
MINING - OTHER

1991

JANUARY - JUNE

Plummeting platinum index hits investors

BIDAY 3/1/91 (217)

LIZ ROUSE

SINCE the platinum index peaked at 6 500 in August, platinum buffs have had a rough ride watching various shocks erode the index 39,5% to the current level of about 3 932.

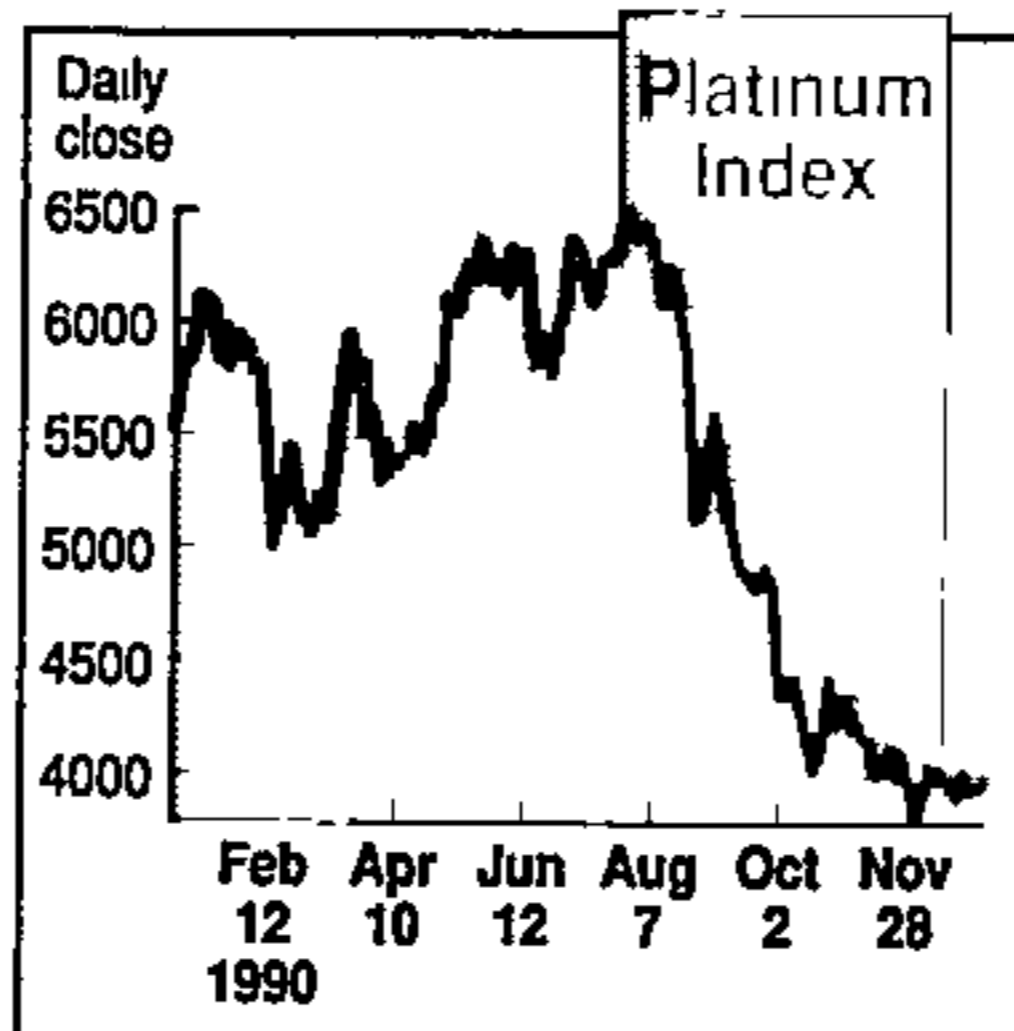
Investors who stuck with the leaders Impala Platinum (Implats) and Rustenburg Platinum (Rusplat) did not fare too badly — certainly not as badly as investors in gold leaders such as Vaal Reefs.

Implats shares recorded a decline of 32,8% over the year with Rusplat shares down 29,1%. However, the declines are worse when viewed with their peaks in August

Implats was then at R87 and is now at a year's low of R45, despite its hedge of rhodium which is still selling at high prices. Rusplat is off its year's low of R57 at R59 but the year's peak was R92,50.

Biggest loser was Barplats Investments (Barplat) which shed 74,2% over the year. The shares slid from their R18,high to a 390c low, recovering slightly to its present 415c

Barplats Mines (Barmine) shareholders fared almost as badly, with the shares down 65,6% over the year. The counter has fallen from its high



Graphic: FIONA KRISCH Source: JSE

of 735c to a low of 175c and is now trading slightly higher at 250c.

Northam shareholders fared relatively well with the shares down 32% over a year. But considering that the counter traded at a high of R31,50 and is now standing at R20,75 (up from a low of R18,75), investors have lost a lot of money on paper

Lebowa Platinum Mines (Leplat) shareholders have been hit even harder because of the closure of Atok mine on labour unrest. The shares are down 68,6% on the year at the current level of 400c and off 70% from their year's high of R11,40

Shifts in oil prices have played havoc with the platinum sector as the

precious metal's prospects are tied heavily to demand for autocatalysts

After starting off 1990 at a price of \$500, platinum slid suddenly at end-September to a four-and-a-half-year low of \$431,75. It has since traded uneasily on rises and falls of oil prices and was languishing in the \$408 region during the holiday period

Analysts are cautious about platinum's prospects, based on Johnson Matthey's prediction that, for the first time since 1984, platinum supply will exceed demand. The 1990 surplus is expected to be 70 000 ounces

Expansion announcements by SA mines (which supply 80% of the world platinum) could lead to an additional 1,3-million ounces by 1995, increasing speculation that a serious oversupply would develop

Some SA platinum producers are looking beyond the medium term to the mid-decade — hence JCI's decision to go ahead with its R1,3bn Platreef project, which will produce 192 000 ounces a year.

Other projects announced have been Kennedy's Vale and Messina

Implats, on the other hand, has been cautious about the effect of oversupply on the price. Implats' research showed 1990 supply exceeding demand by 390 000 ounces as new production came on stream

RhoEx to enter the new year with fighting spirit

8/0 am 4/1/91
MINERAL and metal exploration group Rhombus Exploration (RhoEx) would continue to identify and make profitable appropriate mineral deposits, CE Rob Still said in the group's annual report

However, he added the period ahead would be difficult. The downward cycle in base mineral and metal prices was expected to intensify, adversely affecting the timing of new business developments and the royalty component of Rhombus Vanadium's (RhoVan's) income, he said.

Nevertheless, in the year ahead material progress on the commercialisation of the two mineral sands prospects was expected. RhoVan should achieve designed production of magnetite in respect of volume, product specifications and unit costs of production.

During the year, agreement was reached with Rand Mines regarding the

PETER GALLI

Transkei Mineral Sands project. In terms of this agreement the mining lease previously held by Rhombus Mining was ceded to Rhombus Sands, a company held 60% by Rand Mines and 40% by RhoEx.

A prospecting agreement was also reached with Shell SA on the Natal Mineral Sands Prospect whereby shell has an option, exercisable by early 1991, to advance and develop this prospect further with RhoEx, Still said. (217)

Rhombus Mining, previously RhoEx's holding company, was placed in voluntary liquidation during the year, and control of RhoEx was acquired by a syndicate.

For the year to end-June an after-tax profit of R537 000 was achieved compared with a loss of R1,56m over the same period last year.

Mooinooi reopens with much reduced workforce

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bl Dan 4/1/91

MATTHEW CURTIN

OPERATIONS at Genmin's Mooinooi chrome mine, shut down on December 10 after a clash between mine security and mineworkers, restarted this week, a Genmin spokesman said yesterday.

Genmin dismissed 500 workers at the beginning of December. This triggered off angry protests by mineworkers on December 9 and led to a confrontation with mine security which left one worker dead and several injured.

The spokesman said employees' refusal to comply with regulations for underground work threatened the safety of all those working below the surface.

He said the remaining 350 workers returned to work on Tuesday and production had started at the mine's open-cast section.

The mine could not operate indefinitely on a reduced workforce. Management was waiting for the National Union of Mineworkers (NUM) to respond to its latest arbitration proposals.

Both sides have agreed in principle to

arbitration, but management raised objections to the union's original proposals for a mechanism for settling the dispute.

The NUM has said the implementation of a new clocking-in system underground — the focus of its anti-discrimination drive at Mooinooi — was at the heart of the dispute.

The union claimed management introduced a new system, agreed to in principle by shop stewards, before the NUM had been able to consult its members.

Meanwhile, there was no sign yesterday that JCI's Lebowa Platinum mine would re-open in the near future.

A JCI official said care and maintenance operations were continuing but there had been no talks with the NUM over the holiday period to settle the dispute at the mine.

Management at the Atok mine fired the entire 1 600 workforce in November because of labour problems.

COMPANIES

Messina in R12,5m management deal

MINING group Messina is selling its copper, diamond and coal interests to a management-controlled company, Messina Investments, for R12,5m to allow it to concentrate on developing its platinum venture in Lebowa, the company announces today

This follows an announcement a year ago that the sale of these interests to a consortium including MD Tony Buchan for R11,5m could not be concluded. At the time some questions were raised in the Press on the valuation of these assets

Today's notice says First National Corporate & Investment Bank has evaluated the transaction and believes R12,5m is a reasonable price.

Messina director Philip Rademeyer says agreement could not be reached previously because certain liquid assets which the buyers thought were included in the sale, were not included.

"Subsequently management made a new

CHARLOTTE MATHEWS

offer to us which we have considered and which we believe is fair to everyone."

Controlling shareholder Impala Platinum will not be voting at the shareholders' meeting.

Messina is developing a platinum mine in the area of the Zebediela, Voorspoed and Doornvlei farms in Lebowa where the strike length is estimated at about 14km

In the last few years the group has been converting itself into a platinum company by shedding other interests. The cost of developing the platinum interests has been estimated at about R250m

According to today's notice, the effect of the disposal at June 30 would have been to leave Messina with cash resources of R115m. Future earnings will be derived from interest on these resources until they are used up in the development of the platinum venture

Messina in ⁽²¹⁷⁾
R12,5-m sell-off

Finance Staff *Staw 8/1/91*

Messina is to sell all its assets other than platinum interests to its management for R12,5 million. This was announced today by Impala Platinum, Messina's controlling shareholder.

The sale of the assets, which include Messina's copper, diamond and coal interest, needs approval of the company's minority shareholders.

Proceeds of the sale will increase Messina's cash-holding to R115 million, which will be used to develop its platinum interests in Lebowa.

Improving demand for platinum

Supplies of platinum this year are likely to exceed 1990 levels as a result of greater production by all the South African producers.

However, these increases may be offset, to some extent, if platinum supplies from the USSR were to be reduced as that country encounters increasing economic and political uncertainty.

Nevertheless, the Soviets will attempt to maintain sales in order to maximise hard currency revenues

This year is the first year since 1984 that mine supplies of platinum are expected to exceed demand.

The supply surplus for 1990 is not expected to be large and it is possible it will have been absorbed by the end of the year 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

Continued growth in demand for platinum for autocatalysts from Western Europe and Japan in 1991 is likely to offset any reduction in demand in the US as will the trend to higher loadings by some US car producers to reduce the level of recalls

Supplies from recycled catalytic converters are expected to

Spa
8/1/91

OUTLOOK '91

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A special contributor looks at the prospects for the platinum industry.

increase in North America in response to, among other factors, high rhodium price levels

Another factor promoting platinum demand in the US will be the passage, in October, of the new Clean Air Act by the US Congress

Jewellery

The market for platinum jewellery in Japan remains buoyant. Rustenburg expects that platinum offtake for jewellery manufacturing in Japan during 1991 will at least equal 1990 volumes.

Modest demand growth is expected in Italy, Germany and the US

Swiss watch manufacturers have rediscovered platinum and a steady increase in demand for platinum from this sector is predicted.

Platinum demand from the industrial sector in 1991 is forecast to show marginal growth over 1990 offtake

A reduction in platinum offtake in the chemical and petroleum industries will be offset by growth in demand from the electrical-electronics segment and in other diverse applications such as spark-plugs, gas turbines and bio-medicine

Demand for platinum from the glass industry is expected to remain static in 1991

Investment

The market for platinum investment products will play a key role in determining the supply-demand balance in 1991

This market has continued to remain extremely subdued for much of 1990 although the recent historically low platinum price levels seem to have awakened interest among Japanese investors

Besides, Japanese, European and American investors have also recently become more active, with interest focused primarily

on proof Koala and Maple Leaf coins

Given the uncertainty associated with the investment demand sector, Rustenburg is unable to make any predictions as to the likely level of demand which may be seen from this sector in 1991.

"Platinum has been a very good business for JCI and though cyclicality will continue to be a feature of the industry" says Barry Davison, managing director of JCI's platinum division and recently appointed chairman of Lebowa Platinum Mines.

"Lebowa Platinum is expanding rapidly and its participation with Rustenburg in the Potgieterust Platreef project is particularly exciting."

Mr Davison says one of the major challenges facing him as the newly-appointed chairman of Lebowa Platinum Mines is the improvement of the industrial relations climate.

"The pursuance of a confrontational attitude by a portion of the workforce has led to a significant deterioration in productivity, a series of illegal work stoppages and other incidents culminating in the dismissal of the majority of the workforce.

"The priority is to get the mine back into production and to build a co-operative industrial relations climate"

LEBOWA PLATINUM (217)

ON THE REBOUND FM 11/1/91

Recent strength in the Lebowa Platinum (Leplat) share price has triggered market speculation that big brother Rustenburg Platinum is about to take over the company. Leplat chairman Barry Davison denies this.

In the past week the share has risen 12% to 450c and now stands 50% up on the low of 300c hit in November when the mine stopped production because of an illegal work stoppage. The speculation is based partly on the unresolved issue of how Leplat will finance its 50% stake in the new Platreef mine, estimated to cost R923m in June 1990 money values, and the expansion of the Atok mine.

Leplat does not have the money to fund

FM 11/1/91 (217)

these commitments, while Rusplat does, and an offer which would take out other Leplat shareholders in return for Rusplat shares is one way of solving the problem.

Davison says there is no foundation for the takeover rumour. "Obviously it has occurred to us that this is one option," he says. "Other options include loans, or a rights issue, or a combination of both. However, no exercise is being done on a takeover of Leplat by Rusplat, and no offer is being considered."

Operations at Leplat's Atok mine are being restarted after the loss of five weeks' production, when most of the Leplat work force was dismissed at the end of November.

Davison says Leplat's existing technical and administrative management will run the mine using labour provided by a contractor. The contractor will be paid a basic rate and a productivity bonus but it will take a few months to build up to the present planned production rate of 50 000 t/month.

Leplat is committed to an expansion of Atok to 100 000 t/month which Davison says will be met on schedule.

"However, we have still to settle how we are going to man the mine in the longer term," he adds.

Davison says he cannot quantify the mine's losses caused by the labour disruption, saying this will depend on how quickly production gets up to the 50 000 t/month level.

Financing the Platreef project is not seen as an urgent matter. "We have still to determine the optimum mine configuration for the Platreef, which will take another month or two, and it will be some time before major expenditure on the project is needed," he says. "There are various ways of providing bridging finance for Leplat if necessary."

SLIV Brendan Ryan

MESSINA FM 11/1/91

SELLING ASSETS

In what amounts to a management buy-out, Messina is to sell its non-platinum mining interests to Messina Investments Ltd (MIL),

FM 11/1/91

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a company controlled by Messina's management, for R12,5m

The principal interest to be sold is the copper mine, which contributed R6,4m to the group's R11,8m operating income for the six months to June 1990. Included in the deal are the diamond operations, which produced operating income of R2,5m during the first half of last year and the anthracite mine which is on a care-and-maintenance basis.

The sale represents the penultimate stage in the conversion of Messina into a developing platinum mine. All that Messina now holds other than its platinum interests is Premier Equipment — which manufactures, assembles, distributes and services construction, mining and materials-handling equipment — and this is expected to be disposed of too.

Based on historical performance, the selling price appears somewhat low, but the copper market has dipped considerably since latest results were released and the mine has a limited remaining life. Impala, which holds 55% of Messina, has stated in the past it would not sell Messina's assets at fire-sale prices and, indeed, declined to conclude a deal a year ago which would have realised R11,5m.

Messina's interest income has steadily become more important to the group and this will continue though it will decline as cash is used to finance the new mine. Messina will be able to finance a significant proportion of the estimated R250m capex itself, without having to come to the market or use debt. Net cash resources at 30 June 1990, assuming the deal had taken place, would have been R115m.

According to the forecasts this will be one of the cheapest new platinum mines and will be a reasonably low-cost producer, but the shares are often neglected, being listed in the Industrial Holding sector. Sooner or later, the listing should move to the Platinum sector. The price has fallen sharply from the R40 peak reached a year ago to the current R12 — I think the decline looks overdone.

Gillian Findlay

RAND MINES FM 18/11/91

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SAMMEL RUSHES IN

After turning in a poor year's results the Rand Mines board was certainly ripe for some penetrating questions at this week's general meeting but corporate gadfly Horace Sammel somehow didn't manage to ask them

Problem was, he appeared not to have done his homework. He asked chairman Dammy Watt why the Barplats and Barmines annual reports did not contain a chairman's review. When it was pointed out to him that these documents did contain them and he had overlooked them, Sammel dismissed the reviews after a perusal of about one second as "not very informative."

He also accused Vansa Vanadium of never declaring a dividend — it has — and got very confused over the Rand Mines/Barplats Investments/Barmines rights issues. Then he raised such crucial business issues as whether Rand Mines was using words like "curtailed" in its true dictionary meaning.

On the few occasions when he raised an interesting point, like Rand Mines' sale of ERPM shares, Sammel usually did not allow the chairman time to answer before getting involved in another question — with the result that he let Watt off the hook.

Then again, maybe the investors/shareholders behind Sammel are going for a war of attrition — the meeting was a yawnfest lasting more than 90 minutes.

Brendan Ryan

Gold Fields hit by slide in metal prices

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By Derek Tommey

Step 15/11/91

The slide in the prices of copper, lead, zinc and silver towards the end of last year led to sharply reduced profits at Gold Fields' base metal mines in December quarter, the group reports today.

The combined taxed earnings of Black Mountain, Zinc Corporation, O'okiep and Gold Fields Namibia dropped to R13,98 million in the December quarter, a decline of R26,8 million or 65 percent from R40,8 million in the September quarter.

But some of the pain which this probably caused the group could have been assuaged by the 66 percent jump in the taxed profit of Gold Fields Coal

Gold Fields says that in the December quarter the copper price dropped by 15,9 percent from R7 600 to R6 400 a ton, the lead price by 18,2 percent from R2 200 to R1 800 a ton, the zinc price by 19,0 percent from R4 200 to R3 400 a ton and the silver price by 14,6 percent from R410 to R350 a kilogram.

These lower prices had a devastating effect on the results of Black Mountain Mineral Develop Company, which produces all these metals. Its operating profit dropped more than 91 percent from R21,2 million in the September quarter to R1,8 million in the quarter just ended.

However, increased sundry revenue and a sharply lower tax payment helped curtail the drop in taxed profit to 75 percent from R14,1 million in September to R3,6 million last quarter.

Black Mountain's tax profit for the year was R39,8 million

and dividends absorbing R32,3 million have been declared.

O'okiep Copper's profit before tax fell 56 percent in the December quarter to R8,1 million while its taxed profit fell 44 percent to R7,3 million. Taxed earnings for 1990 amounted to R40,1 million and dividends totalling R24,5 million have been declared.

Profits before tax of Zinc Corporation fell 54,7 percent to R7,9 million from R17,5 million. Profits after tax fell 52 percent to R4,2 million. Earnings for the whole year were R27,8 million and dividends of R13,2 million have been declared.

Rooiberg Tin was able to reduce its loss before tax from R519 000 in September to R436 000 in December.

Tax refund

Gold Fields Namibia, which produces copper lead and silver had a R12 million swing around in its pre-taxed profits, from R8,6 million in the September quarter to a loss of R4,6 million in the December quarter. However, a tax refund helped trim the taxed loss to R1 048 000 (September, profit of R5,1 million).

Taxed earnings for the year were R8,5 million out of which dividends totalling R5,6 million have been declared.

An increased sundry revenue and a drop in tax payments together lifted the taxed profits of Gold Fields Coal from R4,4 million to R7,2 million in the December quarter. This brought taxed earnings for the year to R25,0 million, an increase of 17,8 percent on the R21,2 million earned in 1989.

Dividend paid totalled R15,2 million (R16,0 million)

Rhodium under spotlight

PETER GALLI and BEVERLY HUCKLESBY

IMPALA Platinum MD Mike McMahon said this week while the rhodium price was sustainable around the \$5 000 level in the short-term, anything could happen in the next six months.

The rhodium price rose by \$75 yesterday to \$5 525. (217)

"Rhodium supply is not flexible, but rises according to platinum sales. As demand for platinum is steadily increasing, this will result in increased rhodium supply,"

McMahon said *Barry 16/1/91*

He added that while the rhodium price had exceeded expectations, the lower platinum price had balanced this out. "Rhodium demand is increasing faster than the fall in the platinum price, which more than compensates for this."

However, Rustenburg Platinum MD Barry Davison said "While it is rumoured that Soviet supplies of platinum and rhodium have been reduced, SA production is not in jeopardy."

Rice Rinaldi analyst Mike Wuth said prices were likely to increase as producers were stockpiling the metal to ensure a constant flow into the market.

Frankel Max Pollak Vinderine analyst Kevin Kartun said perceptions of supply disruptions in the Soviet Union were increasing, and reliability of supply was a most important consideration to dealers. If Soviet supplies ceased, this could salvage the platinum market.

Leplat keeps metal moving

STimes 20/1/91

JCI's LEBOWA Platinum Mines (Leplat) has been able to meet its supply contracts despite the strike at Atok mine which is now entering its third month

JCI group public affairs manager Ann Dones says "Leplat has met and will continue to meet all supply contracts"

Contractor

Production was halted last November when 1 600 workers were dismissed Atok called in mining contractor Shaft Sinkers at the end of December and is now employing more than 700 of its workers

Atok was producing between 40 000 and 45 000 tons of ore a month before the stoppage JCI will not give current production figures

The workers were fired after several unprocedural stoppages They had also been dismissed last May after an illegal strike, but were reinstated after the

By ADRIAN HERSCH

Lebowa Government intervened

The National Union of Mineworkers apparently pledged that there would be no more unprocedural action.

In December NUM submitted proposals to JCI for reinstating most of the workers But the company did not agree to the terms

JCI is "open to further proposals", says Mrs Dones

The union is expected to submit new proposals soon, but officials are unavailable for comment.

Mrs Dones says: "The Shaft Sinkers workers are tiding us over, but they are not seen as part of a long-term solution."

Management reaction at Atok is seen by industrial relations consultants as a tactic likely to become more common in production stoppages

"Management must regain control on the shop-floor," says one consultant

Cons Murch wins back orders

CONSOLIDATED Murchison (Cons Murch), the world's largest antimony producer, has won back customers' orders, lured away in mid-1990 by Chinese producers of cheaper, lower-grade material. In the process it broke even in the December quarter and staved off threatened closure of its northern Transvaal mining operations.

Mine chairman Mike Hawarden said yesterday that despite the strong and depressed antimony market, the company had sold more antimony in the quarter as customers "restored orders to more normal levels".

He said customers "realised their best long-term interests would be served by a stable relationship with Cons Murch", which offered a reliable supply of good quality antimony concentrate and oxide.

0104 23/1/91
MATTHEW CURTIN

Last year users were overstocked and were attracted by low-cost material from China. At the time the cheapness of the Chinese material outweighed the cost of cleaning and upgrading it. Hawarden said the "suspect quality" of the Chinese supply was another reason for orders coming back to Cons Murch.

Antimony sales revenue rose to R4,3m (R3,6m), while gold sales revenue increased to R5,9m (R5,1m).

Cons Murch posted a net operating profit of R76 000 for the December quarter against a loss of R344 000 for the previous three months. This almost offset interest payments of R80 000, leaving the mine with an after-tax loss of R4 000.

Hawarden said that after last

year's closure of the Alpha shaft, which produced only antimony and had ceased to be viable, the mine had been able to increase its gold production, mining ore from other shafts with better gold-antimony ratios.

While there was now no question of closing the mine, as Cons Murch's future was secure until June "whatever happened", Hawarden said he was far from "euphoric" about the operation's future.

The immediate future was uncertain and the cutbacks in capital expenditure, vital to ensure the mine's survival, might take their toll on operations in years to come.

Anglovaal announced yesterday it was relinquishing its secretarial, share transfer and public relations functions, all taken over by JCI with effect from January 1.

MESSINA FM 25/1/91 (217)

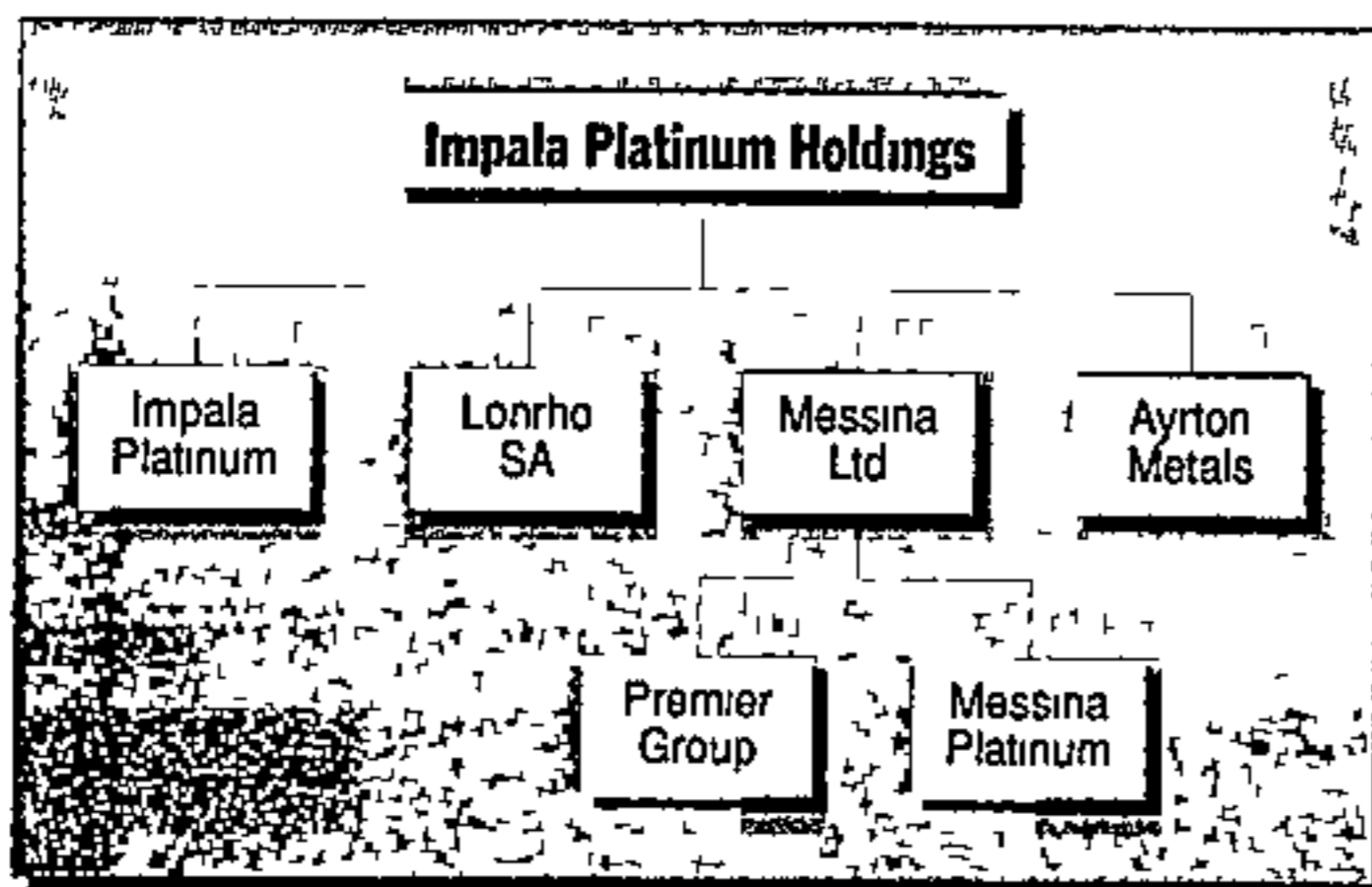
IMPLATS ABSTAINS

The general meeting to vote on the sale of the non-platinum mining interests (FM January 11) will be held next week. Interestingly, major shareholder Implats will not vote. "We want to give minorities a fair chance to make their voices heard," says Messina chairman Mike McMahon. "We don't want simply to railroad the deal through."

The other 45% of shares are, however, fairly tightly held. Sanlam has 17% and Old Mutual 5%. One can safely assume that they have already tacitly approved the sale.

In terms of the deal, the original management of the non-platinum mining interests (copper, diamond and anthracite mines), led by MD Tony Buchan, will leave Messina along with those interests. Implats/Genmin executives, appointed since the acquisition by Implats, will obviously stay.

Messina says net cash resources last June 30, had the disposal then taken place, would have been R115m. Interest earned since



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would be roughly R10m and income from Premier probably R2m. Offset against this would be R18m spent on developing the platinum mine, leaving some R109m net.

Expected capex was generously put at R500m in last year's annual report, but "is more likely to be around R460m in July 1990 terms," says McMahon. "Escalated, this would approach R600m."

Messina's original intention of selling Premier has been shelved, for the sake of stability within this industrial subsidiary. "Being up for sale was demotivating for the staff and damaged the ability to secure long-term contracts," explains McMahon. "In any event, it makes a useful profit contribution."

Various funding options for Messina's capex are being looked at. The chosen route will probably be made known early in February, once the deal has been approved by shareholders. At the current 950c, a rights issue seems out of the question.

Neither is Implats likely to have a rights issue, with its share languishing at 4 350c. In addition, Implats has expansion commitments of its own and would also need to stump up cash should Lonrho SA need it.

Of course, the full R500m-odd need not be raised immediately. The situation could be reassessed sometime when the platinum market, it is to be hoped, will have recovered.

The project is set to come on stream during the second half of 1993, with a three-month lead time to the output of saleable metal, which will impact on 1994 results — Messina has a June 30 year-end.

A delisting has been mooted, but would not make sense for Implats, which has other demands on its funds, tempting though it may be at 950c. In fact, Impala Platinum, operating company in the Implats group, may be listed. Already 7% is to be made available to the Bafokeng tribe in terms of a mining lease agreement. Though such a listing is hardly appropriate in present market conditions, it could be a way to raise funds.

Gillian Findlay

Cape Times 25/1/91

Pienaar: 'Loss if kaolin unmined'

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By ANTHONY JOHNSON
Political Correspondent

THE country would suffer "a great loss" if kaolin mining was inhibited in the Chapman's Peak area, the Minister of the Environmental Affairs, Mr Louis Pienaar, said yesterday.

"However, this does not mean that it should be done indiscriminately," he said in a wide-ranging interview with the Cape Times about his new portfolio.

Asked whether he favoured the mining of the high-grade kaolin in the Chapman's Peak area, Mr Pienaar said: "You find proper kaolin where you find it. There are many deposits of kaolin throughout the country but few that can be used for porcelain."

"It would be a great loss to this country

if we were to be inhibited from continued mining of kaolin in that area."

However, any such mining had to take place with proper environmental safeguards, including controls on dust, traffic and proper provisions for restoring the surface once kaolin deposits were depleted.

Mr Pienaar emphasized that his comments were provisional since a further report on the environmental impact of mining in the area had been called for.

"I will reconsider my attitude in the light of the report. If it is so negative that (the effects of mining) will be intolerable, then I will have to reconsider."

Mr Pienaar, a keen backpacker and permitocean diver, characterised himself as "a green minister" still finding my way in my new job".

During his tenure as minister he would strive not to bypass sensitive issues but would also attempt to deal with problems with "great circumspection and tact" rather than as an aggressive "super-police man".

Mr Pienaar also said that negotiations were well advanced on a formal co-operative arrangement between the Department of Environmental Affairs and the Navy to patrol the country's fishery zone effectively.

He said the illegal catching and smuggling of crayfish was a major contributory factor for shortages in certain areas. Other important factors were the migration of crayfish and the fact that each seal annually consumed about 13 times the amount of crayfish allowed for individual private divers.



'GREEN' MINISTER . . . Minister of the Environmental Affairs, Mr Louis Pienaar, being interviewed yesterday.

Picture BENNY GOOL

War takes its toll of precious metals

MERVYN HARRIS and PETER GALLI

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AGGRESSIVE selling of silver and platinum overshadowed gold on bullion markets yesterday for the first time since war erupted in the Gulf.

Silver was clinging to 15-year lows after plunging \$0.11 to \$3.87 while platinum was down \$9 to \$392.25 in London yesterday morning but off a low of \$390.75

Dealers said the sell-off started in New York as recession fears gripped the market. Gold was down more than \$2 to a London morning setting of \$377.05 but off an early low of \$375

Frankel Max Pollak, Vinderne analyst Kevin Kartun said the platinum market was taking the view that there would be a prolonged war in the Gulf which would exacerbate world recession.

