressive marketing contributed to improved export earnings.

In recent years Samancor, the world's largest producer of ferro-alloys and ferrochrome and the second largest supplier of ferromanganese, was well prepared to take advantage of growing international demand for these products.

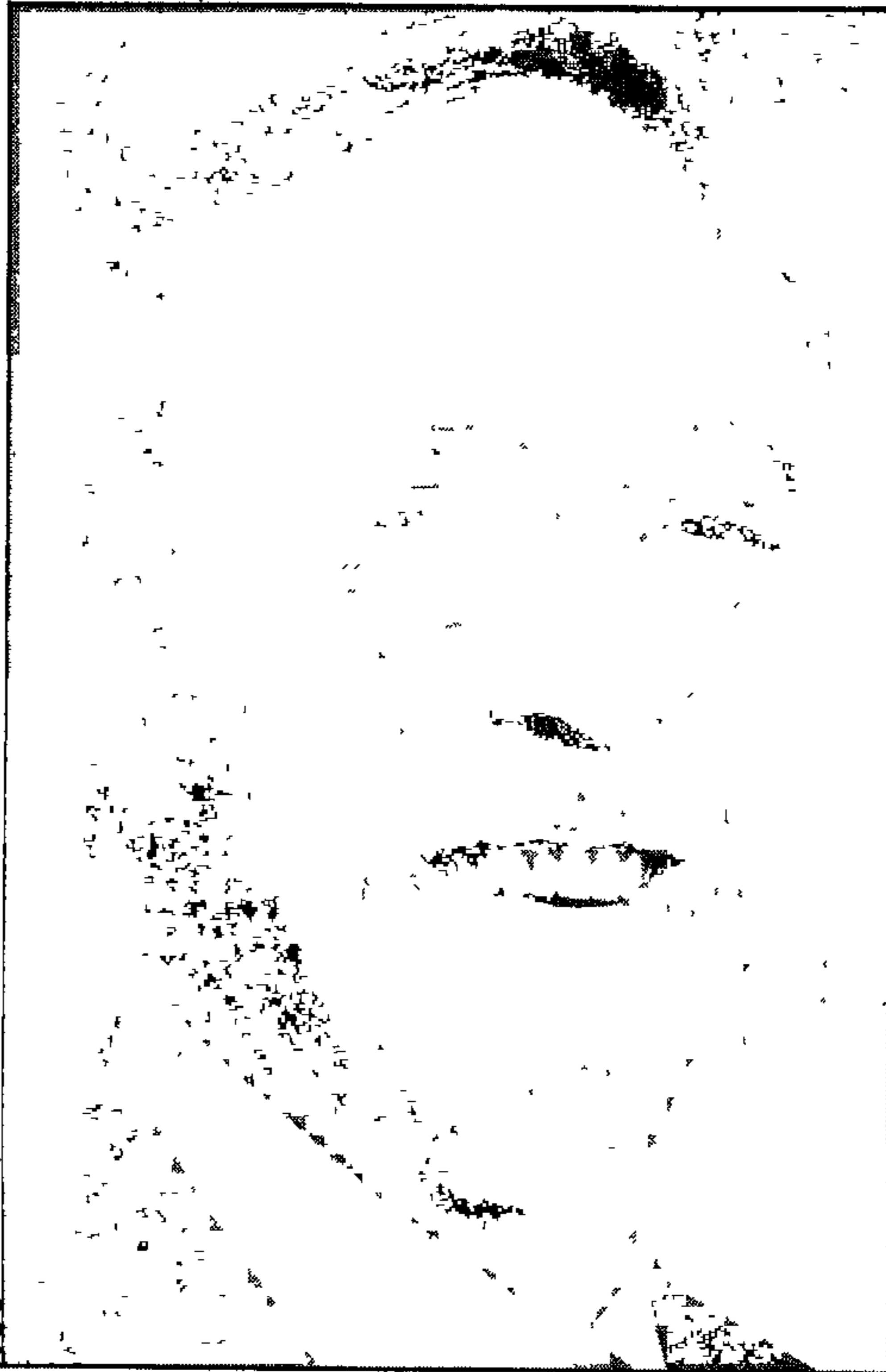
## Courage

Mr Smith says Samancor had showed the courage of its convictions by investing substantial amounts to upgrade and expand its production facilities at times when certain economic indicators suggested such investment was risky.

This strategy had paid off handsomely, particularly where the largest investment was made in providing two new ferrochrome furnaces at the Tubatse Division of Samancor Chrome Limited.

Over a two-year period Tubatse, the recipient of this year's State President's past winner merit award in the mining sector, improved annual production from 180 000 tons to 300 000 tons. It also increased the strength of its work force by 25 percent.

He says the Samancor group had trained and established a hardcore team which was able to increase sales volumes of



Samancor MD Hans Smith says increased volumes arising from progressive marketing contributed to improved export earnings.

ores and alloys in the face of strong international competition.

"We succeeded in clinching new, first-time business in certain smaller countries while simultaneously boosting sales volumes in markets where we have been regarded as reliable suppliers of strategic products," says Mr Smith.

Unfortunately, world economies are less buoyant this year and demand for ferrochrome

has eased considerably. The prospect of protracted conflict in the Middle East was also doing nothing to improve economic outlook.

While Samancor does not foresee its export performance matching that of 1989, it remains one of the most competitive suppliers in the world.

"Still, we expect to hold our own in the current situation, despite growing international competition," says Mr Smith.

# R2bn kaolin deposit found at Kommetjie

By PETER DENNEHY

A HUGE deposit of kaolin, worth about R2 billion, has been discovered on the Kommetjie side of Noordhoek valley and may be mined in the future

There has been simmering controversy for nearly a decade since plans were first mooted to mine kaolin on the other side of the valley, near Chapman's Peak. The State has not yet granted permission for the Chapman's Peak mine

The owner of the land on which the second deposit is situated, geologist Dr M D McMillan, said yesterday that he did not wish to discuss the matter, as it was private.

The new find surfaced in a planners' study commissioned by the Cape Provincial Administration to identify land for squatters

It concludes that "site seven", near Ocean View and above the road to Kommetjie, is not suitable for squatter settlement as the site would be too costly to procure with the mineral rights

"The kaolin mining rights were granted in 1983," the report says "The deposits amount to 6m tons and at about R350/ton are worth over R2bn"

Mr André Viljoen, production director of the kaolin mining company Serina which is hoping to mine at Noordhoek, said yesterday that he believed an application had been made for a permit to work the Kommetjie site.

CAPE TOWN

21/1/90

217



BARPLATS - F/M 9/11/90  
**HOLDING FIRE** (217)

**Good news** for the platinum market — though such an announcement was generally expected — is that Barplats is to put its Kennedy's Vale platinum mine on ice until Crocodile River mine is generating a positive cash flow and paying dividends. The mine was scheduled to come into production only in the second half of this decade. Though fears of a platinum oversupply relate largely to the current five years, this should still help market sentiment

It is hard to say exactly when the development will be resumed but it is unlikely to be for at least two years. Crocodile River is expected to generate a positive cash flow before capex from mid-1991, but dividends will be deferred due to the delays experienced and the effect on cash flow. Much, of course, depends on the platinum price.

A year ago there was a scaling down of the Kennedy's Vale development, with shaft-sinking moved from a three-shift to a two-shift basis. A problem preventing the group from halting the project completely at the time was the sinking contract. This could still incur costs but the mothballing decision had to be taken as the chances of funding the continuing operation in today's market were slim. Certain ongoing costs will be incurred but should not be very significant. Various funding options are being considered.

The announcement was made in conjunction with the Barplats and Barmine results for the year to end-September. The operating mine reached its first-phase production target of 160 000 t/month (equivalent to 115 000 oz platinum a year) in August, about five months behind schedule. The delay has come largely as a result of an underestimation of the platinum group metal pipeline — metal can be locked up in the process for as long as 30 months — as well as a slower build-up of face available for stoping operations.

The mine's first platinum was poured in June 1989 and the company generated income of R40,6m from metal sales during the year. In the results, this has been offset against operating costs and interest payments before capitalisation of the net costs. The published income statement basically reflects investment income arising from interest on surplus funds, and not that of a platinum operation.

With first-phase production having been reached, the mine is trying to recover some of the tonnage lost through the five-month de-

F/M 9/11/90 (217)  
lay The hold-up probably cost the mine about R60m and any amount that can be recovered would be welcomed. Phase two in the production plan will take output to 250 000 t/month during 1993, which should yield about 160 000 oz of platinum annually.

The group has contracts for the sale of first-phase output on a favourable basis, and is negotiating contracts for the additional material to be mined. Most of the teething problems seem to have been overcome, so the mine can look forward to improving performance, though constrained by market conditions

Gillian Findlay

## COMPANIES

# Foskor's privatisation still pending

TWO years after the first talk of phosphate producer Foskor being privatised, Privatisation Unit adviser Eugene van Rensburg says it is still not certain when the event will take place. 217

"The reports have arrived on Minister Dawie de Villiers' desk and certain recommendations and alterations have been made. He is now considering the reports. We believe we are in the final phase now."

Annual results released by Foskor today reflect a 4% decline in attributable earnings to R94m.

Turnover has risen by 15% to R495m, but Foskor GM Rick Veringa did not give a breakdown of the pro-

B/D ay 12/11/90  
CHARLOTTE MATHEWS

portions contributed by the phosphate and copper operations.

He advised interested parties to wait for the release of the annual report, which is apparently ready, but at the time of going to press was not available either from the Industrial Development Corporation or Foskor's offices in Johannesburg.

Foskor is 100% held by the IDC, which in turn is 100% state-owned.

Veringa did say that ore throughput per employee had risen to more than 9 000 tons in 1990 compared with 8 000 tons in 1989, and that the number of employees had remained at about 2 200. This means total ore

throughput in 1990 was more than 19,8-million tons.

Operating profit declined by 10% to R127,5m and after tax and preference dividends, bottom line profits were R94m (R98m).

Earnings were 1 208c (1 263c) a share on which a dividend of 505c (421c) a share was declared.

Veringa said demand for fertiliser products had fallen as a result of depressed conditions in local agriculture.

In their comment on the results, Foskor directors say the relatively high prices realised on copper sales during the year partly compensated for poor conditions in the phosphate market.

# Genmin in manganese cutbacks

PETER GALLI

GENMIN's Manganese Metals Company (MMC) on Friday announced extensive cost-saving measures to ensure it remained competitive.

A spokesman said production at the company's plant in Krugersdorp was to be reduced by 30%, while a 20% across-the-board reduction in the labour force was to become effective before the end of November. *BIDAM 12/11/90*

This translated into 80 of the 390 jobs at MMC's Krugersdorp plant, and 8% of the total MMC workforce. *217*

## Problems

The cutbacks in labour and production were the result of lower manganese metal prices on the oversupplied international market. The oversupply was a result of a number of new, long-term competitors entering the market.

MMC MD Kobus van Wyk said his company was discussing ways with trade union officials to alleviate problems associated with the retrenchment process.

Manganese plays a vital role in the production of all steels. It has a great affinity for sulphur and other deleterious elements, and it is able to transfer these from the molten metal to the slag. It is also a valuable alloying constituent added to many

types of steel.

Steel production is therefore crucial to the demand for manganese, consuming about 95% of total production. Therefore, the demand for the one is dependent on the demand for the other.

The Minerals Bureau reports that SA has the largest base of manganese ore reserves in the world, at 3 992 megatons (Mt) or 81,7% of the world's known ore reserves. The bulk of SA's production of manganese ore is of metallurgical grade and is mined in the northern Cape mainly by two companies, Samancor and Associated Manganese Mines with a small, third company, National Manganese.

In 1988 SA was the largest producer in the Western world and the second largest producer overall, producing 4,1Mt compared with the USSR's production of 9,1Mt low grade manganese. In 1989, SA produced 4,8Mt of manganese ore.

In 1988 SA became the world's largest exporter of manganese ore, with shipments totalling 2,74-million tons, representing 28% of total world exports. However, no export figures are available for 1989.

In 1989, 1 706 kilotons of manganese ore were sold on the local market.



Stc 12/11/90 (217)

## MMC cuts output and staff

Manganese Metals Company (MMC) has announced extensive cost-saving measures in order to stay competitive.

Production at the Krugersdorp plant is to be reduced by 30 percent and.

The workforce is to be cut across the board by 20 percent before end-November.

About 80 of 390 jobs at the Krugersdorp plant will be lost.

The cutbacks are the result of lower manganese prices on the international markets, mainly because of oversupply.

The oversupply is ascribed to new competitors entering the market.

— Sapa.

# Platinum demand set to grow 3,4% <sup>B 10 on 15/11/90.</sup> (217) report

LONDON — The 1990 demand for platinum is expected to grow by 3,4% to reach 3,6-million troy ounces, up by nearly 1-million ounces since 1984, Johnson Matthey says in its review of the platinum market, published in London today

The review predicts a volatile ride for platinum prices, depending on the Gulf crisis, and forecasts a price range of \$400/oz to \$475/oz for the near term.

Newly mined platinum, mainly from increased production in SA, will increase by 245 000 oz and will result in a surplus of 70 000 oz for 1990. Consumption has grown in all regions except North America

The demand from the jewellery, vehicle and general industrial sectors will increase but investment demand will again fall, the review says.

The "taper in the investment demand continues" and is affected by higher interest rates and a declining platinum price and demand. At just 115 000 oz it would represent 3% of total demand this year.