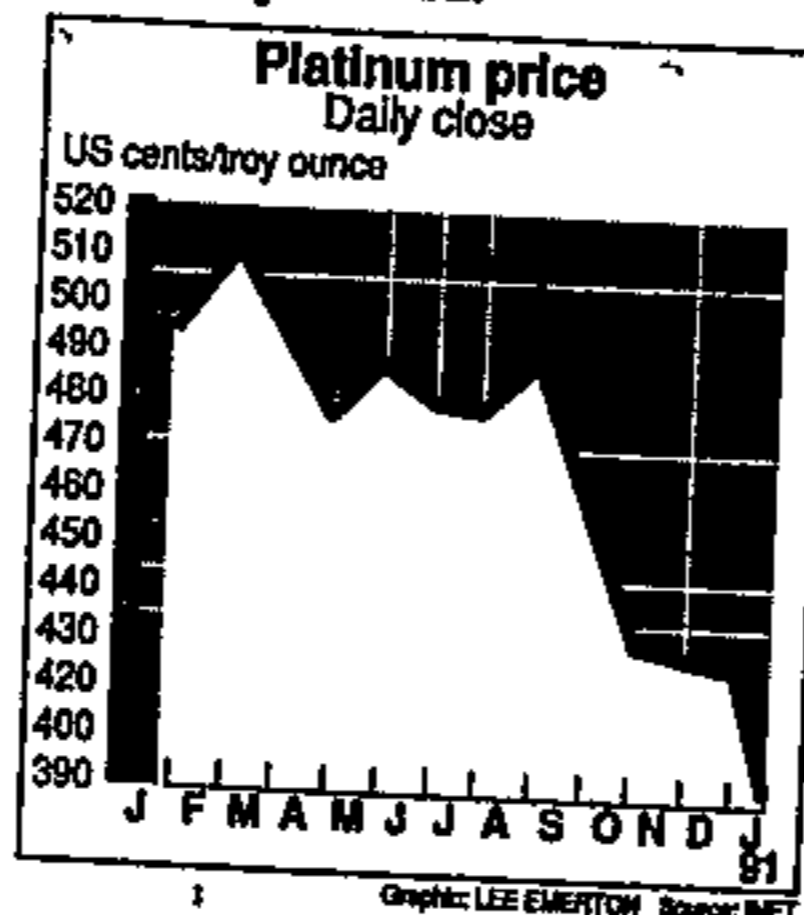
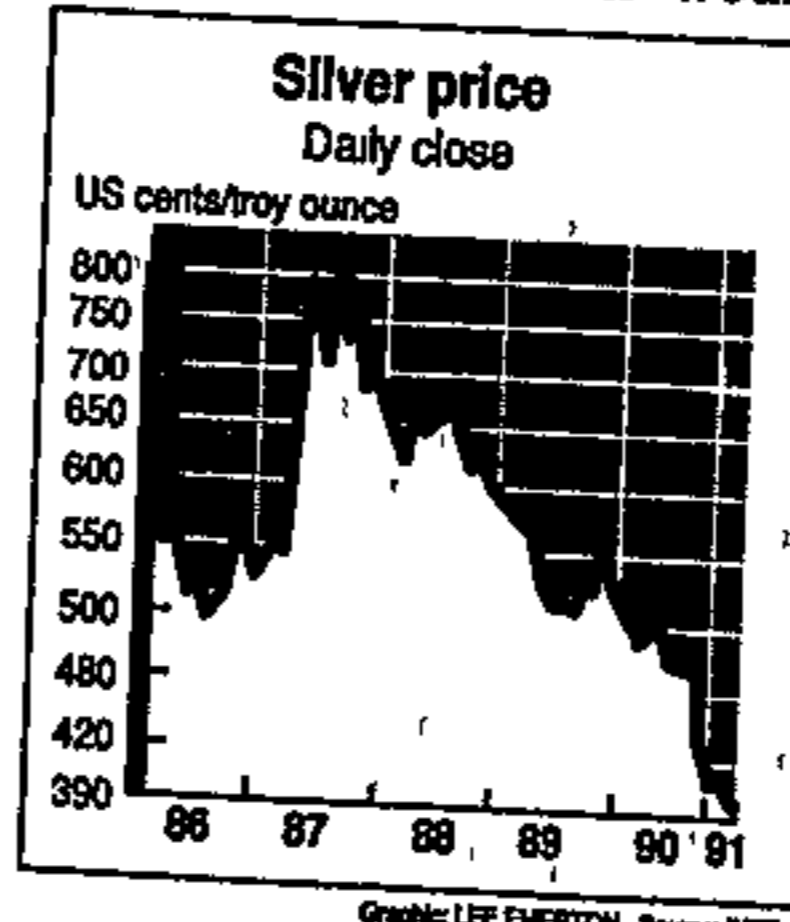
While oil was at \$40 a barrel at the start of the Gulf conflict, it was back to \$20 and with the world awash with oil, prices could go even lower, Kartun said.

He said the fear was that SA would produce another 1-million ounces of platinum by the mid-1990's against a background of a declining market.

The continued downward trend of the silver price, added to the weaker copper, lead and zinc prices could have serious long-term implications to the industry if maintained, Gold Fields of SA (GFSA) group economist Bekker Kess said yesterday.

Reuter reported that the fall in the silver price was based on bearish economic news, and the recessionary terror which had gripped the silver market.

The Federal Reserve had confirmed the US was in recession and this had put the market on the defensive, an analyst said.



Kess said the continued fall in the silver price was worrying as it seemed to mirror the fall in the gold price but not when it improved.

"Stock levels on the New York commodity exchange are continually rising. Of a total world supply of 515-million ounces, Comex holds 264-million of these. This,

added to the trend of the metal to follow the negative trend of other precious metals, has resulted in dealers re-rating silver," he said.

BARPLATS/BARMINE

FM 25/11/91

217

LONG, HARD HAUL

Activities: Platinum mining and refining

Control: Barplats Investments 66,4%, will hold 72,5% by December 1992

Chairman: D T Watt, MD E Crocker

Capital structure: 168,6m ords Market capitalisation R312m

Share market: Price 190c Yields nil % on dividend, 1,1% on earnings, p e ratio, 92,5, cover, nil 12-month high, 650c, low, 175c Trading volume last quarter, 1,5m shares

Year to Sep	'89	'90
ST debt (Rm)	13,0	18,3
LT debt (Rm)	122,7	148,3
Pre-tax profit	4,3	6,0
After-tax profit (Rm)	2,7	3,0
Earnings (c)	3	2
Dividends (c)	—	—

* 15 months

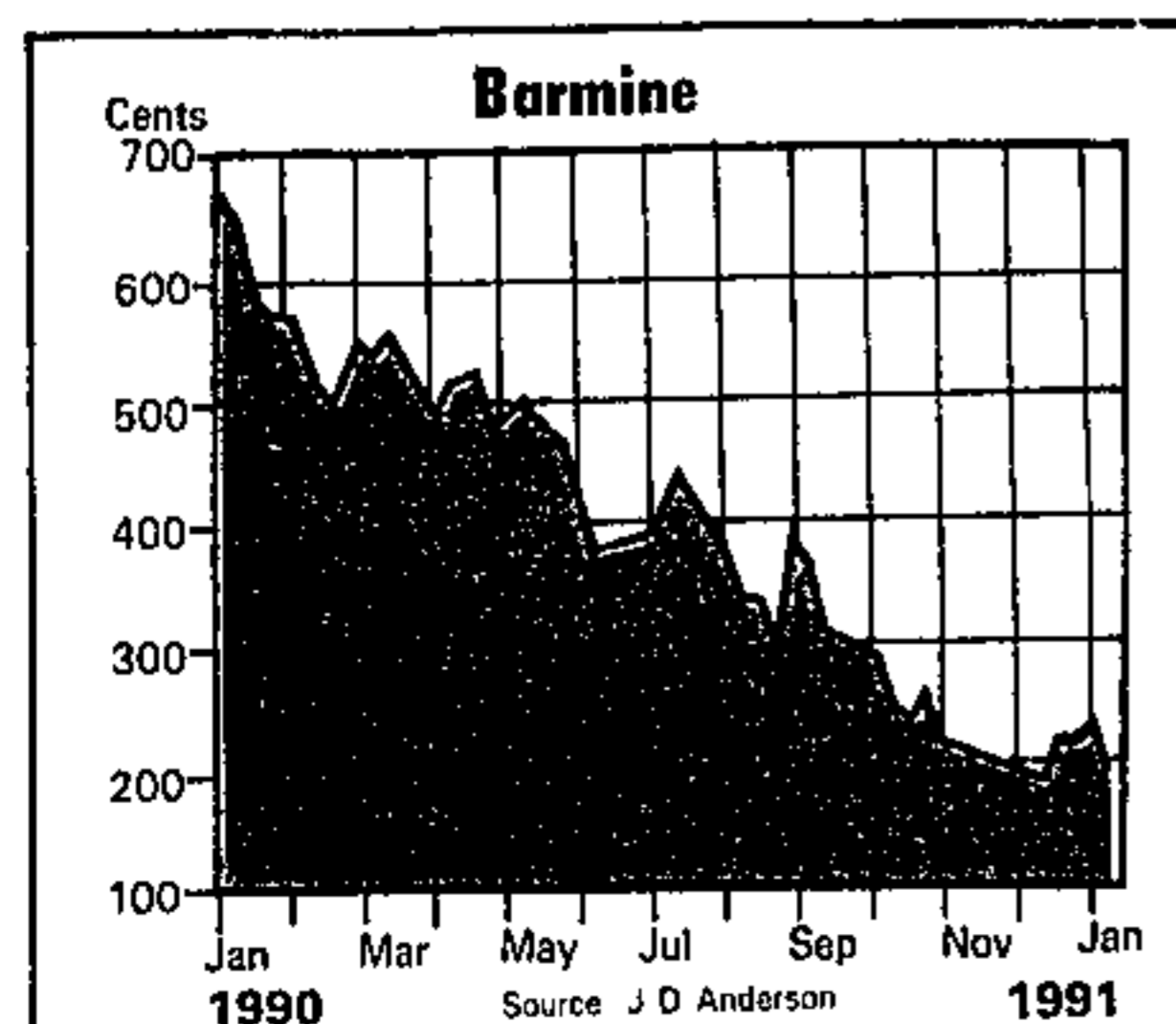
Bringing a new platinum mine into production with no previous experience of the platinum industry is not easy and deep pockets are essential. That is the message coming through loud and clear from the Barmine review where Rand Mines — which took over the former Lefkochrysos (now Crocodile River) mine from Loucas Pouroulis — has run into technical and financial difficulties of its own

A five-month delay in reaching the initial production target of 160 000 t/month milled has resulted in a squeeze on the company's finances and this has caused some adverse effects

For shareholders, the most pressing of these are that another rights issue seems imminent, while payment of the first dividend, which was scheduled for the 1992 financial year, has been delayed by up to two years. In addition, development work on Kennedy's Vale mine in the Eastern Transvaal has been stopped until the Crocodile River mine is paying dividends and has surplus cash

The delay in attaining the production target was caused by problems in the underground mining plan, where development work had not exposed enough stoping face to provide the ore. The shortfall in ore was made up from opencast operations using a contractor.

On the metallurgical side, planned recov-



Barmine's Watt refining financial plans

eries were not achieved but are expected to improve once modifications now under way are completed. Questions by shareholders at the annual meeting revealed Barmine was buying-in ore with a high nickel content to improve overall metal recoveries

While the refineries have been successfully commissioned, and are producing metals of required purity, the lock-up of platinum group metals (PGM) was higher than forecast because of the presence of arsenic in the collector used in the smelting process. The arsenic content has now been reduced to acceptable levels

Trouble is, Barmine is operating courtesy of its bankers and Rand Mines, and long-term and short-term loans have risen sharply. That makes the rights issue a priority and, at the annual meeting, authorised share capital was increased to 500m shares. Increasing the capital in one big jump rather than in stages saves about R4,2m in duties.

Top management at Barmine has been changed, with Rand Mines chairman Dammy Watt taking over as chairman from Clive Knobbs and John Turner — from Rand Mines' base metal side — replacing Paul Forbes as deputy chairman.

Watt says a decision on the rights issue depends on further refinement of various financial plans for the mine. Barmine has the facility to fund operations until this has been done

A further fall in the platinum price in the wake of the Gulf War will hurt Barmine. Against this must be considered the benefits of the booming rhodium price. Barmine, in particular, will gain from this because of the relatively high percentage of rhodium in the

PGM mix of the UG2 reef which it mines, compared with the Merensky reef from which comes most of the production for the industry's other mines

Fergusson Bros, Hall, Stewart analyst Derek Ritchie says that at a rhodium price of \$4 000/oz, and a platinum price of \$400/oz, rhodium accounts for 60% of the revenue from one ounce of PGM produced from the UG2, compared with 47% of revenue from an ounce of Merensky Reef PGM. At \$5 000/oz, these contributions change to 65% and 53% respectively

Ritchie adds that investors seem to have overlooked the fact that this will more than compensate for the effects of lower platinum and palladium prices. Ritchie estimates rhodium at \$5 000/oz would push gross income from UG2 PGM up 68% on levels earned when the price was just \$1 300, while gross income from Merensky reef PGM would be 40% higher at the same prices. This scenario assumes the rhodium price remains at present high levels

This aside, Barmine remains a speculative investment in platinum. Investors wanting to minimise risk should prefer the two long-established producers, Rustenburg Platinum or Impala Platinum. An investor prepared to accept the risk of buying into Barmine should probably go for holding company Barplats Investments. One Barplats share should be worth 2,6 times a Barmine share but this ratio is only about 2,0 on current prices of 375c for Barplats and 190c for Barmine

Brendan Ryan

Kaolin: Pienaar's 'not the final say'

Cape Times 26/1/91
Municipal Reporter 217 (36)

MR Louis Pienaar, the Minister of Environment Affairs, did not have the final say over whether to allow kaolin mining in the Chapman's Peak area, Mr Jeremy Wiley said yesterday

Mr Wiley, a prominent Noordhoek landowner who is opposed to the kaolin mining, was reacting to remarks Mr Pienaar made in an interview published in the Cape Times yesterday. Mr Pienaar said the country would suffer a great loss if the mining did not go ahead.

Mr Wiley said the decision on whether the mining would go ahead lay with the Department of Mineral and Energy Affairs, and not with Mr Pienaar.

Ironically, Mr Wiley's Good Hope Development Company owns the land on which the proposed kaolin mining is to take place, but he is powerless to stop it.

"We own only the surface rights. Serina (the kaolin mining company) bought the mineral rights from the previous owners. Very little protection is given to the owners of the surface rights," he said.

Mr John Butterfield, a member of the Save Chapman's Peak Action Group, said he wished the new minister all the best in his new job, and he did not wish to take issue with him.

Business Times Reporter

A MINING community in the Northern Cape is turning into a ghost town because its payable copper ore has run out.

But equipment from Anglovaal's Prieska mine will have a new lease of life hundreds of kilometres away at a platinum mine in the Western Transvaal

Anglovaal is closing the mine at Copperton and heavy equipment is being taken to Western Platinum's operation near Rustenburg, where it will be installed in a new shaft

Transport of hundreds of pieces of equipment — some of it delicate and some weighing up to 22 tons apiece — is being

A dying mine cannibalised

SI Times

27/11/91

masterminded by freight broker Transport Linking Services (TLS)

"Some of the equipment is being sent straight to Western Platinum," says TLS director Jeff van Wyk

"Other components are being refurbished at factories in the Pretoria-Witwatersrand-Vereeniging area before being sent to the mine"

The equipment includes winders, hoists, winches, cages, compressors and sensitive electrical gear which has

to be covered in heavy-duty plastic to protect it on the 800km journey

Electrical and mechanical engineer Martin van Lieshout is in charge of dismantling the equipment at Copperton and reassembling it at Western Platinum

Mr Van Lieshout says dismantling is a complex operation because much of the equipment is in the headgear housing, 80 metres high. A 25-ton crane is being used for the

task, which is expected to take about a year.

"It is on the transport side that things really get tough," says Mr Van Lieshout.

"The electrical equipment, in particular, with its copper inlays is large, but it is delicate and cannot take rough handling

"There are many unpredictable hazards, such as accidents in loading and off-loading. This is when the equipment is most vulnerable. But so far everything has been trouble-free."

Back at Copperton, where the mine's predicted 25 year lifespan is drawing to a close, a big operation has started to return the surroundings to the state they were in before mining began.

217

World commodities' prices expected to keep declining

PETER COUTROMANOS

THE current downward price spiral in world commodities is set to continue in the foreseeable future, says Greenwich Futures's Mark Perkins.

The CRB commodity price index — calculated by the Chicago futures market and based on 21 equally weighted items, including precious and base metals, grains, livestock, and "soft" commodities — has dropped almost 10% since August.

Perkins says the downward trend in base metal prices is expected to be particularly severe because of the slowdown in the world economy.

He says the industrial boom exper-

perienced during the '80s caused an increase in demand for base metals.

In response, major mining companies increased borrowings to increase output and bring new production on stream, but there was still a tightness in supply. Perkins says this resulted in the forward prices for these metals being in what he termed "backwardation". Backwardation occurs when the spot price is higher than the futures price.

Base metal stocks on the London Metal Exchange — apart from zinc

and nickel — have continued to increase dramatically despite falling prices.

Prices of sugar, coffee, cocoa, wheat, maize, lumber, rice and most other commodities have also plummeted over the past year, according to statistics compiled by the Chicago-based Knight Ridder Commodity Perspective.

Precious metals have also been hard hit.

The outlook for oil is increasingly bearish. Perkins expects the price to drop to as low as \$12 a barrel after the conclusion of the Gulf war

Warming in

Carl Tarrant 29/1/91

more kaolin

217

mine sites in

Noordhoek

Valley area

By PETER DENNEHY

TWO more possible kaolin-mining sites exist in the Noordhoek Valley, within a couple of hundred metres of the controversial site "on the slopes of Chapman's Peak"

Mr Jeremy Wiley, a large landowner in the valley, said at a press conference yesterday that if kaolin mining was allowed to go ahead in Noordhoek, "this valley will probably be faced with mining for 50 years"

The expected lifespan of what he called "the Chapman's Peak site" was supposedly 16 years, he said Yet Noordhoek Valley could become known as "kaolin corner" if mining took place on all the sites

Rights confirmed

The kaolin-mining company Serina (Pty) Ltd already had the rights on one of the other two sites, Trentham Farm near Crofter's Valley, Mr Wiley said Mineral rights on the other site were held by six different parties

The managing director of Serina, Mr Carl Tarrant, confirmed yesterday that his company owned the smaller deposit on Trentham Farm "It is our intention to work it, if it is financially viable," he said.

Regarding the other site beside De Goede Hoop Estate, he said it belonged to several different people and he could not say what their intentions were

"If they want to sell us the rights, we will see whether it is financially feasible. The government has drilled that deposit, and it reports that there is viable kaolin there," he said

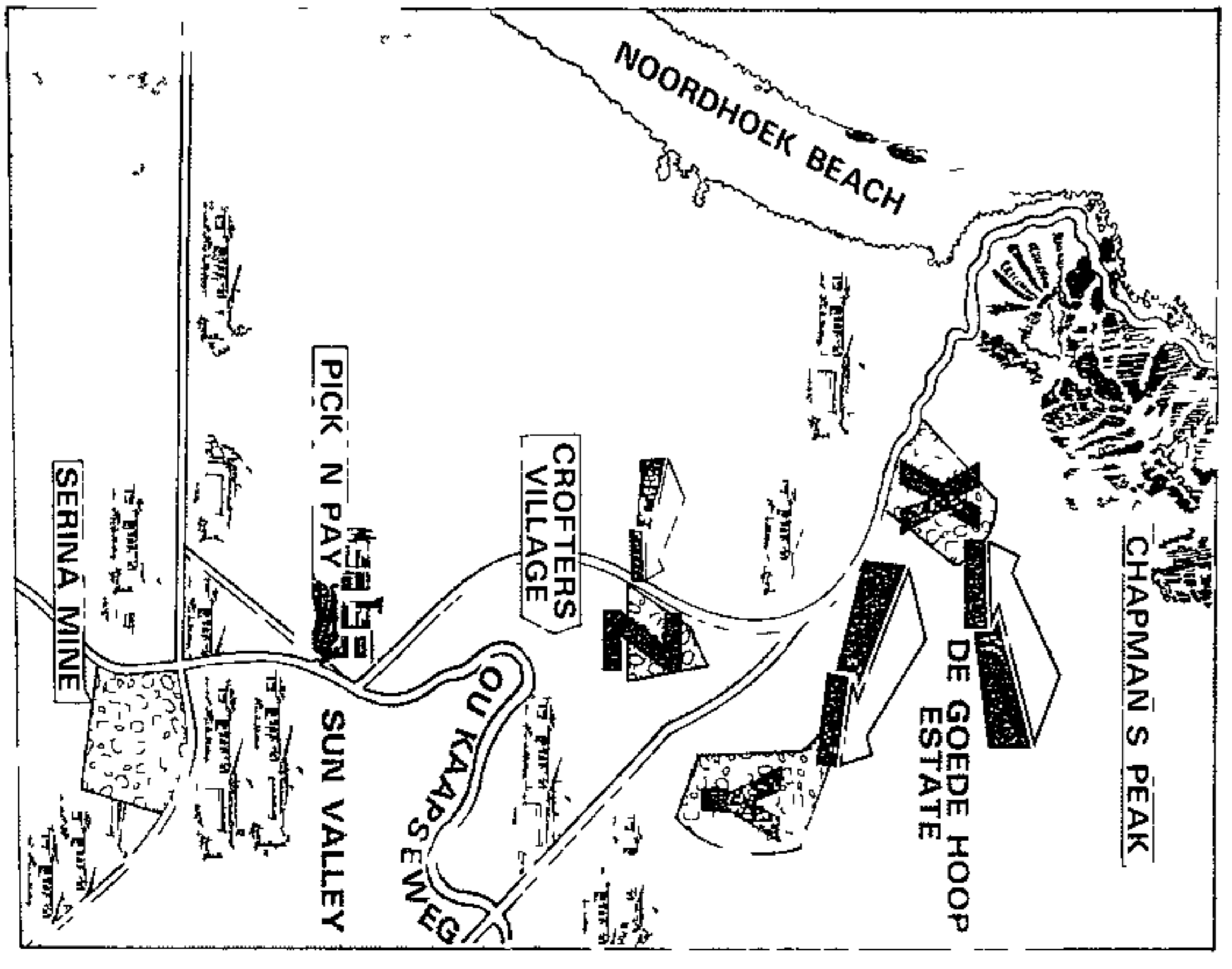


UNHAPPY ... Landowner brothers Mr Jeremy Wiley (left) and Mr Mark Wiley speak of their opposition to kaolin mining in the Noordhoek Valley The proposed site which caused a storm of controversy is to the right and behind Mr Mark Wiley in this picture **RIGHT:** This map shows three possible kaolin sites in Noordhoek, X being the "Chapman's Peak" location, Y the land beside De Goede Hoop Estate, which is owned by six different people, and Z Trentham Farm, owned by Serina
Picture RICHARD BELL

Mr Tarrant disagreed with the description of the original controversial site as being "on the slopes of Chapman's Peak" It was simply in Noordhoek, he said
Mr Jeremy Wiley said the government seemed concerned at the possibility of a R600-million damages claim should a permit for the kaolin mining be turned down
Yet he had sought legal opinion on this from senior counsel, and had been told that the state would not be liable to compensate anyone if it decided mining should not go ahead

Foreign exchange

Mr Tarrant said his firm had not even had any discussions with the government on compensation, "because we still expect them to issue us with a permit"
He suspected that the R600-million figure had come from "the value of foreign exchange we would lose if we don't mine that area"



Rusplat ⁽²¹⁷⁾
Star 29/1/91
lifts sales

18 percent

Rustenburg Platinum has fared reasonably well for the six months to December, lifting sales revenue by nearly 18 percent

Sales for the period were R1,76 billion compared with R1,39 billion for the same period in the previous year

However, pre-tax profit was down by 6,5 percent to R601,1 million, while after-tax profit was fairly stable with distributable profit at R266 million (R265,9 million) as a result of higher capital spending, which reduced tax

Higher price

The increase in sales value is due to the higher dollar price realised for rhodium.

Lower dollar prices for platinum and the firmer rand resulted in 12 percent drop in platinum sales value

The interim dividend is unchanged at 125c.

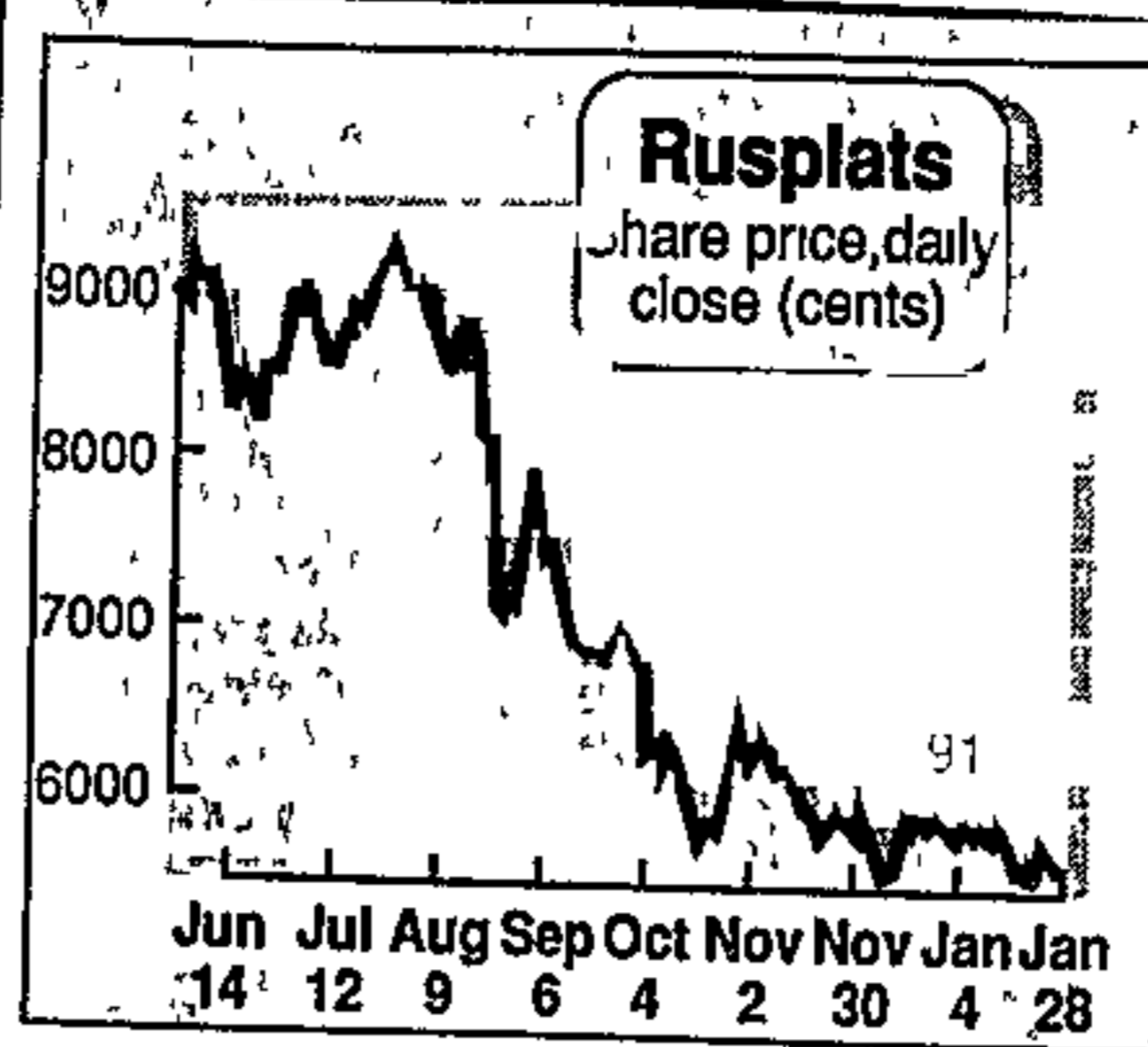
Lebowa Platinum's gross sales increased by 45,7 percent to R48,8 million (R33,5 million) for the period.

But its after-tax profit fell to R1,2 million from R9,5 million.

No interim dividend is being paid.

The mine says labour problems did not materially affect production, which resumed this month after stopping in November, when workers were dismissed.

A milling rate of 50 000 tons a year is aimed at for July 1991. — Sapa.



Graphic: LEE EMERTON Source: JSE

Rusplat hit by higher sales cost

Bloom
29/1/91 ROBERT LAING (217)

SOARING rhodium prices boosted the interim sales revenues of Rustenburg Platinum (Rusplat) and Lebowa Platinum (Leplat) in the last six months of 1990. However, rhodium's price strength was a market response to production problems at Rustenburg's new refinery which boosted the mine's costs of sales and clipped operating profits.

Rustenburg's interim sales revenue was R1,76bn against R1,50bn in the corresponding period of 1989. Its interim cost of sales rose to R1,10bn from R854m leaving the interim profit on metal sales fractionally higher at R659m (R643m).

A drop in other income and an increase in the interim charge for renewals and replacements left the interim pre-tax profit lower at R602m (R644m). However, a lower tax charge resulted in a first-half taxed profit of R269m (R268m). The interim dividend is unchanged at 125c.

JCI platinum division chairman Barry Davison said the rand value of platinum sales had been cut by lower dollar prices for the metal and the firmer rand. However, he believes that higher volumes compensated for poorer prices.

Leplat's production was halted by industrial action and subsequent dismissals in November. Contract workers have been brought in to replace the dismissed men and production will be handled by Shaft Sinkers until monthly output is restored to 50 000 tons — possibly by June.

Leplat's interim profit on metal sales fell to R3,1m from R8,4m and its after-tax profit tumbled to R1,2m from R9,5m. The mine has decided not to declare an interim dividend.

Moratorium call on kaolin mining

MAGUS
30/1/91
217

By **ESANN van RENSBURG**
Environment Reporter

NOORDHOEK could become known as "Kaolin Corner" if Serina mining company gets a permit for kaolin mining on the slopes of Chapman's Peak, according to landowner Mr Jeremy Wiley.

De Goede Hoop Development Company, of which Mr Wiley is a director, is the owner of land in Noordhoek and has been campaigning behind the scenes for the prohibition of opencast mining in the area.

Mr Wiley said at a Press conference this week that the area had at least three kaolin deposits and Serina, who own the mineral rights on the Chapman's Peak slopes, have publicly acknowledged their intention to secure mineral rights to the other deposits.

50 years

According to Mr Wiley this meant kaolin mining would be with Noordhoek for at least 50 years and it would lead to "very intensive mining activity within a five square kilometre area".

A spokesman for the Noordhoek Districts and Civics Association said they wanted a moratorium on kaolin mining on Chapman's Peak until other deposits have been fully investigated.

Mr Wiley said "Serina and its consultants, in not assessing the effect of the mining of the other two or three deposits in the Noordhoek amphitheatre

have in their report on the effect of property values, in particular, grossly mislead the authorities and other interested parties by isolating only the initial deposit and claiming that a mine would have little or no long-term effect on property values," said Mr Wiley.

Serina managing director Mr Carl Tarrant confirmed that his company had the mining rights to one of two other deposits — a small, high grade deposit on Trenthan farm — but said mining it would not affect property values.

Mr Wiley said he hoped government would deproclaim mineral reserves and ban all mining activities in the Noordhoek amphitheatre.

Rustenburg clarification

Bl Day 30/1/91

IN yesterday's report on Rustenburg Platinum, Business Day inadvertently might have given the impression that additional costs at the new refinery were responsible for the entire increase in the reported interim cost of sales.

This is not correct — the platinum company's unit costs increased by only 13%, while accounting conventions were responsible for a large part of the increase in the reported total cost of sales. (217)

As explained in its annual report, Rustenburg adopts the ultra-conservative accounting approach of deducting revenues from sales of by-product metals when calculating the value of its metal stocks. This is what happened in the past half year when rhodium prices were particularly high, leading to a considerable reduction in the closing value of stocks. This, in turn, is what led to the apparently large increase in the past half year's reported cost of sales.

The mine's new refinery is operating as originally planned and, apart from producing enough rhodium to satisfy current demand, is producing enough of the catalyst metal to reduce sales backlogs steadily.

ANIES

Minority shareholders agree to Messina deal

B10001
31/1/91
ROBERT LAING (217)
MESSINA's minority shareholders overwhelmingly voted in favour of selling the group's non-platinum interests to a management-controlled syndicate, Messina Investments, for R12,5m at a general meeting yesterday

The meeting was well attended, with 41 shareholders representing 28% of issued shares taking part in the poll. Despite a lengthy and fierce debate between four or five investors and Messina chairman Mike McMahon, less than 1% of the vote went against the deal.

Out of the total 3 587 756 shares represented, 3 561 433 were voted in favour of the sale, 26 123 were voted against and 200 abstained

Messina's holding company Implata Platinum (Implats), which has a 55% stake, refrained from voting to allow minorities their say in the deal.

The few shareholders hostile to what amounted to a management buyout, objected to Sanlam's being included as a minority shareholder. Besides having a direct 17% shareholding in Messina, Sautam also ultimately owned Implats, they said

After the poll, McMahon said the deal would have been carried even without Sanlam's participation

During the debate before the poll, those investors attempting to stop the sale said management had not supplied them with a sufficiently detailed breakdown of the value of individual assets to allow them to make an informed decision

McMahon said if Messina's non-platinum interests had been sold piecemeal, the price gained would have been far lower because of the high rehabilitation liabilities that its copper and coal mines faced. Messina intends using the funds for its planned platinum mine in Lebowa

RUSTENBURG/LEBOWA

217



F/M 1/2/91

BETTER THAN THEY LOOK

Rusplats' conservative method of stock valuation has resulted in a far lower profit for the group than would otherwise have been the case.

Gross sales revenue rose by close to 18% to R1,76bn for the six months to end-December, but a 29,3% hike in the cost of sales reduced growth in the profit on metal sales to only 2,5%. Lower income from other sources, a higher renewals and replacements charge and a lower effective tax rate resulted in a virtually unchanged after-tax profit of R269m (R268m).

On the face of it, these results appear far worse than they really are, but that is largely because of the accounting policy — it would be interesting to see what has happened to cash flow over the period. Rusplats values its platinum stocks at the lower of cost or net realisable value on the Fifo basis.

Cost per ounce of platinum is calculated by dividing total mine costs, less net by-product revenue, by the amount of platinum produced. Thus, the higher the by-product revenue, the lower will be the value of platinum inventories and, in a period when the rhodium price was, on average, four times higher than previously, the effect would have been significant. With a far lower closing stock value, the cost of sales was sharply higher. In unit terms, Rusplats kept its cost increase to a modest 13%.

The higher rhodium price during the second half of last year was tempered by lower dollar prices for platinum and a firmer rand. Despite excellent sales volumes, the platinum sales value slipped by 12%.

"The outlook for the group depends largely on the rhodium price," says MD Barry Davison. "The market is in a tight balance at present and will probably remain so for the next five years. It is unlikely to fall back to the \$1 300 level, nor do I see it trebling as some market watchers have predicted."

With the caveat that prices could fall, Davison hopes to be able to maintain the Rusplats dividend for the year.

Regarding problems last year with the new precious metals refinery, Davison says management "continues to be satisfied with the improvement in performance," though there is room for further improvement. The refinery is exceeding the efficiencies of the old Wadeville plant and the backlog is being reduced.

Lebowa Plats' results were similarly affected by the accounting policy, though to a greater extent. Turnover rose by 45,7% to R48,8m on the back of the higher rhodium price and the build-up in production. However, cost of sales leapt by a staggering 82,1%,



Rustenburg Platinum's Davison ...
outlook depends on rhodium price

due to the lead/lag effect of the expansion and the low stock valuation, slashing profit on metal sales by 63,1% to R3,1m.

Other income, largely interest, fell as cash reserves were depleted to fund capex, while tax was down commensurately (Lebowa is not paying mining tax at present). The interim dividend has been passed.

In November Lebowa stopped production at the mine owing to persistent labour disruptions and the subsequent dismissal of most of the labour force. With a platinum pipeline of about three months, the break in production was not reflected in the interim figures, but will feature in the current period. At the start of this year Shaft Sinkers was contracted to provide labour for the mine. The planned mining production rate of 50 000 t/month, which the mine never reached because of the labour problems, is expected to be achieved by mid-year. Milling rate for January is planned at 10 000 t.

It is unlikely that Lebowa will show better performance during the current half-year, and the final dividend will probably be passed too.

Optimisation of the jointly owned platreef project (Fox October 5 1990) is still being examined, in terms of whether ore will be mined from surface, from underground or a combination of the two. The group is committed to producing platinum in 1994 and, should the underground route be chosen, work will have to start in May this year. Escalated cost has been put at R1,34bn, but could vary significantly, depending on the mining method selected.

Should an underground mine be established, the financing decision will need to be taken by May. However, should either of the remaining options be selected, the group would have more time to decide on funding. Going the opencast or partially opencast route would be cheaper, while the decision could be delayed.

Gillian Findlay

MARKING TIME

Rusplats' interims

Six months to Dec	1989	1990
Sales revenue (Rm) ...	1 497,1	1 763,3
Cost of sales (Rm)	854,4	1 104,6
Profit on metal sales (Rm)	642,7	658,7
Eps (c) ..	212,2	213,1
Dps (c) ...	125,0	125,0

Leplats' interims

Sales revenue (Rm) .	33,5	48,8
Cost of sales (Rm) .	25,1	45,7
Profit on metal sales (Rm)	8,4	3,1
Distributable profit (Rm)	9,5	1,2
Eps (c) ..	7,9	1,0
Dps (c) . .	2,5	—

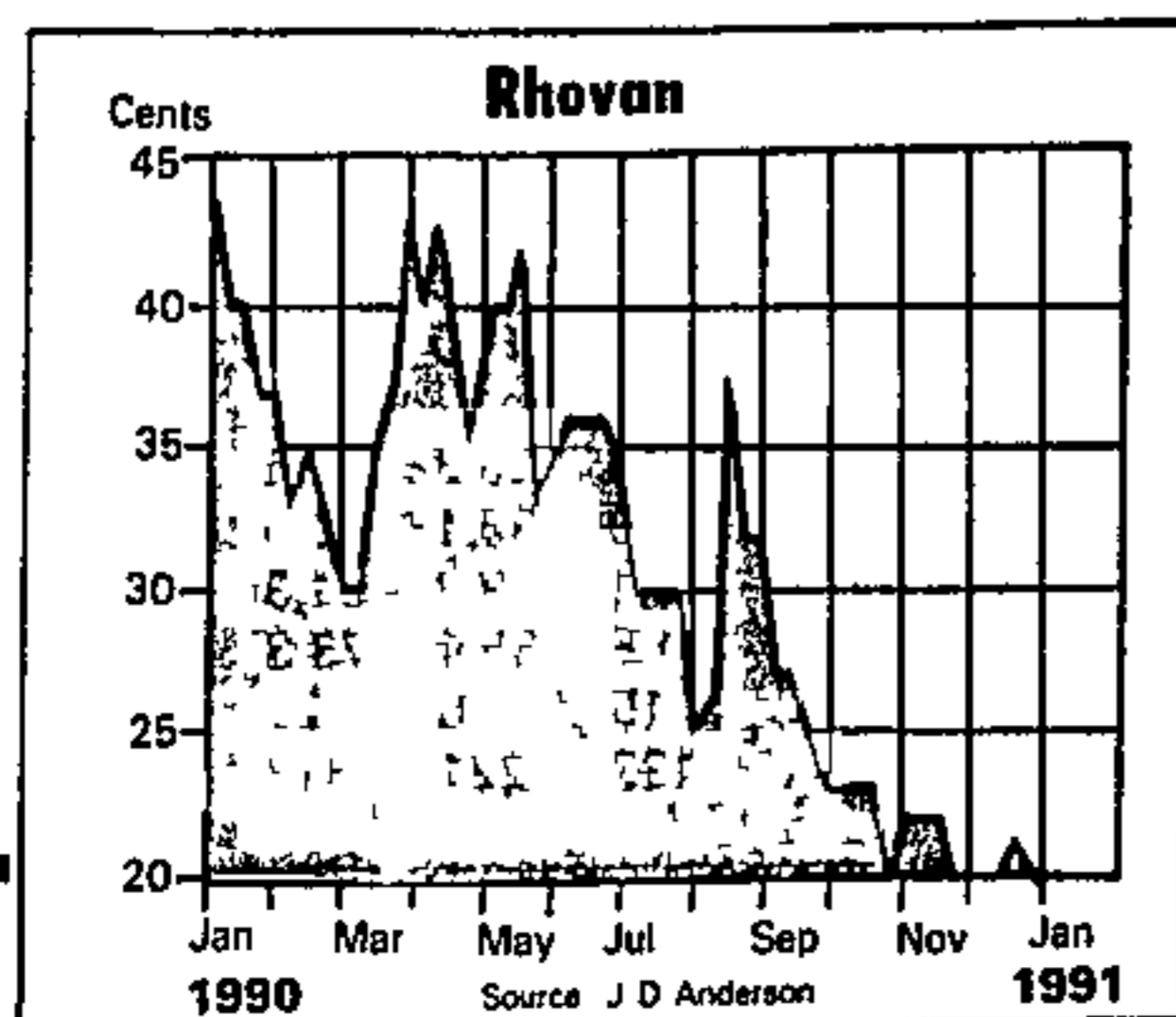
RHOMBUS VANADIUM (217)
UP AND RUNNING FIM 11/2/91

Activities: Operates a mine near Brits producing vanadiferous ore for sale to Usko.
Control: Rhombus Exploration 47%.
Chairman: F P Kotzee; CEO. R G Still.
Capital structure: 18m ords Market capitalisation R3,6m.
Share market: Price 20c 12-month high, 45c; low, 15c. Trading volume last quarter, 201 000 shares.

Good news about Rhombus Vanadium (Rhovan) is that the company's mine near Brits is now producing the required amounts of magnetite concentrate at the specified grades. The concentrate is sold to Usko, which processes it to produce vanadium pentoxide flake.

The bad news is, that as a number of analysts feared, the project has come on line just as the market for vanadium pentoxide has collapsed. That means the future of the company depends largely on the commitment of its partner, Usko, to sticking it out until the market improves. One new vanadium company, Rand Mines' Vansa Vanadium, has thrown in the towel.

Usko chairman Flores Kotzee, who is now also chairman of Rhovan, tells me Usko remains confident on the future of the vanadium project, on which it budgeted capital spending of R21m. "We are a low-cost producer and we are prepared to hang in for two to three years of bad times if necessary," he



says. "Vanadium prices cannot stay where they are now"

Kotzee was appointed chairman of Rhovan last year, after control of Rho-Ex changed when former chairman Les Holmes was bought out by a syndicate led by his MD Rob Still in a deal bankrolled by Rand Merchant Bank. As chairman of both companies Kotzee faces the interesting task of mediating between the project partners on the issue of penalties due to Rhovan because the Usko plant is running behind schedule.

While Usko's vanadium pentoxide flake plant is operating satisfactorily, there have been problems with the vanadium ore roaster — part of Usko's existing direct reduction plant which was converted. Kotzee says the roasting process works, but problems with mechanical and electrical equipment have interrupted production. He says these problems should be solved within weeks rather than months.

Even so, Usko is taking less ore than it contracted to take and that means it is liable to pay penalties to Rhovan. Penalties fell due from September. Usko, at this stage, is supposed to take 21 000 t a month of concentrate but is only taking 15 000 t a month, though the mine can produce 30 000 t a month. Still acknowledges that penalties have become an issue.

Market conditions also pose the question of what happens in the longer term if Usko decides to produce less than it originally estimated. Kotzee tells me. "No penalties have yet been paid by Usko to Rhovan, though they will have to be paid. This is a joint venture and it is in the interests of both parties that it succeed"

That seems to indicate some negotiating leeway on the issue, which could mean Rhovan shareholders will have to wait for results. Lower profit for Usko means lower income to Rhovan, in terms of the royalty agreement. Should Usko decide to fold the operation, it is liable to pay Rhovan damages of R18m and is prohibited from re-entering the vanadium business for 20 years.

Rhovan is warning shareholders that payment of the maiden dividend could be pushed out to the 1993 financial year.

Rhovan was listed at a time of extremely negative investor sentiment towards the new mining entrepreneurs. To counter this, the company was structured so that overruns on the capital budget would hit controlling shareholder Rhombus Exploration (Rho-Ex) by reducing its beneficial stake in the project.

At September 30 1990, capital spending on the mine was R38m, compared with the prospectus estimate of R35m, largely because of inclusion of a pilot mining and milling project costing R2,2m which had not been budgeted.

The 20c share price is a far cry from the 12-month high of 45c, as well as the all-time peak of 73c set in 1989 and reflects the poor outlook for the vanadium market. There is no obvious reason to expect recovery soon.

Brendan Ryan

RHOMBUS EXPLORATION

JOINT VENTURES MOVE

Activities: Mining exploration company with interests mainly in base metal prospects

Control: Directors 48,5%

Chairman: A G Fletcher, CEO R G Still

Capital structure: 33,6m ords Market capitalisation. R16,8m

Share market: Price 50c Dividend, 3,2% on earnings, p.e ratio, 31,3 12-month high, 140c, low, 50c Trading volume last quarter, 606 000 shares

Year to June	'88	'89	'90
Exploration expenditure (Rm)	4,0	3,7	4,5
Earnings (c)	(6,2)	(4,6)	1,6

The 1990 report reveals that this is a changed company with a different approach to that followed when Rho-Ex was listed four years ago. Changes are for the better.

When Rho-Ex was launched its main project was a wildcat drilling programme looking for a new deep-level goldfield in the southern Free State. The management policy of former chairman Les Holmes could best be summed up as *go it alone* because he indicated Rho-Ex would fund this work itself and was not interested in finding joint-venture partners. In other words, it was a very high-return and very high-risk venture.

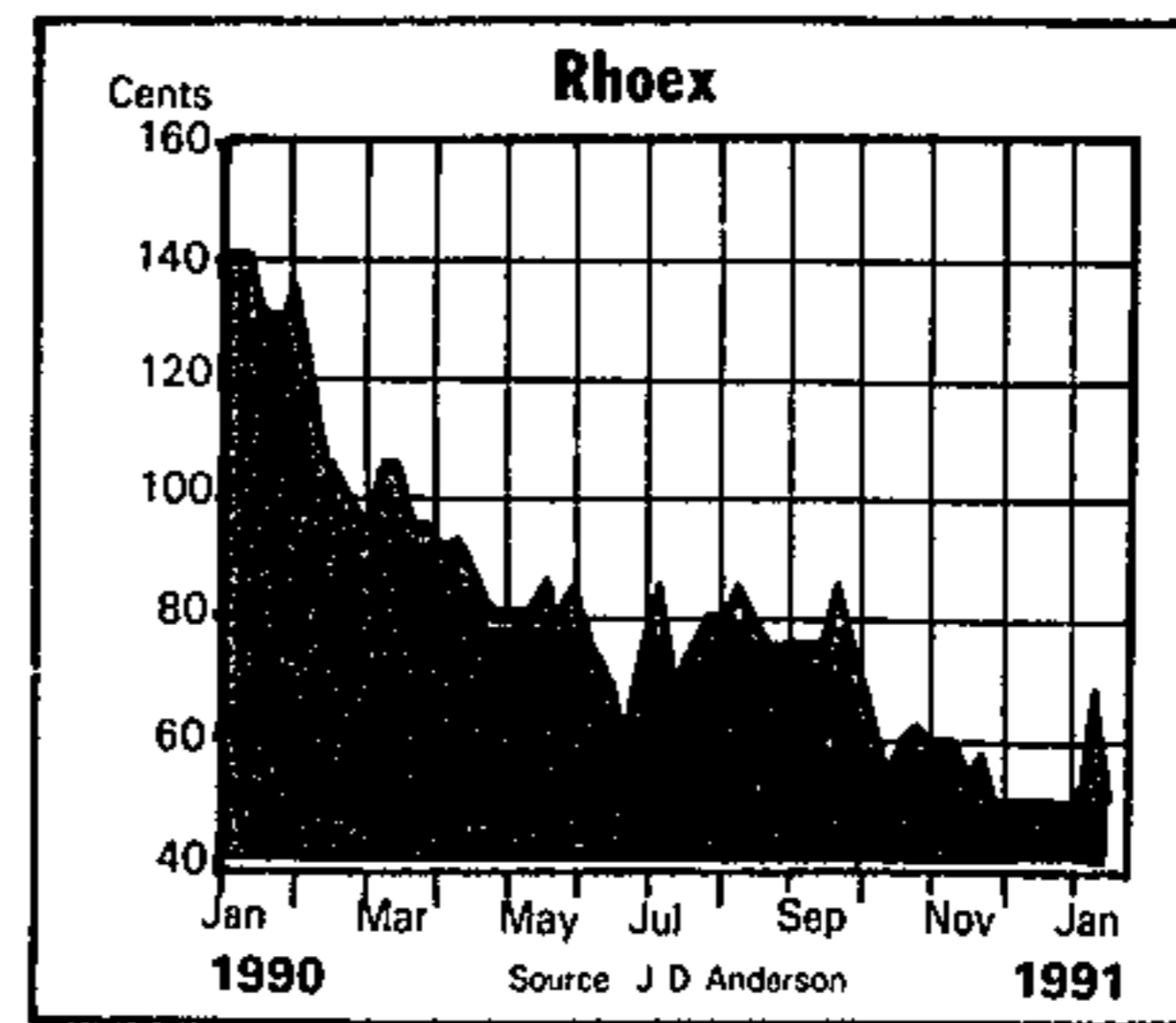
That approach differed from the management policy of other exploration companies, like Randex and Potchefstroom Gold Areas (PGA), whose strategy was to spread the risk by bringing in a mining house to take a major stake in the project in return for funding most of the work.

Rho-Ex started changing its thinking from 1988 when it got involved with Usko on the Rho-Van vanadium project (see previous report) and has now signed up two more large companies — Rand Mines and Shell — as partners in two of its heavy mineral sands projects. It is looking for a partner for its scaled-down gold exploration in the Brandfort area but CE Rob Still says Rho-Ex will not get involved in deep-level gold mining unless there are exceptional circumstances in favour of it.

Emphasis has swung heavily into base metals, particularly vanadium and heavy mineral sands which contain titanium. Rho-Ex has a 47% stake in Rhombus Vanadium, which is now in operation, while the company has put the mining lease over the Transkei sands deposit into a new company, Rho-Sands, held 60% by Rand Mines and 40% by Rho-Ex.

Still says the key to development of the Transkei deposit lies in upgrading its ilmenite content to produce a titanium slag. That involves costly and complicated smelting technology which Rand Mines' sister company, Middelburg Steel & Alloys (MSA), could supply. MSA's interest in the project appears to be that titanium would complement and diversify its ferrochrome and stainless steel operations.

"Rand Mines also has proven expertise in open pit mining and a strong commitment to



environmental protection and rehabilitation of mining areas, which will be crucial in this project," he says. A final decision is not expected before 1992.

The joint venture with Shell is over a number of small, high-grade mineral sands deposits, inland from the northern Natal coast.

Main problem for exploration companies under current market conditions, which rule out a rights issue, is to fund their exploration work and joint venture commitments. Rho-Ex put R20m of the R30m raised at its listing in 1987 into two endowment policies which mature in September 1992. Current surrender value is R29m and estimated value at maturity is R43m.

At 50c, the share stands just above its 12-month low of 45c but well below the 12-month high of 135c. At these levels a return to the all-time high of 915c set in 1987 seems almost impossible.

The current price reflects the poor outlook for the mining industry in general and exploration companies in particular. Base metal prices have weakened sharply and outlook is bearish, given the world recession. With the operating companies so far out of favour there is little investor interest in the exploration companies. Still, this is a cyclical business and at 50c Rho-Ex could be worth a gamble — but widows and orphans should beware.

Brendan Ryan

When CMI's directors said last October that the acquisition of Purity would have a negative impact on short-term earnings, analysts expected a cut dividend — but not that CMI would pass its total distribution for the 1991 financial year

That is a certainty, given the attributable loss of R14,7m for the six months to December and the forecast of more losses to come in the second half, despite slightly better conditions in the ferrochrome market. At the heart of the problem is the R176,8m debt that CMI has taken on to fund the acquisition of Purity. Interest of R12,6m was paid in the six months to December.

The amount of debt is greater than expected, because CMI had R94,5m in cash and near-cash assets at June 30 last year. After deducting the R34m earmarked to be paid in dividends, the group should still have had at least R60m to put towards the R181,3m it paid for the Purity mine and ferrochrome plant near Rustenburg.

If that was all applied to the Purity acquisition, then CMI should now be showing debt of R121m. However, the balance sheet at December 31 shows a total of R176,8m, of which R116,3m is long-term loans — the rand equivalent of the US\$43,5m loan in Purity that CMI took over — and a short-term facility of R60,5m.

Chairman David Kovarsky says the difference is accounted for by working capital increases of R54,5m for both the Purity and

Lydenburg operations, consisting mainly of stockpiled ferrochrome and ferrochrome in transit.

Operating performances at Purity have not been as good as expected. The circular issued on acquisition last October said the



CMI's Kovarsky debt is being examined

issue appears out of the question given market conditions, so perhaps JCI will weigh in with a preference share issue, as it did with H J Joel Kovarsky will only say the debt issue is being examined.

The market reacted to the results by dropping the price nearly 8% to 775c on Tuesday. Given the poor market conditions and CMI's debt structure, there is little reason to buy at these levels.

Brendan Ryan

Purity smelter was of excellent design and would reach an annual capacity of 120 000 t of ferrochrome "as soon as the last few commissioning problems of the operation have been resolved. The plant has been in operation for more than two months and operating results confirm CMI's expectations regarding the facilities and the ability

CORRODED PROFIT

Six months to	Dec '89	Jun '90	Dec '90
Turnover (Rm)	129	87	102
Pre-tax profit (loss) (Rm)	59,5	9,1	(5,1)
Attributable (loss) (Rm)	45,3	25,7	(14,7)
Earnings (loss) (c)	107	60	(35)
Dividends (c)	35	80	nil

of the operating team. The Purity operation is already a going concern."

Latest comment is "Inefficiencies in the newly commissioned Rustenburg plant caused higher than normal unit costs. This should be rectified in the next few months when the plant has been fully commissioned."

Kovarsky tells me: "The performance has been slightly worse than expected, but any new plant has a steep learning curve and we are not too disappointed with what we've got."

The ferrochrome market has improved slightly, with first quarter 1991 prices rising to 49c/lb from 47c/lb previously. The group, which has the capacity to produce 330 000 t/year of ferrochrome with the Purity acquisition, will produce at an annual rate of about 240 000 t under present market conditions.

Any operating profit is going to be overwhelmed by the interest burden and CMI will have to do something about it. A rights

Messina survives sale onslaught

STimes
3/2/91
217

SHAREHOLDERS in Messina approved the disposal of the company's non-platinum interests by an overwhelming majority at a general meeting this week.

Vociferous opposition to the price at which the assets were disposed was adroitly handled by chairman Michael McMahon.

The main objections were based on what the opposing shareholders claimed was a lack of relevant information about the sale goods on which they could make an informed opinion about which way to vote.

They queried whether or not the deal's price — R12,5-million for a handful of copper, diamond, anthracite and other mining investments — was agreed to at arm's length because the consortium of buyers comprises the company's former directors.

The Messina group has been in business for most of the century. Its best long-term hopes lie with development of a platinum deposit in Lebowa. It is concentrating re-

sources on platinum, and the industrial interests were sold two years ago.

A proposed deal between the same parties fell through a year ago when agreement could not be reached on a total price plus responsibilities for rehabilitation.

A figure of R11,5-million was proposed, and a year later, a price R1-million higher has been approved.

Mr McMahon said the objectors ignored the future liability costs of rehabilitating the mine properties because of changes in the law.

He said buyers had been few and far between for the individual items. The selling price agreed on was for the whole lot.

Some would carry values higher than have been realised, but any swings gained here would be lost on the roundabouts of other assets, particularly the burden of rehabilitating mined properties.

The opposition complained that vital information had been kept from it.

Mr McMahon said that where Messina was selling an

asset, such as the copper mine, details were given in the offer document.

But when the sale item was an investment of shares in another company, a visit to its registered offices would show its financial positions.

The implication was obvious — do your homework first.

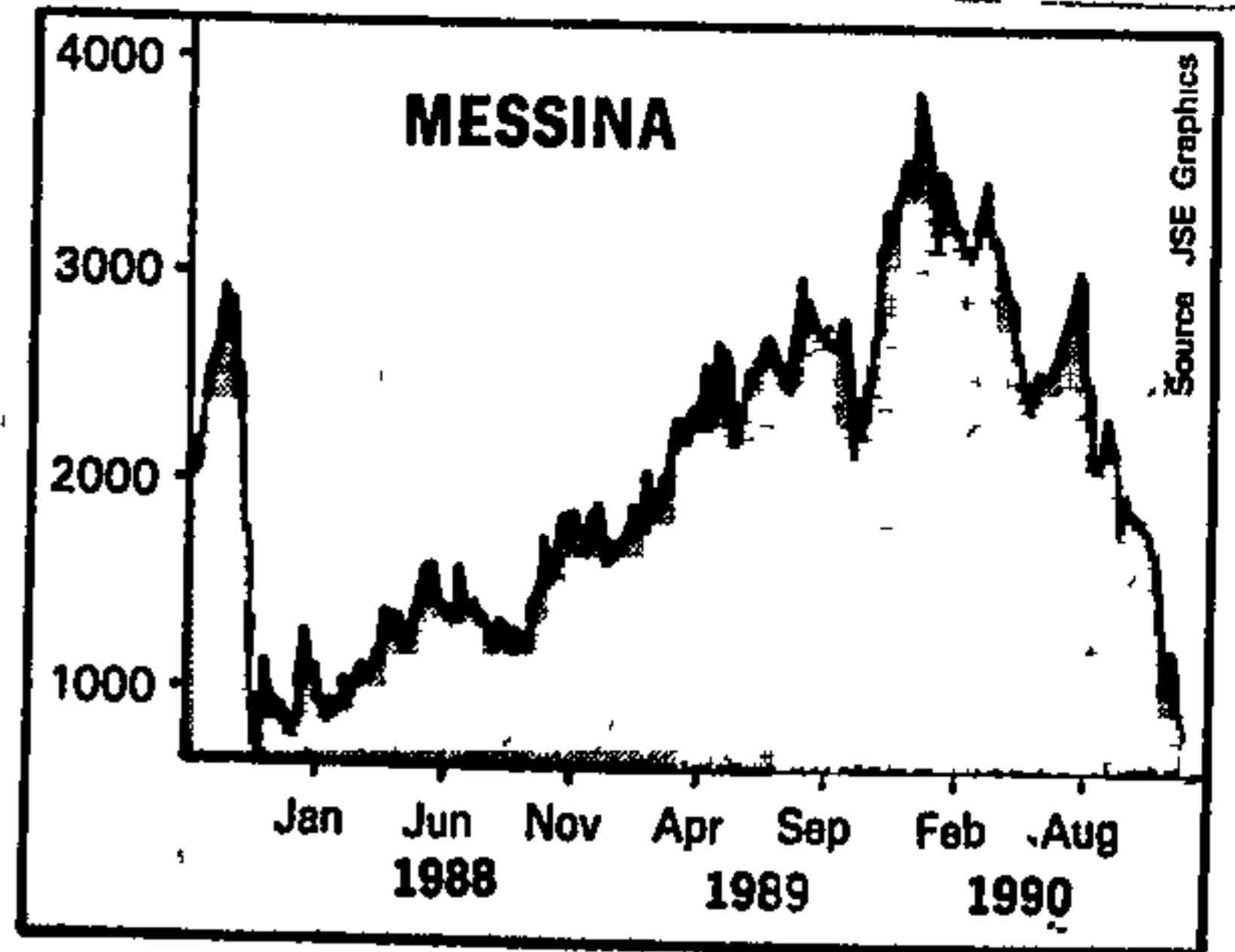
He said most of the assets in question were either dormant, irretrievable or worthless, as determined independently by First Corp.

Mr McMahon referred to the objectors' claims in a Sunday newspaper, and asked why answers to the questions raised there had not been sought from the Messina directors.

"We had to get the shareholders here somehow" was the rationale.

The newspaper had not tried to seek the answers on the objectors' behalf from the directors either.

Other shareholders made some valid points. One wanted to know how Messina could be sure that reserves at the cop-



per mine were near exhaustion when no prospecting had been carried out for 10 years.

Mr McMahon believed that the new owners would carry the risk of verifying that.

Another objector was upset because company members had not had the opportunity to go along with the non-platinum interests. The chairman told him to have a word with consortium leader and former managing director, Tony Buchan.

A third objector tackled the breakup merits of the copper mine, and tried to compare it with the closure of Prieska.

He was told that Prieska's equipment was far more modern than Messina's, and that its break-up value exceeded its underlying costs.

One objector wanted to know why the sale was being done on an earnings yield of

39% — R4,9-million on R12,5-million. He became muddled, then silent.

Mr McMahon said that future, and not historic earnings, were the basis of evaluation of the assets' potential.

The copper mine was merely covering operating costs, but overheads had to be spread elsewhere in the group because it could not carry them itself. With the gloomy outlook for metal prices, things did not look too promising.

A general worry was the fall in the price of Messina shares. Mr McMahon said that the view of many platinum analysts at the moment was that the project would be shelved because of the low platinum price.

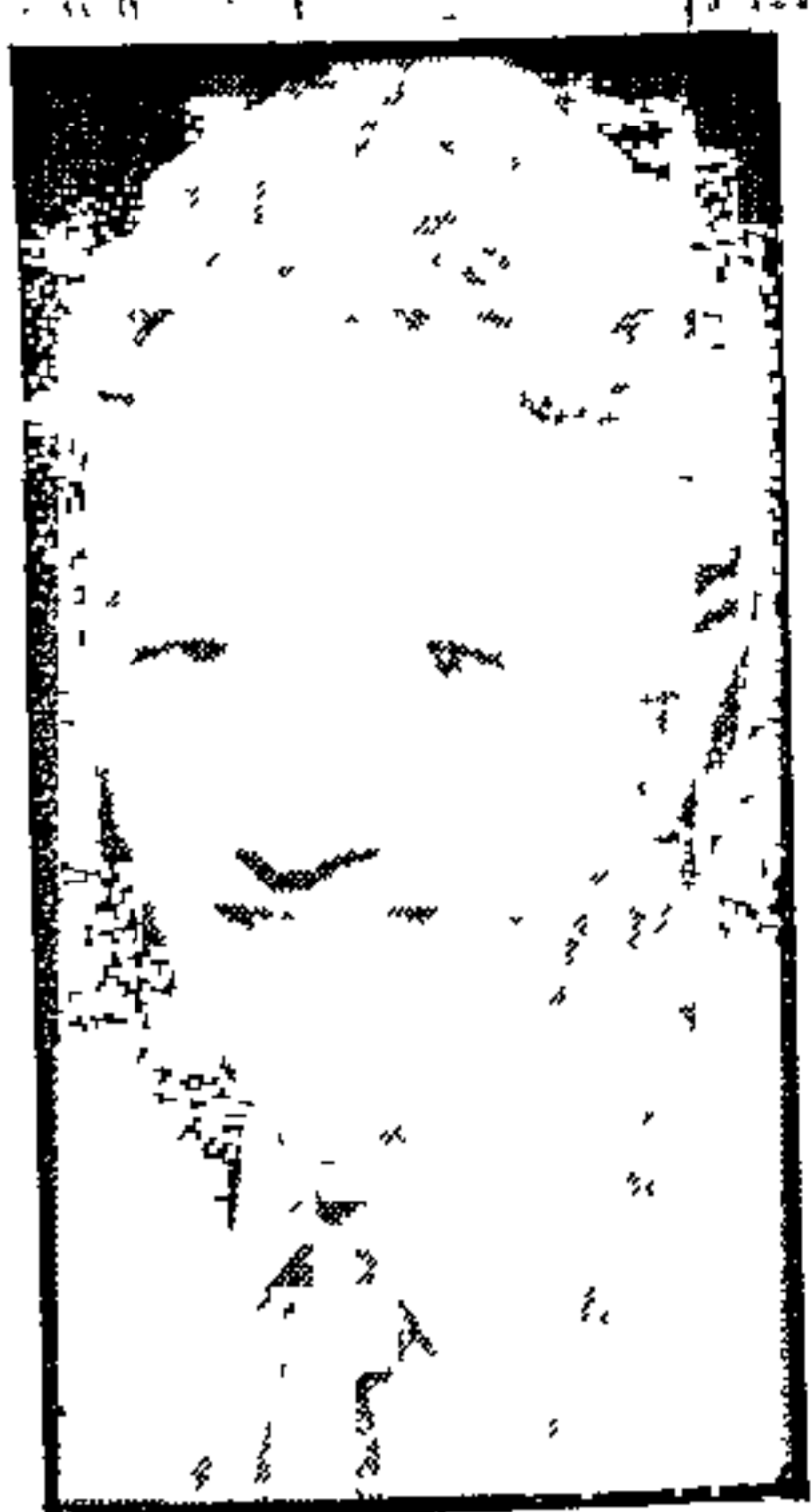
Board meetings for Messina and Impala (the controlling shareholder with 55%) would be concluded this coming week, and the outcome made known.

But I believe anything other than the green light is unlikely. Incidentally, the current market capitalisation of the shares is R128-million — just above the R115-million cash in the bank. In other words, the platinum mineral rights come almost for free. Nobody rings a bell when a share hits the bottom, but ...

Rusplat discounts oversupply fears

S/Times 3/2/91.

(217)



BARRY DAVISON Confusion year when Rustenburg announced recovery problems at its new refinery. He says the price is unlikely to retreat to levels of that time — \$1 200/oz, but probably will not regain the peak of more than \$7 000

THE PLATINUM price hit five-year lows this week, a situation Rustenburg Platinum managing director Barry Davison finds confusing

If oil prices were high and expected to rise, the subsequent chain of events would lead to world recession, lower demand for consumer products and depressed commodity prices

But if post-war oil prices fall to the expected \$12 a barrel, demand for commodities should grow

World markets would have us think otherwise. The 12-month futures contract prices for nearly all metals are low. The cost of the war, long or short, will take its toll on the American economy. Other economies will also be hurt.

Customers

Mr. Davison sees no evidence that oversupply of platinum in the long term will lead to lower prices. The prospects of this happening are viewed negatively by the world market, he says. But much depends on whether producers actually meet their increased production forecasts as well as on the general level of economic activity.

At a news conference this week to announce results of the two platinum mines under JCI administration, Mr Davison told journalists to examine the logistics behind manufacturing platinum-

By **JULIE WALKER**

containing autocatalysts in South Africa

"We have no wish to compete with our customers in this regard," he said

Rusplat general manager of marketing Todd Bruce says profit margins from the fabrication of autocatalysts are generally much lower than from mining the metal

In the six months to December, increased sales volumes and a higher rhodium price lifted Rusplat's gross revenue by 18% to R1,76-million. Platinum sales values were down by 12% because of the fall in dollar prices and the stronger rand

The cost of sales grew by 29% to R1,1-billion, but the actual cost of mining production was up by only 13%. The rest of the rise was attributed to a reduction in the value of stock, caused by higher by-product revenue, particularly from rhodium

Metal stocks are valued at the lower of cost or net realisable value — first in, first out. The cost an ounce of platinum is determined by dividing the mine output of platinum into total mine production costs, less net revenue of sales of by-products

A switch of investments to those from which income is non-taxable led to a 32% drop in investment income to R63-million. Lower tax compensated for the drop in pre-tax income and earnings a share were 1c higher at 213,1c. The 125c dividend has been maintained

Lebowa Platinum struggled after the mine's workforce was fired, but that did not influence the slide in earnings. Cost of sales grew by 82% to R45,7-million out of revenue of R48,8-million because of the lead-lag effect from expansion and the decrease in the value of stock due to the rhodium price

Fortunes

The mine has reopened, using contract labour, and production should reach 50 000 tons a month by June. The target is 100 000 tons a month by August 1992

Mr Davison hopes that a

decision on the method of funding of Lebowa's 50% shareholding in the Potgietersrust Platinum project will be taken by May. It depends on the chosen method of mining

If opencast is chosen, the decision could wait a little longer. But if underground mining is used, the contractual commitment of being at full production of 260 000 tons a month by the end of 1994 dictates a May 1991 starting date

Mr Davison says that this year's fortunes for the mines depend largely on the rhodium price, which shot up last

Rhodium helps Implats offset low platinum price

810am 5/2/91

MATTHEW CURTIN

IMPALA Platinum (Implats) fought off the effects of the low platinum price in the six months to end-December as a soaring rhodium price and effective cost containment marginally improved performance.

Implats CE Brian Gilbertson said yesterday rhodium's price was largely responsible for a 5,3% increase in turnover to R1,1bn (R1,06bn)

Implat's year-end turnover was unchanged in June 1990 from R2,1bn in 1989

Attributable income was almost unchanged at R250m, and Implats declared an unchanged dividend of 80c a share.

Rhodium's price has risen more than \$1 000 since December to about \$5 400/oz, an almost threefold increase since June last year

Implats MD Mike McMahon said with the lag in contracts, the group would receive poorer platinum prices and much better rhodium prices in the second half of the financial year. Rhodium demand continued to exceed supply

Implats held annualised unit production costs to less than 10% for the interim period despite problems at Wildebeestfontein North Mine, which contributed to a 2,8% fall in total platinum output.

Gilbertson said "extensive potholing and poor ground conditions" were



● GILBERTSON

responsible for the decline. The situation was unlikely to improve until the next financial year

Production would stay the same for the next six months

He said he was "at a loss to explain the low platinum price". Implats had not expected the price to be so weak. Japanese and US imports were up in 1990 and there was no indication car industry orders — autocatalysts account for about 45% of platinum demand — were about to fall away

McMahon said the group's planned production expansion from 1,08-million ounces to 1,35-million ounces by 1995 was accounted for by Implats customers.

Gilbertson said he also could not account for Implats's poor market rating. In his annual review last year he said Implats would improve its

rating by listing its Bophutatswana platinum operation, obtaining sufficient reserves to guarantee Lebowa Platinum's future security, embarking on a R1,1bn expansion programme to raise platinum production 25%, and securing more favourable terms on platinum contracts with General Motors.

Implats had secured more favourable terms from General Motors, but the effect on the group's results was not great

The group's cash balance was "substantially better" in the interim, and higher than forecast because of "asset squeezing, the rhodium price and juggling capital expenditure". Implats turned in record income before extraordinary items in the second half, up 15% to R250m (R220m). This was boosted by its investment in Lonrho's Westplats Complex, worth R26,4m in shared net income.

Gilbertson said the group decided not to list its Bophuthatswana operation because of the frail stock market, although the group would meet contractual obligations allowing the Bafokeng tribe to acquire equity in the group.

There was good progress with drilling on the Merensky and UG2 reefs at The Deeps, the Bophuthatswanan lease area.

Implats's capital expenditure increased 74% to R126,6m.

Gilbertson forecast total capex for the year at about R300m.

COMPANIES

Messina gets nod for platinum mine

MESSINA, a subsidiary of Implata Platinum (Implats), is to go ahead with the proposal to develop a new platinum mine in Lebowa. *B10a7 5/29/91*.

The announcement today of its results for the six months to end-December said the board had given the project the go-ahead last week.

The mine, to be situated in the north-eastern Bushveld, should produce 60 000oz of platinum annually by 1995, Brian Gilbertson, chairman of Genmin the ultimate holding firm of Messina, said yesterday.

Management abandoned their target of achieving 75 000oz platinum per annum within four years because of the expense, but were still aiming for the same ultimate production levels of 100 000 tons of UG2 and 60 000 tons of Merensky a month.

Estimated capex for 60 000oz annual production is R339m, compared with R500m for 75 000oz. The revised project consists of sinking a vertical shaft from the

ROBERT LAING

surface on the Voorspoed property and using the existing incline of Doornfleu.

Gilbertson said all of Implata Platinum's (Implats) expansions were meeting their budgets. *(217)*

Messina's minority shareholders agreed to sell the company's copper, diamonds and platinum mining interests last week to help fund the platinum project.

The group's interim report underlines Implats and Messina chairman Mike McMahon's warning to investors that Messina's non-platinum mining interests were turning into liabilities. The group's attributable earnings after tax for the six months to December fell by 70% to R7,4m (57c a share) compared with R25,1m (196c a share) in the same period in 1989. The group passed its dividend to conserve its cash for the new mine's development.