Jewellery demand is heading for a record 1,35-million oz, with Japan taking an extra 15 000 oz. The manufacture of Swiss watches and platinum jewellery in Hong Kong has been boosted by Japan's demand.

The autocatalyst demand will rise by 90 000 oz to 1,555-million oz with recovery

IAN HOBBS

from catalysts up 40 000 oz to 215 000 oz.

Demand across the range of industrial applications will be 795 000 oz, up 110 000 oz on 1989, with the increase based mainly in the petroleum refining and petrochemical industries

The review said Soviet platinum sales, after an uncertain start, picked up sharply in June this year

## Rhodium

"In view of the USSR's continuing need for foreign exchange, it would be surprising if sales in 1990 did not exceed the 1989 level. We expect sales of 580 000 oz."

On prices, the review says fears of industrial recession and oversupply have dampened the price

Commenting on rhodium, the report says it has been "under the sway of real market fundamentals. Restricted supplies of primary and secondary metals alike were reflected in the price, which touched \$7 000 an oz in July."

Although conditions had eased, Johnson Matthey still expected a shortfall of 13 000 oz this year. Of the total demand of 386 000 oz, 86% would be used in the auto industry.

# Bonanza

Star 15/11/90  
By Derek Tommey

SA's platinum group metal (PGM) producers have made a killing this year from the surge in the price of rhodium which increasingly is being used in auto-catalysts.

According to Johnson Matthey, the world's biggest PGM refiner, these good times in rhodium could be maintained.

Rhodium is the element in auto-catalysts that reduces nitrous oxides to harmless nitrogen and oxygen.

Johnson Matthey estimates that the value of rhodium delivered by SA this year will be equal to 48 percent of the value of SA's platinum sales. Last year rhodium sales were equal to only 18 percent of platinum sales.

Johnson Matthey adds that this bounty, if it continues, will have justified the move by producers to the UG2 reef, which typically contains a much higher ratio of rhodium to platinum than the Merensky reef.

Rhodium ended last year at \$1,625 an ounce. But by mid-January it had risen to \$2,100 and

then rose slowly to reach \$2,500 by the end of May.

After rising to \$3,450 on June 28 it soared to over \$5,000 on July 2 and the next day jumped to \$7,000.

It subsequently fell back to \$4,350 before recovering to \$5,300 on July 26. Rhodium is currently trading at around \$4,400 an ounce.

Russian sales this year are estimated to have risen 20,000 ounces to 150,000 ounces.

Despite the increase, it reports that supply has remained tight and consumers have had to search out all the metal immediately available.

It estimates there will be a supply shortfall this year of 13,000 ounces.

Despite the higher price, users are in no hurry to use less of it.

"Users are reluctant to change alloy compositions until extensive trials have shown that the production and cost efficiencies the current formulations offer will not be affected," says Johnson Matthey.

It estimates that SA sales of rhodium will increase this year from 182,000 ounces to 206,000

ounces. Russian sales will rise from 130,000 ounces to 150,000, and total world supplies from 327,000 ounces to 373,000 ounces.

Against this, total demand will rise from 327,000 ounces to 386,000 ounces.

Johnson Matthey estimates that demand for rhodium for autocatalysts this year should increase by 26,000 ounces to 290,000 ounces.

But Johnson Matthey believes car manufacturers, in addition to buying rhodium for current use, are seeking to stockpile another 40,000 ounces.

It says that moves to create strategic reserves are not surprising because of the spread of controls on the emission of nitrous oxides from vehicle exhausts and the tightening of those controls already in place.

Johnson Matthey sees less exciting prospects for platinum in the near future.

It expects demand to rise by 120,000 ounces this year to 3.6 million ounces, while supply could reach 3.67 million ounces, resulting in a surplus of 70,000 ounces.

This compares with an esti-

mated shortfall last year of 55,000 ounces, and a shortfall of 380,000 ounces in 1988 when the platinum price was close to \$580 an ounce. Platinum is trading at the moment at \$416.50.

Johnson Matthey says that since September the platinum price has moved to a new trading range. Its floor should be determined by investment buying in Japan at prices below 2,000 yen a gram.

It says the price could be volatile on the upside, depending on events in the Gulf, but may be periodically repressed by pessimistic market sentiment.

# days for SA's rhodium producers

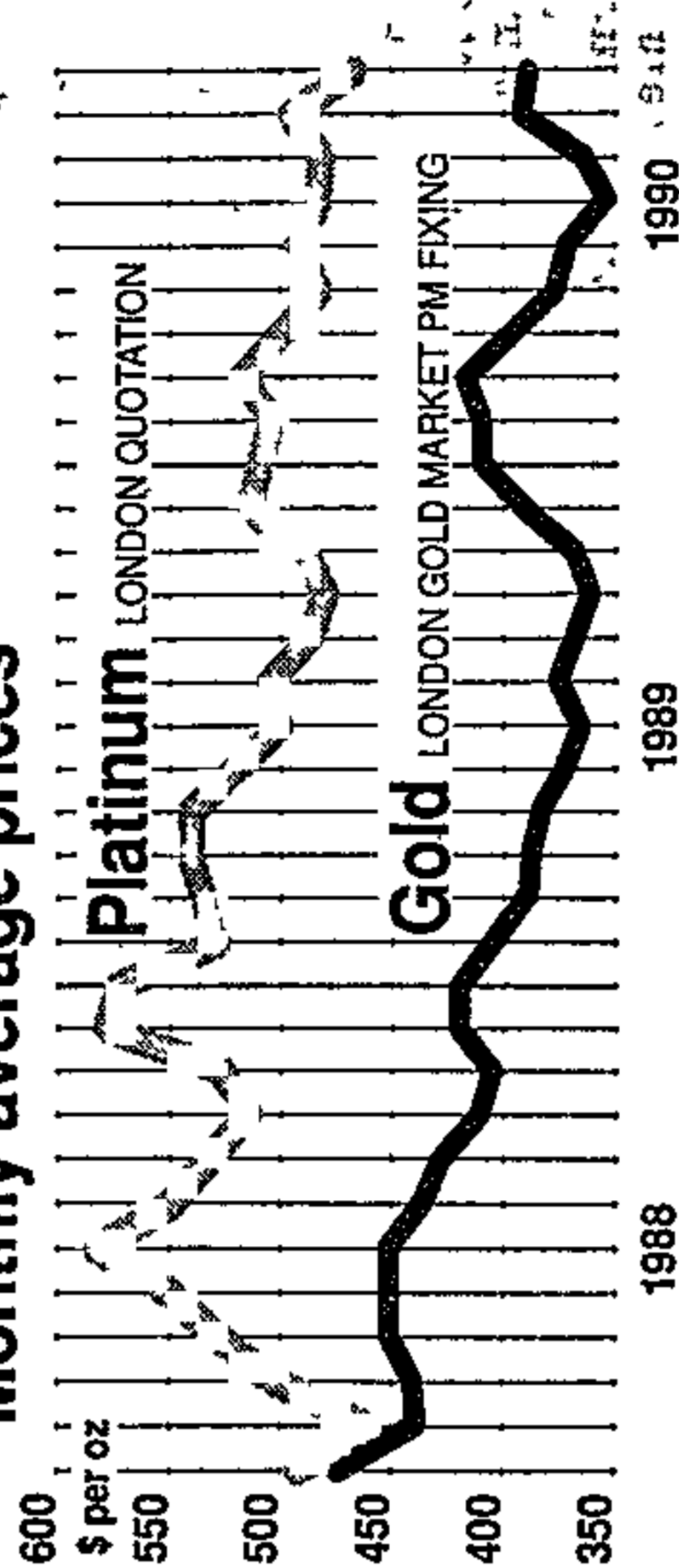
So, for the next six months it expects to see platinum trading at between \$400 to \$475 an ounce.

SA production this year is expected to rise by 210,000 ounces to 2.62 million, North American production by 500,000 ounces to 200,000 ounces and Russian sales by 30,000 ounces to 580,000 ounces.

Looking further ahead, Johnson Matthey sees much more exciting prospects.

It expects that by 1995 demand for platinum for the auto, jewelry and other industries could have risen by another million ounces.

## Monthly average prices





# Japanese buyers set to boost platinum market

The Japanese are expected to make a major contribution in the near future to the fortunes of South Africa's platinum mines — Rustenburg, Lebowa, Impala, the Lonrho group, Barplats and Northam

The industry is expecting a surge in Japanese demand to underpin the depressed platinum price, which was trading yesterday at about \$414 an ounce.

Johnson Matthey executives say prices in Japan have slumped to 1 680 yen a gram, the lowest level in years.

As a result, Japanese imports were as high as 305 000 ounces in October and the firm projects 1990 imports to be nearly 2 million ounces by the end of the year.

Platinum producers can thank the Japanese motor and jewellery industry for preventing the price from falling further.

Johnson Matthey's six-monthly review says that the surplus between world supplies and fabrication demand is growing.

Excluding investment purchases, total demand is expected to rise to 3,485 million ounces from 3,320 million last year.

Supplies, however, are projected at 3,670 million ounces, against 3,425 million in 1989.

The surplus of supplies over fabrication demand will therefore increase to 185 000 ounces from 105 000 last year.

Moreover, the platinum investment market is in a deep slump.

From a peak of 630 000 ounces in 1988, investment purchases tumbled to 160 000 ounces in 1989 and are estimat-

Diagonal Street

NEIL BEHRMANN

ed at only 115 000 ounces this year.

Japanese purchases in the rest of the year could reduce the surplus, says Johnson Matthey.

The strong yen, which reduces the price of platinum for Japanese buyers, and the strength of the Japanese economy have boosted purchases, despite the sharp downturn in share, bond and land prices.

Although exports to the US fell, Japanese car production grew by 10 percent from January to June.

Domestic car sales were 29 percent higher than in the first six months of last year, and the Japanese motor industry could raise orders by 45 000 ounces to 405 000 ounces in 1990.

While the car industry in North America is heading for its worst year, its platinum demand is expected to be maintained at 710 000 ounces a year.

Much tighter anti-pollution restrictions are forcing the US motor industry to raise its platinum group metal loadings in catalysis.

The high rhodium price, now \$4 700 an ounce, compared with less than \$2 000 an ounce last year, is encouraging US refiners to recycle scrap autocatalysts.

Platinum recovered from scrap is expected to jump to 215 000 ounces in 1990, from 175 000 ounces in 1989 and 75 000 ounces in 1985.

# Platinum's role in Lonrho profits set to increase

LIZ ROUSE

PLATINUM mining has been a key focus of Lonrho's activities in recent years and is expected to make an increasingly large contribution to the group's profits in future.

An analysis of Western Platinum's contribution to Lonrho's profits is a key feature in a report on the group's prospects by Euan Worthington of SG Warburg Securities of London.

biday 23/11/90  
Merged

Lonrho, a rand-hedge stock quoted on the JSE, will transfer from the overseas traders' sector to the industrial conglomerate sector on January 1 1991.

On January 1 this year Lonrho merged its platinum mines with the adjacent Karee mine of Impala Platinum (effective from October 1 1989), having previously acquired a further 49% holding in Western Platinum from Canadian group Falconbridge.

Following the merger, Lonrho earns 73% of the profits of the combined operation and has a 75% equity share. This interest's book value was \$360m at the time of the merger.

The merged entity owns three mines covering a strike length of over 26km of the Bushveld platinum complex in the Transvaal and Bophuthatswana. It is estimated that ore reserves in the area are sufficient to sustain a production rate of 1.5-million ounces of platinum group metals (820 000 ounces of platinum) for well in excess of 50 years, says Worthington.

Worthington estimates the three mines — Western Platinum, Eastern Platinum and Karee — will produce 275 000 ounces this year, rising to 800 000 ounces in 1994.

In addition to platinum, the mines also produce palladium, gold, ruthenium,

nickel and copper as well as rhodium, of which there is presently a shortage.

The price was only \$1 280/oz at the end of 1989 and for the first three months of this year hovered over \$3 000/oz before heading off to a high of over \$7 000/oz in July. From these dizzy heights the price has not surprisingly retreated, and stands at about \$4 650/oz.

In the year to September, Western Platinum produced about 27 000 ounces of rhodium (73% attributable to Lonrho) which should rise to about 50 000 ounces in 1993.

The proportional breakdown would be 50% from platinum, 35% from rhodium, 7% from nickel, 5% from palladium and 3% from other metals. In rand terms net profit from Western Platinum should rise from 1989's R103m to R113m this year, R142m in 1991 and R179m in 1992.

The contribution to Lonrho should rise from 1989's £41m to £45m this year, £58m in 1991 and £66m in 1992.

The other mining interest in SA is a 36% interest, held through Duiker Exploration, in Eastern Gold Holdings which owns 85% of the new Erfdeel mine. The mine is slowly building up to an annual production of 400 000 ounces of gold.

Flat 217

However, its relatively low grade at current gold prices may make it only marginally profitable.

Lonrho is due to report results for the year to September 1990 towards the end of January 1991 when pretax profits are expected to be flat, but the final and first interim dividends should be maintained, says Worthington.

## Lebowa mine sacks 1 200

The Argus Correspondent

Argus 23/11/90

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217

JOHANNESBURG. — Lebowa Platinum Mine dismissed 1 200 mineworkers after a work stoppage, Johannesburg Consolidated Investments (JCI) said.

The workers downed tools yesterday demanding the re-instatement of 99 workers dismissed after they "illegally" left their work stations.

JCI said the mine had suffered considerable labour problems for several months which resulted in the final dismissal yesterday of the 1 200 workers.

In May this year, about 90 percent of the labour force had been dismissed after an illegal strike but were re-employed on condition that no further illegal industrial action was taken. Workers ignored this and failed to report for work on two days last month. On Tuesday 99 workers downed tools and were fired. — Sapa.



23/7/90

217

## Lebowa mine

### dismisses 1 200

Lebowa Platinum Mine dismissed 1 200 workers yesterday after a work stoppage, Johannesburg Consolidated Investments said.

In May there was a mass dismissal after an illegal strike, but most were re-employed.

The workers downed tools yesterday demanding the reinstatement of 99 people dismissed after they "illegally" left their work stations.

JCI said there had been labour problems for several months.

PLATINUM MARKET FIM 23/11/90  
**SURPLUS FORECAST** 217

Johnson Matthey is expecting a surplus in the platinum market during 1990, for the first time since 1984. In its interim review of the market, Johnson Matthey — a major refiner and Rusplats' marketing agent — foresees an oversupply of 70 000 oz of platinum this year after five years of deficit.

This is a decidedly more bearish attitude since the main report appeared in May, though it's not surprising. The platinum market has taken a severe knock in the wake of the Gulf crisis and higher oil price.

Demand for platinum is expected to grow at a slower pace than supply this year, principally due to lower investment demand and higher output from SA. This country is seen as contributing an additional 8% of platinum in 1990 compared to 1989, as Rusplats catches up with its backlog. Implats raises output by 35 000 oz, and production builds up at Karee, Eastern Plats and Barplats.

In the US, Stillwater has been mining at full capacity since the end of 1989. That will enable higher output from North America, despite a slightly lower Canadian contribution. The Soviet Union appears to have maintained platinum sales to the West at last year's level, and even increased them slightly.

In total, Johnson Matthey expects platinum supplies to the West to rise by 7.2% to reach a record 3,67m oz.

On the demand side, growth is expected, but at a slower rate of 3.4% to 3,6m oz, close to the record level of 1988. The decline in

FIM 23/11/90 217

investment demand to 115 000 oz, the lowest in more than a decade, is probably the single most important reason for the weaker growth rate.

Autocatalyst demand is set to rise by 6.1% this year, mainly from western Europe, but slightly higher recycling will soften the net impact. Demand for platinum jewellery should rise slightly this year, though Johnson Matthey may have been conservative in this area. Latest import figures for Japan — released after the report was compiled — reveal a steep rise. The country is well known for its shrewd buying patterns, with both the yen and the platinum price weak, in yen terms the metal is trading at historically low levels, last seen in the Seventies.

Other industrial uses, with the exception of the glass industry, are expected to grow, despite a slower global economy.

Possibly more important for the local producers is the rhodium market. A delicately balanced market at the best of times, Johnson Matthey looks to a 13 000 oz deficit this year. That would be consistent with the dramatic price rise at mid-year and in fact might be the trend.

The initial run was probably sparked by start-up difficulties at the new Rusplats precious metals refinery, causing a short-term scarcity of rhodium. Now that the refinery is producing at normal rates, the price remains firm, indicating the fundamentals for the metal.

Some consumer buying has subsided, as higher stocks have been established. But, with three-way catalysts being fitted, demand should be sustained. Even in North America, where vehicle output has fallen, demand for rhodium has been sustained. As noted previously (*Fox* October 5), at the current prices and mining ratios, the SA producers are probably earning as much for their rhodium output as for their platinum.

The platinum market is certainly cyclical and is facing a tough and uncertain future, but the fortunes of the other metals need to be taken into account when analysing the local industry. Prices of the major shares have fallen by as much as 40% since August, while the platinum price has slipped by only 15%. I think the downward rating of the shares has been overdone. Gillian Findlay

**NOT SO BRIGHT**

**JM Platinum Estimates**

	1988	1989	1990*
<b>'000 oz</b>			
<b>Supply</b>			
South Africa	2 580	2 620	2 830
North America	210	195	200
USSR	440	550	580
Other	50	60	60
<b>Total</b>	<b>3 280</b>	<b>3 425</b>	<b>3 670</b>
<b>Demand</b>			
Autos	1 165	1 290	1 340
Jewellery	1 180	1 305	1 350
Investment	660	160	115
Other	655	725	795
<b>Total</b>	<b>3 660</b>	<b>3 480</b>	<b>3 600</b>
Surplus/(deficit)	(380)	(55)	70

\* Projection

# Strikes: Platinum mine shuts down

CAP 7m 26/11/90 217

From LINDA ENSOR

JOHANNESBURG. — JCI's Lebowa Platinum Mines (Leplat) has temporarily ceased operations at its Atok mine following the dismissal of about 1 600 workers last week, JCI platinum division MD Barry Davison said yesterday

He said the shut-down could last for some time, depending on how soon the company could recruit new workers.

Davison said the dismissed workers would not be re-employed as they had broken undertakings not to engage in illegal strike action and had disregarded a final warning given early in November after workers failed to appear for work on two consecutive Saturdays.

He said the workers had complained of excessive hours.

Davison said 300 workers who went underground on Thursday had failed to resurface and the mine was considering what legal or other action could be taken to evict them.

He said the dismissal of the workforce was the culmination of a series of illegal industrial actions. Attempts to contact a National Union of Mineworkers' (NUM) spokesman yesterday were unsuccessful.

Davison said the JCI group of platinum producers would not have a problem meeting Leplat's supply contracts

The news of the shut-down could see a further firming of the platinum price. Nymex platinum futures closed sharply higher on Friday on news that Leplat had laid off its workforce. January platinum rose \$13,70 to \$429,70 with other months rising \$14,10.

The market was uncertain over what effect the firings would have on output and the announcement of a cessation of operations could see a further price rise.

SA supplies 80% of the world's annual output of 3,5-million ounces of platinum and JCI's Rustenburg Platinum is the world's biggest producer. Davison said Leplat was a small player in world terms but perceptions of labour unrest in the SA industry could affect the price.

Johnson Matthey has forecast a platinum surplus of about 70 000 ounces this year.

Davison said productivity at Leplat's mine had been poor in the past few months. While it aimed at 50 000 tons of ore a month and was planning to expand the milling rate to 100 000 tons, it had experienced difficulty in getting even 40 000-45 000 tons.

In an announcement today, Leplat said that "as a result of ongoing illegal work stoppages" management had implemented the disciplinary procedures contained in the recognition agreement with the NUM culminating in the dismissal of most of the workforce.

In May, 1 500 workers at Leplat's Atok mine were dismissed after negotiations failed to end a two-day illegal strike over alleged racism on the mine. The workers demanded that a mine overseer be sacked.

Leplat said the workers were re-engaged on the basis of assurances given by the NUM. Davison said an assurance had been given that there would be no further illegal strike action.

"The union and its members have failed to honour certain of these assurances as well as the conditions of the recognition agreement entered into between them and the company," the announcement said.



# Strike-hit platinum mine closed down

BIP<sup>m</sup> 26/11/90

217

LINDA ENSOR

JCI's Lebowa Platinum Mines (Leplat) has temporarily ceased operations at its Atok mine following the dismissal of about 1 600 workers last week, JCI platinum division MD Barry Davison said yesterday.

He said the shut-down could last for some time, depending on how soon the company could recruit new workers.

Davison said the dismissed workers would not be re-employed as they had broken undertakings not to engage in illegal strike action and had disregarded a final warning given early in November after workers failed to appear for work on two consecutive Saturdays.

He said the workers had complained of excessive hours.

Davison said 300 workers who went underground on Thursday had failed to re-surface and the mine was considering what legal or other action could be taken to evict them.

He said the dismissal of the workforce was the culmination of a series of illegal industrial actions.

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producers would not have a problem meeting Leplat's supply contracts.

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□ To Page 2

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BIP<sup>m</sup> 26/11/90

217

□ From Page 1

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# Lyd Plat raises payout

By Peter Galli 27/11/90 (217)

OLD Mutual subsidiary and investment holding company Lydenburg Platinum (Lyd Plat) has raised its dividend a share by 3% to 185c from 180c in 1989, it said today.

Lyd Plat, which derives the bulk of its earnings from Rustenburg Platinum and other investments, posted a 2,2% increase in earnings a share to 231c (226c) on the back of a 2,4% increase in net income to R33,3m.

However, the total market value of its investment portfolio of R751,3m was 11% lower than the 1989 market value of R843m. Earlier the company announced it had concentrated its investment portfolio on platinum and mining exploration shares during the year by both a share exchange and investment in these sectors.

Lyd Plat's investments held in Free State Consolidated Gold Mines and Orange Free State Investments were exchanged for shares held by Old Mutual in Rustenburg Platinum and Lebowa Platinum.

## Lydenburg Plat boosts income

Net income of Old Mutual's subsidiary Lydenburg Platinum rose 2,4 percent in the year ended October to R33,3 million equal 231c a share

Dividends totalling 185c were paid during the year 5c more than last year

The market value of Lydenburg's investment portfolio at October 31 was R751,3 million

The company says it has increased its stake in platinum and mining exploration shares, both through a share exchange and by making new investments. — Sapa.



# First phase of Impala shaft over

THE pre-sinking phase at Impala's no 14 Shaft, which will provide access to the remaining ore reserves in the Merensky reef, has been completed and the sinking phase is in progress, a statement released by Impala Platinum Holdings (Implats) yesterday said. *BIPAM 28/11/90*

Work on the new shaft, situated on the eastern boundary of the Bafokeng South Mine, began in 1990 after the Implats board approved R456m for the immediate implementation of the project.

The main shaft will have a diameter of 7,4m and will reach a depth of 1 042m

An Implats spokesman said production from the Merensky reef via No 14 shaft

MARC HASENFUSS

would commence in mid-1993 and full production was expected by July 1995. It would provide employment for 3 500 people. *(217)*

The underground excavation of the sub-incline shaft hoist chamber at No 7 Shaft has been completed and the sinking of the sub-incline shaft will begin in April.

Implats MD Michael McMahon said geological drilling of the "Deeps", a rich ore body underlying the Bafokeng tribal lands, was in progress and that values obtained thus far were very encouraging.

Star 28/11/90

## Impala steps up the pace

By Derek Tommey 217

Impala Platinum Mine, with its gaze fixed firmly on the expected 900 000 ounce increase in demand for platinum metal between now and 1995, is rapidly pushing ahead with its No 14 Shaft on the eastern boundary of the Bafokeng South Mine.

Production is expected to start at the shaft in July 1993 and full production to be reached in 1995.

Impala's managing director, Michael McMahon, said yesterday that the pre-sinking phase of the R456 million shaft had been completed and that the fast sinking phase had begun.

The new shaft system will provide access to the remaining Merensky reef within Impala's current lease area.

When full production is reached at the shaft some 3 500 people will be employed.

# Growth opportunities for aluminium industry

THE "new SA" and emerging new European markets would provide numerous growth opportunities for the domestic aluminium industry, SA Aluminium Federation director Tony Paterson said this week.

Examples were the increased use of aluminium by the SA motor industry and improvement in the quality of life of the black consumer. The installation of electricity to black consumers would, apart from increasing aluminium usage, increase the demand for kitchen utensils and appliances, refrigerators and microwaves. Preserved foods in aluminium containers would also then become more accessible to the black consumer.

To cope with this increased demand, a number of alternatives were available. SA could build a new smelter, expand the capacity of the Alusaf smelter or import aluminium,

Paterson said. However, any decision in this regard would have to be based on economic viability and financial considerations.

"It is reasonable to expect that the SA aluminium industry will continue to expand, as it has had an average year-on-year compound growth of 5,5%. However, to achieve this SA will have to develop markets not significantly developed before and will have to look closely at the value-added system," Paterson concluded.

In its report on SA's mineral industry for 1989, the Minerals Bureau reported that in 1989 aluminium demand in SA increased for the fourth successive year and exceeded 150 000 tons. It concluded global aluminium consumption was not expected to fall in 1990, but supply and stocks were likely to increase marginally, resulting in relatively small price fluctua-

tions throughout the year.

The general feeling of those in the overseas aluminium market was that the industry had the best years ahead of it. Although the industry was fearful during the 1980s when it seemed that it would be plagued by overcapacity, these fears have been dispelled, Kenneth Gooding said recently in a Financial Times survey.

The industry would have a great surge of activity in the next 25 years as a result of the metal's recycling ability, he said.

The opening up of new European markets would provide another boost to the industry as it expected to benefit from construction customers as the East started refurbishing its crumbling infrastructure, he said.

In addition, on the automotive front, the industry had much to gain as car makers attempted to further reduce the weight of cars.

B124 29/11/90  
PETER GAULI



USKO FIM 30/11/90

## POOR TIMING

217

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Usko's ill-timed entry into the oversupplied vanadium market, combined with weakness in its traditional steel markets, caused profit to dive in financial 1990. This year's outlook remains far from rosy.

Attributable earnings collapsed to only R1,2m from R21,8m in financial 1989 — the result of weak product prices and escalating finance costs. Operating income of R26,4m was virtually wiped out by the R26,2m interest bill (up 76% from the previous year), payable on about R155m of net debt. Debt:equity has risen to a harrowing 1,03.