Impala going ahead

With R339-m mine

217



Brian Gilbertson will maintain profits

By Derek Tommey

Impala Platinum, the world's second-biggest platinum producer, said yesterday its subsidiary Messina was to go ahead with plans to mine 60 000 ounces of platinum a year.

The project will cost R339 million at current prices, but inflation is expected to push the figure above R400 million, by the time the mine is operational.

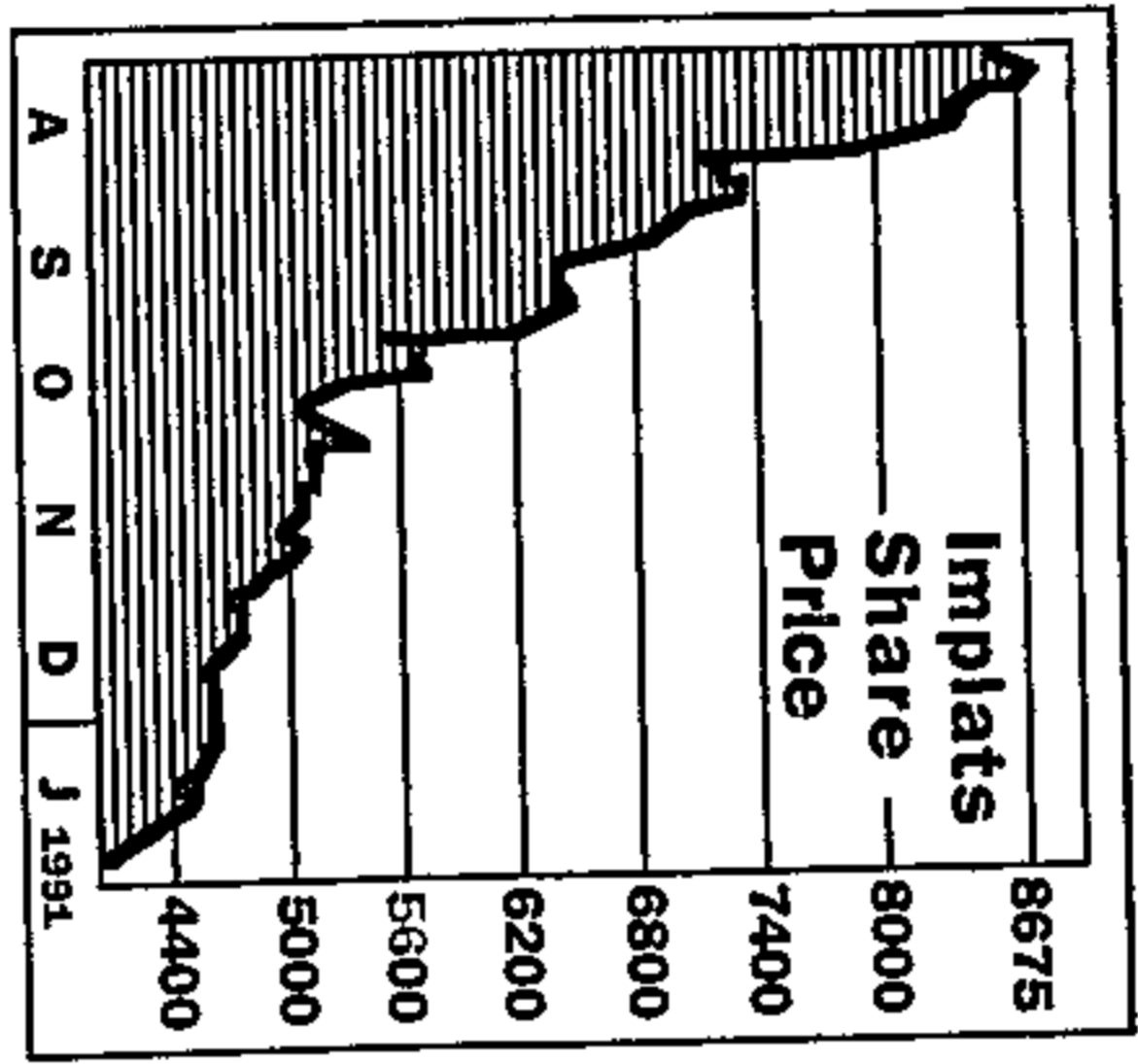
Impala also had its revenge on those investors who lost faith in the company last year when the platinum price started to fall.

In their rush to sell their shares they pushed them down from a peak of R87 in July to R39,25 yesterday — a drop in the share price of more than 50 percent.

In the light of Impala's latest profit figures, those investors who sold their shares are likely to be kicking themselves.

Impala reports a record profit for the six months to December of R248,4 million — equal to 407c a share.

This an increase of 14,7 percent on the R216,6 million (354c a share) earned in the corre-



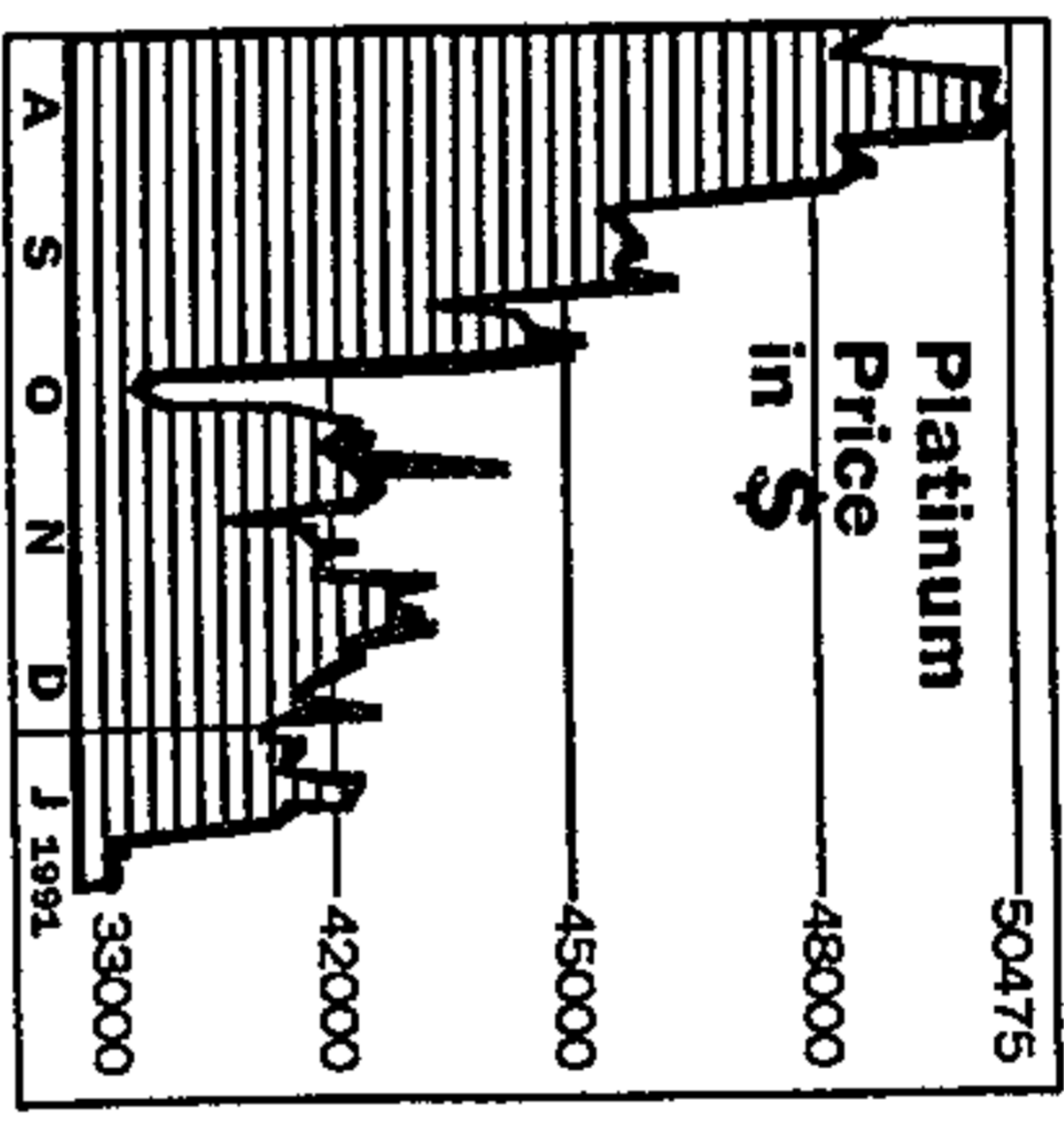
sponding period of 1989.

Impala is paying the same interim dividend as last year — 80c.

Impala chairman Brian Gilbertson says the company expects to maintain profits at their current level in the second half-year.

In the light of this, it seems that a repeat of the 250c annual dividend is a certainty, which means the Impala share price yesterday was giving a potential return of 10 percent.

In assessing Impala's profits for the six months to December, it seems that many investors overlooked the huge contribution to profits made by the



strong rise in the rhodium price last year — from which even better things are expected this year.

Mr Gilbertson told a press briefing yesterday that it took time for the rise in the rhodium price to reach the company.

As a result Impala did not experience in the six months to December the full effect of last year's rise.

But in the current six months rhodium should make a bigger contribution to profits, and platinum a smaller contribution.

The demand for rhodium remained extremely strong. Customers were asking for 20 parts of rhodium for every 100 parts

of platinum. But rhodium was not mined in that ratio and the company could not meet the requirements.

He said that Impala was buying in rhodium to help its customers.

Mr Gilbertson was at a loss to explain the latest fall in the platinum price to below \$400 an ounce.

Impala had forecast last year that there would be an oversupply this year and next.

But it had also forecast a recovery after that.

He could see no reason for the current low price US and Japanese imports of platinum were up and Impala's customers had said they had no intention of reducing their orders. "They say they want their full orders and we get requests for more."

Mainly owing to the higher rhodium price, Impala's turnover rose 5,3 percent to R1,11 billion, while costs rose 9,7 percent to R697 million.

Income from platinum mining dropped slightly from R421,0 million to R415,1 million. Income from subsidiary Messina also dropped, but that from its recently acquired stake in

Lonrho's Western and East Platinum rose

Platinum production dropped 2,8 percent to 528 000 ounces owing to difficult mining conditions at Wildebeestfontein North Mine.

Production is expected to remain at this level in the six months to June.

Work is continuing with plans to increase group platinum production by 1,35 million ounces by 1995.

In the six months to December capital expenditure was R126,6 million (year ago R72,6 million) and it is expected to be R300 million for the full year.

As cash flow is significantly better than expected, shareholders will not be called upon to provide extra capital at this stage.

However, the plan to list the shares to be acquired by the Bafokeng Tribe has been postponed owing to the depressed stock market conditions.

Mr Gilbertson said that initial production of platinum at Messina would be 60 000 ounces a year instead of the 75 000 originally proposed as this would result in a significant saving in capital expenditure.

R500 000 payout cuts RhoEx profit

Biday 6/2/91

MATTHEW CURTIN

RHOMBUS Exploration (RhoEx) suffered a sharp drop in after-tax profit in the six months to end-December but CE Rob Still said yesterday projects remained on track (217)

Still said RhoEx turned in a net loss of R346 000 in the period, because of a once-off extraordinary item, a R500 000 restraint of trade payment to former company executive L G Holmes who resigned in August last year.

Developments

After-tax profit before the extraordinary payment was R154 000 (R406 000 previously). Earnings a share fell to 46c (121c).

In the year to end-June 1990, earnings of 160c were posted.

Still would not disclose details of new developments in RhoEx's projects. The company manages Rhombus Vanadium Holdings (RhoVan) and owns 40% of Rhombus Sands (60% held by Rand Mines) which is developing the Transkei Mineral Sands Project.

It has a prospecting agreement with Shell on the Natal Mineral Sands Prospect.

He said if the mineral sands projects "proceeded according to our expectations", separate announce-

ments would be made in the coming months which might "surprise" investors.

While the economic future was uncertain, RhoEx with its coal, chrome, vanadium and heavy mineral deposits would be well placed to profit from economic reconstruction in Eastern Europe and the Middle East if it took off.

Pigments

Still said in Eastern Europe alone the use of pigments, for which mineral sands were mostly used, was 8% of the amount used in the US, so the potential for RhoEx, which held 8% of the world's mineral sands, was substantial.

Platinum share rise on the JSE defies a five-year price low 217

to. Bidan 6/2/91
PLATINUM shares rose several points on the JSE yesterday, defying a five-year low in the platinum price, which closed in London at \$383,50 last night.

Impala Platinum (Implats) shares rose 6,2% (250c) to close at R42,50 on the back of solid interim results announced yesterday

This in turn spurred more moderate rises in platinum shares across the board with market leader Rustenburg Platinum (Rusplat) closing 1,9% up (100c).

Edey Rogers analyst Peter Hibberd said yesterday the prospects for platinum shares were clearly not as dismal as those for gold.

While the platinum price had slid in much the same way as the gold price, investors recognised the stock of platinum market leaders, namely Rusplat and Implats, was "good value".

Hibberd said the interim results of the two groups were not entirely unexpected given the weak platinum price.

However, he said the strong rhodium

MATTHEW CURTIN

price had boosted their performances.

Turnover had improved a little in the interim period, earnings after capital expenditure had fallen, but dividends held, he said

He expected both Implats and Rusplat to hold their positions for the next six months.

As for the frail platinum price, he said analysts could only echo the words of Implats chairman Brian Gilbertson when he said he could not explain the low price.

Hibberd said both local and overseas players said there was "good physical demand" for platinum, yet the price continued to falter

A partial but inadequate explanation was that platinum's poor showing was a sympathy reaction to the weak gold price

Platinum's outlook was nevertheless not the same as gold's and despite the uncertain economic future worldwide, Hibberd said he was "a mild platinum bull".

RhoEx not all that ⁽²¹⁷⁾ forthcoming ^{Star 6/2/91}

By Derek Tommey

Rhombus Exploration's 4 200 shareholders could be disappointed by today's interim report. It is not that the financial results are bad. They seem to be satisfactory for an exploration company with a huge chunk of money invested in endowment policies.

But what could affect shareholders is lack of information about the company's operations.

RhoEx, through its associate company Rhovan, is busy trying to turn to account its two mineral sands prospects. It is also supplying magnetite to USKO for the production of vanadium pentoxide — which is a depressed metal at the present time. But there is no news about any of these projects.

Rhoex reports that its total income in the six months ended December rose to R3,5 million from R1,8 million a year earlier, thanks to an increase in net interest and investment income.

However, expenditure also increased from R1,4 million to R3,3 million, and the profit before tax dropped from R406 000 in the six months ended December, 1989 to R154 000 in the six months ended December, 1990.

A payment of R500 000 to the former chairman and founder of the company, Les Holmes, in a restraint of trade agreement, resulted in a net loss for the period of R346 000.

One item of good news for Rhoex's shareholders is that its endowment policies, which were valued at R25,2 million a year ago and at R27,8 million in June are now estimated to be worth R30,8 million. These policies mature in 1992 and by then they should be worth R43 million, says the company.

Platinum shares ²¹⁷ a 'complete steal' ^{By Day 8/2/91}

MESSINA, Impala Platinum's (Implats) new mining operation, led impressive gains in platinum shares on the JSE yesterday despite the platinum price showing no rallying signs.

Frankel Kruger Vinderine analyst Rodney Yaldwyn said platinum shares were "a complete steal", as he and others agreed the stock was a better buy than gold and other mineral shares.

Messina stock climbed 20% (200c) to R12,00 a share yesterday, up more than 45% from its year-low of R8,25 on January 9.

Solid

Implats shares rose 7% (300c) to R45,75, a 16% rise from a low of R39,50 on January 31, while Rustenburg Platinum (Rusplat) shares went up 4,2% (225c) to R55, a 9,5% rise from a year-low of R50,25 on February 2.

Rusplat and Implats posted solid interim results in the past 10 days, while Implats gave the go-ahead for Messina, its R339m subsidiary, on Monday.

Yaldwyn said investors had not been impressed with platinum shares for a long time, but they had "forgotten platinum mining is not a mono-commodity operation".

Losses stemming from weak platinum prices were more than made up by the strength of rhodium, as had happened in the past with palladium and nickel.

Both Implats and Rusplat were struggling to meet the demand for rhodium. The price of rhodium

MATTHEW CURTIN.

has soared about \$1 000 since December to \$5 400 at the start of February.

Ferguson Bros analyst Mark Madeyski said rhodium was adding a great deal to Implats and Rusplat profit margins.

He said the shares' performance this week was a market correction — the shares had dropped too low already — and a reflection of a belief in the long-term demand for platinum.

Both market leaders were short of tonnage, Lebowa Platinum's Atok mine — closed before Christmas — was yet to regain full production, and Implats had cut planned production at Messina from 75 000oz to 60 000oz a year.

Another platinum analyst said the production shortfalls were "mopping up" oversupply which Johnson Matthey had predicted was 70 000oz last year. He said the platinum price did not reflect demand for the mineral and the long-term prospects were good.

Japanese imports were at their highest levels as jewellery demand remained strong.

Platinum was at a "bargain basement price" for Japanese and German buyers in the face of the strong yen and Deutsche Mark and a weak dollar.

JCI FIM 8/2/91

LEVEL PEGGING (217)

JCI's platinum and industrial interests, and its limited exposure to gold, could enable the house to maintain earnings for the year to

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(217)

end-June, unlike mining houses with greater exposure to gold, such as Gold Fields of SA

While that should be an advantage for JCI, it does not appear to be reflected in the market, where investors are assessing mining house shares on the bottom line of dividend distribution. JCI's profits may be healthier than GFSA's but the outlook is for a maintained dividend. It is expected that GFSA will also maintain its dividend, despite forecast lower earnings

That probably explains why this week the share prices of both JCI and GFSA stood at the same discount to NAV of 28% even though JCI showed a 7% increase in attributable earnings for the six months to December, while GFSA's attributable earnings were 14% down for the same period

On the face of it, JCI could be pushed to maintain earnings, but financial director Vaughan Bray reckons the house should be able to do it

Looking at the negative side, there will be no contribution from ferrochrome producer CMI in the second half, while contributions from gold should drop. While performances at Randfontein and Western Areas are improving, both mines intend holding back distributable earnings to build up cash reserves.

Earnings from the Lennings industrial operation are well down on last year's levels, while Rustenburg Platinum — the major contributor to the group's fortunes, accounting for 42,6% of equity earnings in 1990 — is level pegging. While platinum revenues have dropped, Rusplat's earnings, like Impala's, have been supported by the soaring price of rhodium.

Against this, there should be greater income from the group's investments in Premier and SA Breweries — industrial and property interests contributed 27,5% of 1990's equity earnings — while coal earnings should also increase, with the 40% stake in Middelburg Colliery contributing to profit for a full year

At least one analyst believes JCI rates a buy at current levels, reckoning the price has been depressed too far by poor investor sentiment on platinum, and overemphasis on short-term dividend considerations at the expense of future growth. He points out the JCI share price has traded on average at a 19% discount to NAV

Looking medium and long term, the house is investing heavily in coal through the Phoenix expansion at Tavistock, while major expansion is under way at Rusplat. If the gold price ever recovers, JCI will benefit from the

South Deep project, which looks to be one of the best of the potential new gold mines being considered.

However, most important factor in any investor's assessment of JCI is one's outlook on platinum. If that is favourable, then JCI shows value at its present level of R35,75, which compares with a 12-month high of R58 and a 12-month low, reached in November, of R33.

Brendan Ryan

IMPALA/MESSINA

217 FIM 8/2/91

NO RIGHTS ISSUES IN SIGHT

Implats and Messina shareholders can rest assured that no rights issues are imminent. This week chairman Brian Gilbertson announced that both groups have enough cash reserves to cover planned capex for at least the next 18 months.

Implats is engaged in a major, three-pronged expansion. This involves increasing UG2 production from the existing lease area, expanding into the Deeps and the Messina project, which should raise total group output from the 1990 level of 1,08m oz to 1,35m oz of platinum by fiscal 1995. Of the 270 000 oz increase, 75 000 oz was scheduled to come from Messina, 45 000 oz from process improvements and 150 000 oz from expansion at existing operations.

To optimise use of available cash, Messina's plans are to be scaled down slightly. Phase One will now see development of a mine producing an annual 60 000 oz, with metal production starting in 1993 and full production reached in 1995.

A vertical shaft will be sunk on the Voorpoed property, which will yield the required 100 000 t a month together with the existing incline on Doornvlei. Capital cost is estimated at R339m in current money (rather than the previously mooted R460m,) or R417m escalated. About R24m will be spent in the current six months. At December 31 Messina had a cash balance of R85m which, with interest, will see the development through at least until mid-1992.

Output at Messina will be taken only to a spray-dried concentrate. Smelting and refining will take place at Implats' Bophuthatswana facilities to reduce overall cost.

A decision on funding the capex requirement, estimated at R322m, will need to be taken towards the middle of next year. That will depend on the platinum group metal (PGM) markets and Implats' ability to



Impala's Gilbertson . expects process efficiencies

finance the project at that stage. A combination of debt and equity would be most likely but, if the rhodium price remains at present levels, new equity may not have to be issued.

Gilbertson is confident improvements in process efficiencies will make up for the 15 000 oz shortfall from Messina. "I have very good feelings about the improvements," he says. "We are set to benefit enormously." These improvements are expected to yield an annual 60 000 oz, equivalent to the new mine, and must make a significant impact on the bottom line.

At December 31, Implats' net cash balance stood at R95,9m, a dramatic turnaround from the net R46,2m borrowings six months earlier and significantly better than budgeted. A major reason was the higher rhodium price. Implats' pricing is, however, based on a long-term (six months) moving average. Full benefits of the higher price will be felt only during the current half year. A change in the sales mix as well as changes to the capex programme also boosted the cash position.

Implats' turnover rose by a modest 5,3%, derived largely from the better rhodium price. The full-year effect should be significantly greater owing to the pricing method. Costs were well contained, rising by only 9,7%. Earnings rose by 14,9%, thanks largely to a lower tax rate as well as a rise in income from associate Lonrho SA, owner of Western and Eastern Plats.

In a continuation of the more open policy established in August, Implats has disclosed its platinum production for the period as well as unit costs. Production problems at Wildebeestfontein North mine, due to potholing and poor ground conditions, saw platinum

output down by 2,8%, at 528 000 oz. Gilbertson believes the situation is unlikely to improve materially before the financial year-end, so total output should be around 1,06m oz.

Cost per ounce of platinum produced rose by a relatively low 9,7% to R1 271 (R1 158), reflecting initial impact of improved refining efficiencies. With further improvements the cost structure should benefit further.

Commenting on prospects for the second half, Gilbertson says "Given no major setbacks in dollar prices or in the value of the rand, we should maintain similar productivity."

Implats is committed to enabling the Bafokeng tribe to acquire up to 7% of the equity of Impala Platinum, the operating company. Current market conditions are hardly appropriate for a listing and Implats is consulting the tribe to establish the best route.

Messina's results for the six months reflect the changing nature of the group, following the sale of non-platinum mining interests, with effect from September 1 1990 for the copper mine and from June 1 1990 for the diamond mine.

Turnover fell by 31% while net income dropped 71%, as the group was basically left with Premier Equipment and the developing platinum mine. Dividends will be resumed only when Messina becomes cash positive, probably six months after reaching full production.

Gilbertson is unable to explain the weakness in the platinum market. "Imports into both the US and Japan rose during the first 10 months of last year," he says. "We have had no indication that customers require less metal. On the contrary, we have had requests for increasing quantities of platinum, so I find it rather puzzling."

The strength in the rhodium market should continue. "Our customers would take rhodium in the ratio 1.5 to platinum, but it isn't mined in that proportion. They would all take more if it was there," adds Gilbertson.

The nature of Implats' pricing policy, with benefits to come from better efficiencies at existing operations, point to good growth in earnings. With the threat of a rights issue now lifted, the share should gain ground relative to Rusplats.

Gillian Findlay

CHANGING STEP

Implat's interims

Six months to Dec 31	1989	1990
Turnover (Rm)	1 056	1 112
Cost of sales (Rm)	635,4	697,0
Share of Lonrho inc (Rm)	—	26,4
Net income (Rm)	216,6	248,8
Earnings (c)	354	407
Dividends (c)	80	80
Plat prod (000oz)	543	528
Cost/oz platinum (R)	1 158	1 271

Messina's interims

Turnover (Rm)	125	86
Operating income (Rm)	26,6	5,7
Net income (Rm)	24,9	7,3
Earnings (c)	196	57
Dividend (c)	50	—

JCI FIM 8/2/91

LEVEL PEGGING

JCI's platinum and industrial interests, and its limited exposure to gold, could enable the house to maintain earnings for the year to

Continued →

Rutile, zircon output doubled

S/Times

10/2/91

Business Times Reporter

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COMPLETION of Richards Bay Minerals' dry-mill expansion programme will double the company's production of rutile and zircon products

The R120-million plant was built by LTA Process Engineering and production began last November

The plant is one of the most advanced in the world and will increase production to 125 000 tons of rutile and 300 000 of zircon. SA is a major supplier of these metals and the expansion will enhance its position internationally

Rutile contains titanium dioxide which is used in the paint and plastic industries. Rutile is used in weldings and zircon has wide applications in foundry, ceramics and refractory work

Impala reaps the first Lonrho link harvest

IMPALA Platinum felt the first benefits of its association with Lonrho's South African platinum mines in the six months to December

Its share of net income from associates Western and Eastern Platinum added R26,4-million — an extra 12% — to the R226,7-million earned from Impala's own taxed income

Attributable income before extraordinary items reached R248,8-million — a record. Earnings a share were 407c, 15% higher than in the previous comparable time. The dividend was maintained at 80c

Impala chairman Brian Gilbertson is pleased that the rise in mining costs was held below 10%, and that the group's net cash holding of R95-million is far better than forecast.

The squeeze on current assets, the high rhodium price, the differing sales mix and the juggling of capital expenditure lie behind the improvements

Mr Gilbertson discounts the possibility of Impala's needing a rights issue to foot the growth bill

Expansion is in progress on three fronts. Increased production of UG2 reef from existing mining areas is going smoothly. Drilling on The Deeps has made more than 30 intersections on the Merensky and UG2 reefs, and a decision to mine at 55%-owned Messina's Voorspoed property near Potgietersrust was implemented with a small reduction in planned production

Mr Gilbertson is unhappy about the expenditure required to establish a mine producing 75 000oz of platinum a year. So the project now consists of the sinking a vertical shaft at Voorspoed and using the existing decline shaft at Doornvlei.

This will allow 100 000 tons a month to be mined, yielding 60 000oz of platinum a year by 1995. Capex is estimated at R300-million in today's money

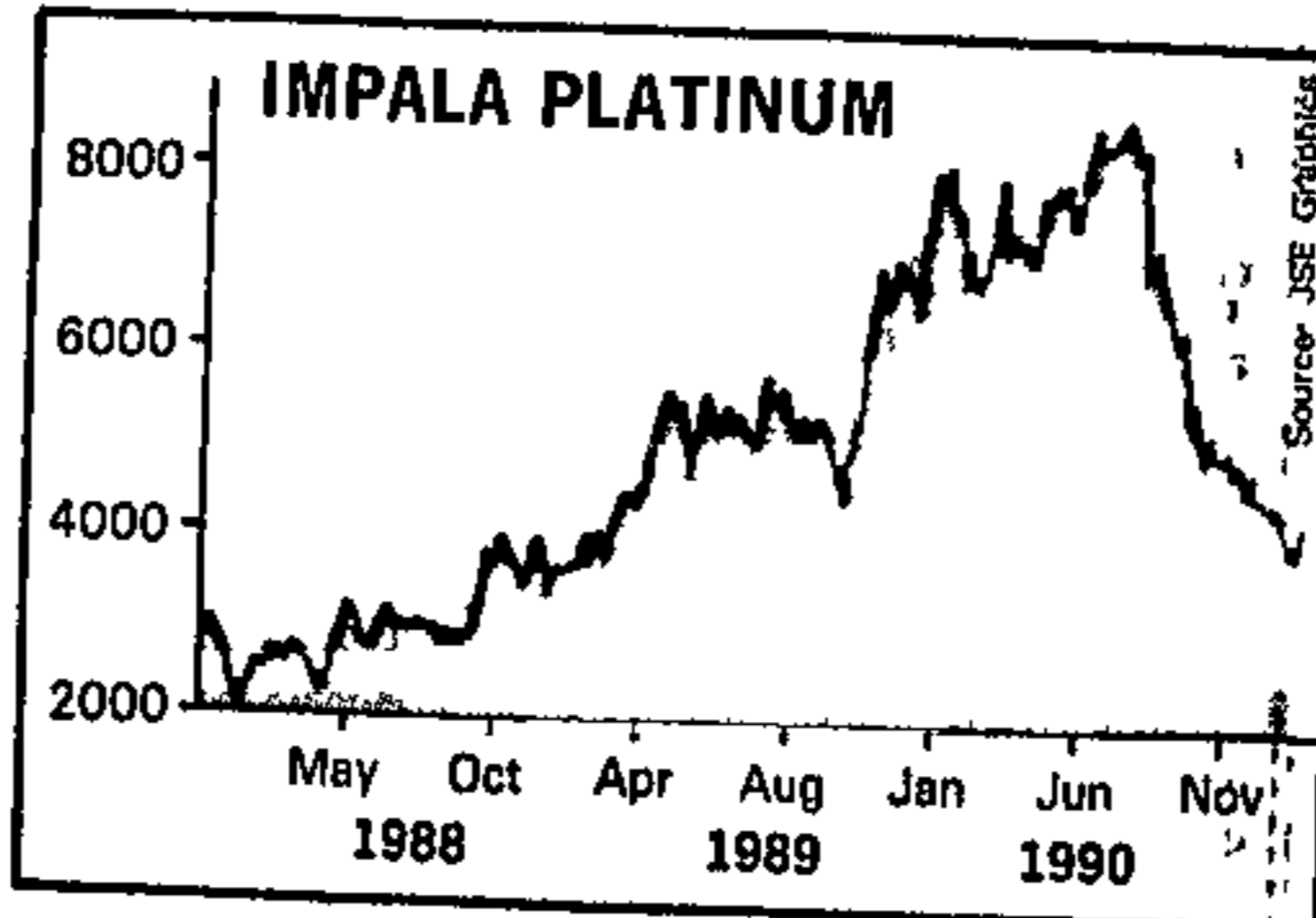
Mr Gilbertson echoes the Rustenburg Platinum view that the low platinum price is puzzling. He says there is no indication from customers that they wish to reduce their contractual obligations — if anything, demand is higher

Impala expects an oversupply of platinum this year and next, after which demand should begin to outstrip supplies.

Rhodium remained strong. The ratio of rhodium to platinum used in making auto-catalysts is higher than that in the reef

Impala's sales contracts were revised last year so that it receives market-related prices. The lead-lag effect of contracts means that better rhodium prices should be received for sales made in the second half-year, but platinum revenue will be worse.

In the half-year, Impala produced 528 000oz of plati-



num, slightly lower than previously because of poor ground and potholing at Wildebeestfontein North.

Technical director Mike Wortley is confident the problem can be overcome in the second half, but Mr Gilbertson is more cautious.

The weak share price and stock market in general have led to the shelving of plans to float separately the group's

Bophuthatswana operations. Other arrangements are being discussed with the Bafokeng tribe to make available to it a share in the Bophuthatswana company.

After the latest results, Impala's share price gained 575c to R45,75, only 6,5 times historic earnings. When compared with Rustenburg's demanding rating of 11,7, Impala looks a steal.

Barplats shares tumble 12% to new low

MATTHEW CURTIN

BARPLATS Mines' shares tumbled 12% to a record low on the JSE yesterday amid speculation the company was on the verge of announcing either a life-saving rights issue or the closure of its platinum operations.

Barplats shares closed at 145c, down from its previous close of 165c and its 575c a year ago. When the mine was launched, shares opened at R25. Barplats originated in Rand Mines's purchase in 1988 of mining entrepreneur Loucas Pouroulis's Lefkochrysos platinum venture, now called the Crocodile River mine.

Platinum analysts said yesterday the fall in Barplats shares was evidence the mine's financial problems

were coming to a head

They said Barplats faced a R400m to R500m capital shortfall, but it was not certain the company would be able to raise such a sum.

One analyst said "the market does not want to know Barplats" although others said Barplats was essentially running smoothly in the face of difficult market conditions

They said it was questionable whether Barlows would continue to pour money into Barplats with little foreseeable return on their investment. Shareholders have expressed concern over the decision to spend a further

R600m in capex at Crocodile River while the predicted payment of dividends had been delayed two years.

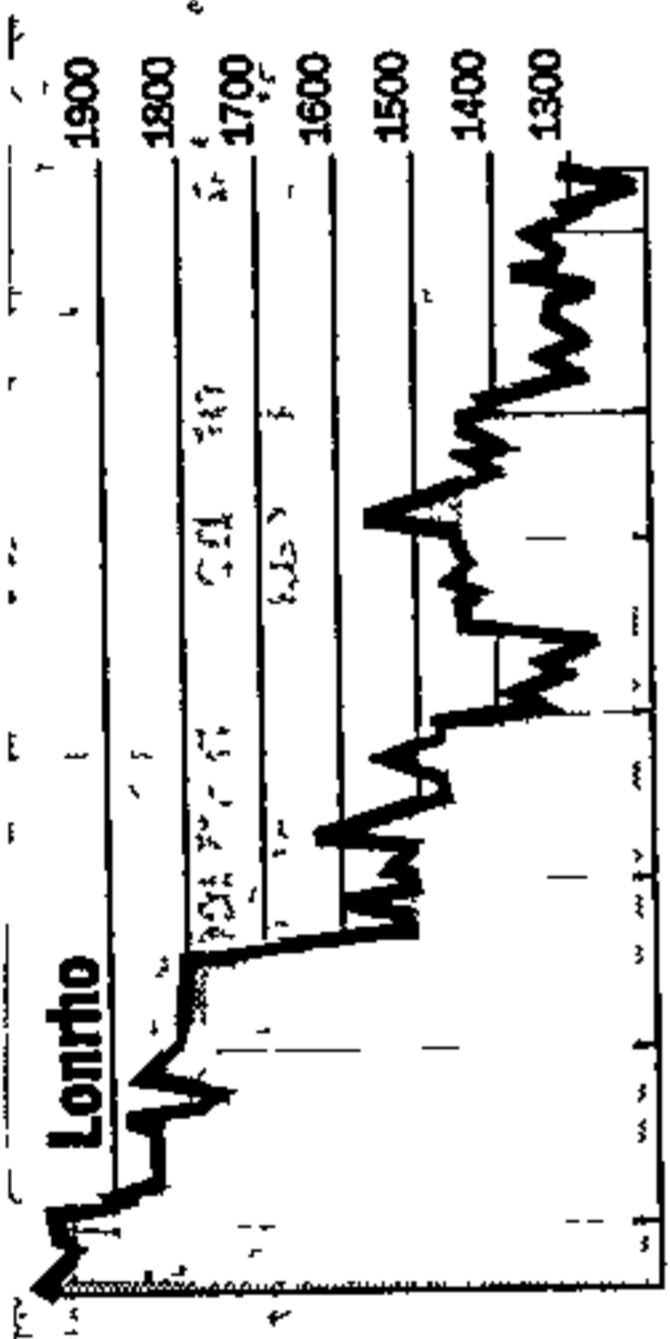
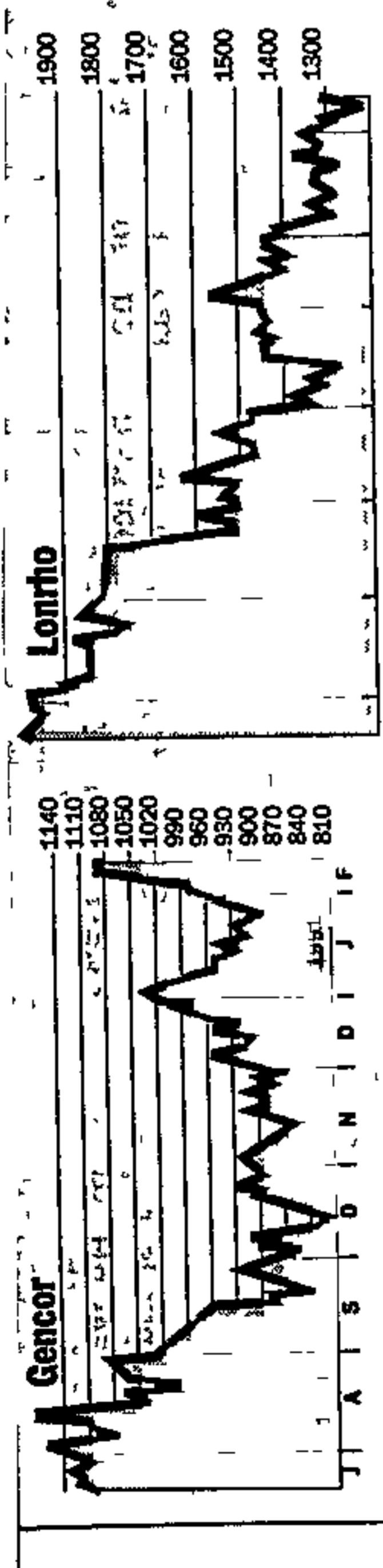
In August 1990 the company announced it had no more working capital. Costs of funding problems on the metals recovery pipeline had been higher than expected at R80m.