### INTEREST BLUES

Year to September 30	1989	1990
Turnover (Rm)	543,8	612,6
Operating profit (Rm)	38,2	26,4
Attributable (Rm)	21,8	1,2
EPS (c)	73,06	4,01
DPS (c)	13,0	—

FOA

Debt has been rising steadily since the decision to convert part of the direct reduction plant to produce vanadium pentoxide. This decision was taken when the vanadium pentoxide market was buoyant, but before prices soared to US\$12/lb.

MD Johan Kaltwasser says the group's estimates were based on a price of \$3,80. In late 1989, the market collapsed and a serious oversupply developed. The spot price is now \$2,25/lb and despite Usko having the advantage of being a low-cost producer, analysts say that at best it is just breaking even. Rumoured problems with the delivery and quality of raw material from Rhovan may be reducing efficiency and pushing costs up. Kaltwasser says these rumours are unfounded and the mine is producing well.

Other producers have cut output in an effort to stabilise the market. Usko, intent on establishing itself in the market and gaining market share in its first year of production, is soon to reach initial capacity of 5 000t/year — adding about 7% to world production. The plant's R10,8m development and commissioning cost is shown as an extraordinary item in the financial statements.

In addition to low prices for vanadium pentoxide, Usko has to deal with slack demand, both locally and internationally, for its steel products and weakening export prices. The proportion of product Usko exports is not known, but analysts estimate it is less than the 50% levels of competitors Iscor and Highveld Steel.

Only the non-ferrous division, which manufactures aluminium conductors, copper cable and wire and has investments in other

non-ferrous companies, "contributed generously to profits." Though this is not Usko's core business, a decision seems to have been taken to expand the interests in this area. For R3,2m it has bought a 50% share in Lambda Cables, Almar Wires and Almar Extrusions from Cityhold.

Debt remains a major problem for Usko and with the vanadium pentoxide and steel prices unlikely to recover this year cash flow will remain under pressure. Asset disposals would help reduce debt and the interest burden, but what seems the most obvious candidate for disposal, the non-ferrous division, is being expanded.

Just how Usko plans to get out of its debt trap and restore profitability has yet to be determined. Kaltwasser says the board is looking at alternatives but has yet to take a decision. Shareholders, including Iscor (which holds 29,7%), can only hope that they get it right this time.

Pam Baskind

217

217

FIM

30/11/90

217

217

# Barplats chief predicts increase in sales of platinum group metals

217

Day 30/11/90

PETER GALLI

SALES of platinum group metals should increase steadily throughout the coming financial year, financial and investment holding company Barplats chairman Clive Knobbs said in his annual statement released yesterday.

A number of schemes to fund the expansion of production at Crocodile River to 250 000 tons a month, as well as the continued development of the group, were being investigated and an announcement would be made.

Knobbs said "A steady increase in revenue will result. The transformation of the Crocodile River Mine from the pre-production stage, with all costs capitalised, to a production stage, will take place when sustainable production of refined metals at the end of the processing pipeline is in line with the first phase production of the mine. This is expected to occur during 1991."

However, the declaration of maiden dividends would be delayed because of difficulties experienced in achieving the initial production target at Crocodile River and the uncertainty surrounding metal

prices in the short term, he said.

A number of producers had announced plans to increase production capacity over the next few years to protect market share and meet expected demand.

Despite a possible world recession in the short term, growth in demand for platinum in the future appeared encouraging.

"The group confidently anticipates it will continue to have the ability to sell its production of the various metals on favourable terms and conditions."

Increased demand for rhodium to meet more stringent emission controls had raised the price substantially. The rhodium supply would probably remain tight in the short term, given the low concentration of the metal in the Merensky reef, the source of most SA production, Knobbs said.

Profits derived from interest on cash invested totalled R8m for Barplats Investments and R3m for Barplats Mines. As the operations were in a pre-production stage, all costs and revenues were capitalised.

Star 30/11/90

# Good and bad news from Barplats

By Derek Tommey

217

Mr Clive Knobbs, chairman of the developing platinum producer, Barplats, has both good and bad news for the company's shareholders in his annual statement issued today.

Part of the good news is that major platinum group buyers have shown a gratifying interest in the company. "It is clear than many industrial consumers, fabricators and traders regard diversification of supply as a strategic imperative", he says.

Mr Knobbs does not mention the difficulties which have forced Lebowa platinum mine to close, but it seems that this could be affecting buyers.

He says that sales of platinum group metals should increase steadily during the year, resulting in a steady rise in revenue.

"Recoveries have improved steadily since commissioning the plant a year ago, and a further quantum leap in recoveries will result from various modifications being undertaken to the plant."

The increase in the price of rhodium should also help Barplats. Current technology for auto catalysts requires a higher rhodium/platinum ratio and Barplats should derive considerable benefits from the relatively high rhodium content in the UG2 ore mined at Crocodile River as well as from the continued

strength of the price.

However, shareholders are likely to be disappointed but not surprised at the news that the declaration of maiden dividends will be delayed owing to the difficulties experienced in achieving the initial production target at Crocodile River and the uncertainty surrounding metal prices in the short-term.

They will also find disappointing the fact that the mine's management says that Barplats is still in a pre-production stage and will continue capitalising all costs until sustainable production of refined metals starts coming out of the pipeline. This is expected to occur 1991.



# Platinum ushers in a new Messina

AT THE start of the century, Messina was launched as a public company whose principal product was copper. That metal was to serve the company for 90 years or more.

As the 21st century approaches, a new product will carry the fortunes of Messina — platinum.

This year's inclusion in the Business Times list is almost a swansong and a renaissance all in one. On the performance of the past five years, Messina becomes No 3 in the Top 100. But it is likely to take a back seat for a while as the company of old is replaced by development of a platinum prospect in Labova.

Managing director Tony Buchan led the company through its transition, and looks back on the past and on ahead as the company focuses its attention on platinum.

## Varied

Cash from the sale of industrial interests will be applied to the development costs at Zebediel's Location, Voorspoed and Doornvlei.

Over the years, Messina's portfolio of peripheral activities has been varied.

Mr Buchan says: "In the 1970s, Messina got into a lot of trouble because an over-ambitious investment programme, particularly the acquisition of Nissan, called for more cash and management depth than the group could provide. "When the wheels came off, Nissan was sold to Samlan and the problems came off the balance sheet."

Half of the management team went with Nissan, and in came Mr Buchan to try to pull the balance of the group around. About the same time, Messina's geologists had made an important platinum find. But the company was too short of cash to spend any



STimes 2/12/90  
TOP  
217

## COMPANIES

By JULIE WALKER

money exploring it properly, so it went on ice. All efforts were devoted to repaying debt, restoring profitability and providing a return to shareholders. Success came with discipline. After several years of drought, earnings took a jump from a loss in 1985 and 22c in 1986 to a record 39c-a share in 1989 when a dividend of 82c was paid.

The companies which were sold were virtually debt free and making good money.

The copper mine is to be closed within two years — no new ore reserves have been sought — and negotiations for the purchase by management of the remaining mining interests might be revived after one false start.

## Change

Only one industrial company, Premier Equipment, is still to be sold.

When the worth of the platinum interests became known, a greater Sanlam-group decision was made. Impala Platinum would become Messina's major shareholder and management of the platinum mines. "The whole character of the company has changed," says Mr Buchan. "The

share will probably be transferred to the platinum sector of the JSE and dividends will be suspended for several years until the mine is established." Messina's latest report, covering the six months to June 1990 because the year-end, was changed, outlined the state of play at the platinum site.

Mr Buchan says that the current drilling program has resulted in a significant increase in proven reserves. The results of test work have been most encouraging.

The mine will begin production in 1993. The initial cost estimates are already R500-million.

It is intended that the project will still go ahead in spite of market fears of an oversupply of platinum in the short term.

In the long-term, the fundamentals for platinum demand look strong. So the wheel turns full circle for the 90-year-old mining company, although the product has changed with the times.

There is a touch of sadness about the past, but every hope to be positive about the future. Messina will probably not make the top 10 companies during the years in which the mine is being developed, but could be back there one day.

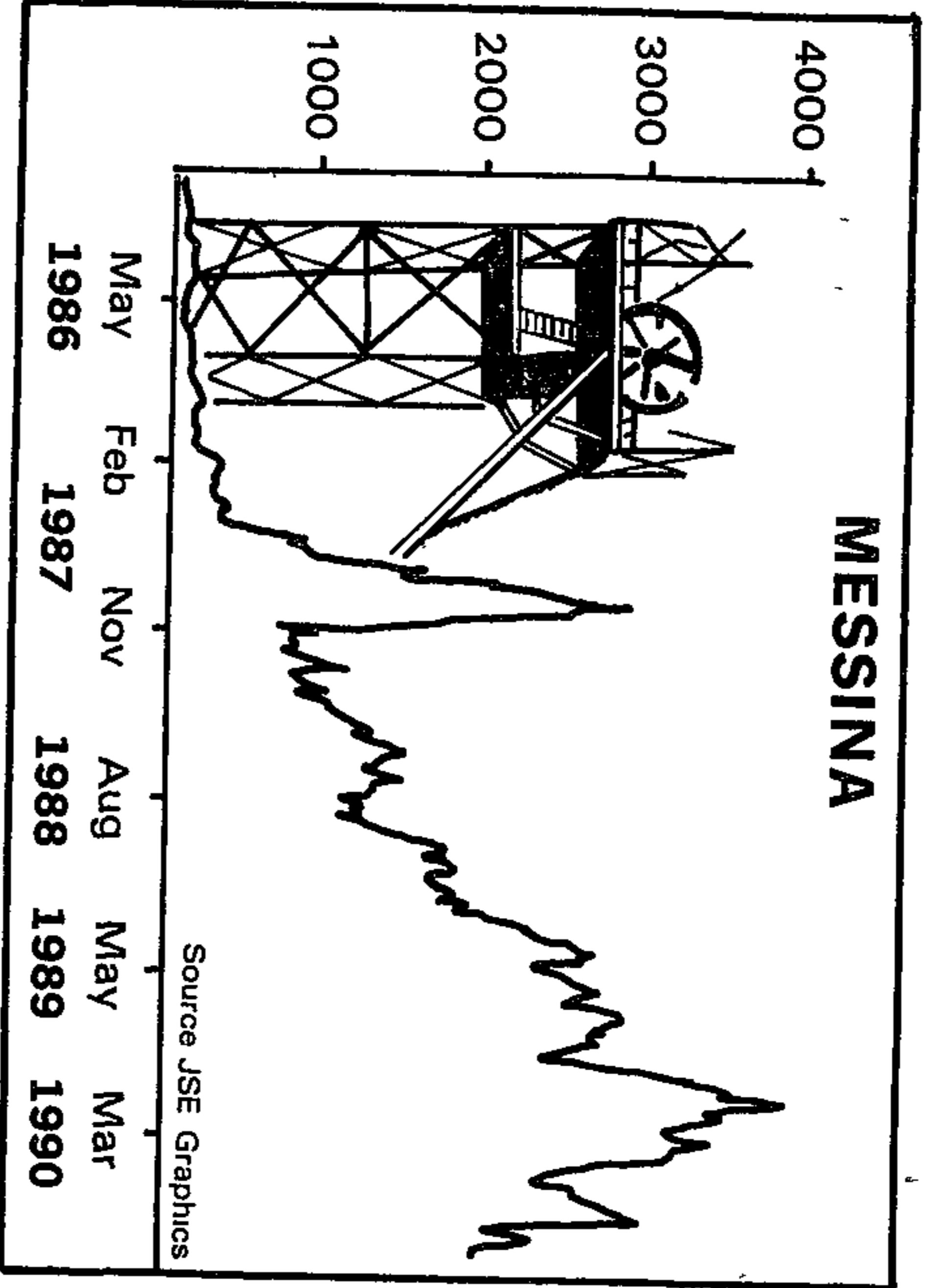
●Messina will begin production at a time when demand for platinum-group metals is expected to increase from the autocatalyst industry.

The Johnson Matthey 1990 interim report on platinum says American exhaust emission standards are expected to be tightened from 1994.

In the short term, falling vehicle production in North America has reduced demand for autocatalysts, and there has been an increase in the amount of platinum recovered from scrapped "boxes".

The outlook for rhodium — the other important metal in autocatalysts — has been buoyed by production problems at refineries of other SA producers. Messina's ore is likely to contain a higher proportion of rhodium to platinum than do the better-known orebodies.

The European Parliament considers the EEC proposal for emission standards — which are based on America's — too lax. Even



Source JSE Graphics  
if more metal has to be used, it will not make an appreciable difference to the selling price of vehicles, and the possibility of platinum substitution is a virtual non-starter. Even this year, when supply is expected to top demand of R3,6-million ounces by 70 000oz for the first time since 1984, the market for platinum for autocatalysts will grow by 90 000oz to 1,555-million

The other major use of platinum is in jewellery, particularly in Japan. This year's demand is expected to rise by 45 000 oz to R1,35-million.

Industrial offtake is increasing, but investment demand has fallen for two years in a row.

SA companies remain the dominant suppliers of platinum. In 1990, they will supply 2,83-million oz out of the projected total of 3,09-million. The next biggest is 200 000oz from North America, mainly the Stillwater complex. Other countries chip in 60 000oz, but Soviet sales are expected to be 580 000oz this year.

By 1995, Johnson Matthey expects demand for platinum to grow by a million ounces, and on paper, supply will be 1,3-million ounces higher. But since the report, there has been one casualty — development at the Kennedy's Vale mine has been suspended.



TONY BRENNAN "The wheels came off at Nissan, but now we're back on the road"

# Palamin strong despite low copper price

PETER GALLI

DESPITE the large drop in the London Metal Exchange (LME) copper price over the past three months, 1990 would be a good year with Palabora Mining Company (Palamin) still remaining cost competitive in 1991, MD Al Leroy said yesterday.

The group had paid dividends since 1966 and did not see that 1991 would be any different, he added.

Leroy said there would probably be little change in the market until the January 15 deadline for the Gulf was reached, and as such it was difficult to predict price movements.

However, Palamin was trying to maintain its cost competitiveness by

implementing various programmes to reduce unit and variable costs. As the mine was now mature, less waste was mined to produce ore, which contributed to the reduction in costs.

Leroy emphasised that between 15% and 20% of Palamin's revenue was earned from by-products such as vermiculite, magnetite and zirconia products.

While the market had softened for both magnetite, all of which was sold locally, and vermiculite, most of which was exported, they remained firm contributors to earnings

217  
Palamin produces high quality copper, which does not have some of the trace elements that restrict ductility and so the group had no trouble in selling its entire production, he said.

"About 50% of our production is exported with the other 50% being sold on the local market at a price fixed by us at the beginning of each month," Leroy said.

The group was positive about the exploratory shaft recently sunk at the bottom of the mine.

Information on the underground ore-body would be available by the end of 1991



# Host of new projects Keeping Gencor on go

Spec 6/12/90

217

By Derek Tommey

Gencor shareholders need not fear that the mining house's rapid progress in recent years might be about to slow down for lack of new investments.

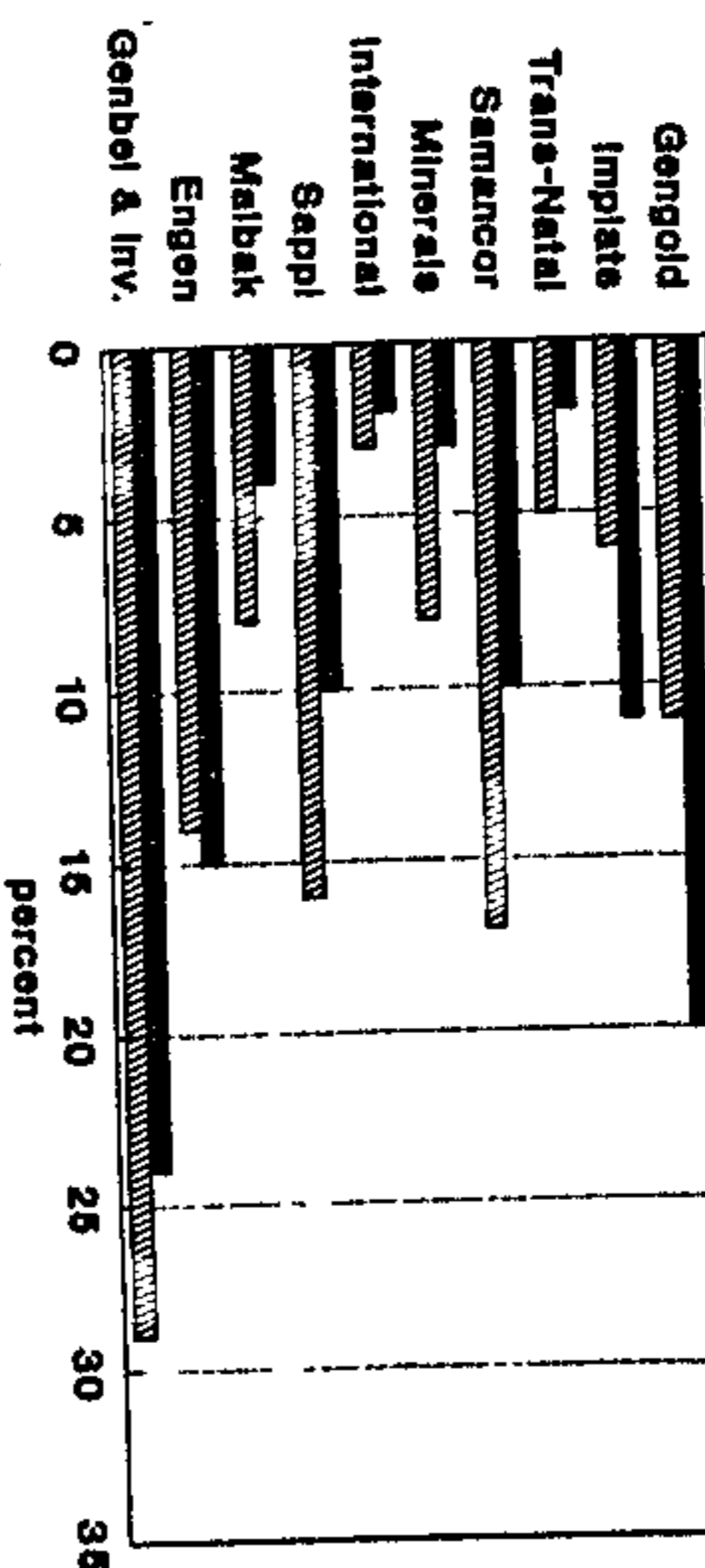
The annual report shows it is poised for major expansion in several fields, including possibly launching several mining operations at home and overseas and taking its aluminium operation Alusaf to the stock exchange.

The group has been active in prospecting for platinum. It reports that encouraging results have been obtained from drilling on ground underlain by Merensky Reef and UG2 chromite ore at depths greater than 700m in the Eastern Bushveld complex.

It is evaluating two medium-to-large low-grade platinum deposits which could be worked by opencast methods in the northern limb of the Bushveld complex.

An initial drilling programme has delineated a deposit in excess of 150 million tons, with a grade of one to two grams a ton of platinum group elements.

Evaluation of the Voispruit Project has revealed a potential deposit of 50 million tons at a



Gencor's assets and income sources

grade of one to two grams a ton of platinum group elements. Gencor says that on the basis of results from the Moddergat platinum prospect, it is confident a mining operation could be developed.

The group has been looking abroad for mining prospects and has undertaken joint ventures in advanced grassroots exploration projects in Brazil and Turkey.

It is exploring a balanced portfolio of projects in Brazil. In Turkey it has discovered an open pit heap-leachable deposit with an indicated reserve of 9 million tons at 1.25 grams a ton in situ.

Encouraging intersections have been obtained in a hydrothermal

gold deposit. Follow-up drilling is being undertaken at four other gold finds.

Changes in business and political attitudes have led Gencor to consider opportunities in African countries.

In Mozambique, subsidiary Trans-Natal is to undertake a R1.5 million drilling programme at the proposed Moatze coking coal project.

In return, Trans-Natal has the right to take up an equity stake. No investment decision will be taken before the mid-1990s. The total project cost might be about R4.8 billion.

Gencor spent R97 million on exploration in the year to August,

almost the same as the R95 million spent a year earlier.

Trans-Natal's capital expenditure programme at home could amount to more than R1 billion in the next five years.

Gencor is investigating a JSE listing for Alusaf in the next three years, should market circumstances be favourable.

Gencor controls Alusaf with an effective 30.7 percent shareholding. Alusaf is SA's only primary producer of aluminium, making remelt and rolling ingot and extrusion billet and rod.

Richards Bay Minerals, in which Gencor has a 25 percent stake, is spending R925 million on expanding titanium slag production by one million tons a year.

Gencor is developing the Oryx and Weltevreden gold mines, is planning to list the group's platinum operations in Bophuthatswana and is planning to participate in North Sea oil production.

The development of the Alba Field in the North Sea should receive official approval in December and should yield its first oil in January 1994.

Oil reserves attributable to Gencor's interests are of the order of 30 million barrels. The project's economics are robust and it will generate significant cash flows, Gencor says.



# Leplat may open 'next year'

JCI's Lebowa Platinum (Leplat) mine, shut down by the company two weeks ago after management dismissed the 1 600-strong workforce, was set to remain closed until the new year, National Union of Mineworkers (NUM) media officer Jerry Majatladi said at the weekend.

He said it was "highly unlikely" the Atok platinum mine would re-open this year, although talks with the company were continuing. BIP<sup>am</sup> 10/14/90

The mineworkers were fired after the company claimed last month the NUM broke a moratorium agreed to in May on unprocedural industrial action at Atok.

However, JCI's platinum division MD and newly appointed Leplat chairman Barry Davison said at the weekend it was his priority to get the mine back into pro-

217  
MATTHEW CURTIN  
and PETER GALLI

duction and build a co-operative industrial relations environment at the mine.

"The pursuance of a confrontational attitude by a portion of the workforce has led to a significant deterioration in productivity, with a series of illegal work stoppages and other incidents culminating in the dismissal of the majority of the workforce," Davison said

But NUM economist Martin Nicol said on Friday there was little market pressure on Leplat management to restart production. He estimated a month's lost production would cost about R6,25m in sales revenue and R1,5m in profits, but the Atok

□ To Page 2

## Mine BIP<sup>am</sup> 10/12/90

operation was small compared with the far larger Impala and ERPM platinum mines

In general, owners of platinum and coal mines in SA were able to "sit out" strikes and mine closures for longer than their gold-mining counterparts. He said about 80% of the western world's platinum came from SA, the metal's current price was low and a surplus of platinum was forecast for the end of the year.

Davison said JCI was confident platinum would continue to be "very good business" for the group, despite the problems experienced.

Leplat was expanding rapidly and its participation with Rusplats in the Potgietersrust Platreef project was particularly exciting, Davison said

217 □ From Page 1

However, a major challenge remained the improvement of the industrial relations climate at Leplat, he said

Dave Kovarsky, who recently took over the new JCI ferrochrome division and was appointed chairman of Consolidated Metallurgical Industries (CMI), said his short-term challenge was to steer CMI through a depressed market and to ensure that it would come out of this cycle far stronger than it was before it entered it.

"We are going through some fairly tough trading conditions in the ferrochrome industry, which are likely to continue for some time," Kovarsky said. CMI's recent acquisition of Purity Chrome was made with this knowledge, and demonstrated its long-term confidence in the industry.

# JCI foresees higher demand for platinum

217

Star 10/12/90

Platinum demand in 1991 is expected to be higher than in 1990, provided there are no major shocks to the main Western economies, JCI says in its platinum forecast.

It says supplies of platinum are likely to exceed 1990 levels because of greater production by all SA producers.

These supplies may be offset to some extent, however, if supplies from the USSR are reduced as that country encounters increasing economic and political uncertainty.

JCI believes the Soviets will try and maintain

sales in order to maximise hard currency revenue.

Mine supplies are expected to exceed demand this year for the first time since 1984.

But, says JCI, the supply surplus is not expected to be large, and it is possible that it will have been absorbed by year-end as a result of increased Japanese investment purchases.

Similarly, the extent of any surplus which may occur in 1991 will depend on the prevailing views in the Japanese and other investment markets, JCI says. — Sapa.

# Genmin closes Mooinooi mine after clashes

Blom 11/12/90  
217

MATTHEW CURTIN

MANAGEMENT at Genmin's Mooinooi chrome mine shut down production yesterday in the wake of a violent clash between mineworkers and mine security which left one person dead and several injured on Sunday night.

Genmin spokesman Laing Geldenhuys said yesterday the mine, near Rustenburg, would remain closed until labour problems had been solved. He said the mine dismissed 500 of the 850-strong workforce last Thursday after they refused to comply with regulations for underground work, which then threatened the safety of other workers.

Mine management and the National Union of Mineworkers (NUM) met yesterday afternoon to try to resolve the dispute.

The closure of the Mooinooi mine is the fourth occasion in recent months on which a company has suspended production, citing intolerable labour relations problems.

Management at Mercedes-Benz's East London plant and Volkswagen's Uitenhage plant took similar action earlier this year, and JCI's Lebowa Platinum mine has been closed for almost three weeks pending the outcome of management-union talks.

Geldenhuys said chrome stockpiles were sufficient to meet client commitments.

NUM national organiser Gwede

Mantashe said yesterday implementation of a new underground clocking-in system, focus of the union's anti-discrimination drive at Mooinooi, was at the heart of the dispute.

He claimed management introduced a new system last week, after discussions initiated by the union and to which NUM officials had agreed in principle, before the union had been able to consult its members.

Management refused an urgent meeting with the union last week, and when mineworkers protested by ignoring the new system, the mine was closed.

Mantashe was unable to give details of Sunday's incident, but confirmed one mineworker died and six were taken to hospital.

In a statement issued on Sunday, Genmin said mine security opened fire on a group of 40 armed mineworkers who refused to comply with orders to disperse.

Sapa reports that the six injured men were admitted to the PGK Hospital in Rustenburg. Three were discharged, and the remaining three were out of danger.

Western Transvaal police liaison officers said the workers had threatened to murder security officials and police were investigating the shooting.



# Prieska mine to close next month

By DENNIS CRUYWAGEN  
Staff Reporter

THE Prieska copper and zinc mine in the Northern Cape will close at the end of January.

Announcing this today, an Anglovaal spokesman blamed falling metal prices.

"Because the re-treatment of the low-grade dump is not viable it has been decided to close the mine," he said.

While most of the 600-strong workforce would be retrenched next year, some workers would be placed on other mines in the Orange Free State and the Transvaal.