Analysts said Barplats's operations were bedevilled by low-grade ore, and smelting problems because of the high chromium content in the UG2 reef. The firm inherited a poorly developed ore body where trackless mining had not been installed to maximum efficiency.

Rand Mines comment was not available yesterday.

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16/12/91
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The graphs show the sharp rise in the price of Gencor and Lonrho

Lonrho, Gencor merger talk lifts prices

By Derek Tommey (17) *SAW 15/2/91*
 Shares of Lonrho and Gencor have risen strongly in the past few weeks.

British analysts say the reason is the possibility they might merge and list some of their interests.

Analysts in Johannesburg said last night Lonrho might be considering seeking a London listing for Western Platinum in which Gencor has a stake.

Gencor denied in December that it was planning a merger with Lonrho, but did say there could be co-operation at divisional level.

Analysts in London suggested yesterday the two groups could amalgamate their mining interests to create a separately quoted company on the International (London) Stock Exchange.

The analysts said this would highlight Lonrho's asset value. It would also appeal to UK investors who, since the takeover of Consgold in 1989, had found it difficult to maintain a weighting in precious metal mining.

But mining analysts in Johannesburg felt that at this stage only the listing of Western Platinum was being considered.

Lonrho chairman RW (Tiny) Rowland said recently Western Platinum was the world's lowest-cost producer of platinum.

Its capital value must be in the order of £1 billion (R5 billion). As Lonrho's current market value is about R7.3 billion, it seems that much of the group's assets are under-priced.

COMPANIES

Palabora hit by copper's slide

PETER GALLI

A LOWER average London Metal Exchange copper price for 1990 was largely responsible for the 22% drop in Palabora Mining's taxed profits to R228,01m for the year to end-December, MD Al Leroy said at the weekend

The copper price for the year was 7% lower at an average of R6 876 compared with R7 412 in 1989, he added

Group turnover, at R1,12bn, was 7,8% lower than in the previous year, with profit from operations after depreciation 24% down at R509,8m

Once an extraordinary item of R3,74m and prior year adjustments were included, the distributable profit amounted to R259,4m (R299,7m previously)

As a result, a final dividend of 240c a share was declared (275c), resulting in an 11% lower total distribution for the year of 780c a share (217)

The cost of production was higher because of lower tonnages and higher maintenance costs. However, higher than planned average millhead grades were achieved, which offset increases in labour, energy and materials costs, Leroy said

The 25th anniversary of copper production by Palamin, which began in 1966, coincides with the announcement of its results today



Palabora pays less

Lower copper prices saw Palabora Mining's final dividend fall by 35c a share for the year to December.

A final dividend of 240c (275c) has been declared, making a total of 780c for the year, 11 percent lower than the previous year's total distribution of 875c.

Group turnover at R1,12 billion was 7,8 percent lower than the previous year, and profit from operations after depreciation was R509,8 million (R670,8 million).

Profit after interest and tax was R228 million (R292,3 million).

After including extraordinary and prior year adjustments, the amount available for distribution was R259,4 million (R299,7 million).

The average price for copper quoted on the London Metal Exchange last year was R6 876/ton, seven percent lower than the 1989 average of R7 412/ton. — Sapa.

Rand Mines denies asking govt to help

RAND Mines refused to comment yesterday on market speculation that it was considering closing down its troubled subsidiary platinum operation, Barplats Mines (Barmine)

Rand Mines director Clive Knobbs denied "emphatically" that the group had approached government for financial support to prop up the operation

Analysts estimate Barmine needs a cash injection of at least R700m to keep it afloat. The company announced in August last year it had no more working capital

Mineral and Energy Affairs Department director-general P Hugo said he knew of no Rand Mines appli-

MATTHEW CURTIN

cation for a government loan

A Rand Mines spokesman said yesterday the company was reviewing different "production scenarios"

Frankel Kruger Vinderine analyst Kevin Kartun said yesterday that despite market rumours of Barmine's imminent closure, an impending rights issue and possible sale, the mine's long-term future was healthy

He agreed with other analysts that Barmine needed urgent short-term finance, but said a rights issue was not viable in present market conditions. Barlow Rand and Rand Mines had invested too much in the opera-

tion to allow it to close, he said.

Analysts said Barmine might have room to manoeuvre because of loan arrangements with its major investors by converting short-term bank loans into long-term loans

Kartun, who visited the mine last week as part of his company's investment conference programme, said production at Barmine had stabilised at 160 000 tons a month

The mine's smelting process, previously dogged by the high chrome content in the UG2 reef, was operating well after the installation of a chrome recovery plant. Better rhodium extraction was boosting cash-flow, given the metal's high price

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HEADING DOWN

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Copper producer Palamin's performance during 1990 matched or beat most analysts' expectations, but the drop in earnings and dividends appears the start of a trend likely to continue this year.

Palamin is the closest thing in SA to a "blue-chip" base metal share, consistently turning in excellent earnings and cost-control performances. However, this year's profits will be determined principally by two factors. The first, over which Palamin has no control, is the copper price. The second, which management can influence but has struggled against for several years, is the

TURNING DOWN

Year to Dec 31	1989	1990
Pre-tax profit (Rm)	686,7	515,6
Attributable (Rm)	292,3	228,0
Earnings (c)	1 013	805
Dividends (c)	875	780

bottleneck in Palamin's smelting operations. Palamin's refinery has the capacity to produce 137 115 t of cathode copper annually, but the mine has not been able to reach that level in recent years. It cannot push enough concentrates through the smelting plant to produce the required amount of anode copper to be sent to the refinery.

Two years ago, management installed a Con-Top cyclone at a cost of R10m, aiming for a 10% increase in smelter throughput. The unit failed to deliver the goods and was taken out of service last year. Palamin produced 120 000 t of cathode copper during 1990, compared with 116 000 t in 1989. Last year, management for the first time took a decision to sell the concentrates that could not be smelted instead of stockpiling them.

Palamin MD Al Leroy tells the *FM* about 30 000 t of concentrate, containing some 11 000 t of copper, were sold during 1990 and this policy will continue. That put total copper sales for 1990 at around 130 000 t, compared with 129 000 t for 1989, but the profit margin on concentrate sales is less than on cathode sales.

Leroy points out most of the equipment at

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the smelter has been in operation for 25 years — the first copper anodes at the mine were cast on February 19, 1966 — and needs upgrading or replacement. The overhead hot metal cranes, for example, have just been replaced. He says this work will continue and there should be an improvement in smelting performance this year.

The copper price received averaged £1 497/t, equivalent to R6 948/t for 1990, compared with £1 735/t (R7 537/t) during 1989. The current price is around £1 200/t (R6 000/t).

Leroy says that if the Gulf War ends within about a month, there are grounds to hope the copper price might improve by around £150/t. If the war drags on, then the outlook for 1991 is "dismal," given the recession in the major world economies.

After years of excellent control, Palamin's costs are now rising in line with the inflation rate which, combined with a lower copper price, must depress earnings. An important factor offsetting this to some extent is that the upward trend in the mine's grade will be maintained. That is a function of the mine plan, with higher grade ore located in the centre of the pit, where mining operations are increasingly taking place.

Mining is a long-term operation and Palamin is actively preparing for conversion to an underground operation at the turn of the century, when the economic life of the open pit will end.

Estimates are that at least 1,5 Mt of copper remain in the orebody, below the final depth of the pit. A 5,4 m diameter shaft being sunk from the bottom of the pit, which is 300 m below surface level, is now 200 m deep, heading for a final depth 561 m below the pit-bottom. A programme of diamond drilling to assess the orebody will start this year and Leroy says a final decision on the underground mine will be taken by 1994.

The final dividend of 240c a share makes a total of 780c for the year, putting Palamin, at 6 750c, on a 11,6% historical dividend yield. With analyst estimates on this year's dividend running as low as 500c, the share looks expensive.

Brendan Ryan

continued →

PRECIOUS partners gold, silver and platinum have lost their allure, says the Mining Journal.

Gold's failure to perform on the outbreak of war has confirmed for many the view that it is no longer a hedge against political and economic risk. Others believe that gold's obituary is premature.

The Mining Journal says: "The true merits of platinum, and more particularly silver, being classified as investment metal must be questioned as industrial uses become much more important to the long-term price performance."

Silver supply has outstripped demand, and since 1982 a 23 000-ton surplus has been added to the market overhang, equivalent to 17 months' Western demand.

Much of it is a by-product, and is not affected by a fall in the price. Industrial demand is likely to fall as the recession deepens and investor demand is all but finished.

Industrial demand for platinum grew from 95% to 97% of demand in 1990. Announcements of increased production by SA mines have increased speculation about oversupply in the mid-1990s.

A fall in demand for platinum from glass, petroleum and chemical industries looks inevitable in the current economic climate.

Demand for platinum jewellery is expected to weaken. Platinum investment in Japan has suffered.

Although investment demand for gold still plays an important role in the supply-demand equation, many investors now have doubts about it.

Gold retains one major difference from silver and platinum in that it is held as a form of monetary reserves by central banks.

The journal warns that if investors withdraw from the market, central bank holdings could become sterile reserves and be viewed as any other commodity stockpile.

Gold would then have lost its shine as an investment metal and become dependent primarily on fabrication and industrial demand like its other precious partners.

International brokers' views on gold's future remain mixed. Shearson Lehman says panic selling of gold from

S/Times
S/Times 24/2/91 (217) (2190)
**Precious little
for comfort**



weak holders, speculators and Australians has been partly offset by strong Far and Middle Eastern buying

It believes gold will appreciate by 15% to \$440 by the yearend, doing its duty as a hedge against risk.

Other brokers believe that price spikes should be used as

selling opportunities. Strauss Turnbull says potential sellers have to be unanimously convinced that a sustained rise is possible if the established \$360 to \$390 trend is to be broken

All agree that there is money to be made out of trading gold shares if one is prepared to bank profits and cut losses

Barplats falls from grace, but it's sitting on billions

ST Times 24/2/91

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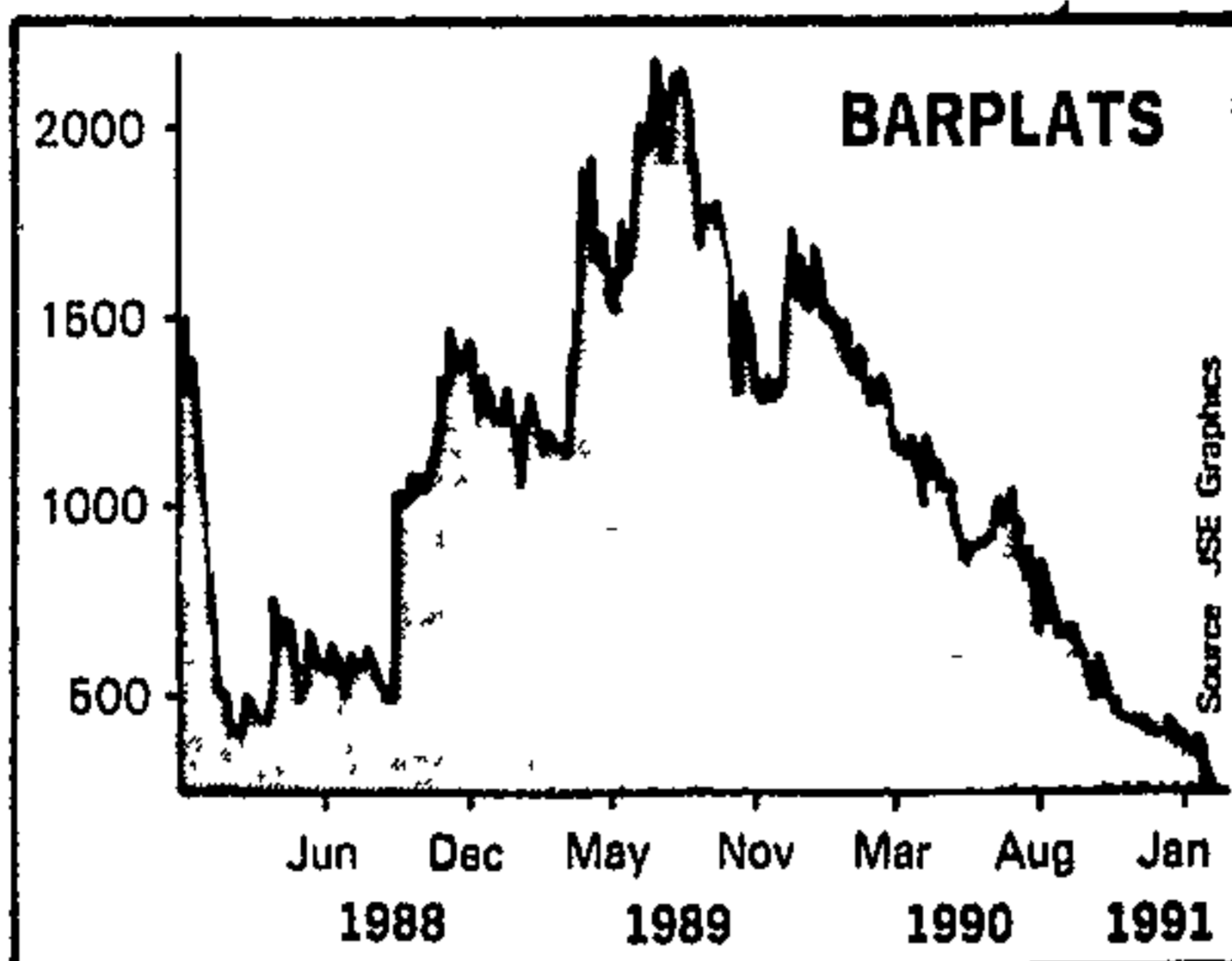
BARPLATS managing director Eddie Crocker believes the share price of the developing Crocodile River platinum mine at Brits is grossly undervalued.

His voice has been lost in investors' haste to pile out of the share which held so much glamour and a R20-plus price tag only three years ago

"There are more than a billion rands of assets," says Mr Crocker. The market capitalisation of listed operating company Barmines is only R220-million

Barplats shares have fallen from R15 a year ago to 260c, Barmines to 120c. The yield on Barplats 8% debentures, convertible into ordinary shares at the end of 1992, is almost 27%. After conversion, Barplats will hold 73% of Barmines

Barplats has mothballed operations at Kennedy's Vale, on which the original platinum hopes of Rand Mines were pinned.



Barplats bought control of the Lefkochrysos mine from Loucas Pouroulis in 1988 and renamed it Crocodile River. It paid 450c a share, and the current price is down by more than 70%.

This is not the kind of rating one expects from a company managed by the venerable Rand Mines, backed by the blue-chip Barlows. But Rand Mines' success in gold mining belongs to yesterday. This week's precipitous

fall in share prices, which have since rallied, seemed to come about after mining analysts visited operations there 10 days ago.

Most seemed to be impressed at the vast improvements in physical mining since their previous visits, but reported that nobody wanted to talk about the shortfall in funds.

Morale was reasonable, described to me as "ra-ra without the crayfish"

(Another mining house serves crayfish at almost every news and analysts' conference.)

One fund manager analyst said the lunch was good, but he was not really interested in buying Barplats shares for a good few years

Another said he was willing to pick up the shares at these low prices on the speculative hunch that a "white knight" buyer of the mine might receive a tax loss of several hundred million rands if changes to ring fencing were effected in next month's Budget.

At the September 1990 yearend Barplats had net current liabilities of R20-million and long-term loans of R148-million. Barmines' net current liabilities were R54-million. Debt has grown since then because the mine is not operating at break even.

Late last year, Barplats chairman Dammy Watt told me the mine would break

even in April or May this year.

This week Mr Crocker would not disclose the amount required to refinance the company, or how it would be raised. I offered an informed guess of R170-million. He said that was mere speculation.

Although at the last general meeting the number of authorised shares in Barplats was raised by 75-million to 175-million, and in Barmines from 260-million to 500-million, rights issues look an expensive way of raising equity finance at current share prices

Rand Mines has been accused of dragging its feet by ever fobbing off inquiries with "we are considering the different ways of raising money". Mr Crocker denies it.

He says that the five-month delay in tonnage build-up is well documented. Tonnage is building up now and recoveries are improving. The refinery is also operating well.

Metal recovery problems arose last year when arsenic-bearing sulphides were inadvertently added as a collector in the smelting process.

It took a few months to nail that hitch, during which Barplats' competitors gloated that its precious-metal products should be reclassified as toxic waste.

Mr Crocker says contract deliveries are being met easily and that rhodium — the priciest precious metal of the moment — is being recovered without difficulty.

I asked Mr Crocker what he would advise shareholders to do. He said he could not make recommendations, but "the fundamentals are all there"

The technicals yearn for a rally. Barplats is not for widows and orphans.

**CLOSING PRICES FROM THE
JOHANNESBURG STOCK MARKET
CAN BE FOUND ON PAGE 22.**

Lonrho-Gencor *Star 26/2/91.* rumours rekindled *(217)*

By Neil Behrmann

LONDON — Lonrho shares surged to 229p from 206p in the past few days on the London Stock Exchange on further rumours that the company would merge its mining interests with those of Gencor

Since its low point of 182p in October last year, the shares have appreciated by 26 percent, but both companies have not confirmed the persistent gossip in the market.

The latest spate of buying was the result of talk that Lonrho's chief executive 'Tiny' Rowland was in South Africa, last week. Last December Mr Rowland was quoted in the Independent newspaper that merger talks had taken place.

"If it suits Gencor we will be merging," Mr Rowland was quoted in

the newspaper as saying.

"Gencor is not considering merging with Lonrho," said Derek Keys, Gencor's executive chairman at the time. He did state, however, that discussions from time to time aimed at possible synergies between businesses in the two groups.

Mr Keys, in fact, alluded to synergy between Impala Platinum mine, one of Gencor's holdings and Lonrho's South African platinum interests at a company presentation in London last December. That remark precipitated the rumours

The most notable examples of potential co-operation are Impala Platinum mine, one of Gencor's holdings and Lonrho's South African platinum interests. Lonrho also has oil and gas interests which could do business with Engen.

Plans outlined to save ailing Acsis

MARCIA KLEIN

DARYLL Phillips, the South African chairman of ailing London-based marketing and business services group Acsis Group (Acsis), has announced proposals to try and save the group through refinancing and restructuring.

This follows a 44.4% decrease in earnings for the year to end-December 1990, which was reported yesterday. In the year to end-December, earnings decreased by 44.4% to 3p (5.4p) a share. During this period the group's share price fell by about 96.5%.

Phillips said Acsis would "be unable to continue trading" without the proposed measures, and if the group ceased to trade, "there would probably be no assets for distribution to shareholders". *10/25/91*

The measures include the issue of new shares to raise £2m, extension of bank's facilities, conversion of £1.5m debt into new shares (at 5p a share) and disposal to management of the group's media sales division.

It was also proposed that the group's international hotel design business, HBA International, be disposed of to its original vendors and that earn-out payments due to vendors of Nursing Management Services be restructured.

Results for the December year-end show pre-tax profit at £5.3m (£7.4m) on a turnover of £54.6m (£31.7m).

Extraordinary items of £6.1m include £5.6m for losses incurred by the disposals and restructuring.

No final dividend was declared. Phillips said "any future dividend would require consent of the group's banks".

Weak demand plays havoc with Samancor

MATTHEW CURTIN

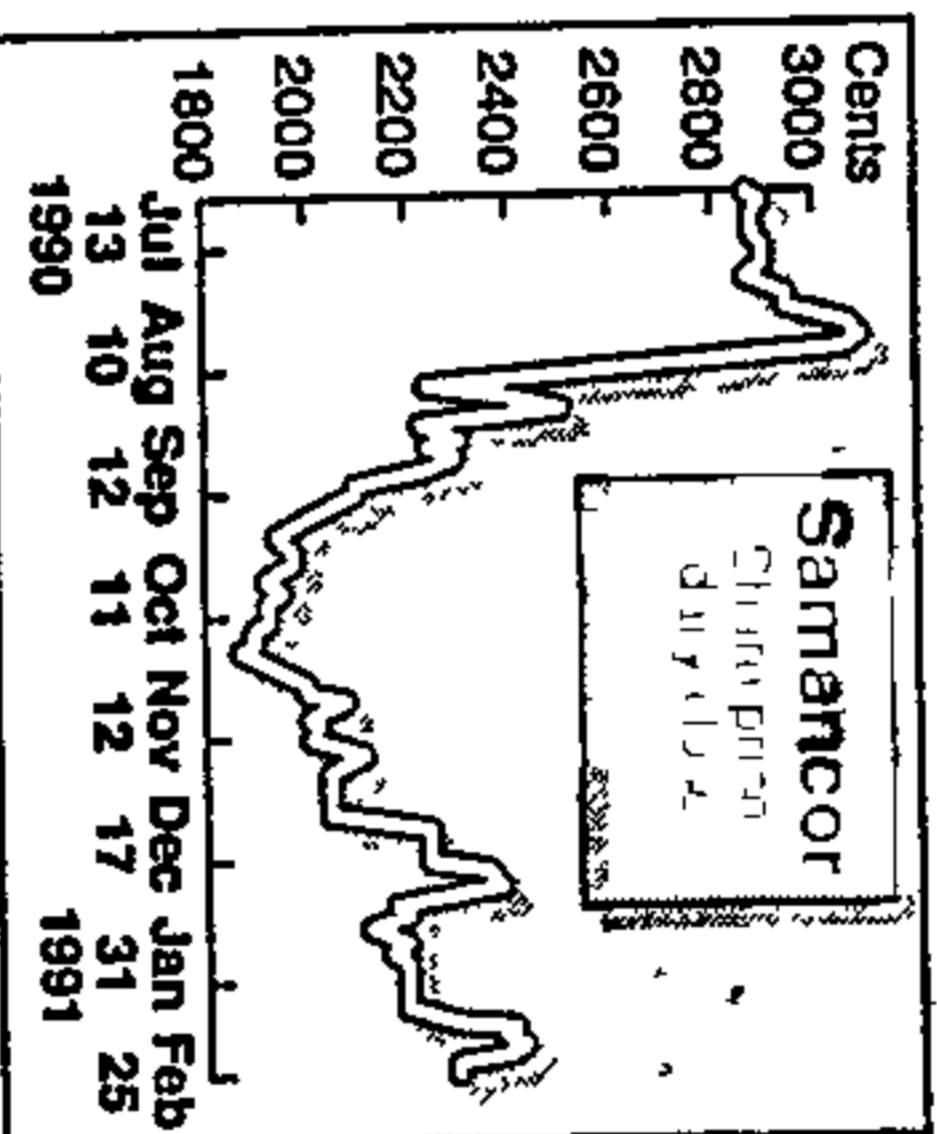
WEAK demand for manganese and chrome (ores and alloys) played havoc with Samancor's results for the six-months to end-December 1990. Earnings tumbled 44% to 109c (195c) a share on a 13% drop in group turnover to R871m (R1bn).

However, the dividend was maintained at 40c. The results showed how the drop in manganese demand and levelling off of manganese ore prices had combined with the low ferrochrome price of 47c/lb to deal the group a double blow at the interim stage.

Samancor's June 1990 year-end results were hurt by ferrochrome oversupply and weak prices, but sustained by spiralling manganese ore prices which rose 50% in dollar terms.

MD Hans Smith predicted the group's performance would be worse in the coming six months. The 2c rise in ferrochrome prices for the March quarter would not offset cost increases and a stronger rand/dollar exchange rate.

He said the ferrochrome price had to and would rise to 55c/lb in the coming quarters. "Ultimately we will get this price if there is a responsible approach from local producers".



GRAPHIC FROM KRISSCH SOURCE: JSE

Overall growth in the stainless steel market — which provides over 90% of ferrochrome demand — was likely to run at 3.5% a year.

Fierce competition for market share between Samancor and Middelburg Steel & Alloys, Consolidated Metallurgical Industries, and Chromcorp Technology has driven the alloy price down.

As SA's largest ferrochrome producer, Samancor was nevertheless well-positioned to follow its competitors if they did cut prices, Smith said. Samancor was operating at 70% of its total capacity (620 000 tons a year), and at 70%-75% of its ferrochrome capacity (590 000 tons). The group was "comfortable" even with two furnaces out of action.

After-tax profits of the chrome division (ore and alloys) fell 87% in comparison with the same period last year. Manganese division after-tax profits fell 22%.

Manganese division GM David Munroe said the demand and supply of manganese ore was stable and the market was unlikely to soften.

However, the manganese alloys market was more sensitive, and although prices were driven by the ore price, fluctuating Chinese and Russian supply of silica-manganese — an alternative ingredient in carbon steel production — depressed the market. Samancor's Columbus project, a joint venture to make stainless steel with Highveld Steel & Vanadium, looks unlikely to put SA on the stainless steel map in the near future.

Smith said with foreign investors unwilling and no guarantee of government support for the steel project, Columbus was "of marginal economic viability".

Samancor could only budget conservatively on Columbus's future and the magnitude of the investment necessary to secure the project was currently prohibitive. The estimated cost of the hot-rolling steel plant was over R2bn.

The joint venture stalled last year when a deal with potential Taiwanese partner Yieng Loong fell through.

Zaiplaats halts its tin operations

ROBERT LAING

ZAIPLAATS today announced the suspension of its tin operations.

Directors said in a statement the continuously low tin price and unsatisfactory performance of Zaiplaats's tin tailings treatment plant and smelter facility had forced it to suspend all its tin operations. Negotiations with Tancor of Geneva were still in progress.

Zaiplaats advised shareholders to continue exercising caution in dealings in its shares. The cautionary announcement two weeks ago regarding the negotiations with Tancor pushed Zaiplaats's shares up 85c from 120c. It was 190c yesterday.

The company's andalusite operations were doing well, the announcement said. Zaiplaats bought Annesley Andalusite from its parent company Zimco in 1989. The R8.3m payable to Zimco was settled by issuing 1.16-million shares at 717c each.

MD Roy Travis said the board was not willing to add any comment to the announcement. In the six months to September Zaiplaats reported the tailings plant and smelter, for which it had raised R7.6m, were not operating properly. Underground tin operations were curtailed because of the metal's prevailing low price.

Zimco, which holds 65% of Zaiplaats, was formed through the merger of Zincchem, Cookson SA and former Anglo American subsidiary Industrial Mineral Resources.

Zaiplaats transferred its JSE listing from the "Metals and Minerals — Tin" sector to the "Financial — Mining Holdings" sector two years ago.

Rise in ferrochrome price 'to help firms'

Byline 27/2/91 (217)

MATTHEW CURTIN

IMPROVING global market conditions would lift the international price of ferrochrome to levels necessary to raise the flagging fortunes of SA's ferrochrome producers, Middelburg Steel & Alloys (MS & A) chromium MD Paddy Probert said yesterday

SA producers needed ferrochrome prices to reach about 55c/lb to break even comfortably, and at least 60c/lb to generate an adequate return on shareholders' funds SA is responsible for 45% of world chrome ore production

The ferrochrome price slumped 40% from all-time highs of 80c/lb two years ago in the face of slackening stainless steel demand and ferrochrome oversupply SA producers won a 2c price rise to 49c/lb in the March quarter

Probert said despite the increase, it was possible none of SA's producers, the world's lowest cost producers, was close to a profit

But MS & A's chrome direct reduction (CDR) kiln, off-line since October, was set to start operating

today Probert was confident with better prices in the offing, MS & A was on the way to reaping the rewards of its pioneering low-cost processing plant

MS & A is wholly owned by Barlow Rand and its profits plunged R160m to R52m in 1990 after years of growth which had boosted Barlow's earnings

Analysts say fierce competition among local ferrochrome producers — MS & A, Samancor, Consolidated Metallurgical Industries, and Chromecorp Technology — has driven prices down in the past, and some say greater co-operation will improve the industry's fortunes

Probert said MS & A was very sensitive on the question of a local ferrochrome cartel, wary of the anti-trust laws in the US and Europe, and doubtful whether with only 45% of world production, SA pro-

ducers could determine prices

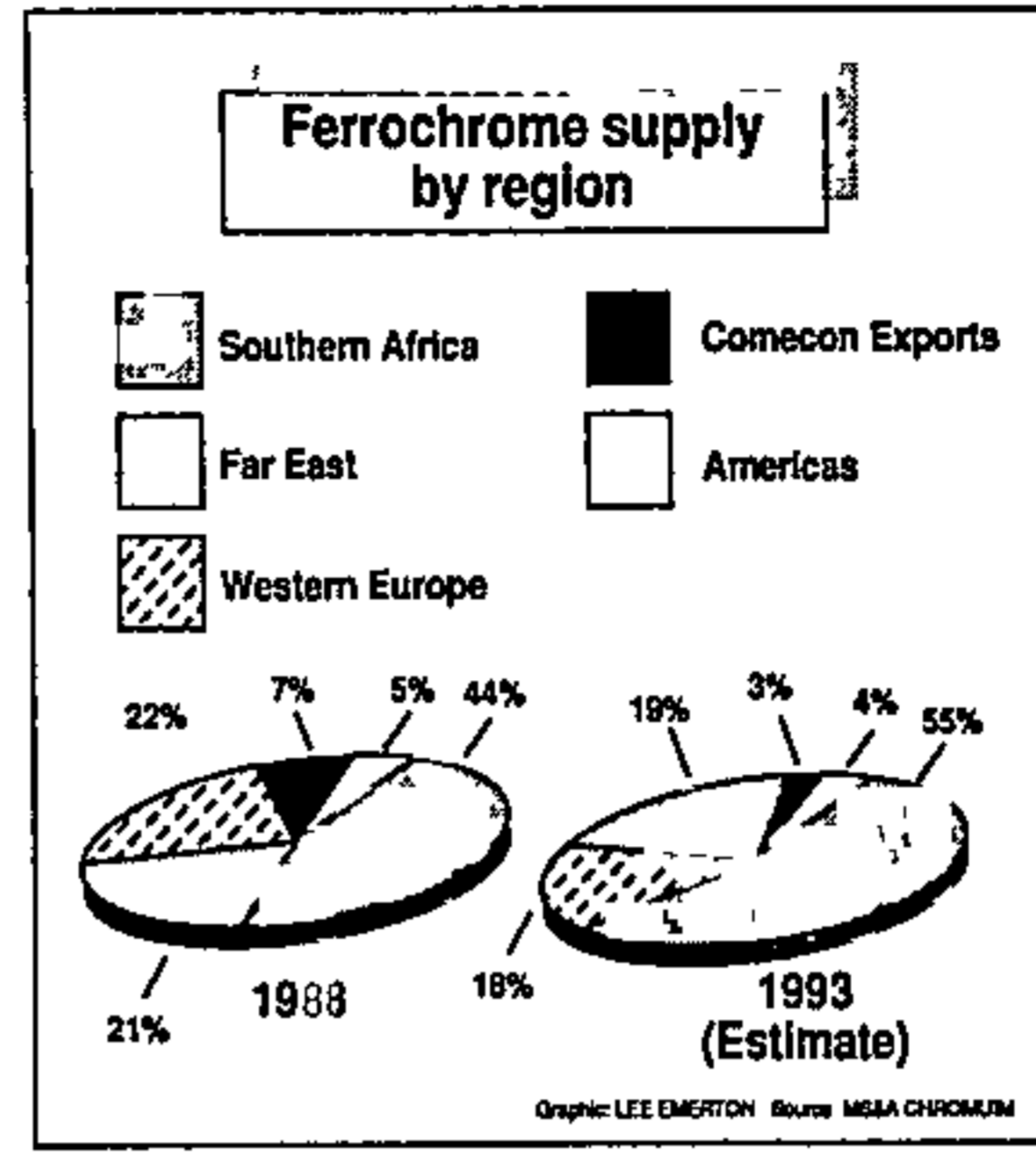
MS & A was "undecided in the short-term" whether to fight for higher prices now, or to suffer the weaker price at which its oper-

However, Probert was confident the fundamentals affecting international ferrochrome supply and demand were in place to push the alloy's price up

Stainless steel prices were now back to 1987 levels, but 1990 was a record year for the amount of stainless steel produced worldwide The spot price for ferrochrome had moved from lows of about 38c to 50c for US customers as "spot material in the last quarter had dried up" He said demand for ferrochrome was strong.

An important change had taken place in Japan where stainless steel production hit record highs in November and in the December quarter as a whole Japan was set to ease its recommended ceiling on SA ferrochrome imports

Probert said there were factors working against a bullish view of the market Examples were Albanian, Yugoslav and Soviet producers, which disrupted the market by selling ferrochrome at any price to earn hard currency



ations were marginal but its international competitors were severely squeezed

MATTHEW CURTIN

GLOBAL market conditions are right for investors to return to silver as the gap between silver fabrication demand and silver supply continues to narrow, says the Washington-based Silver Institute

The institute said in its first World Silver Survey, published at the end of last year, that silver supply fell in 1990 for the fourth year running to 521-million ounces

Silver investor and fabrication demand rose to 505-million ounces, and the institute said the increase in supply would exceed the increase in demand through the 1990s by 3.3% a year against 2% a year

The institute said at the end of January investors were returning in force to silver

Sales of Silver American Eagle coins

'Market conditions right' for return to silver

broke 1-million ounces for two months consecutively for the first time since 1987. The Canadian Mint reported its silver coin sales had doubled in the same period. Silver American coin sales rose 20% in 1990.