"Some workers will be retained at the mine after it closes as the clean-

up operation will take some time."

He said most of the workers did not belong to a trade union and while some were members of the National Union of Mineworkers, the union was not recognised at the mine.

Union press officer Mr Jerry Majatladi confirmed about 35 mineworkers were union members.

Mine employee Mr Jacob Phillips, Mayor of Ethembeni, the black township, said he and colleagues had not been told of Anglovaal's plans.

"There have been rumours and we expect to be told today," he added.

"Most of the miners are black and many of them spend their money in Ethembeni. The town will suffer."

A father of two, Mr Phillips left

teaching seven years ago to become a clerk at the mine.

"I don't know what I will do Maybe I'll go back to teaching."

Prieska businessmen said Anglovaal had been phasing out the mine over the past few years. But Armscor had moved in, off-setting the loss of buying power from the mine.

Deputy Mayor Mr Fanie Lombard said. "We will be affected to some extent but the blow will not be as bad as outsiders would think."

Armscor had bought farms in the region to establish a weapons testing site.

"This has stimulated growth in Prieska."

## Prieska mine to shut down

Blauy 12/12/90  
EXPECTATIONS that Anglovaal's Prieska copper and zinc mine would cease operations in the first quarter of 1991 were proved correct yesterday with the announcement that the mine would close in January.

Some of the 600 employees would be employed elsewhere in the group, some would be retained to assist with the clean-up and the rest would be re-trenched, chairman David Crowe said yesterday.

Falling rand metal prices had resulted in operating losses — a trend not

217  
PETER GALLI  
expected to be reversed.

The company expected the provisions created previously for closure costs, which amounted to more than R10m, with proceeds from the realisation of saleable assets, would meet the cost of the statutory rehabilitation and other obligations, Crowe said.

Prieska posted an operating loss of R1,1m in the year to end-June from a R21,3m profit in 1989, with earnings plummeting to 6c a share from 23c

## Prieska copper mine to close <sup>217</sup>

Finance Staff

Mining operations at Prieska will cease at the end of January. *Stew 12/12/90*

Announcing this yesterday the company said that falling rand metal prices had resulted in operating losses at the copper and zinc mine in recent months and there appeared little hope that the trend would be reversed before the mine's limited underground ore reserves were exhausted.

"Therefore, as retreatment of the low-grade surface dump is not viable on its own, it has been decided to close the mine".

The decision follows a cautionary note in the chairman's 1990 Annual Review and a company announcement at the beginning of November, stating that, should overall profitability not be maintained, the mine would be closed.



# Titanium project should come on stream next year

THE R925m project to expand titanium production of Richards Bay Minerals (RBM) by a third is expected to start coming on stream during 1991

The Financial Mail reported yesterday that construction on the project began earlier this year

Gencor is the largest local shareholder of RBM, with a 25% stake. Rio Tinto Zinc owns about 50%. RBM produces titanium slag as its primary product, with secondary products such as iron, rutile, zircon and monazite.

About 85% titanium dioxide is yielded from the titanium slag produced by RBM. Most of this is exported, as it is a raw material used in the manufacture of titanium pigments.

Rio Tinto Zinc had said previously that its titaniferous slag capacity at RBM was being increased from 750 000 tons a year to 1-million tons. This increased production was expected to come on stream in 1993.

JOHN CAVILL and  
PETER GALLI

RBM was also expanding zircon output from 140 000 tons a year to 300 000 tons and rutile from 60 000 tons to 115 000 tons. RBM produces 900 tons of monazite, but what this will be increased to is uncertain.

The project will require an expansion at each of the three main operations at RBM — dredging, separation and smelting. The capital programme includes a fourth dredging operation, a new dry mill and a new furnace.

The Metals and Minerals Annual Review shows that the three big producers of titaniferous slag in 1989 were Canada (1-million tons), SA (650 000 tons) and Norway (200 000 tons).

Titanium dioxide pigment, which is mainly used in paint, paper and plastics, accounts for 90% of consumption of titaniferous feedstocks

Titanium metal is the next

biggest market, where it is used by the aerospace industry, chemical plants and other applications where light weight and corrosion resistance is required.

While demand was buoyant in 1989, supplies were tight. Pigment production was up 6% in the US and Japan, while sponge output (for metal) was 13% higher in the US and 30% up in Japan

However, the general economic slowdown, especially in the US, with the construction and car industries in recession, points to a softer market this year and next year.

According to the Financial Mail, the zircon market has weakened substantially, because of the impending oversupply of materials from new suppliers and expansions.

However, long-term demand for titanium slag has grown by about 3% annually, with the trend expected to continue. RBM is a major supplier of a high grade product.

# Mooinooi shuts shop until next year

18/12/90 13/12/90  
GENMIN'S Mooinooi chrome mine near Rustenburg would remain closed until next year, a mine spokesman said yesterday.

217  
MATTHEW CURTIN

Management shut down the mine on Monday after mine security shot and killed one mineworker and injured six others in an incident on Sunday night.

About 500 workers, all members of the National Union of Mineworkers (NUM), were dismissed a week ago for refusing to comply with new underground regulations. Management said the refusal had jeopardised the safety of their colleagues.

The spokesman said 30 of those fired last week had appealed against their dismissal and the other 470 dismissed workers were paid off yesterday.

The rest of the mine's employees, totaling 350, would be on leave until the mine re-opened in the new year.

Genmin would start recruitment on December 31 to increase the labour complement to the required level.

The spokesman said yesterday NUM

representatives and management met on Tuesday to try to solve the labour problems at the mine, the cause of the shutdown, but could not reach agreement.

Both parties were considering arbitration and the union would be notified by midday tomorrow on whether management was willing to take the dispute to arbitration or not.

NUM officials could not be contacted for comment last night.

The union had said earlier in the week JCI's Lebowa Platinum mine, also closed by management because of alleged labour problems, would not re-open this year.

The Atok mine has been out of operation for three weeks since management dismissed the 1 600-strong workforce.

On Tuesday operations at Rand Mines' subsidiary Barbrook were suspended in the wake of violent protests by NUM members at the marginal gold mine.

RICHARDS BAY MINERALS

FIM 14/12/90

217

# R925m EXPANSION PROJECT

**Richards Bay Minerals (RBM)** is spending R925m to expand its production of titanium slag by a third. Construction started earlier this year and the project is expected to start coming on stream during 1991.

Gencor is the largest local shareholder in RBM, with 25%. Rio Tinto Zinc owns about 50% and other shareholders include Industrial Development Corp and Old Mutual

By all accounts, RBM is highly profitable. A major portion of the R379m distributable income earned in financial 1990 by Gencor's new Minerals Division was from this source (see *Companies*). The other major interest is a 30,7% stake in Alusaf, whose profit fell for the second year.

RBM is a capital-intensive operation. When it was established in the late Seventies, the capital cost was around R360m and it was the mining industry's largest capital project at the time

The present expansion is close to Richards Bay and has nothing to do with other mineral sands reserves in the St Lucia area. The environmental impact assessment relating to the reserves over which RBM has a prospecting permit in the St Lucia area is following the course prescribed by government, and should be completed during the current financial year.

RBM's primary product is titanium slag; secondary products produced through a complex mineral separation process are iron, rutile, zircon and monazite.

The intention is to lift output of titanium slag from present levels to 1 Mt/year and that will require an expansion at each of the three main operations — dredging, separation and smelting. Major elements of the capital programme include a fourth dredging operation, a new dry mill and a new furnace. Full output will be reached in about two to three years.

Titanium slag produced at Richards Bay yields about 85% titanium dioxide, a raw material used in making titanium pigments, which are in turn used in high quality paints, plastics and paper. After its expansion, RBM's share of the present world output of 3 Mt a year would be about 28%. However, expansions by other companies are being considered, including Anglo American's prospect on the west coast.

Already, the zircon market has weakened substantially because of impending oversupply of material from new suppliers and expansions. Demand for titanium pigments is also softening owing to the flagging world economy.

However, over the long-term demand for titanium slag has grown by about 3% annually and the trend should continue. After capital programmes, many pigment produc-

ers are using environmentally friendly processes — these require a high-grade product, of which RBM is the major supplier

Gencor states in its annual report it is investigating the feasibility of potential added-value products, such as production of titanium pigments and metal

Andrew McNulty



# Low prices cut mine profits

*B Day 17/12/90 217*  
THE Shell-owned Peiring lead and zinc mine should continue to be profitable, although at a lower level than during the period of high prices, the head of Shell's minerals division, Gordon Jarman, said last week.

While prices had fallen quite sharply in the past few months, he did not expect the decline to continue much longer. The mine did not, however, have plans for expansion.

The Minerals Bureau reported that in

PETER GALLI

1989 the Peiring mine was the major SA producer with a metal-in-concentrate (mic) output of 33 500 tons — 6% less than the 35 700 tons produced in 1988.

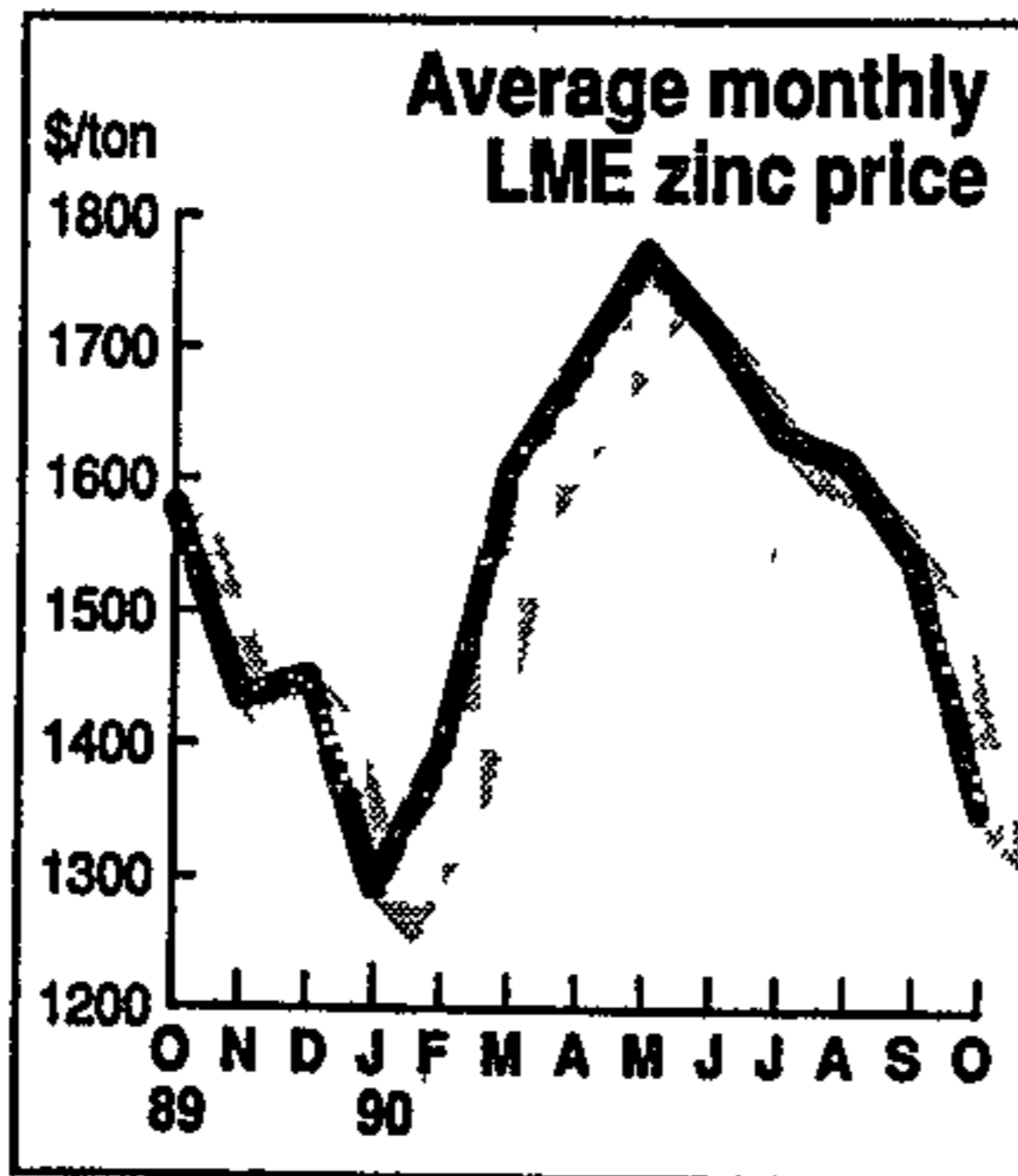
SA ranked 16th in the world production of zinc-in-concentrate in 1989, and contributed 1,1% of the total world production.

At the Prieska mine that closed last week after falling rand/metal prices resulted in operating losses — a trend Anglovaal did not expect to be reversed — production in 1989 declined to 16 800 tons (mic). This was 29,1% lower than in 1988 because of the depletion of its ore reserves.

The British-based Metal Bulletin reported that analysts were forecasting even worse prices for the first half of next year than previously predicted.

"The outlook for zinc is grim whatever the outcome in the Gulf. We cannot expect any consumption growth, and with the increase in mine capacity coming on stream, demand will be well below production," they said.

Gold Fields' of SA director John Hopwood said that the closure of the Prieska mine would have no effect on Black Mountain mine.