However, other analysts have been more sceptical over silver's future. The London-based Mining Journal said recently precious metals — gold, platinum and silver — had "lost their allure".

"The true merits of platinum, and more particularly silver, being classified as an investment metal must be questioned as industrial uses become more important to long-term price performance."

The outbreak of the Gulf War

prompted aggressive silver and platinum bullion selling, and the price of silver hit a 17-year low of \$3.77 on February 24.

The silver market's fortunes have been dogged by over-supply, although in the late 1970s, there was a worldwide shortage of silver. By the end of the decade, investors' stocks of the metal no longer matched fabricators' demand and the price surged from previous levels of \$4.00 to \$5.50/oz to a record high of \$48 at the end of 1979.

Within a year as the international recession took hold, silver demand fell away, and the price began an inexorable slide back to 1970s' levels. Silver supply fluctuated in the 1980s, sparking a price rise in late 1982 to \$15/oz, but

there has been a surplus every year since 1979. The price dropped below \$4.50 in October last year.

But the institute said silver's low price had spurred industrial use and an increasingly vital component in modern film processing techniques, from speed colour film processing to X-rays, and accounted for an estimated 150-million ounces in 1989. Kodak predicted a 5% annual growth in consumer photography until 1996.

The electronics industry provided 50% of fabrication demand in 1989, up 10-million ounces from a nadir in 1983, as silver became a plentiful and cheap alternative to platinum and palladium. The institute said fabrication de-

mand had doubled since 1980. "The 1990s may be a turning point for silver after a period of protracted weakness."

Silver has three sources. Western world mine production, led by Mexico, which provides the bulk of total new metal supply, secondary supply — coin melt and scrap — and other supply, made up of government bullion disposals and non-Western mine production.

SA is responsible for about a quarter of Africa's total silver mine production, but only 1.2% (5.7-million troy ounces) of world production in 1990. North America and Mexico account for more than 37% of world production.

The institute is a non-profit international trade association of silver, miners, refiners and fabricators.

Ceasefire likely to give metals exports a boost

By Neil Behrmann

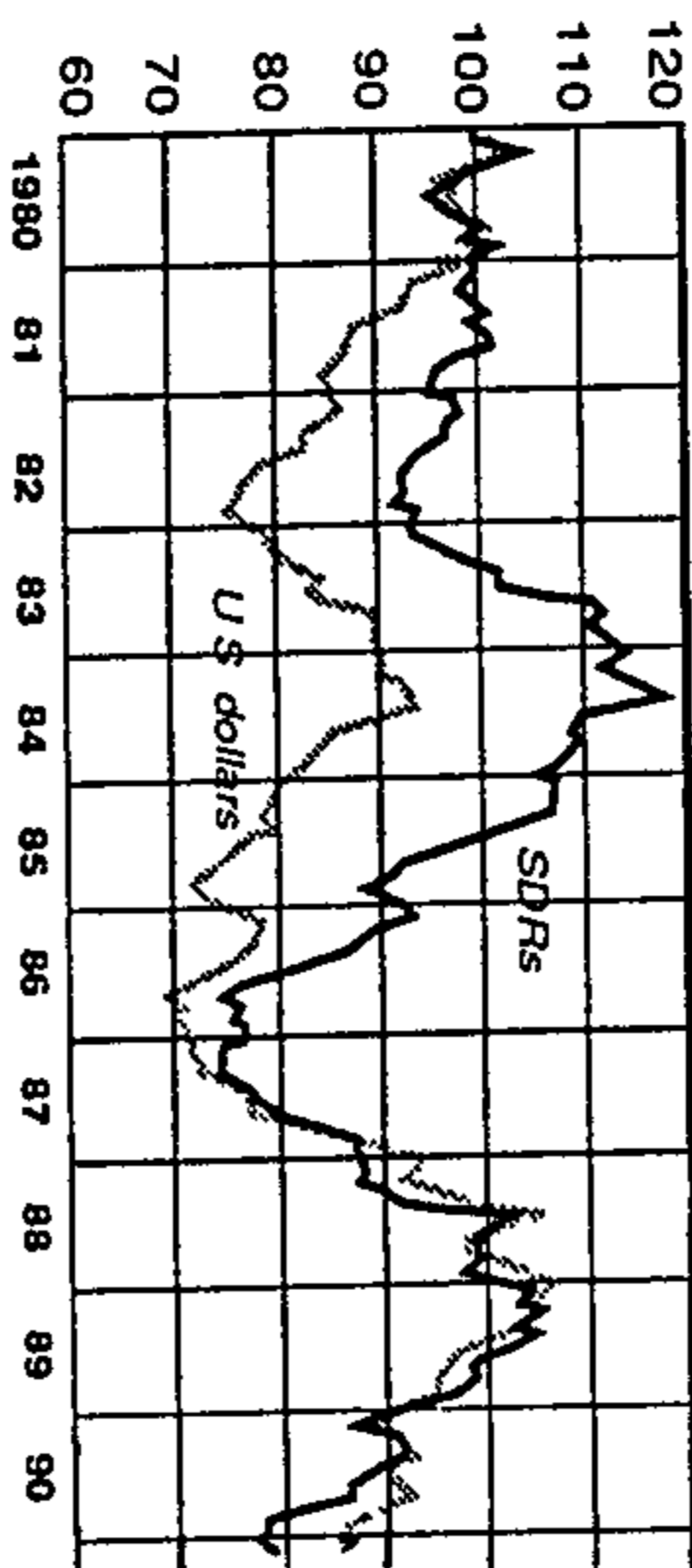
LONDON — South African metals exports are likely to improve during the remainder of the year, following the capitulation of Iraq.

The demand will come from reconstruction of the Gulf and hopefully from an improvement in capital goods spending plans in the economies of the major industrialised countries.

Metals analysts and dealers however, caution that there will not be a surge in demand and prices of metals. But as an example of the confidence factor, platinum has recovered all its losses of the past few weeks and has soared to \$405 on Friday from \$375 an ounce on January 22.

Platinum jumped because Japanese buyers who had been holding off purchases during the conflict, re-entered the market with enthusiasm.

Dealers are also hoping that the decline in motor vehicle production, particularly in the US, will be arrested. The surge



Non fuel commodity prices (1980 — 100): Indices comprise 39 price series for 34 primary commodities. (Source IMF research division).

in platinum prices, however, will not necessarily be translated into a sharp upturn in platinum company profits.

Rhodum, now a major profit earner, dipped to R5100 an ounce from its recent peak of R5700.

Reconstruction of Kuwait which is estimated to cost at least \$100 billion (R250 billion) will have a significant effect on demand for steel, copper, alu-

minium, nickel, zinc and chrome.

Chrome will be needed for the stainless steel that will be used to install new desalination plants and aluminium will be another important metal.

Following the devastation of buildings, bridges, roads and networks, construction companies will order large amounts of copper piping and cables. Dealers believe that base

metals prices which have fallen sharply in the past few months will bottom out in the next few weeks and recover later in the year if there is evidence that the US economy is turning upwards.

Whilst stockmarkets sometimes correctly anticipate an improvement in economies, base metals prices normally turn up once the economic revival is already under way.

Copper was thus the only base metal to rise markedly following the announcement of the cease fire. The initial price rise was psychological. Dealers appreciate that production and inventories are sufficient to satisfy demand.

Any fillup to business confidence, however, will boost demand for base metals and other key industrial raw materials, sooner than expected, say analysts.

From their peaks in the middle of last year lead and nickel are down by more than 50 percent, whilst zinc, aluminium and copper have fallen by more than 30 percent.

longer term in the current situation

production to level



Tamcor offers
320c a share
for Zaaiprats

Finance Staff

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Swiss group Tamcor SA has made an offer of 320c a share to gain full control of tin and andalusite producer Zaaiprats Mining.

Tamcor owns 20 per cent of Zaaiprats and has already received acceptances from the holders of another 70 percent.

The offer of 320c a share compares with the market price of 127c before the cautionary announcement on February 14 and values Zaaiprats at R15 million.

The deal was arranged by French Bank of SA.

Zaaiprats last week suspended its tin operations as a result of the depressed tin price as well as difficulties in achieving satisfactory performances from its tin trailing treatment plant and smelter facility.

Investor interest perks up platinum

PLATINUM was well and truly back in investors' good books as the platinum index rose 90 points to 4 604 on the JSE yesterday, a 36% jump since a low of 3 383 on February 4.

Analysts said yesterday investors had woken up to the fact that platinum shares, buoyed by the steadily improving platinum price, had a far lower "risk profile" compared with gold shares.

Platinum closed at \$406/oz yesterday, up from \$375 on January 22.

Davis Borkum Hare analyst Alex Wagner said the change in perception was long overdue.

Platinum operations were a sound investment because of the diversity of commodities involved — platinum and its by-products palladium, rhodium, nickel, and copper.

"The five-year fundamental market conditions facing platinum are considerably better than those facing gold," he said.

31 Day 5/3/91
MATTHEW CURTIN (217)

Frankel Kruger Vinderine analyst Kevin Kartun believed the platinum market might have been dulled by producers insisting customers buy higher than necessary amounts of the metal in recent months. Customers needed platinum and rhodium in the ratio of 5:1 for auto-catalysts, but faced with having to buy larger amounts of platinum to obtain the rhodium, they were putting platinum back on the market.

Rhodium's strong performance — the metal's price is still over \$5 100/oz — continued to underpin platinum producers' performances.

Platinum shares rose firmly across the board yesterday. Even Rand Mines' cash-strapped Barplats Mining (Barmine) rose 6,6% (10c) to 160c a share, a 33% rise from a low of 120c a month ago.

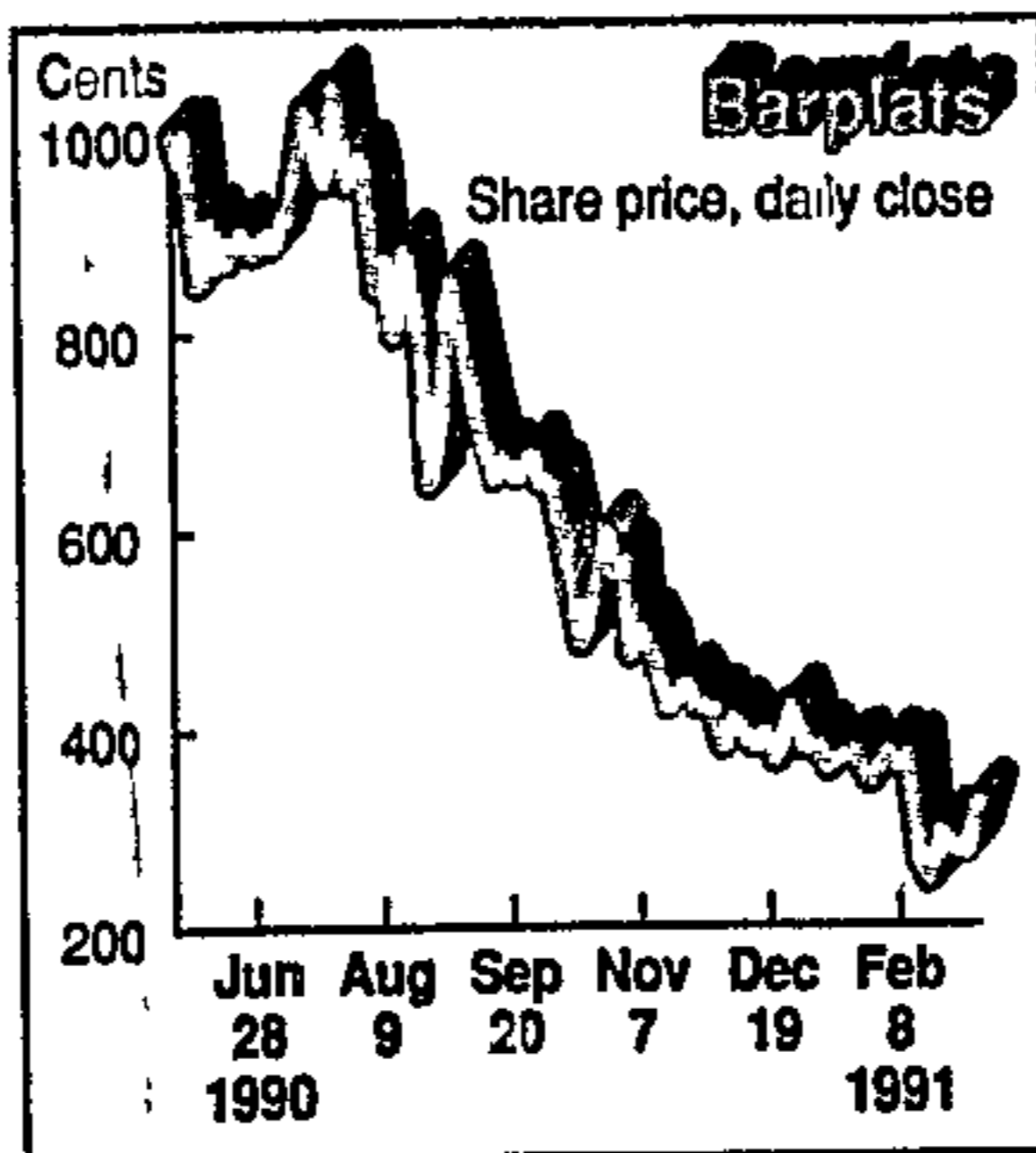
Genmin's Impala Platinum (Im-

plats) climbed 3,1% (175c) to close at R57,00 a share, while JCI's Rustenburg Platinum (Rusplats) rose 1,1% (75c) to finish the day at R66,75c. The shares have risen 44% and 33% from lows on January 31 and February 4 respectively.

Both Implats chairman Brian Gilbertson and Rusplats chairman Barry Davison said last month they were unable to account for the low platinum price and said platinum shares were oversold.

Kartun said the metal's long term prospects were good. The short duration of the Gulf war meant there was a far more positive outlook for the US economy. In addition, lower oil prices were good news for the auto industry, the destination of most platinum supplies.

Wagner said platinum would regain a substantial premium to gold, perhaps as much as \$100/oz, within eight months.



Graphic: FIONA KRISCH Source: JSE

Talks begin on aid for ailing Barmine

MATTHEW CURTIN

RAND Mines took the first steps yesterday in an attempt to solve the short-term financial crisis facing its Barplats Mines (Barmine) platinum operation

In the first of two cautionary announcements yesterday, Barplats Investments, Barmine and Rand Mines' Vansa Vanadium said negotiations had been started with "an interested party which, if concluded, could result in the rationalisation" of the three companies

Rand Mines was also advised that controlling shareholder Barlow Rand was considering a reorganisation of interests in its mining and mineral beneficiation division.

Rand Mines director John Hall said yesterday it would be inappropriate to com-

□ To Page 2

Barmine

ment further on the negotiations

Analysts have said Barmine, which is R260m in the red, needs a capital injection of at least R400m

Yesterday observers were divided about who Rand Mines was talking to

Some analysts said the only likely party was JCI's Rustenburg Platinum (Rusplats) as it had the cash reserves to contemplate a deal with Rand Mines, but chairman Barry Davison would not comment.

Rusplats shares rose 2,2% to R68,50 yesterday, a 36,3% climb from a low of R50,25 on February 4. Barmine's shares fell 80% in the year to end-January from 560c to 120c, before recovering in the past two weeks to 160c yesterday afternoon

The analysts said whether Rusplats bought Barmine or simply invested in the operation to maximise its existing plati-

num infrastructure, the move would bolster both share prices. Barmine was "a bargain" because for an investment of about R300m the JCI stable would gain an established platinum mine with base and precious metal recovery plants, which would require capital expenditure of at least R700m to install from scratch.

Other analysts suggested Rand Mines had moved only to secure investment necessary to complete capital expenditure at Barmine. They said either unknown foreign investors, Anglovaal (the only mining house not to own a platinum operation) or Genmin were talking to Rand Mines.

An Anglovaal spokesman denied to two groups had entered negotiations. Implats MD Mike McMahon said any question concerning Barmine "should properly be addressed to Rand Mines"

□ From Page 1

Change of control at Barmines likely

Star 6/3/91.

217

Rand Mines may be handing over control of its trouble-plagued platinum producer, Barmines (formerly Lefkochrysos), to another platinum producer.

Barmines, which has not yet made a profit, has cost its shareholders almost R900 million

Barmines announced last night that negotiations had started with an interested party which could result in the rationalisation of its operations

It warned shareholders that the negotiations could affect (presumably favourably) not only its share price but the share price of Barplats Investments, which holds 72,6 percent of its capital, and Vansa Vanadium, which has a stake in Barplats Investments.

Barplats Investments' parent company, Rand Mines, also reported that it was considering a reorganisation of certain interests within its mining and mineral beneficiation division.

Share price

Speculation has been rife in the share market for some time about the future of Barmines. For the past 12 months its shares have been in a precipitate decline. They fell from just below 700c in January last year to 125c earlier this year before recovering to 150c.

Shares in pyramid company Barplat have also dropped sharply from around 1700c to 300c.

The slump in these share prices reflects the continued poor results at Barmines and its need for new capital. In the year ended September it had a negative cash outflow of R334,6 million, which was mainly financed by a rights issue which generated R301,5 million in new capital

At that time there were hopes that the mine was about to turn the corner. But since the end of September the platinum price has fallen by about 12 percent from around \$440 an ounce to around \$387 an ounce.

Diagonal
Street

DEREK TOMMEY



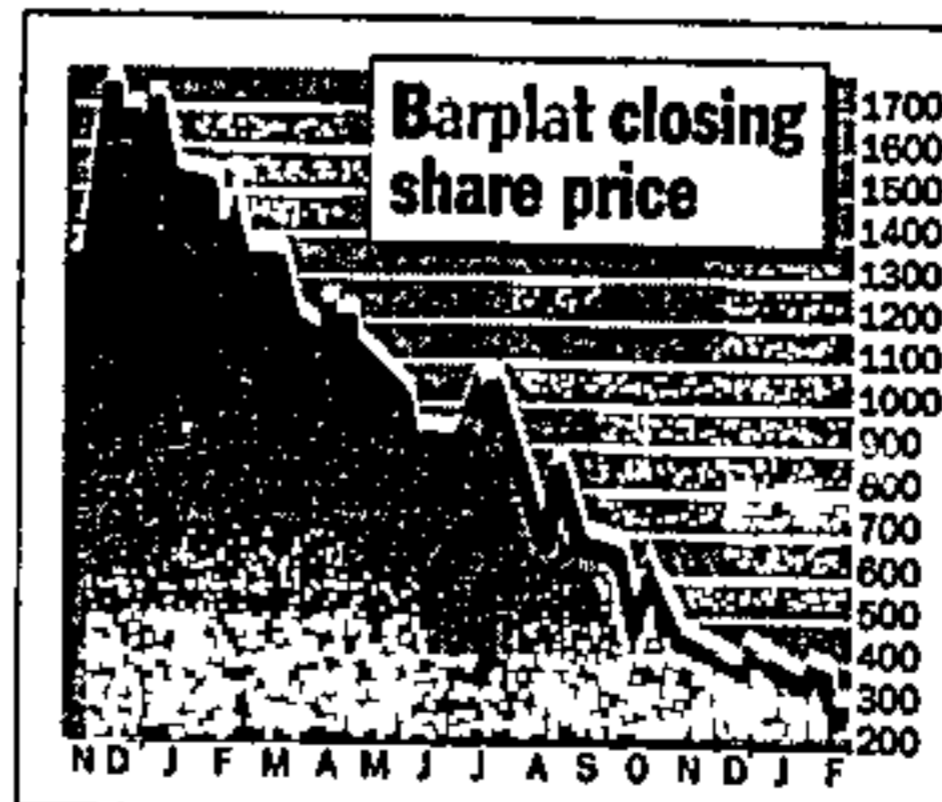
It is generally assumed that in spite of the high prices which Barmines is receiving for its rhodium, its results remain poor. As capital expenditure this year is planned at R233 million and operating losses are being capitalised it probably still has a strong negative cash flow.

Barmines has an obvious need for money. But its shareholders, after the heavy losses they have already suffered, are clearly in no mood to put more money in the mine.

However, all is not lost, especially if the Government removes ring-fencing in the forthcoming Budget. Barplats Mines had a tax loss of R882,3 million at the end of September. A profitable platinum mine which merged with Barmines could put this tax loss to extremely good use while at the same time financing Barmines' current operations.

Market speculation is that either Rustenburg Platinum or Impala Platinum (with Impala the most favoured) may be negotiating to take over Barmines and its tax loss, and hopefully put Barmines into profits.

Should anything like this happen, Barmines' shareholders and shareholders in associated companies, will probably be offered shares in the company making the takeover — and find themselves with at least a small stake in a profitable operation.



Platinums feature

By Jabulani Sikhakhane

(217) start 2/13/91

VANSA, BARPLATS, BARMINE and RAND MINES featured on the JSE yesterday following a cautionary notice about the possible rationalisation of operations.

Vansa made the highest percentage gain of 16,7 percent to 140c and Barplats picked up 30c to close at 360c. But Barmine eased back to close 10c firmer at 170c after reaching 180c at some stage.

George Huysamer platinum analyst, John Clemmow said yesterday that Rustenburg Platinums was looking at Barplats. "They are not talking about buying the mine nor have they made any commitments."

Rustenburg Platinum does not want the mine, but could be interested in Barplats platinum refinery.

Clemmow added that Barmine was losing R30 million a month. "The mine has broken even at the operational level, but after capital expenditure and servicing of debt, the mine is making a loss."

Other platinum shares were also higher with IMPLATS adding 75c to R59,75 and NORTHAM up 50c to R21. RUSPLATS eased back to close unchanged at R68,50 from a day's high of R68,75.

In the rest of the market, the industrial index surged 46 points to a six-year high of 3260 as the renewed bullish sentiment on world markets sent share prices surging.

The gains on the JSE were in line with the firmer Tokyo and London markets yesterday.

On the back of a firm Wall Street on Tuesday, DEBEERS rose 250c to R78 — its highest level since the beginning of last September. Associate ANGLOS picked up 225c to R104,50.

On the industrial market AMIC surged 5,1 percent to R82 and BARLOWS added 150c to a nine-month high of R40. Shares like SAPPI, TONGAAT and AECL, which are mostly cyclical stocks, were also higher.

Analysts said institutions were beginning to look at second-liners and cyclicals because most blue chips were considered over-valued at current levels.

● The volume of shares traded yesterday was 12 017 208 valued at R114 159 209 compared with 10 450 470 valued at R121 427 549 on Tuesday.

ANOTHER SHUFFLE?

The financial crunch at the Rand Mines-controlled platinum producer, Barplats, has come to a head. Judging by the cautionary notices published on Tuesday, it appears the house could be forced to concede defeat on yet another project.

The candidates most likely to be the "interested party" with which Barmines is negotiating on a rationalisation of operations are Anglo American Corp, Impala Platinum (Implat), Rustenburg Platinum (Rustplat) and Gold Fields of SA (GFSA). Of these, Rustplat seems the best bet.

Rustplat MD Barry Davison declined to comment on whether the group was negotiating with Rand Mines about Barmines when approached by the FM. Both Anglo American Corp public affairs consultant Michael Spicer and Implat chairman Brian Gilbertson denied they were negotiating with Rand Mines/Barmines. GFSA deputy chairman Colin Fenton says GFSA is not involved.

One outsider that might also be interested is Anglovaal, which wants an entry to platinum, but deputy chairman Clive Menell tells the FM the house is not involved "to his knowledge".

Rustplat, controlled by JCI, has demigrated the Barmines operation ever since former chairman Loucas Pouroulis started it up as Lefkochrysos Platinum.

Even so, there are sound reasons why Rustplat might like to get control of the operation. JCI controls a large platinum deposit — the Pandora project — which is

contiguous with Barmines' Crocodile River mine near Brits. Pouroulis took a chunk out of Pandora to be added to Lefko when he convinced Louw Alberts, then director-general for Mineral and Energy Affairs, to re-allocate certain State-owned mineral rights forming part of Pandora to Lefko.

JCI has not developed Pandora because the house owns higher-grade platinum reserves elsewhere that are easier and cheaper to develop. Bitter experience at Lefko/Barmines with mining and metallurgical problems bear out JCI's assessment.

Now that Pouroulis and Rand Mines have spent hundreds of millions of rands developing a mine on the site, it may be worth a re-assessment if JCI could get it cheap enough. Alternatively, the house may want to acquire the mine and simply close it. That would greatly help the existing platinum producers. Removal of a new competitor would be bullish for the platinum price in a market currently affected by customer perceptions of oversupply.

It is understood the crunch over Barmines has been forced on Rand Mines by a new tough attitude from holding company Barlow Rand, which is not prepared to stump up more funds. The mine's capex programme has run way over budget, working capital has been funded by loans since about August and Rand Mines has been ducking questions since then on what would be done about Barmines' financial problems.

All queries to Rand Mines on Tuesday were referred to group administration manager, Marshall Merton, who declined to add anything to what was in the announcements. The big question is how far these moves will extend. Barlow has told Rand Mines it is considering a "re-organisation" of certain interests in its mining and mineral beneficiation division — which also includes Middelburg Steel & Alloys as well as PPC.

If Rand Mines does lose control of Barmines, it will be the latest in a series of setbacks for the house, which in the last year has closed down the Vansa vanadium mine and Barbrook gold mine. With its existing gold mines all marginal at current gold prices, the house will be left as little more than a holding company for its coal and property interests.

Brendan Ryan

What's in it for JCI and Rusplats?

FRONT-PAGE cautionary announcements from Barmines, Barplats, Vansa and Rand Mines were enough to push share prices comfortably off their recent lows.

A joint notice from the first three said that negotiations had been initiated with an interest party which could result in the rationalisation of operations.

Rand Mines referred to this notice, adding that controlling shareholder Barlow Rand advised that it is considering a reorganisation of

its mining and mineral divisions

Rand Mines is the biggest shareholder and provides management for Barmines. Barplats is solely a pyramid of Barmines, while Vansa owns 12% of Barplats. Vansa also owns the Winterveld chrome mine, but its vanadium operations were mothballed last year because of poor prospects.

The named parties are keeping mum on what the announcements mean. Rand Mines says that the interest party requires anonymity. Speculation on who might

be interested is abundant. JCI and Rustenburg Platinum director Barry Davison say "no comment". But that group is a short-odds contender for several reasons.

It might wish to take over Winterveld, which supplies JCI subsidiary Consolidated Metallurgical Industries with ore from which ferrochrome is produced. But CMI is cash-strapped itself, and also has its own reserves of ore.

It could desire to expand

its interests in the eastern lobe of the Bushveld Complex. The two shafts at Barmines' Kennedy's Vale site near Steelport in the Eastern Transvaal could be an attraction.

Barmines shelved development on that site late last year to concentrate its resources on the Crocodile River operations. The shafts are 1 000 metres deep, but opinion on the quality of the ore body varies.

One school of thought says it is not a bad average grade — about 6.6g/t platinum group metals plus gold — not

that tough a mining depth of between 700m and 1 400m for the first 25 years or so, and that there is already substantial infrastructure.

Another less popular school says that nobody but Rand Mines has ever considered Kennedy's Vale as a real ore body.

Anglovaal and the Severin group are active in a joint venture at Moolmeisfontein nearly three kilometres away. Anglovaal is reportedly not interested.

JCI could also be interested in the Crocodile River operations, founded at Lefkoch-

rysos by Loucas Pouroulis. Rand Mines took it over after barely 18 months in 1988 because of cash shortfalls and lack of support for the management company.

Talk was that Mr Pouroulis was interested in regaining control of the mine, but he is incommunicado.

A relaxation in ring-fencing — the ability to write off capital expenditure of one mine against the tax liability of another — could allow cash-flush Rustenburg Platinum to pick up a R600-million or so assessed loss if it bought Crocodile River.

But the cash-strapped government is not expected to make this gesture in the budget in spite of the jobs it might create.

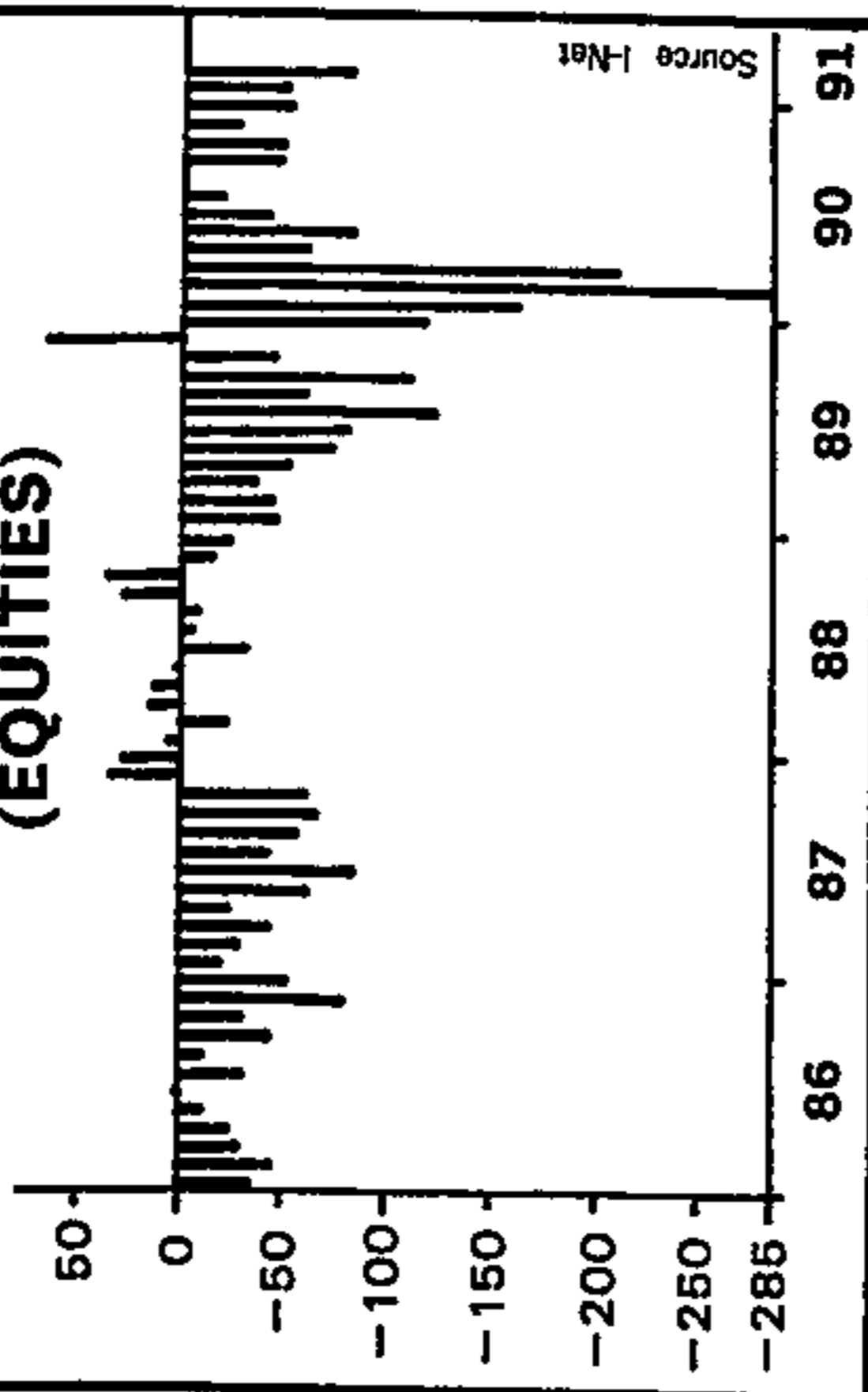
Speculation that JCI would buy Crocodile River only to close it is nonsense. Why waste R300-million or more?

Rationalisation at Barmines might mean a variety of things. It has a Rolls Royce-calibre plant and an efficient refinery which could have capacity to toll treat on behalf of other producers.

Traditionally, producers jealously guarded their figures and methods but a new era of glasnost was ushered in by Impala, which also struck a deal with Lonrho to develop jointly the Karee mine. Co-operation between rival parties can be achieved.

The low prices of Barmines and Barplats already discount worst-case scenarios and shareholders can look forward to something better. Best odds lie on a deal with JCI or Rusplats. This looks the most likely scenario in my book.

NET FOREIGN TRANSACTIONS (EQUITIES)



Foreign investment in both equity and gilts is made through the financial rand, which offers a discount on the purchase price, and also on the resale price when stock is sold. The attraction to foreign investors is that they, and not South Africans, broadly determine the price of the financial rand.

By taking advantage of this, they are more easily able to time buying and selling to suit themselves. The other attraction is that dividends and interest are paid through the commercial rand. This effectively gives foreign holders of SA investments a most attractive yield, particularly from easily traded gilts which bear predetermined coupons.

That equity trade in particular correlates so closely to political developments should serve as a warning to the new South Africa. Foreigners will invest only if there is a way to trade out of the investment, and if there is a potential profit.

Foreigners fled when a new SA hit the fan

A CHILLING tale is told by this graph all the blocks under the line represent net sales by foreign shareholders of South African equity.

The euphoria experienced on the JSE during February last year in the run-up to the release of Nelson Mandela was incorrectly attributed to foreign buying of SA stocks. In reality, foreigners were piling out en masse.

The buying of internationally traded heavyweights, such as Anglo American, De Beers and Gencor, appeared to be coming from London. This had the effect of enthusing local operators who believed it to be fundamental foreign buying.

But it could be interpreted that locals were both buying and selling through London

because SA institutions had placed orders through London brokers.

Meanwhile, foreign shareholders off-loaded into the bull run. Over the last five years foreigners have done little else but sell our equity. There were uninterrupted net foreign sales for almost the whole of 1986 and 1987, during which JSE share prices climbed almost in straight lines. Foreign sellers took advantage of better prices to get out.

During 1988, when share prices again had smart rallies after the terrible crash of October 1987, foreigners were tempted back a touch. But net purchases barely reached R30-million in a single month — peanuts compared with the magnitude of sales in February 1990. These approached R290-million. Only in one other month

did net foreign purchases exceed sales. That was November 1989, when FW de Klerk's government came to power and announced reformatory steps.

These moves were viewed with bullish eyes and foreigners bought with perfect timing — just soon enough to offload when the market really started to run two months later.

Since then there have been individual weeks of net purchases by foreigners, but these have been cancelled out over a month of trading.

Net foreign trade in gilts shows a different pattern — almost the mirror image of the equity graph. Foreigners have been near-consistent buyers of our bonds because of their high yields.

Barplats shares soar by 25%

SHARES in Rand Mines' Barplats Investments (Barplats) surged 25% (100c) to 485c on the JSE yesterday, a week after shareholders were advised to exercise caution in dealing in Barplats, Barplats Mines (Barmine), Vansa Vanadium and Rand Mines stock. *810 21 (2/3/91)*

Barplats' shares have risen 54% since a low of 260c on February 20.

In announcements last week, Barlow Rand and Rand Mines said negotiations had started with an interested party which, if successful, would lead to a restructuring of the Barplats group, while Barlows was also considering the re-organisation of its mining and mineral beneficiation operations which include Rand Mines

One analyst discounted speculation last week, JCI's Rustenburg Platinum (Rusplats) was talking to Rand Mines about acquiring Barmine Barmine's Crocodile River Mine, formerly Lefkochrysos, is Barplats's only asset, which analysts say needs an immediate cash injection of about R450m to set it on its feet

A "third-party deal" was in the offing, perhaps involving a reshuffle of Barlows and Rand Mines operations involving the former's Middelburg Steel and Alloys

MATTHEW CURTIN

The rise in the share price reflected growing confidence in Barmine. In an increasingly bullish platinum market, boosted by the high rhodium price which analysts say may reach \$8 000/oz by year-end as demand continues to outpace supply, Barmine was well-placed. The UG2 reef it mined had the highest rhodium content in SA.