Graphic: FIONA KRISCH Source: MINERALS BUREAU

GENCOR/LONRHO

FM 21/12/90

217

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1

# WILL THEY FIND COMMON GROUND?

Talk of a Gencor/Lonrho merger seemed to be effectively quashed once Gencor chairman Derek Keys stated that there are no such plans. Even so, Impala Platinum's deal earlier this year with Lonrho's Western Platinum came unexpectedly, and there could be other partnerships between the two groups — though it is an open question whether anything is being considered now.

Merger speculation came through reports in the UK press rather than any action by the two parties to indicate talks in progress. From London, John Cavill suggests it may be asked whether Lonrho's controversial CE Tiny Rowland has simply been capriciously teasing the markets.

It started after Bill Jamieson, deputy city editor of the *Sunday Telegraph*, had "a rare interview" with Rowland. This formed the basis of a full-page article which, basically, has 73-year-old Rowland saying Lonrho's "best years are still to come."

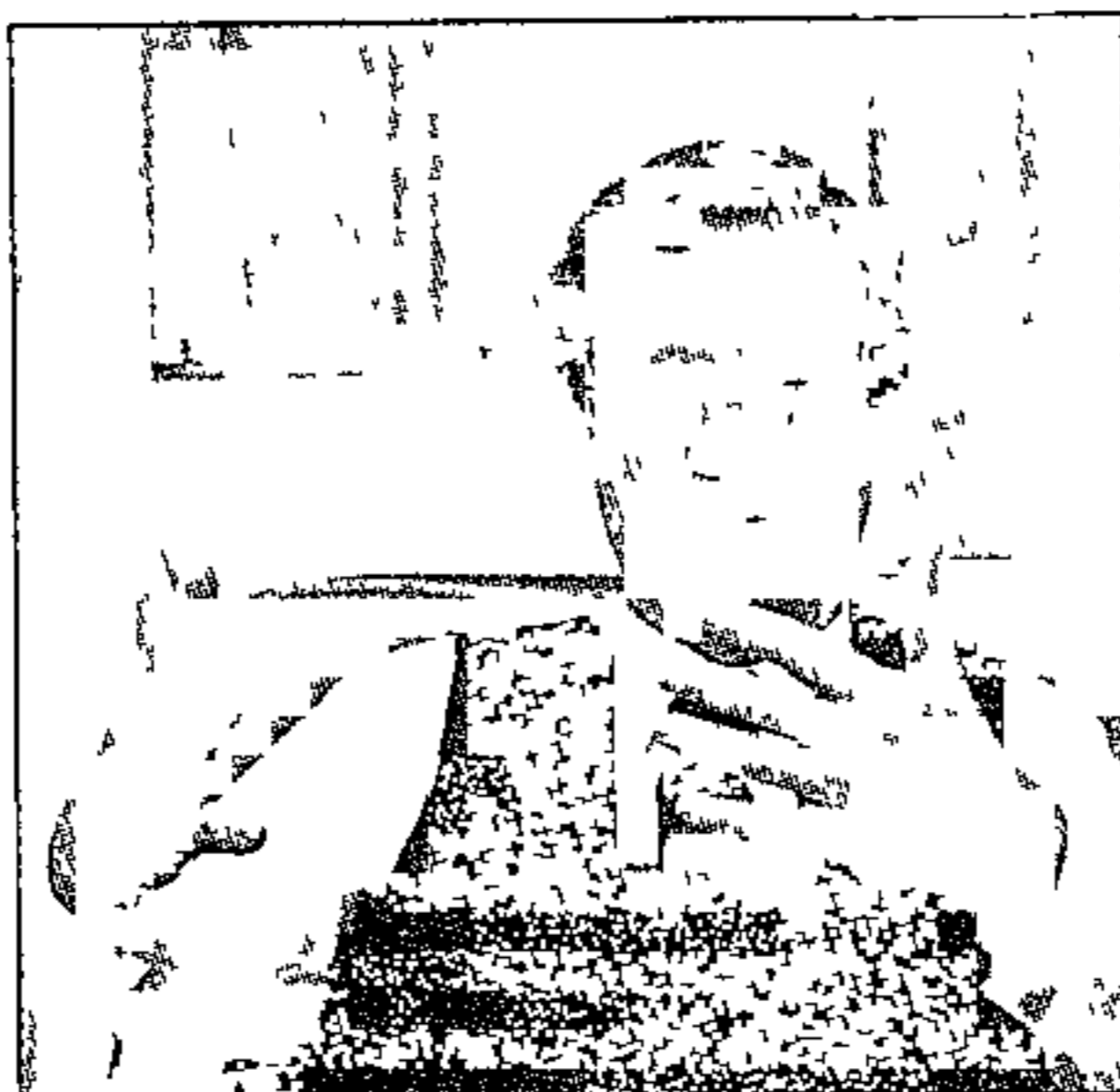
Nowhere in it does Rowland (at least on the record) hint at a deal with Gencor. Jamieson, citing the Impala/Western Platinum arrangement, writes: "Throughout this (northern) summer there has been speculation in Johannesburg that a greater tie-up could be afoot. Some have even mooted a Lonrho/Gencor merger."

At a presentation in London last week, Keys told brokers' analysts and fund managers: "There have been talks (with Lonrho) at divisional level about possible synergies both in SA and beyond. There are, and will continue to be, discussions."

Jamieson used this in the lead story of the *Telegraph City and Business* section, which states: "Lonrho and Gencor ponder £4bn merger." He writes that it has been discussed in "initial outline" by Rowland and Keys — though the quotation is not attributed — and claims a draft merger proposal "prepared in Johannesburg . . . is understood to be under consideration by Lonrho. It is a share swap by which Lonrho would reverse into Gencor."

Keys unequivocally denied the *Sunday Telegraph* story: "Gencor is not considering merging with Lonrho," he said. A different signal then came from Lonrho. Monday's *The Independent* says flatly that merger talks are taking place. It quotes Rowland (about to leave for Africa) as saying, "If it suits Gencor we will be merging. Lonrho will be taking over Gencor if it happens." In the *Daily Telegraph*, Lonrho director and spokesman Paul Spicer comments enigmatically that Jamieson's story is "a very interesting observation."

Efforts by the *FM* to confirm these statements were unsuccessful, with both Rowland and Spicer already abroad. Keys has repeat-



Gencor's Keys  
no merger talks

ed his denial, without adding to his earlier statement. But the London *Evening Standard* (no sources quoted) says "Gencor may deny it but Tiny Rowland's conglomerate Lonrho is looking determinedly at plans to merge with the SA mining giant."

London market reaction has been one of incredulity but still had analysts running calculators over possible permutations. "I'm sure Tiny Rowland would love to take over Gencor," says Nick Hatch at James Capel. "But the rumour we heard two weeks ago was that Gencor might acquire some of Lonrho's mining assets or Impala merge wholly with West Plats. The two companies know each other well in SA, and there could be scope for joint ventures elsewhere in Africa. A formal full merger is unlikely."

David Ridley, at Williams de Broe Chaplin, says "Nobody is taking Rowland seriously. It's a typical statement of his if it suits Gencor and if it happens. The idea does not tie in with Gencor's unbundling proposal and one can hardly imagine Sanlam wanting a diluted investment in a group which includes Lonrho's non-SA hotchpotch of assets."

Says Jack Jones of UBS Phillips and Drew, Lonrho's brokers who this week revised its 1991 pre-tax profit forecast down by £10m to £280m. "I am bemused. One does not know what is going on."

Even at divisional level, there are not many apparent areas for new synergies. Most obvious candidate is probably platinum. Impala's Karee mine was merged with Western Platinum, from October 1989. In return Impala acquired slightly over 25% of the equity and 27% of the profit of the merged mines and of Eastern Platinum, and gained equal representation with Lonrho on the boards of those companies. Each party has pre-emptive rights over the shares in the combined operation held by the other.

Keys says Impala plans to spend about R2,3bn on the Impala 14 shaft, the Deeps

shaft, exploitation of UG2 and the Messina expansion. Much higher levels of capital expenditure will have to be funded, and the plan is to put proposals to shareholders during this financial year.

Writing in the Impala annual report in August, CE Brian Gilbertson expressed concern that the share's market rating had declined persistently against Rustenburg Platinum. Yet Impala's price has dropped by half since its R87 high set on August 6. There may be mutual benefits in a closer relationship with Western Platinum — perhaps a full merger and listing — though it hardly seems a necessity.

Lonrho SA's other main interests are coal and gold, held through Coronation Syndicate and Duiker. The coal holdings are fairly small and unlikely to offer much for Gencor. On the gold side, there is a 36% holding in Eastern Gold Holdings, which has an effective 85% in Erfdeel — a section of Anglo American's Freegold — as well as a 25,8% stake in a venture with Freegold and Anglo for possible exploitation in an area adjoining Freegold.

More interesting possibilities may exist outside SA, where several of Gencor's divisions are seeking to expand. Engen, for example, has stated it wants to get involved in oil exploration in West Africa.

Lonrho has oil and gas interests in the US and, more important, it has firm relationships in many African countries. Perhaps it could help to open some doors.

John Cavill and Andrew McNulty

x, 25-1-91



# New venture could boost Fralex

Blom 21/12/90

CHARLOTTE MATHÉWS

THE venture by Fralex into underground mining will have a significant effect on the group's long-term profitability, although the group's short-term outlook is negative

Fralex is the holding company for materials handling company Fraser Alexander

Financial director Les Maxwell said yesterday the group's recent venture into underground mining on its own account had uncovered some deposits and feasibility studies were now being done

Fraser Alexander had mined chrome deposits in the past and it was likely to look in that direction as well as mining gold, coal and other minerals if the opportunity arose

In the group's annual report released in September Fraser Alexander chairman Peter Flack warned that a decline in activity had been experienced in several of the group's operating divisions in the preceding six months

Maxwell said this still held true

"I don't think our results will be as good as last year. Certain of our markets have been affected by factors which were not as clear in September as they are now -- for example, township violence has prevented getting any concrete products into the townships

"Tenders and inquiries are now starting to come in but we are uncertain if we will be able to recapture the fall in volumes experienced in the last three months"

The decline in the group's shares reflects this perception. Holding company Fralex's shares have slipped nearly 40% in the last six months from 925c in May to 560c yesterday. In the five months from December 1989 to May 1990 the shares doubled from 450c and trade was frequent. At their peak the volume of shares traded was nearly 80 000 in one day

Operating company Fraser Alexander's shares closed at 950c after climbing to R13,50 in August from 760c in December

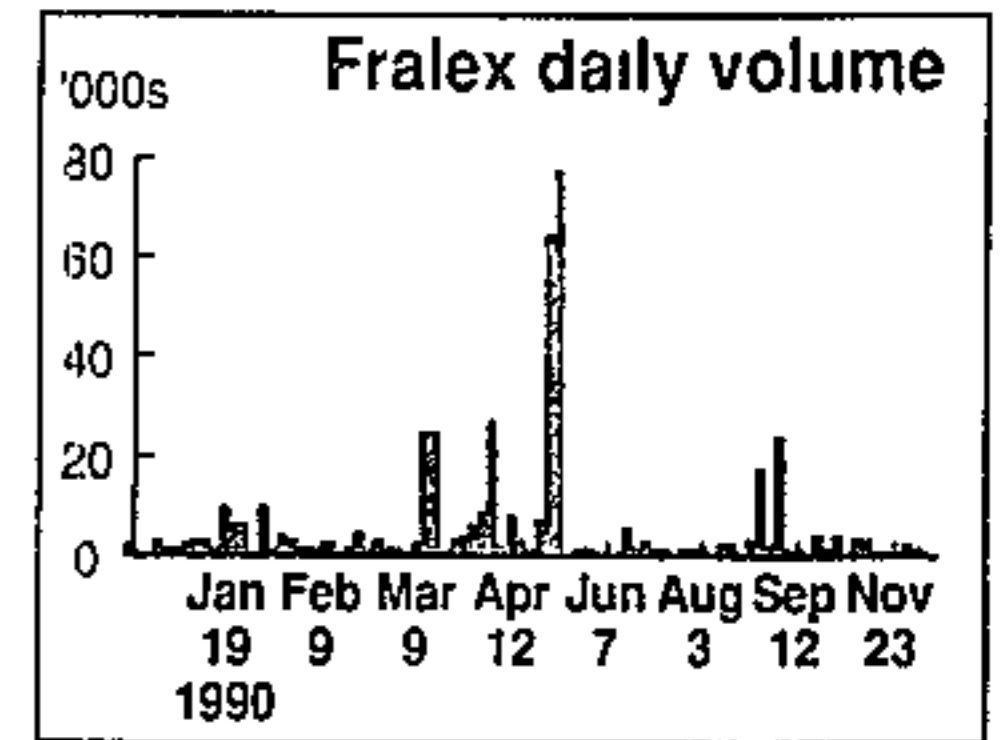
Analysts are unable to offer any conclusive explanation for the shares' movement

Fralex holds 72,9% of Fraser Alexander, whose core business is handling mining and industrial tailings

The group's five-year profit history reflects steady growth which has seen earnings climb from 37,6c a share in 1986 to 165,5c a share in the year to June 1990. In the same period total assets have risen from R46m to R142m

Fralex shares are tightly held. According to the latest annual report, directors and employees hold 34,8% of the issued share capital, pension funds, insurance companies and other corporations hold 45,2% and another 44 individuals hold 16,6%

Of the 27,1% of Fraser Alexander shares not held by Fralex, pension funds, insurance com-



Graphic: FIONA KRISCH Source: JSE

panies and other corporations hold 22,4%

Maxwell said the shares tended to trade thinly as a result of this structure and the price moved sharply on small trade volumes.

He believed the group's track record and expectations of continuing growth in earnings was the reason for the upward movement in the share price this year.

The large volume movement in May was believed to have been primarily the result of one major institution balancing its holding in the group between Fralex and Fraser Alexander

217  
Doubled



# NUM hopes Leboŵa mine will reopen soon

BIDY 21/12/90  
 MATTHEW CURTIN

THE National Union of Mineworkers (NUM) was optimistic yesterday that production at JCI's Leboŵa Platinum mine would restart early in the new year as care and maintenance operations began this week, union assistant general secretary Marcel Golding said yesterday.

He said JCI had rejected original NUM proposals for the reinstatement of the majority of the 1 600 workforce, dismissed a month ago after management claimed union members had broken a moratorium on unprocedural industrial action.

The mineworkers were first fired from the Atok mine in May but management agreed to their conditional reinstatement after Leboŵa government intervention.

## Progress

Golding said there was no decision on when the mine would reopen and no new meetings with JCI had been scheduled, but added "channels were open" for discussion.

A JCI official said there had been progress in recent talks, but the company was waiting for the union to suggest "more constructive" proposals which would allow production to restart.

Management had employed a small contracting labour force to "restore conditions underground". The company claimed a group of NUM marshals held workers underground against their will during a protest sit-in against the dismissals while others destroyed a vehicle and damaged an

administrative building with explosives when they returned to the surface.

In a separate issue, Golding said the NUM and management at Rand Mines' Barbrook gold mine were negotiating recall procedures for the mineworkers after the decision to close the mine.

He said Rand Mines had advised the union that operations at Barbrook, the smaller of the company's two gold mines which posted a R16,8m combined loss in the September quarter, were no longer viable.

Rand Mines announced the closure of Barbrook on Tuesday, citing the low gold price and lower than expected tonnage and grade "due to higher dilution in the stopes and the unplanned treatment of low grade development ore, necessitated by labour disruptions".

The Barbrook workforce was suspended on December 11 after a violent protest by 280 workers.

The spokesman said the 700 black and 90 white workers at the mine would be paid off tomorrow and receive severance pay in January.

The mine was employing a small crew for care and maintenance purposes. The status of the mine would be reviewed in September next year, "or earlier if there is a substantial and sustained increase in the gold price".

FIM 21/12/90

(217)

## PLATINUM

### **DEMAND FIRING?**

A rare backwardation has existed in the platinum market for the past few weeks, with the spot price some \$6 ahead of the one-month futures price. Clearly, there is greater real demand for the metal than investor and speculator perceptions would have one believe.

Says Barry Davison, MD of Rustenburg Platinum: "Platinum leasing rates, which reflect the cost of borrowing the metal, have firmed recently from around 3% to the current range of 6.5%-7%. This would indicate there has been a decline in liquidity in the platinum market."

Some traders may think the closure of Lebowa Platinum is cause for short-term market tightness and its proposed re-opening in the new year will ease the situation. However, at this stage, Lebowa Platinum is a small player in the market — the mine was battling to produce at about 80% of its capacity before closure because of labour problems — and the impact of a break in output should not have a dramatic effect.

Physical sales volumes have been good this year, with none of the expected tailing off appearing.

With the yen price having slipped to historically low levels, Japanese platinum imports have soared. During October this year they totalled 9,28 t, as against 5,74 t in 1989. The year to date figures totalled 51,28 t, as against 43,87 t in 1989 and they may even hit the 60 t mark for 1990. Both jewellery and investment demand have been firm in the Far East and coin demand has seen a general pickup.

In the past, a firming in lease rates has, on occasion, preceded a recovery in prices.

*Gillian Findlay*

# Never-ever bridal pair

5/ Times 23/ 12/90

By IAN SMITH

INTRIGUING as it may be, a marriage between Gencor and international trading combine Lonrho is unlikely to be read in the banns

A London report that Lonrho chairman Tiny Rowland is pondering a merger with Gencor set analysts speculating about the benefits of the move — but many of their conclusions are wide of the mark

Chairman Derek Keys admits that he is disturbed that Gencor's share price stands at a 33% discount to its net asset — denying shareholders R5.4-billion of their real wealth

The opportunities in a Lonrho deal could do something to redress that, given the multinational's exposure in Africa and its presence in Europe, the Middle East and the US

There are also synergies in mining, in oil operations where Gencor's Engen is keen to get into exploration, particularly on the west coast of Africa, and in some trading operations

The opportunities were examined in a preliminary document prepared some time ago — the London Sunday Telegraph based its report on this — but nothing more has happened

More co-operation between the two groups, particularly in mining, is a more likely prospect, sources say

The companies are already linked through last year's merger of Impala's Karee mine and Lonrho's Western Platinum Impala has a 25% stake in the enlarged company

Mr Keyes has said the two groups will not merge. He says "At divisional level there are discussions from time to time aimed at possible synergies between business in the two groups"

A full merger does have attractions for Lonrho, hugely enhancing its assets and earnings base, the SA operations helping to counter more problematic operations in black Africa

London broker UBS Philips & Drew this week reduced its pre-tax profit forecast for Lonrho's current year from £290-million to £280-million. Investors have frequently questioned the formula used for the valuation of assets, particularly in African states, and there is no successor in place for the 73-year-old Mr Rowland



Monday 24/12/90  
**Vansa share  
price reels on  
poor demand**

217 PETER GALL

THE recession in the international steel industry and the resultant plunge in vanadium demand had sent the Vansa Vanadium share price reeling, Davis Borkum analyst Alex Wagner said recently.

The share price of Vansa, owned by Rand Mines, dived from a yearly high of 500c in March to a yearly low of 105c in November.

Savings from an investment in a salt-recovery circuit at the vanadium plant were insufficient to offset the effects of the collapse of the vanadium price, he said.

As a result of industry profit margins being eroded and the increasing probability of substitution of other metals, Wagner recommended that holdings in Vansa be liquidated until more positive fundamentals emerged.

Market prospects would be reviewed by management in March. The plant could be reopened should market conditions permit, but at present this was a remote possibility, Wagner concluded.

Vansa would keep the vanadium operation on a care and maintenance basis while evaluating options, chairman Allen Sealey said in the annual report.

Production of vanadium pentoxide ceased in November as a result of increased vanadium pentoxide productive capacity recently commissioned around the world and a continuing softer demand for vanadium steels.

Sealey said that demand for chrome ore was likely to remain at 1990 levels in the coming year.

# Ray of hope for uranium mining industry

Finance Staff

8/24/90  
New hope for SA's shrinking uranium mining industry is contained in a Japanese survey on attitudes to nuclear power.

It shows that more than 90 percent of Japanese are anxious about nuclear power plants, but most believe they will be needed in the next decade, reports Reuter from Tokyo.

The survey was conducted by the Prime Minister's Office.

About 46 percent of the respondents think Japanese nu-

clear plants are not safe, overturning a safety verdict repeated in all nine past surveys, conducted once every three years.

About 43 percent think they are safe, and 64,5 percent believe nuclear power is needed as a reliable energy source.

The poll canvassed 5 000 adults in September, just after the Iraqi invasion of Kuwait

Nuclear power plants supply more than a quarter of Japan's power needs. Japan imports almost all of its oil, two-thirds of

it from the Middle East (217)

SA's uranium sales overseas have dropped sharply in recent years because of the freeze on construction of new nuclear plants in a great many countries.

The uranium mining industry expects a swing back to nuclear power.

But as it takes about 10 years before new plants can come into operation, demand for uranium is likely to remain low for a number of years.

# Platinum prospects take turn for better

By Neil Behrmann

LONDON — The revised US Clean Air Act and widespread anti-pollution legislation elsewhere in the world will raise the international motor industry's platinum requirements to as much as 2.2 million ounces in the mid-Nineties from 1.55 million ounces in 1990, says Johnson Matthey.

Illustrating the motor manufacturers' needs for regular supplies of platinum and rhodium to fit anti-pollution exhaust catalysts, Gencor chairman Derek Keyes said in London recently that Impala Platinum had negotiated a favourable contract with General Motors.

But this surge in demand will not necessarily be translated into soaring prices of platinum and its by-products, palladium and rhodium.

SA platinum mines, the largest in the world, are aiming for huge output boosts that will easily match or even exceed the expected rise in demand.

Johnson Matthey, the precious metals refining and marketing company,

estimates the surplus of supplies over fabrication demand rose to 185 000 ounces this year, compared with 105 000 in 1989

Other analysts believe the surplus is even higher

As a result, platinum prices are languishing at around \$412 an ounce, against \$530 just 12 months ago

Illustrating the production risks, prices of rhodium flirted with \$7 000 an ounce recently and it is now trading at around \$4 800, compared with \$1 300 an ounce 15 months ago

## Refinery

Quotes of the thinly traded metal, which is combined with platinum in anti-pollution catalysts, soared mainly because of problems at the refinery at Rustenburg Platinum Holdings.

Nevertheless, it is possible that SA producers will be mining an additional 1.3 million ounces of platinum over and above present output of 2.8 million ounces by the middle of the decade, says Johnson Matthey

87-24/12/90  
As a result, rhodium production is also likely to increase

Soviet exports of platinum are estimated at 580 000 ounces this year — 40 percent higher than annual levels in 1987 and 1988 and double the sales of the mid-Eighties

High rhodium prices are encouraging refiners to recycle scrap auto-catalysts, says Johnson Matthey

As a result, platinum recovered from scrap is expected to jump to 215 000 ounces in 1990 from 175 000 ounces in 1989 and 75 000 ounces in 1985

Edwin Arnold, metals analyst at Merrill Lynch, Pierce, Fenner & Smith, says the jump in production could lead to a price war among SA producers.

He contends that vehicle companies will be in a strong bargaining position to beat prices down

On the other hand, producers will slash output if prices fall steeply, says Brian Nathan, MD of London platinum merchants Ayrton Metals

Given budgeted motor

industry needs, an increase in platinum and rhodium supplies is crucial.

Illustrating the concern, Ford began testing a catalytic converter that excludes platinum in 1988

Depending on the size of the vehicle, the cost of catalysts, which reduce toxic emissions of nitrogen oxide, hydro-carbons and carbon monoxide, is \$100 to \$150 at present metal prices

## Downturn

This is a small proportion of the total manufacturing costs of a car, but makers are hurting from the downturn in sales and are intent on reducing expenses.

Raw material costs of around 1/20 of an ounce of platinum and rhodium in catalysts rose to around \$52 from around \$33 at the end of last year, mainly because of the surge in rhodium prices

In terms of the revised Clean Air Act, passenger cars must emit 60 percent less nitrogen oxide and 40 percent less hydro-carbon waste from 1993 on-

wards

This means that 20 percent more platinum and rhodium will be necessary, says Alan Austin, director of precious metals sales at Johnson Matthey

At present prices, the cost of the metals in the catalyst will rise to around \$66, he says

Even though the new legislation begins to take effect in three years' time, motor companies are using more platinum and rhodium to ensure that the catalyst lasts for 10 years, or 160 000 km

As a result, US car makers' usage of platinum is estimated at 710 000 ounces this year, only slightly lower than 725 000 ounces in 1989

Platinum demand has thus remained steady, despite a sharp dip in US car production and closures of US manufacturing plants.

Even if car production remains at present depressed levels, tighter anti-pollution legislation will raise US car makers' platinum demand to 850 000 ounces by 1995, Mr Austin estimates



# SA mining 'has edge over competitors'

SA CAN establish new sources for minerals and metals such as chrome and manganese ore, coal and platinum group metals, quicker and more cheaply than most competitors, says Chamber of Mines vice-president Naas Steenkamp

Writing in the latest Chamber of Mines newsletter, he says there are "large or adequate reserves" that can be assessed at competitive cost

But gold exploration at present is being carried out at great depth and will require "massive capital expenditure" to bring such mines into production

"Can this effort really be justified in economic terms? Judging from the growth in exploration expenditure .. the six large mining houses are suggesting that indeed it can."

Exploration expenditure has grown from R254m in 1987 to R400m

217  
Greta Steyn

in 1990.

In recent months, labour relations have become the principal focus of attention for mine managers, rather than the production of ore and the control of grade and working costs, as it used to be in years past

SA has moved from being the Western hemisphere's lowest-cost gold producer to the highest

Roughly half of the 36 SA gold mines are marginal, with these accounting for almost a third of gold production. As they are labour intensive, they account for an even higher level of total employment.

Turning to coal, he says the immediate outlook in the domestic market is better than for other mining sectors. However, one cannot ignore factors such as the possibility of a fur-

ther decline in Eskom requirements, a decline in spot prices and competition between SA suppliers.

The price of platinum group metals appears likely to remain under pressure and the short-term outlook does not look too promising. In the longer term, the outlook is more favourable, with strong growth expected from the catalytic applications for the motor-vehicle industry

"I believe the SA mining industry is a good business and should remain so for many years to come. SA has greater reserves of metals and minerals than any other country."

Mining is of major importance to the development of SA.

It contributes about 11% to GDP, provides employment to more than 750 000 men, and accounts for 55% of foreign exchange earnings

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