(217)
However, another mining analyst said the share trading was "entirely speculative and irresponsible" as shareholders had little or no access to information on the plans for the mining operations

A Rand Mines spokesman said yesterday there would be no official announcement on the future of the companies until negotiations were complete. He expected an announcement early next week.

Rand Mines' Vansa Vanadium, mothballed in November last year, has a 12% share in Barplats. Its shares rose 7,1% (10c) yesterday to 150c.

Barmine's shares rose 15,7% (30c) to 220c, 100c up from a record low a month ago

Good news for platinum sector

B/DA 14/3/91 (217)

MATTHEW CURTIN

AMENDMENTS to the US Clean Air Act are set to stoke the American car industry's demand for platinum group metals (PGMs), generating worldwide demand for the metal through the 1990s, says Minerals Bureau Washington representative B G Russell.

In the February edition of Minerals Bureau Bulletin, Russell said strict exhaust emission standards set by Congress were being strengthened in many US states.

"The result is that forecasts (of platinum over-supply) are conservative, and unlikely to portray a realistic scenario for the 1990s," he said.

JCI platinum division chairman Barry Davison has said that last year there was an over-supply of about 35 000oz of newly mined platinum out of a total of 3.8-million ounces produced worldwide. SA was responsible for 75% of supply. Motor vehicle catalysts and jewellery accounted for at least 75% of total platinum demand.

Russell said Congress's requirement that the catalytic converter meet compliance specifications up to a road distance of 160 000km

(80 000km) would raise demand for PGMs in particular.

The bureau said the platinum market was dulled in January and February by the weakening US economy and falling car sales, while fears of rising interest rates cut investment demand. The market was hit also by aggressive Soviet selling.

The platinum price fell to \$380/oz last month, but the bureau and other analysts have said still rising motor industry catalyst demand for platinum has underpinned the recent bullish performance of local producers' stock and the international price, helped by investor confidence that the US economy would have recovered by year-end.

Russell said California, home of the world's sixth largest economy, had set the most stringent anti-pollution standards, since adopted by New York state. With Massachusetts, Texas and Virginia also about to accept them, the new controls would have netted "almost half the total motor vehicle population in the US".

Russell was reporting on a Las Vegas PGM seminar he attended.

Leplat output back
on track, says JCI

MATTHEW CURTIN

JCI's Lebowa Platinum (Leplat) operation was meeting production targets and was on the way to reaching capacity production three months after management fired the mine's 1 600-strong workforce, a JCI official said yesterday.

The Atok platinum mine was being worked by a contract labour force of 1 000, which would be increased as production targets demanded. Leplat's monthly production ran at about 45 000 tons of ore a month, 5 000 tons below capacity, before the workforce was dismissed in November last year.

National Union of Mineworkers (NUM) media officer Jerry Majatladi said yesterday the union was making little headway in talks aimed at reinstating the 1 600 dismissed workers.

JCI said there had been no recent talks with the NUM. Majatladi said the dismissals had had "a serious effect" on the NUM's strength in the area, and negotiations were proceeding at a "painfully slow" pace. There had been no "effective communication" between NUM head office and management so far this year.

Mineral sales and exports

217
~~218~~

By Sven Lunsche *Star* 15/3/91

Sliding international mineral prices and the firmer rand trimmed SA's mineral sales and exports by almost 15 percent in real terms last year

Provisional estimates compiled by the economics department of the Chamber of Mines show that SA mineral sales are expected to total R38 billion in 1990, virtually unchanged from sales in 1989

However, with inflation averaging 14,4 percent last year the industry recorded a substantial decline in real output per value.

Of last year's total sales, 77 percent, or R29 billion, were exported. Excluding gold, which is sold almost exclusively overseas, the percentage of exports to total sales fell to 55 percent.

Gold exports last year dropped by 4 percent in nominal terms to R19,3 billion, but coal sales improved by 10 percent to R7,9 billion

Among other mineral sales, copper plunged 16 percent to R1,1 billion, but iron ore surged 34 percent to R1,1 billion and other strategic minerals rose by 2,4 percent to R4,9 billion.

The Chamber says that the decline in international mineral prices was not offset by a simultaneous drop of the rand against the dollar, in which most exports are quoted.

The Minerals Bureau's SA Commodity Export Price Index (CEPI) reflects the rapid decline in international mineral prices

From January 1990 to February ¹⁹⁹¹ this year the CEPI in current rand terms has fallen by nine percent. In dollar terms the decline was eight percent, according to the Bureau's latest Bulletin

had tried to transform Zaaiplaats by putting the Annesley andalusite mine into it

That took place in June 1989, when Zimco sold its 50,04% stake in Annesley to Zaaiplaats for R8,29m, settled by the issue of 1,156m Zaaiplaats shares at 717c a share. Zaaiplaats got the other 49,96% of Annesley on the same terms from Tamcor, by issuing a further 0,9m shares worth R6,75m

Zaaiplaats then held a rights issue to raise R7,5m to build a new smelter and expand production at the tin mine, as well as modify plant at Annesley to increase andalusite production. Zimco held 65% of Zaaiplaats, which meant following its rights must have cost the group R4,9m

At the time of the rights issue, the tin price had recovered to around R29 000/t from the low of about R13 000/t reached in 1985, when the tin market collapsed after the demise of the International Tin Council. The tin price has since collapsed once more to levels around R14 000/t. Zimco MD Buck Buchanan tells the *FM* "We have done everything possible to save the mine but have been unable to cope with the disastrous drop in the tin price"

Zaaiplaats stopped underground mining operations last November. That was followed in February by the closure of the tailings treatment operation

Tamcor is involved in the mining and marketing of andalusite and if it gets a 90% acceptance of its offer — which seems a certainty — it intends acquiring the outstanding balance compulsorily through the courts. That implies Zaaiplaats will be delisted.

Brendan Ryan

ZAAIPLAATS ^{FM} 15/3/91 (217)
END OF THE ROAD

Barely two years after moving to expand and diversify Zaaiplaats Mining, the controlling shareholder, Zimco, is throwing in the towel and selling out to a Swiss company, Tamcor, because of tough times in the tin market

If the deal goes through, Zimco will emerge with R10,5m in cash, but overall appears to show a R2,7m loss on the deal. It

Rhodium exports to the US triple

By Sven Lünsche

Mar 18/3/91
South African exports of rhodium to the United States more than tripled last year in the wake of strict exhaust emission standards set by US Congress and state governments.

Figures released by the US embassy on Friday show that rhodium sales to the US soared to \$345 million (R890 million) in 1990, 230 percent up on 1989 sales of \$105 million.

Exports

Exports of platinum over the year were \$30 million higher at \$585 million, pushing combined platinum group metal (PGM) sales to \$1,1 billion — almost two-thirds of total SA exports to the US last year.

Rhodium and platinum are essential in the manufacturing of autocatalysts, which are used to reduce exhaust emission.

The US Congress over the last few years has taken the lead in setting strict exhaust emission standards for vehicles and leg-

islation is now being strengthened further in many states

This has led to a surge in US demand for PGM's, of which South Africa is the main supplier, but their market prices have been held back by lower US car sales and aggressive selling by the Soviet Union

New laws

However, the Minerals Bureau counsellor in Washington, BG Russell, writes in the Bureau's latest bulletin that a number of new laws could boost the price in the months ahead

These include

- Extending emission control standards to include provisions for cold engine emission controls
- Doubling the compliance specifications of catalytic converters to 160 000 kilometres
- Controls on emission from aircraft engines

The rise in PGM sales is a welcome boost to SA export earnings as most other commodity exports to the US declined during the year

Nevertheless total exports

during 1990 improved slightly to \$1,7 billion from \$1,53 billion in 1989

US imports into SA also showed a slight increase, rising from \$1,66 billion in 1989 to \$1,73 billion last year

The import list is headed by aircraft and aircraft equipment, which cost SA just over \$150 million in 1990 (\$110 million in 1989)

Namibian trade

The embassy also released figures for US trade with Namibia and South Africans can take heart if this is a forerunner of future US-SA trade relations once sanctions and disinvestment is lifted

Total trade between Namibia and the US in 1990, albeit tiny at \$77,5 million, more than quadrupled as sanctions were lifted when Namibia gained its independence early last year

US exports to Namibia increased from \$12,7 million to \$44,4 million, while Namibia sold \$33,2 million (1989 \$14,8 million) worth of goods to the US last year

Assore's showing hit by slump in demand, prices

21/3/91 **ROBERT LAING** (217)

A WORLDWIDE slump in manganese and chrome ore demand, and plunging prices during the second half of last year, resulted in Associated Ore & Metal Corporation's (Assore's) earnings a share dropping 77% to 453c (1941c)

In its interim report for the six months to end-December, Assore reported that its turnover fell 43,3% and its attributable in-

come was R6,3m compared with R27,2m in the same period last year

The fall in income was in tandem with its 44,8% stake in Associated Manganese Mines (Assmang) Dividends received from Assmang

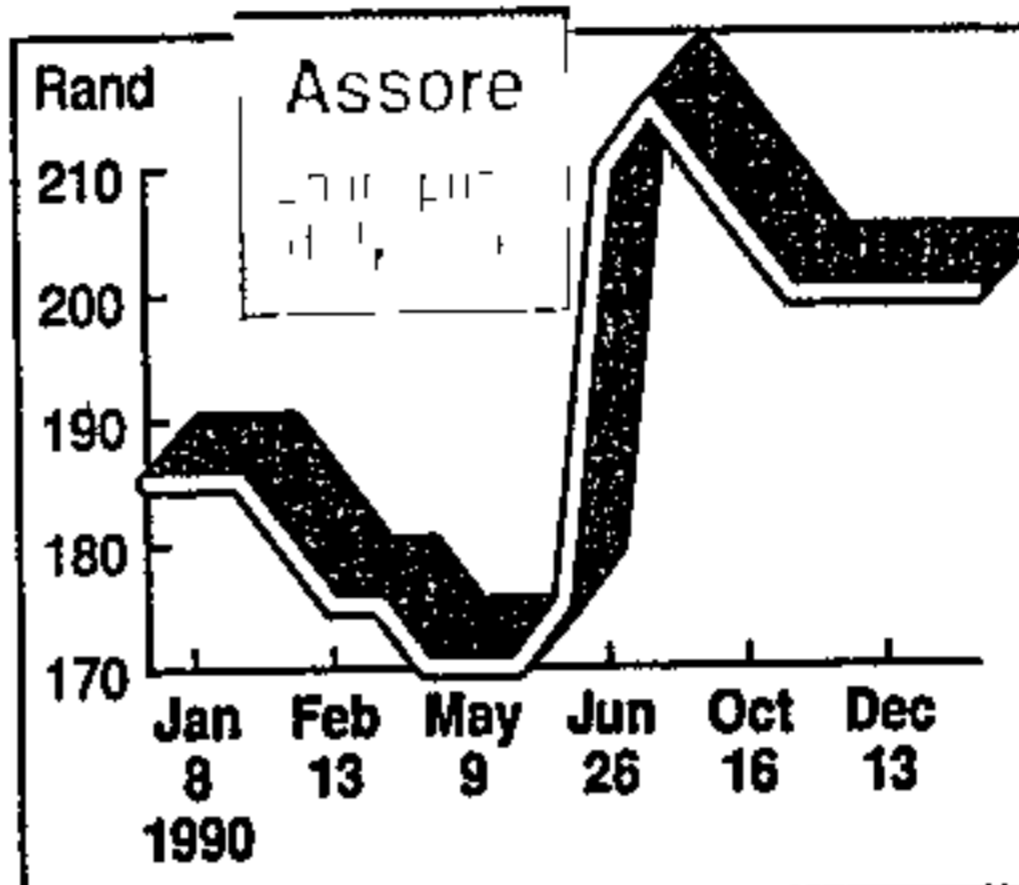
dropped to R4,0m compared with 1989's R19,1m.

Assmang reduced its dividend to R5 from R12 after a 42% drop in income last year because of the depressed manganese market Assmang's subsidiary Feralloys passed its dividend.

Assore's results were also hurt by the low demand for chrome ore and the plunge in ferro-chrome prices.

Directors said they did not expect demand to improve by the financial year end. However, prices for manganese had improved last year.

The company has declared an interim dividend of 200c (500c) a share.



Graphic: FIONA KRISCH Source JSE

Feralloys performance dented

B/day 22/3/91. 217

MATTHEW CURTIN

POOR demand and weak prices for ferro-alloys in international markets clobbered the performance of Associated Manganese Mines' (Assmang) subsidiary Feralloys in 1990, driving down the Anglovaal company's consolidated earnings by 44%

Assmang chairman Basil Hersov said in a statement yesterday the reduced consolidated final dividend of 750c (2 400c) a share reflected the lower earnings of Feralloys and a "significant increase" in the stock levels of saleable products at year end

Earnings a share fell to 2 695c (4 075c). Consolidated earnings fell to R95,6m (R144,6m) in 1990, while Feralloys earnings dropped to R78,3m (R120,2m)

Stocks of raw materials, manganese and iron ores, and ferro-alloys jumped 46% to R200m (R137m).

Short-term borrowings rose from nil in 1989 to R101m last year. Net working capital grew from R121m to R145m

Hersov said ferromanganese sales were slightly down last year, while there was only a marginal improvement in alloy prices. Demand for both carbon steel and stainless steel has been poor in the last year because of oversupply

He said the construction of a new ferro-manganese furnace at the ferro-manganese division, adding 50 000 tons to Feralloys capacity, was completed in 1990, and saw capital expenditure for the year rise from R10,6m to R49,6m

Offset

With the new furnace working after June, the company was able to close down three of the existing smaller furnaces until "increased demand for ferro-manganese warrants their recommissioning"

In contrast, the high dollar price for manganese ore throughout 1990 offset lower sales volumes, adding

R4,1m to Assmang's operating profit which stood at R177,6m last year.

Hersov said manganese and iron ore sales were down 26% and 6% respectively. Distributable profit fell to R78,3m (R120,2m)

Hersov expected demand and prices for manganese and iron ores and ferro-manganese would remain at satisfactory levels in 1991. However, demand and prices for ferrochrome were still depressed and were unlikely to recover during 1991

The contribution of ferro-alloys to Assmang's attributable taxed profits fell 28% between 1989 and 1990. Last year mining operation contributed 84% of profits against 16% for ferro-alloys

Consolidated turnover fell from R718m to R614m in 1990. After-tax profit dropped from R156m to R108m

Soaring ferrochrome, ferro-manganese and manganese ore prices boosted Assmang's profits by 189% in 1989

Say goodbye to St Lucia

JAMES CLARKE

ST LUCIA lake is finished, say three of the country's top conservationists

The three have come out in favour of mining titanium there — provided the environmental impacts are tolerable.

This is the latest development in a saga that witnessed the biggest public petition in the country's history, that collected some 300 000 signatures, enormous public anger against the former Environment Affairs Minister, and a \$5-million public relations campaign by the company that wants to mine St Lucia's hills.

The conservationists now argue that St Lucia — its lake and its drainage system — is dying. They say the conservation movement does not have the funds to save it.

Surprise

They claim the titanium mining company, Richards Bay Minerals, could at least help the situation.

Meanwhile, in a surprise move, Richards Bay Minerals, the company planning to mine at St Lucia, has appointed a popular former Natal ranger, Barry Clements, as its general manager in charge of public relations.

Mr Clements (52), an experienced public relations man, is known to thousands because, for almost 10 years, he led Wilderness Leadership courses in the Zululand bush — courses designed for high school children who showed leadership ability.

He was also in the forefront of the 1960s battle to save La Lucia from

concern about Rand Mines' plans to mine titanium in the forested dunes near Wavecrest on the Transkei coast. They say Transkei's dune forests are the least spoiled in the region and are ecologically and internationally more important than St Lucia's.

Wildlife Society conservation director Keith Cooper, an acknowledged expert on forests and coastal ecology, is also said to have expressed similar sentiments. He is known to be adamantly against open cast mining near Wavecrest.

He was unavailable for comment this week.

The EIA report will probably be completed around September

Now leading conservationists support mining

We need industry. We need conservation. They are not incompatible, but both need to learn about the other."

Mr Clements has been at Rossing uranium mine in Namibia for several years.

What if the current environmental impact study finds RBM's mining plan will further wreck St Lucia?

"Then RBM will not mine," said Mr Clements. Endangered Wildlife Trust director John Ledger told Saturday Star "I go along with Barry Clements."

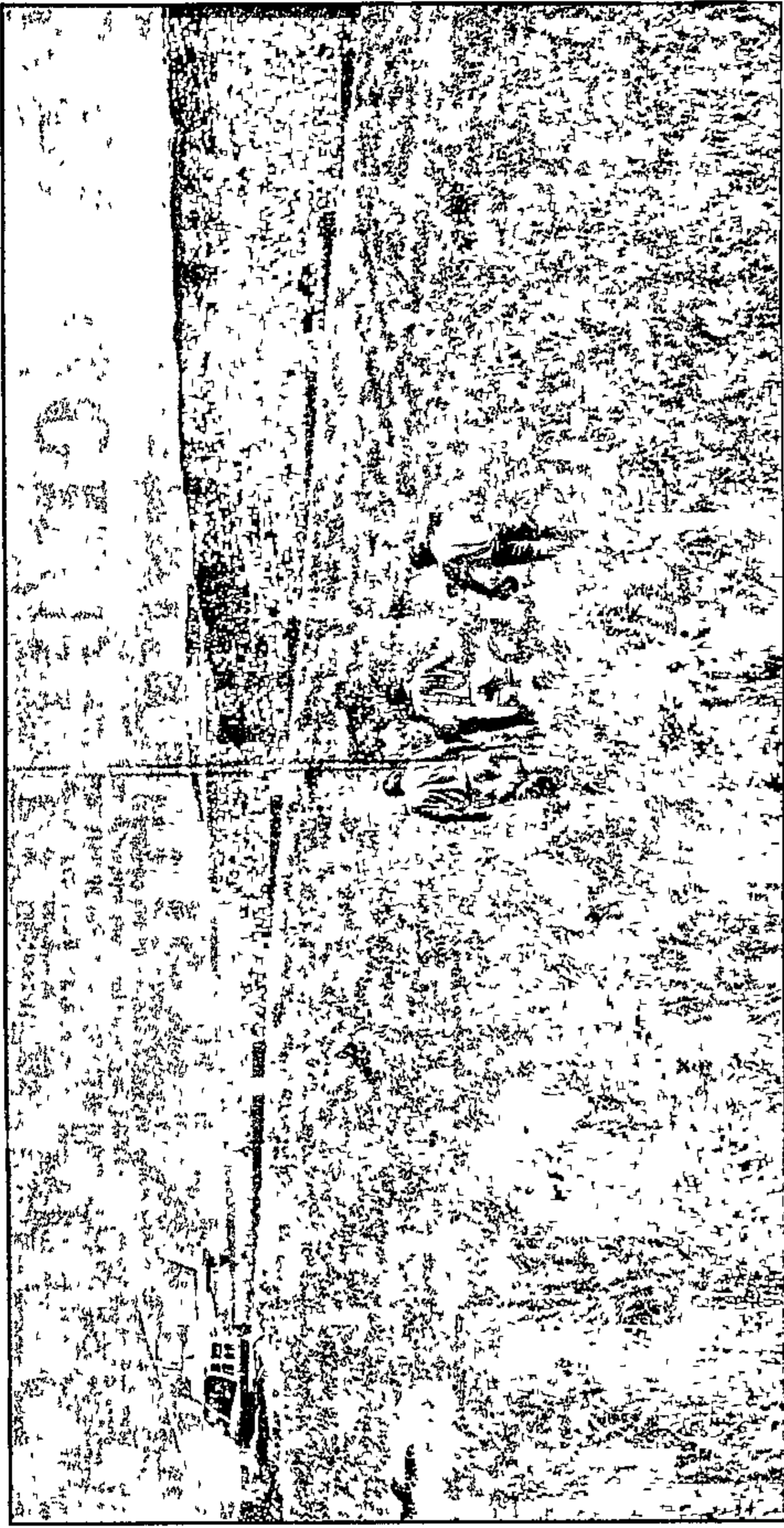
"St Lucia is a dying lake. It cannot survive unless we find funds to begin rehabilitative work throughout the region. The mine is its least threat. It could even be its salvation if it injects some wealth into the area."

Credibility

"In any event the area to be mined was long ago stripped of natural cover and planted to pine trees."

Dr Ledger said, "I believe this country's conservation lobby faces a moment of truth over St Lucia — if we want to win greater environmental battles in the future then we have to win our credibility at St Lucia. We must abide by the verdict of the EIA (Environmental Impact Assessment)."

Some conservationists have expressed greater

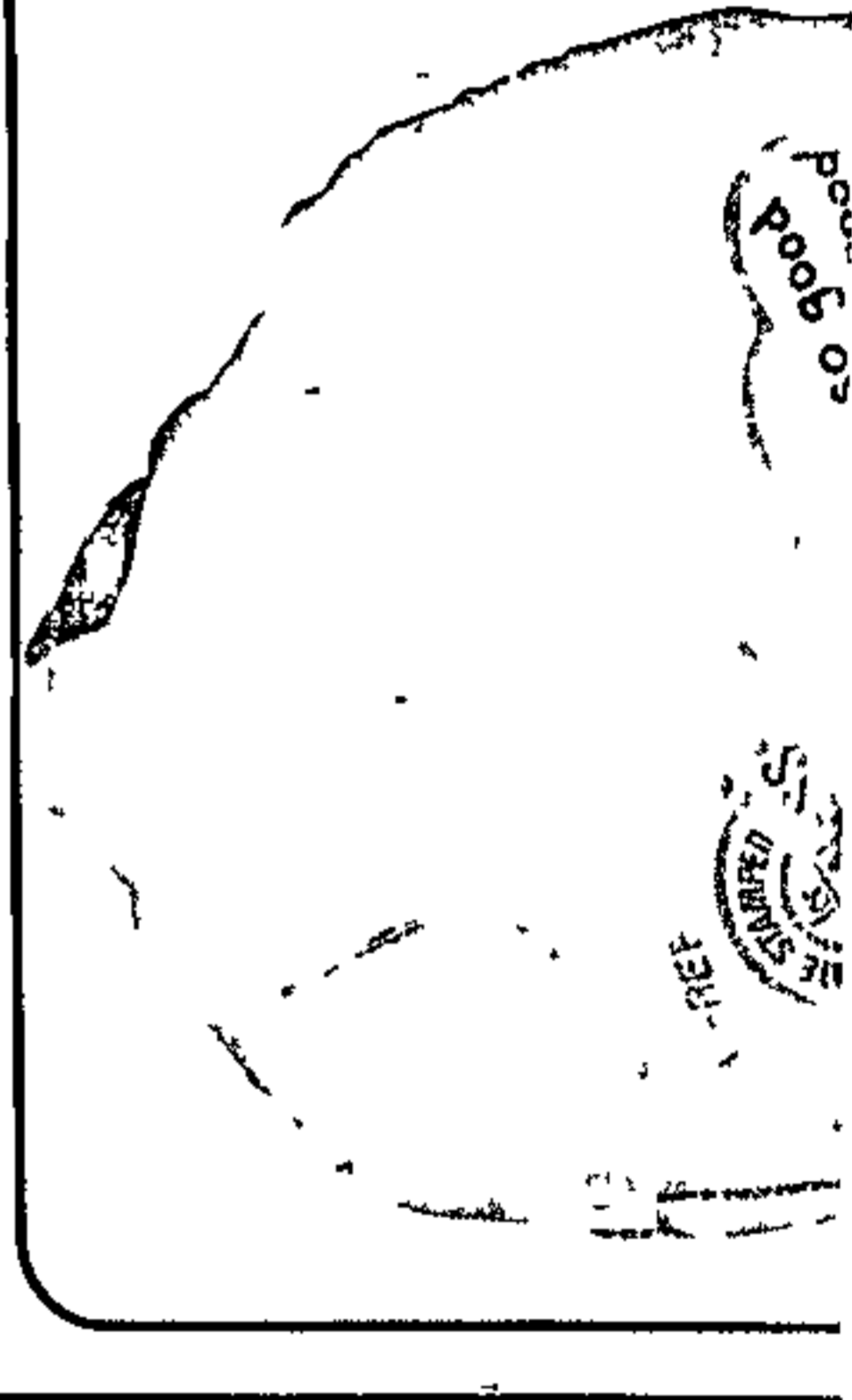


ABOUT-TURN Part of the long crest of high dunes at St Lucia lake. There has been intense public outrage at plans to mine titanium there. Now, three top conservationists say mining may help save St Lucia

Checkers SUNDAY SPECIALS

AT SELECTED STORES - SEE STORE LIST BELOW

Farmer Brown
fresh whole
chickens



Manganese, chrome hurt

S/Times 24/3/91 217

A SHARP drop in ferrochrome demand and a big reduction in the dollar and rand price reversed the roles of the two major divisions in Associated Manganese Mines (Assmang) in the year to December 31

The annual report released this week says mining operations increased their contribution to taxed profit from 56% to 84% in the year while the share of ferromanganese and chrome alloy production fell to 16%

Manganese ore sales fell by 472 000 tons to 1,3-million tons and iron ore shed 139 000 tons to nearly 2,1-million. But an increase in the dollar price for manganese more than offset the lower sales

Chairman Basil Hersov says Ferralloys' consolidated profit fell from R72,1-million to R18,6-million

Ferromanganese sales were slightly down and prices were virtually static

Mr Hersov says demand and prices for manganese and iron ore and ferro-manganese should be "satisfactory" this year

By IAN SMITH

"Demand and prices for ferrochrome remain depressed and it is not expected that they will recover materially in the current year"

Assmang's operating profit fell from R156,3 to R108,1-million and earnings from R144,6-million to R95,6-million. Dividends slumped from 2 400c to 750c

Battling Barmine hits record lows 217

MATTHEW CURTIN

SHARES in Rand Mines' cash-strapped platinum operation Barplats Mining (Barmine) tumbled towards record lows yesterday as it emerged the company was talking to Rustenburg Platinum (Rusplats) about the mine's future.

Barmine stock fell 13.3% to 130c on the JSE yesterday, 10c off a record low on February 15, and the third largest fall on the day. *Blom 27/3/91*

In a report in the Financial Mail, Rusplats chairman Barry Davison said "we are involved in investigations and discussions on Barmine and are in ongoing contact with Rand Mines"

He said a time limit had been set "for the completion of the investigation and evaluation stage"

No details have surfaced as to what sort of deal the two companies are contemplating. A Rand Mines spokesman confined comment yesterday to the fact negotiations were continuing.

On March 6 shareholders were advised to exercise caution in dealing in Barplats Investments (Barplats), Barmine, Vansa Vanadium and Rand Mines stock. In the cautionary announcements Barlow Rand and Rand Mines said if the negotiations were successful, they would lead to a restructuring of the Barplats group — Rand Mines' Vansa Vanadium, mothballed in November 1990, has a 12% share in Barplats — and the possible reorganisation of Barlow's mining and minerals beneficiation operations which include Rand Mines

Analysts said yesterday that with the large asset value of Barmine and increasingly smooth mining and processing of platinum group metals from the Crocodile

To Page 2

Barmine *Blom 27/3/91*

River mine, Rand Mines was well placed to drive a hard bargain with Rusplats. Barmine's main problem was the R450m capital injection needed to set the operation on its feet.

While platinum has fallen back below \$400, the price of rhodium has steadied at record levels. Yesterday's London price for rhodium was \$5 300.

Barplats marketing director Clive Tasker said yesterday the company was producing increasing amounts of the metal which boded well for the mine's future.

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Barmine's refining processes have been dogged by problems.

Davison said a deal involving Barmine would have to involve more than an estimated R1.1bn tax break, touted as the main attraction for Rusplats in a report by broking firm Ed Hern, Rudolph.

The Financial Mail reported Rand Mines had complained to the JSE over the firm's canvassing of Barmine shareholders "given its poor view on the platinum producer's future".

Developing lands hit by metals decline

By Paul Ash 28/3/91

PAUL ASH

THE trend of declining metals and minerals prices does not augur well for developing countries which depend on exports of raw materials for a major part of their foreign exchange reserves.

The latest edition of World Bank News says the trend reflects shifting patterns of world trade and industrial production.

The World Bank has forecast a drop of 9.5% in nominal terms in the price of most metals and minerals, bottoming out in 1994, after which a 14.5% rise in real terms by the year 2000 should be seen.

An anticipated upswing in investment in industrial production will create increased consumption of raw materials, particularly metals and minerals, leading to increased revenues for many developing countries

Moderate energy prices will also help increase demand for metals by providing better economic conditions for growth and investment. More markets will open as a result of economic integration in Europe and the swing to market-based economies in Eastern Europe and parts of the developing world.

The prospects for developing countries will depend on the reform of their own trade policies and on the reduction of trade barriers in industrial countries.

Many developing countries have not benefited from recent higher prices because of inadequate maintenance of mining and transportation infrastructure, lack of foreign exchange and social and political insta-

bility, the article says (217)

Only tin has a poor long-term outlook. The increasing use of surface-mounted components in the electronics industry, which previously accounted for one-third of world tin consumption, is eliminating the demand for tin solder and the substitution of aluminium and plastic for tin cans in the packaging industry has further reduced demand, it says.

Copper consumption has also been affected with high electricity prices reducing the demand for copper power cables and building wires. The search for more energy-efficient motor vehicles has caused manufacturers to substitute lighter synthetic materials and aluminium for copper.

Copper prices are, however, expected to rise after 1995.

RUSPLAT/BARMINE

TALKS CONTINUE

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FM
29/3/91

Rustenburg Platinum. (Rusplat) chairman Barry Davison has confirmed widespread market speculation that Rusplat is negotiating with Rand Mines about Barmine

But he remains tight-lipped on why Rusplat should want to get involved with what its executives have always described as a second-rate mining project compared with the other deposits owned by Rusplat, which they say are higher grade and cheaper to develop

"We are involved in investigations and discussions on Barmine and are in ongoing contact with Rand Mines," says Davison. "A time limit has been set for completion of the investigation and evaluation stage"

In another development, which underlines the sensitivities at Rand Mines, the *FM* understands the house has lodged a complaint with the JSE concerning broking firm Ed Hern, Rudolph. It appears Rand Mines has objected to the firm's staff canvassing Barmine shareholders by telephone to sell their shares, given the firm's poor view on the platinum producer's future

Asked to comment, Rand Mines spokesman Martin Fallon would only refer the *FM* to a Barmine cautionary announcement published last week. This states that certain rumours are circulating "which may have adversely affected perceptions regarding the company's future prospects" Richard Connellan, GM listings for the JSE, says "I am aware a complaint has been lodged but in the absence of president Tony Norton and CEO Mike Thompson I am unable to give further details"

Ed Hern, Rudolph senior partner Ed Hern says no official complaint has been lodged with his firm "We put out a research report

FM 29/3/91

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which obviously we have discussed with interested clients. We are entitled to our opinions on the company"

The report, by analyst Robin Washer, was issued on March 12 and identified Rusplat as the most likely interested party. It suggested the main attraction for the group could be Barmine's R1.1bn tax shield. Davison, however, says there would have to be more in the deal than simply a tax break for Rusplat to be interested

Should an application to remove ring-fencing succeed, Washer reckons the Barmine tax shield could be worth around R580m to Rusplat, based on the group's average lease and tax rate of about 53% over the past two years. He estimates Rusplat might be prepared to offer about R370m for Barmine, allowing for a R55m after-tax loss of interest on the money spent on the acquisition, and looking for a profit of at least 30% on the deal. Splitting R370m over 206.5m Barmine shares and debentures works out to 180c a share

Washer's conclusion is that "There is a downside risk to Barmine shareholders if a deal does not go through. We advise investors to lower the risk by switching at least half their Barmine shares into Rusplat"

That's a negative assessment for Barmine but one that seems to raise a valid point in the absence of any comment from Rand Mines. What does happen to Barmine if Rusplat walks away? None of the other established platinum companies is as well placed as Rusplat to get involved with Barmine. They don't have the spare cash available and they have their hands full with their own expansions.

An overriding, unanswered question concerns the seriousness of Barmine's financial position with the mine estimated to need another R500m to be put soundly on its feet. Before they were muzzled by the cautionary announcement, Barmine executives this year were positive on the mine's operations

Analysts who visited the mine in mid-February, such as Frankel Max Pollak Vinderine's Kevin Kartun, returned with highly favourable impressions. Still, if it looks so good, why are Rand Mines/Barlow Rand not stumping up the funds themselves, but instead allowing their major competitor to go over the project with a fine-tooth comb in order to decide whether or not to get involved?

Rusplat appears to hold all the trump cards. Davison will have trouble justifying to his shareholders any kind of deal that is not an outright bargain.

Brendan Ryan

Wildlife says no to mining at St Lucia

THE Wildlife Society of Southern Africa this week expressed its opposition to mining activities at the St Lucia conservation area *sta 30/3/71*

The organisation said besides opposing mining in nature conservation areas in principle, dune mining was a relatively recent mining practice in South Africa

"Its rehabilitation characteristics have not had time to demonstrate adequate predictability of long-term environmental impact."

Executive director Tony Ferrar said this was particularly the case in areas supporting mature coastal dune forest and dune grassland, which were recognised as threatened habitats of high nature conservation value

He said, given the two main-land use options, Wildlife preferred ecotourism to mining

Wildlife has called for a thorough investigation of the St Lucia issue which "followed accepted Class One Integrated Environmental Management procedures" — Sapa

● SEE PAGE 10.

Barplats gets no joy from Rusplats talks

Bidcom 2/4/91
RAND MINES' battling platinum operation, Barplats, has come away emptyhanded from three weeks of negotiations with rival platinum producer, JCF's Rustenburg Platinum (Rusplats). Neither side would say what the talks involved or which specific mines or mineral rights had been discussed.

Rusplats MD Barry Davison said yesterday that "following a detailed investigation of Barplats' property with the full cooperation of Rand Mines, Rusplats did not wish to pursue any transaction".

He said Rusplats also examined possible indirect benefits which might have accrued from a deal, "but could find none of substance".

Rusplats told Barlow Rand and Rand

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MATTHEW CURTIN

Mines on Thursday that it did not wish to pursue negotiations.

Barplats director John Hall said yesterday the two sides had not reached agreement. Barplats had "a few options open" but he would not comment further on them or on the failure of negotiations.

Barplats is developing the Crocodile River mine, which began life as Lefkochrysos under the management of mining entrepreneur Loucas Pouroulis. Pouroulis acquired the Lefko mineral rights after Rusplats, the previous owner, had inadvertently allowed its rights to lapse.

In another transaction some years ago, and as part of its development plans in

Lebowa, Rusplats transferred mineral rights to Barplats which were incorporated into Barplats' Kennedy's Vale platinum project in the Steelpoort valley.

The platinum ore turned out to be too deep for efficient exploitation and the Kennedy's Vale platinum mine development was put on ice after Barplats acquired Lefko. Rand Mines' Vansa Vanadium mothballed its vanadium mining operations — based on a plug of vanadiferous ore overlying the Kennedy's Vale platinum deposit — last November.

Analysts said yesterday it was likely Rusplats had considered contributing existing mineral rights to Barmine to im-

□ To Page 2

Barplats

Bidcom 2/4/91
prove its long-term viability. Rand Mines' management expected a deal with Rustenburg to lead to a restructuring of its platinum and vanadium interests.

Analysts say Barplats has shrugged off problems in its platinum group metals recovery plant, and is benefiting from increased rhodium revenue in particular

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The rhodium price has stabilised near record levels of \$5 300/oz. Barplats mines the rhodium-rich UG2 reef.

Barplats' main problem was the estimated R450m cash injection needed to set the operation on its feet after it ran out of working capital in August last year.

Revenue from minerals increases 0,9%

CAPE TOWN — The stable rand/dollar exchange rate and higher local sales were major factors contributing to the 0,9% increase in mineral revenue last year, Mineral and Energy Affairs director-general Piet Hugo said in his annual report

The report, tabled in Parliament last week, said despite decreased world demand for most of SA's minerals, sales totalled R37,899bn. Export earnings of R29,547bn accounted for 78% of all sales.

A reduction in export volumes and/or prices of several commodities was experienced. Notable exceptions were diamonds, cobalt, iron ore, lead, andalusite and asbestos, he said.

Revenue on the domestic market increased by 6,9% to R8,353bn mainly due to improved earnings from andalusite, coal,

8/10/91 2/4/91 2/7
BILLY PADDOCK

granite, limestone and dolomite, manganese ore, salt and silica.

Coal followed gold as the biggest contributor to foreign exchange earnings. Despite a highly competitive international market, 47,4-million tons valued at R3,843bn were shipped from SA — a decrease of 1,7% in mass and an increase of 0,6% in value over 1989. Local sales increased by 5,1% to 135,4-million tons.

The average rand price of platinum declined during the year but was compensated for by a sharp rhodium price increase.

Production of rough diamonds decreased by 6,5% to 8,5m carats with local sales decreasing by 1,2%.

SA's iron ore exports rose by 16,9% to 17-million tons despite a downturn in the in-

ternational demand for steel. The total value of the iron ore exports was 41% up on 1989 to R780m. Although domestic sales fell by 8,5% to 10,9m tons, their value rose by 4,7% to R293,8m.

Local sales of chrome ore also declined by 2,7% but the prices rose by 8,4%. Export volumes dropped by 23,6% to 1-million tons resulting in an 18,3% fall in revenue to R190,1m.

Production, local sales and exports of ferrochrome were down with export earnings falling more than 40% to R1,1bn.

Hugo said exports of manganese ore decreased by 24,4% to 2,2-million tons.

SA maintained its leading role in the world vanadium market with exports of 21,7kt of vanadium pentoxide. Revenue fell to R252,4m — a 64% drop over 1989.

Palabora feels protected if prices dip

PALABORA Mining expects a lower average world copper price this year, but it is well protected against all but the most severe market downturns, say senior company directors

Outgoing chairman Alistair Macmillan and his designated successor Al Leroy said in the annual report that a lower average world copper price was likely this year, with new operations coming on stream in several countries

However, they said, "the Palabora operation has relatively low production costs and is, therefore,

well protected from all but the most severe market downturns"

The group previously reported a fall in taxed profit for 1990, before extraordinary items, to R228m from R292m the year before

Macmillan and Le Roy gave no earnings forecast for 1991 but said the year's goals for Palabora, which mines copper and by-products from a large open pit in the north-eastern Transvaal, included production and cost optimisation

A smelter upgrade project would be implemented Problems last year cut the average concen-

trate smelting rate by 8% to 909 tons a day

Production of refined copper cathode also slipped 8% over the year, to 116 005 tons

Palabora achieved an average mining rate of 165 301 tons a day last year

They said initial indications from an underground exploration showed at least 1.5-million tons of copper would be accessible.

This could extend the life of the operation by at least 20 years, although at somewhat lower levels of production — Reuter

BID 314191

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Barplats finds new negotiating partner after Rusplats talks fail

RAND MINES' troubled platinum operation, Barplats, has begun negotiations with a second interested party after the failure last week of talks with JCI's Rustenburg Platinum (Rusplats), aimed at restructuring the group's platinum operations

Rand Mines has advised shareholders in Barplats Investments (Barplats), Barplats Mines (Barmine) and Vansa Vanadium (which holds a 12% interest in Barplats) to continue to exercise caution in dealing in their shares. Barlow Rand and Rand Mines said on March 6 they expected successful negotiations would lead to a re-organisation of their mining interests

A Rand Mines spokesman, admitting for the first time the group had been talking to Rusplats, said yesterday the talks had broken down because of the "inability of the parties to reach agreement on the proposed rationalisation of platinum operations". The group remained tight-lipped as to what the new negotiations involved

Analysts were divided yesterday as to where Barplats might turn or have turned

Genmin's Impala Platinum and Lonrho's West Platinum were touted as parties possibly interested in a deal with Barplats, although neither was as cash-flush as Rusplats. There has long been speculation Impplats might acquire Westplats as it

3/10/91
MATTHEW CURTIN

swapped its Karee mine near Rustenburg, for a 27% stake in Westplats last year. Neither company was available for comment last night

Alternatively, analysts said, Barlow Rand might be considering an internal restructuring programme, involving Middelburg Steel and Alloys, to extricate Barplats from its predicament

217 Problems

They said Barplats faced short-term mining problems as it struggled to find enough underground ore to be milled. It was operating at 160 000 tons throughput against a capacity of 350 000 tons

While it had ironed out difficulties in its metallurgical recovery operations related to mining the UG2 reef at the Crocodile River mine, the company's most pressing problem was its short-term financial crisis, mounting since Barplats ran out of working capital in August last year

Among the positive aspects for a prospective party interested in deal with Barplats, was the spare smelter capacity, Barplats' access to the rhodium-rich UG2 reef, and growing expertise in refining UG2 ore

Lonrho seen as first in line ^{stor 4/4/91} for Barplats

By Ann Crotty

217

The short list of possible suitors for Rand Mines' troubled platinum operation, Barplats, is believed to be headed by Lonrho.

Also on that list is Genmin. But according to market sources, at this stage Genmin is not involved in any discussions with Rand Mines.

The considerable amount of speculation that has followed a number of recent cautionary announcements about Barplats has prompted some analysts to question why Barmine and Barplats have not been suspended.

While it is now apparently contrary to JSE policy to suspend shares except in extreme circumstances, one leading analyst says that at the time of negotiations between Barlows and Loucas Pourlis about the future of Lefko, Barlows insisted that Lefko be suspended.

After yesterday's notice advising shareholders in Barplats, Barmine and Vansa to exercise caution in their dealings, the shares held up reasonably well, despite the announcement that negotiations between Barplats and Rusplats had been discontinued.

Negotiations

The breakdown of negotiations is reported to have been due to major differences in the valuation of the assets involved.

Several scenarios have been put forward by analysts. The grimmest is that having spent as much as R1,1 billion on Barplats since 1988, Barlows may now be faced with the prospect of having to liquidate it.

Less grim is the view that Lonrho may only be interested in one part of Barplats. This means that a solution may involve a break-up of the operation.

The most cheerful scenario is that Lonrho and Gencor get together, using their joint platinum interests, and acquire Barplats in order to gain access to its excess milling capacity.

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BARMINE/RUSPLAT (217)
NOW WHAT? FM 5/4/91

The failure of Rustenburg Platinum (Rusplat) and Barmine to reach agreement leaves the future of the Rand Mines-controlled platinum producer less certain than ever. Rand Mines should do itself and Barmine shareholders a favour by being more forthcoming on the mine's prospects than the bare-bones cautionary statement released so far.

That said, talks came to an end because the parties were unable to reach agreement on the proposed rationalisation of platinum operations. Negotiations have been initiated with another interested party. Rusplat chairman Barry Davison says "Following a detailed investigation of Barplats' property with the full co-operation of Rand Mines, Rusplat did not wish to pursue any transaction."

On the face of it, Barmine appears in a worse situation now the industry leader has given the operation a close look and walked

FM 5/4/91

(217)

away. As the FM noted last week, Rusplat was the best placed of the operating platinum producers to do a deal with Barmine. The company's debts continue to mount, while its major shareholders remain unwilling or unable to stump up the funds Barmine requires to be put on its feet.

Barmine's supporters take the more positive view that the failure to strike a deal shows the company's strength — that Rusplat walked away because it was after a bargain and Rand Mines declined to oblige them. That would indicate the house is not desperate for a deal.

Maybe so, but given Rand Mines's poor track record, both market and mining industry sources are more inclined towards the pessimistic view. That is why more information from Rand Mines about Barmine's debt and cash-flow position would be very welcome.

Brendan Ryan

Union Tin waits for platinum miracle

8/17/89 (Burr IT) 217

UNION TIN has not yet delivered the alchemic miracle a Cape consortium hoped for when it took control of the mine from Gold-Fields of SA in 1989.

The consortium wished to turn the tin mine into a platinum producer.

But interim results for the 12 months to December 1990 show a loss of R474 000 after care and maintenance and prospecting expenditure.

Former manager GFSAs announced its intention to close the mine in 1986 because it was no longer profitable. GFSAs held an indirect stake in Union Tin through investment holding company Vogels.

Vogels offered its 720 000 Union Tin shares for sale, but

shareholdings chiefly in the conviction that Union Tin's properties have considerable potential as relatively small high-grade platinum producers.

By JULIE WALKER
received no acceptable offer. The Cape consortium, led by Neil Hurworth, made an offer to exceed all others, but it was turned down.

It even offered to subscribe for the 200 000 authorised but unissued shares at 250c.

The consortium controlled 405 000 shares at that time, enough to prevail on then-chairman Peter Janisch to grant its request for an extraordinary general meeting at which the consortium's case was put to all members of the company.

The meeting was held at the end of January 1989. The consortium claimed inadequate exploration had been undertaken by GFSAs.

It said "We hold our large

and a drop in net asset value to 223c

The only comment on the results is that in December 1990 an agreement was concluded to prospect for tin and copper on an adjoining farm, and that resampling of these workings began in January.

This week I spoke to Mr Hurworth about Union Tin's prospects. He says the collapse of the tin price means that the company has no money with which to prove what "we know perfectly well is there".

All the effort was channelled into rebuilding the plant.

There is a problem about R342 000 dust-control money which Union Tin believes was payable by the previous administration two years ago.

Answer

On the brighter side, the prospecting agreement on the neighbouring farm might give Union Tin access to virgin rock.

"The only answer is to find high-grade tin," says Mr Hurworth. "The ground has the potential to support a bigger mine than Union Tin ever was. There is an old mine there, but it was last worked before the Second World War."

"If we can bring together an old mine and new ground, we will have a valuable project."

The share price fell to a low of 50c, but picked up 2c this week. It peaked at 300c in 1989.

NEIL HURWORTH Precious metal among the base minerals



Tailings

The consortium argued against it, and chairman Janisch reluctantly agreed to investigate the claims. Mr Hurworth and Geoffrey Ashmead joined the Union Tin board to oversee initial prospecting.

In May 1989 GFSAs sold the Vogels shareholding in Union Tin to the consortium. The first report to shareholders said tin production was in progress from tailings and prospecting for precious metals had begun. That was in September 1989.

Production did not last long because of the collapse of the tin price. Union Tin lost 33c a share in the year to December 1989.

Assets had been revalued, and the asset value recalculated to 243c a share, up from 81c.

The yearend must have been changed because only last week did shareholders receive another snippet of information. The latest results show a fivefold rise in current liabilities to R599 000



Profits plunge at base metal mines in Cape

AKGul 9/14/91 *217*

By TOM HOOD,
Business Editor

PROFITS plunged at two northern Cape base metal mines in the March quarter, partly as a result of lower metal prices.

At Black Mountain Mineral Development Company after-tax profit plunged to R135 000 from R3,6 million in the previous quarter

Ore treated was slightly up at 326 000 tons (314 000 tons), but sales of copper, lead, silver and zinc fetched only R26,5 million, compared with R40 million in the December quarter

O'Okiep Copper reported a dip in after-tax profit to R6,8 million from R7,2 million).

Ore milled increased to 524 000 tons (509 000 tons) and the grade was higher at 1,39 percent (1,31 percent).

But sales of R33 million were

R2 million down on the December quarter's

Both companies are part of the Gold Fields group, whose base metal mines were all affected by lower average base metal prices, 10 to 20 percent lower than the averages for for last year

A weaker rand in March helped to stem the price decline, reported GFSA

Rooiberg Tin recorded a drop in tonnage of ore treated to 56 000 tons (61 000 tons) with an increased tin grade of 0,80 percent (0,60 percent)

Lower sales at R4,4 million (R4,7 million) were offset by a drop in the cost of sales to R4,6 million (R5,4 million) and the mine reported a profit of R108 000, compared with the previous quarter's R436 000 loss.

Zinc Corporation produced 21 289 tons of zinc, down from 24 798 tons, but sales increased to 23 904 tons (21 830 tons)

Profit after tax dipped to R4,1 million (R4,2 million) Capex was R577 000, compared with the previous quarter's R5,4 million

Gold Fields Coal mined 2,4 million tons, compared with the previous quarter's 2,5 million tons

Sales were down at 1,9 million tons (2,2 million tons)

A sharp drop in sundry revenue to R971 000 (R3,3 million) knocked profits, which fell to R4 million (R7,2 million) Capex amounted to R109 000 (R1,7 million)

Goldfields Namibia's after-tax loss in the quarter increased to R2,7 million from the previous quarter's R1,1 million loss.

Sales improved to R72 million (R66 million), but higher cost of sales of R67 million (R59,6 million) and a tax bill of R39 000 after a tax credit of R3,5 million increased the after-tax loss.

Ore treated dropped to 387 063 tons from 410 862 tons

Firm sees profits almost wiped out

Blay 9/4/91
 MATTHEW CURTIN

POOR base metal prices for the second successive quarter saw after-tax profits from Black Mountain — the unquoted copper, lead, silver and zinc producer managed by Gold Fields of SA (GFSA) — virtually wiped out in the first three months of this year.

And as concentrate deliveries slipped, the mine generated an operating loss of R760 000 against a profit of R1,77m in last year's December quarter.

GFSA director Bruce Forsyth said yesterday average base metal prices dropped across the board in the quarter.

Black Mountain treated 4% more ore, with higher copper, silver and zinc production and lower lead output.

Forsyth said the March quarter's sales decline was due to vagaries in shipping timetables, with a shipment of lead missing the end of the quarter. The effect should be lead sales in excess of production in the June quarter.

Forsyth said the copper price averaged R6 200/t (R6 400/t), but firmed in March towards R6 700/t.

Only Rooiberg Tin turned in an improved performance among the base metal operations managed by GFSA.

The company posted a R108 000 after-

tax profit, after six months of losses.

The tin price fell R100 on average in the quarter to R15 100/t, but Rooiberg boosted the amount of metal produced after achieving 0,2% increase in the tin grade.

The company, he said, "was hanging on in face of the awful tin price".

He said problems moving export coal through the Richards Bay Coal Terminal affected Gold Fields Coal's quarterly results. The amount of coal sold fell to 1 884t from 2 195t, but domestic sales remained solid.

The company's after-tax profit tumbled 44% to R4,0m (R7,2m).

Gold Fields Namibia had another poor quarter.

Forsyth said the company's copper production was dogged by smelting problems. However, a sharp rise in lead sales to R10m (R6,2m) helped the company turn in a reduced after-tax loss of R2,7m, a 42% improvement from a R4,6m loss in the previous quarter.

O'okiep Copper and Zinc Corporation of SA recorded after-tax profits of R6,8m (R7,2m) and R4,1m (R4,2m) respectively.

w and order, he said.

Troubled Barplats seeks Genmin deal

217

Blomay 9/4/91

MATTHEW CURTIN

RAND Mines has started negotiations with Genmin, in a second bid to find a way to revive the fortunes of its battling platinum operation, Barplats

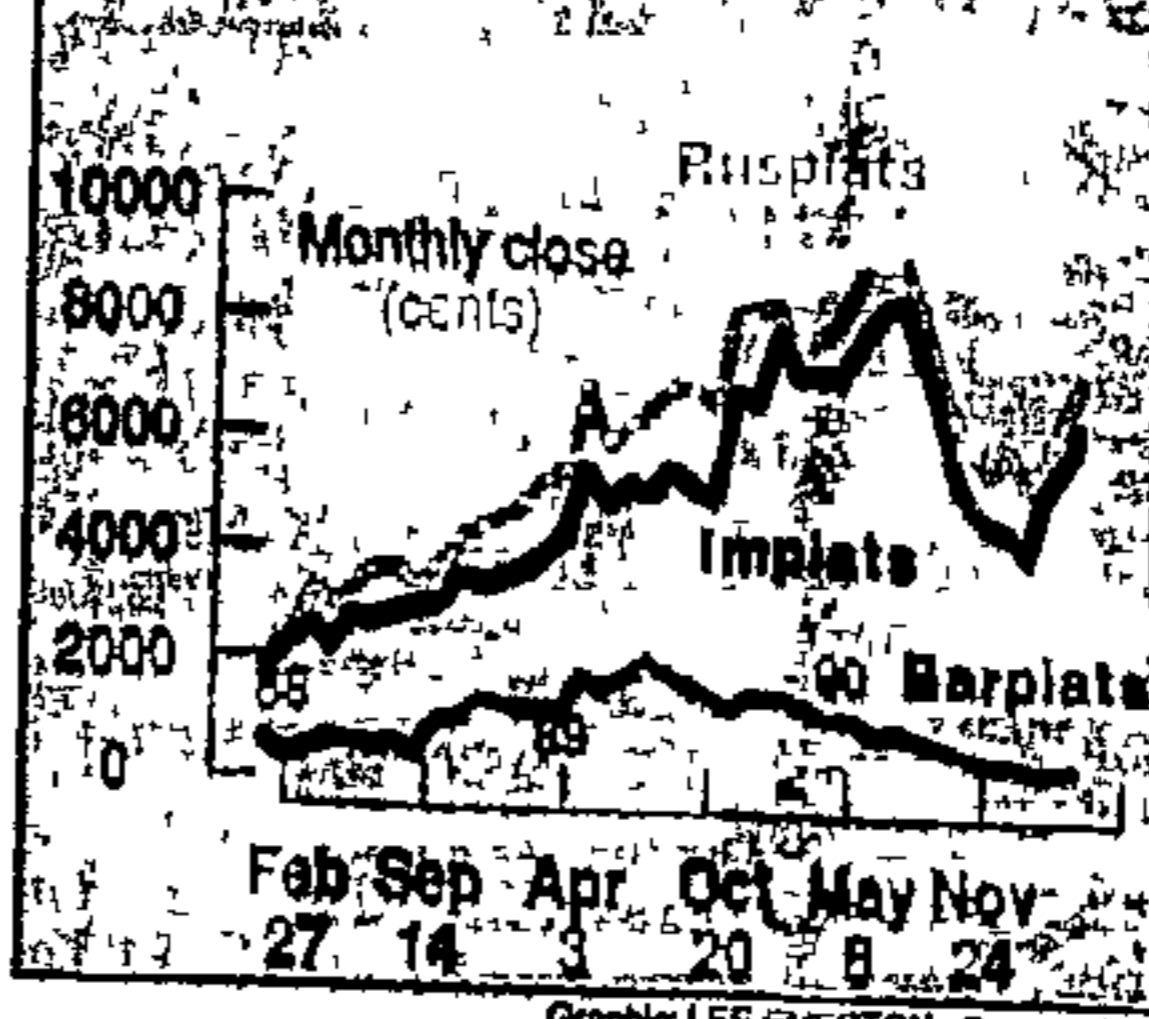
Spokesmen for the two companies confirmed yesterday that talks had started recently, but would give no details of what was being discussed

The latest talks follow unsuccessful negotiations between Rand Mines and JCI's Rustenburg Platinum which fell through a week ago. Rusplats MD Barry Davison said on April 1 that his company could find no direct or indirect benefits which might accrue from the deal and so "did not wish to pursue any transaction".

Analysts said last week the news that Rusplats, SA's largest platinum producer, had walked away from a deal with Barplats boded ill for Rand Mines striking a deal with another party. However, Rustenburg has long been doubtful of Barplats's Crocodile River mine which started life as Loucas Pouroulis's Lefkochrysos.

Pouroulis won Lefko's mineral rights after JCI, the previous owner, inadvertent-

Comparative share prices: Barplats, Implats, Rusplats



Graphic: LEE EMERTON Source: JSE

ly allowed its rights to lapse. JCI, which had prospected the area, did not take the opportunity of regaining the rights in 1988 when massive cost overruns and technical problems forced Pouroulis to bale out. Rand Mines bought the mine in September that year.

Analysts said yesterday that SA's second largest platinum producer, Impala Platinum (Implats), owned by Genmin, was in-

□ To Page 2

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Barplats

Blomay 9/4/91

217

□ From Page 1

inevitably the next most likely party to be interested in doing a deal with Rand Mines

Implats's Bafokeng lease area in Bophuthatswana contains four mines, but the company has a 27% stake in Lonrho's Western Platinum, for which it swapped its Karee mine, east of Rustenburg, last year. The Karee mine is one of seven in the Wesplats complex, which is about 25km from the Crocodile River mine. Wesplats has considerable experience in processing the metallurgically difficult UG2 platinum reef which provides Crocodile River with its ore.

Analysts say Barplats has large reserves of UG2 ore at both mines, existing mine infrastructure including two shafts at the mothballed Kennedy's Vale, a milling and

concentration plant running at 160 000 tons a month, a smelter, and a refinery at Brakpan.

However, Barplats operations have been dogged by problems. The company has relegated the trackless mining system it inherited from Pouroulis to development work only and has suffered refining problems related to processing UG2 reef.

Barplats raised more than R500m in rights issues last year and planned R246m worth of capital expenditure for 1990/91, but it ran out of working capital at year-end in August.

The current market value of Barplats Mining (Barmine) is R229m against its issued share value of R695m.



on a National Environment Management System, *Hauser 9/4/91*

- (2) (a) and (b) fall away

Expenditure on personnel

*19 Mr K M ANDREW asked the Minister of Education and Training *Hauser 9/4/91*
What percentage of the total expenditure on personnel is spent on (a) educators and (b) all personnel in his Department who are above the level of school principal?
Hauser 9/4/91 B661E

The MINISTER OF EDUCATION AND TRAINING

- (a) 1.2%
Note Includes all educators on post levels 6 and 7

- (b) 1.6%

Note Includes all staff above the level of Deputy-Director (Admin) and post level 5

Teachers' salaries outstanding

*20 Mr R M BURROWS asked the Minister of Education and Training *Hauser 9/4/91*

- (1) Whether, further to his reply to Question No 91 on 8 March 1991, the teachers whose salaries were outstanding for longer than one month have been paid, if not why not, *Hauser 9/4/91*

- (2) whether any teachers at the Masiyile Senior Secondary School had salaries outstanding for longer than one month if so, for what reasons were they outstanding

- (3) whether these teachers' salaries have been paid, if so, when, if not (a) why not and (b) when is it anticipated that they will be paid,

- (4) whether he will make a statement on the matter?

The MINISTER OF EDUCATION AND TRAINING B665E

- (1) Yes

- (2) Yes
Appointment documents were not submitted timeously to the regional office

- (1) Whether the effluent from the pipeline referred to in his reply to Question No 7 on 12 March 1991 is being monitored, if not, why not, if so, (a) what is the frequency of this monitoring and (b) by whom is it being monitored,

- (2) whether the results of the monitoring will be made known to the public, if not, why not, if so (a) in what manner and (b) when?
Hauser 9/4/91 B668E

The MINISTER OF WATER AFFAIRS AND FORESTRY

- (1) Yes

- (a) and (b) Samples are taken on a daily basis by the Company concerned, while grab sampling is conducted on monthly basis by the Department of Water Affairs and Forestry as a control measure

- (2) Yes

- (a) The results are made available by the Department during meetings of the Joint Co-operation Committee on Environment Pollution of the Matieland Town Board which Committee can then make the information public

- (b) The Committee meets three to four times per annum, but particulars can be obtained on an *ad hoc* basis at any time by the Committee

SABC educational television service

*23 Mrs C H CHARLEWOOD asked the Minister of Education and Training

- (1) Whether his Department has taken any steps to establish through the South African Broadcasting Corporation, an educational television service to Black schools throughout the country, if not, why not, if so, (a) what steps and (b) when is it anticipated that this service will commence, *Hauser 9/4/91*

- (2) whether he will make a statement on the matter?
Hauser 9/4/91 B670E

The MINISTER OF EDUCATION AND TRAINING

- (1) Yes

- (a) The Department participates in an interdepartmental pilot project in co-operation with the SABC, through which an educational TV programme series is planned *Hauser 9/4/91*

- (b) It is planned that broadcasts of the programme will commence on Monday 1 July 1991 *Hauser 9/4/91*

- (2) Not at this stage

Anti-Aids advertisements

*24 Mr M J ELLIS asked the Minister of National Health *Hauser 9/4/91*

- (1) Whether she has approached the Minister of Home Affairs with a request for free air time on radio and television for anti-Aids advertisements of any form and/or Aids information or education programmes if so, what was the response, if not,

- (2) whether she intends making such a request if not, why not?

B671L

The MINISTER OF NATIONAL HEALTH

- (1) No

- (2) no but the Department of National Health and Population Development does negotiate with the Board of Executives of the SABC regarding the Corporation's involvement in creating AIDS awareness and dissemination of knowledge. The matter has not been finalised therefore information cannot be released at this stage

Kruger National Park: copper poisoning in animals *Hauser 9/4/91*

*25 Mr E K MOORCROFT asked the Minister of Environment Affairs *Hauser 9/4/91*

- (1) Whether any reports of cases of copper poisoning in animals in the vicinity of Phalaborwa have been received from the Kruger National Park if so

- (2) whether the source of the poisoning has been traced, if so what are the relevant details,

- (3) whether any steps have been taken to prevent such poisoning from occurring if not why not, if so, what steps,

(4) whether he will make a statement on the matter? **217** **B680E**

The MINISTER OF ENVIRONMENT AFFAIRS **Hansard 9/4/91**

(1) No reports had been made by the National Parks Board to the Department of Environment Affairs of copper poisoning in animals in the vicinity of Phalaborwa, but, following the submission of the question, enquiries were made, and an occurrence of possible copper poisoning during the early part of 1989 has now been reported

(2) In the investigation carried out by consultants on behalf of Phalaborwa Mining Company, the National Parks Board, the Department of Mineral and Energy Affairs, the Department of Health as well as Onderstepoort were consulted. The investigation proved inconclusive in determining the exact area of the occurrence

(3) Steps have been taken by the Phalaborwa Mining Company to avoid dust distribution during repairs to dust control equipment, which might have been a contributing factor

(4) Since 1989 there has been no further evidence of copper poisoning in the area concerned

Principal specialist: representations

*26 Miss M SMUTS asked the Minister of National Health **B686E**

(1) Whether she has received any representations on the implementation of the post of principal specialist, if so, for whom,

(2) whether she intends to allow appointments to the post, if not, why not, if so, when? **Hansard 9/4/91** **B686E**

The MINISTER OF NATIONAL HEALTH

(1) Yes, The Medical Association of South Africa, The Committee of Deans Medicine and The Public Servants Association of South Africa,

(2) yes, as from a date not before 1 July 1991

Mr. Joe Verster: **SADF**

*27 Lt-Gen R H D ROGERS asked the Minister of Defence **Hansard 9/4/91**

(1) Whether Mr Joe Verster has been re-employed by the South African Defence Force, if so, (a) why and (b) in what capacity,

(2) whether Mr Verster was instructed by his superiors to co-operate with investigations into the activities of the Civil Cooperation Bureau, if so, what are the relevant details,

(3) whether any disciplinary or criminal action is envisaged against Mr Verster as a result of his refusal to co-operate with investigations into the activities of the Bureau or for any other reasons, if so, (a) what action and (b) for what reasons? **Hansard 9/4/91** **B688E**

The MINISTER OF DEFENCE

(1) Mr Joe Verster was reinstated in service in terms of his original contract of service

(a) It was done on legal advice

(b) As an employee

(2) Yes, he was instructed to co-operate

(3) (a) and (b) Yes. Civil proceedings have been instituted against him. The taking of criminal action rests with the Attorney General

Life orientation

*28 Mr A GERBER asked the Minister of National Education †

(1) Whether a policy proposal has been made in his Department in terms of which *inter alia* Biblical instruction and Biblical science are to be replaced by a field of study called life orientation, if so, what are the relevant details,

(2) whether he will make the document concerned available to members of Parliament, if not, why not, if so, (a) in what way and (b) when,

(3) whether he will make a statement on the matter?

B690E

The MINISTER OF NATIONAL EDUCATION

(1) No. The press report according to which Bible Education and Biblical Studies would be phased out, was incorrect. Bib-

lical Studies remains an optional examination subject and Bible Education remains a subject within the Life Orientation field for learners whose parents so desire

(2) No. The working documents applicable to the revision of the policy regarding curriculum for school and college education and from which wrong deductions were made, cannot be made available at present. A full statement will be made in the near future regarding school and college curricula

(a) Lapses

(b) Lapses

(3) A media statement was released on 28 March 1991 and is attached

MEDIA RELEASE BY ADV LOUIS PIENAR, MP, MINISTER OF NATIONAL EDUCATION, ON 28 MARCH 1991 CONCERNING THE FUTURE OF BIBLICAL STUDIES AND RELIGIOUS INSTRUCTION AS SCHOOL SUBJECTS

According to the Minister of National Education, Adv Louis Pienaar, there is no basis to speculation that Biblical Studies and Religious Instruction may be omitted from a revised broad curriculum that is being developed for primary and secondary schools. He emphasised that these allegations derive from unjustified conclusions that were drawn from working documents of a technical committee and that no decisions on this matter have been taken by him or his department

Mr Pienaar pointed out that more than three quarters of all South Africans are of Christian persuasion and that parents' preferences concerning Religious Instruction will be fully respected in the development of a revised broad curriculum. Religious freedom will likewise be respected

According to him, pupils will also be free to offer Biblical Studies as an academic subject for matric

A new dispensation will therefore accommodate both Biblical Studies and Religious Instruction, and the continued presentation of these subjects is in no sense threatened. He indicated that announcements concerning a proposed revised broad curriculum for schools will be made in the near future

*29 Mr J van Eck — Law and Order [Question standing over]

CCB, disciplinary codes

*30 Mr S S VAN DER MERWE asked the Minister of Defence **Hansard 9/4/91**

Whether members of the Civil Co-operation Bureau were subject to (a) the Military Disciplinary Code and (b) any other disciplinary codes applicable to servants of the State, if not, why not, if so, (i) to which disciplinary codes and (ii) to what extent? **B708E**

The MINISTER OF DEFENCE

(a) No, because they did not belong to any of the categories of persons referred to in sections 77(3) or 104(5) of the Defence Act, 1957 or Section 2(1) to the First Schedule of that Act

(b) No, because they were not "officers" as defined in the Public Service Act, 1984 (i) and (ii) fall away

Ratio of educators to administrators

*31 Mr K M ANDREW asked the Minister of National Education **Hansard 9/4/91**

(a) What is the ratio of educators to administrators in the education departments in the Republic and (b) what categories are defined as (i) educators and (ii) administrators in calculating this ratio? **B709E**

The MINISTER OF NATIONAL EDUCATION

(a) The ratio of educators to administrators in the education Departments in the Republic in 1990 was
Educators 78,4%
Administrators 21,6%

(b) (i) Educators on post level 1 to 5 were calculated as educators. These educators occupy ranks up to the level of Principal

(ii) On the grounds that administrators do not stand in a direct teaching relation to learners
Educators on post level 6 and 7, other personnel than educators, and service workers

Base metals hit by lower prices

Finance Staff

8/24
9/1/91

Base metals companies in the Gold Fields group were again affected by lower average prices in the March quarter, with prices received as much as 20 percent lower than those of last year.

The weakening rand in March, however, helped halt their decline.

Quarterly results released yesterday show that Rooiberg Tin recorded a drop in tonnage of ore treated to 56 000 tons (December 1990 quarter, 61 000 tons), with an increased tin grade of 0,8 percent (0,6 percent).

Sales fell from R4,7 million to R4,4 million, but were offset by a drop in the cost of sales to R4,6 million from R5,4 million, resulting in a profit of R108 000, compared with the previous quarter's loss of R436 000.

Black Mountain reported a sharp drop in taxed profit to R135 000 from R3,6 million the previous quarter.

Ore treated was slightly up at 326 000 tons (314 000 tons), but sales dropped sharply from R40,1 million to R26,5 million. Capital expenditure was cut back to R1,2 million (R1,7 million).

Zinc Corporation reduced production by almost 4 500 tons to 21 289 tons, but sales increased to 23 904 tons (21 830 tons).

Taxed profit was slightly lower at R4,1 million (R4,2 million), despite a drastic reduction in capital expenditure to R577 000, compared with the previous quarter's R5,4 million.

O'okiep Copper reported lower taxed profit of R6,8 million (R7,2 million), despite a higher milling rate of 524 000 tons (509 000) and an improved copper grade of 1,39 percent (1,31 percent).

Capex was cut by R1 million to R6,3 million.

GFSA's coal arm Gold Fields Coal mined 2,4 million tons in the March quarter, compared with the previous quarter's 2,5 million tons.

However, sales were down from 2,2 million tons to 1,9 million tons, resulting in a sharp drop in sundry revenue to R971 000 (R3,3 million).

Taxed profit was significantly lower at R4 million (R7,2 million) and capex was limited to R109 000 after R1,7 million previously.

The developing Northam Platinum mine reported lower capex of R84 million (R92,9 million) and a rise in net taxed income from R10,4 million to R12,6 million.

● Losses at Gold Fields Namibia continued in the March quarter with a loss of R2,7 million after a December quarter loss of R1,05 million.

Activities: Mines manganese and iron ores, and produces ferro-manganese and chrome alloys
Control: Anglovaal holds about 48% and Associated ore about 45%

Chairman: B E Hersov, Technical director G Sacco

Capital structure: 3,6m ords Market capitalisation R1,1bn

Share market: Price R300 Yields 2,5% on dividend, 9,0% on earnings, p e ratio, 11,1, cover, 3,6 12-month high, R300, low, R275.

Trading volume last quarter, 1 983 shares

Year to Dec 31	'87	'88	'89	'90
Turnover (Rm)	247	445	718	614
Operating profit (Rm)	24	99	288	205
Other income (Rm)	1,4	5,3	12,1	2,4
Earnings (c)	255	1 452	4 075	2 695
Dividends (c)	250	1 275	2 400	750

and dividends have fallen precipitously At 2 695c, EPS are down by a third on the 1989 level, though they are still a far cry from the 255c posted just four years ago

The Assmang group is better off than many other base metal exporters in that it derives a large portion of its profit from manganese, particularly ore, whose markets have remained relatively stable. Had Assmang been more dependent on its ferrochrome operations, the result could have been much worse. Chairman Basil Hersov says sales of manganese ore fell by 472 000 t to 1,31 Mt, and those of iron ore by 139 000 t to 2,1 Mt. A significant increase in the average US\$ price for manganese ore more than offset the effect of the lower sales volumes and resulted in a \$4,1m rise in operating profit, to R177,6m.

By contrast, profitability of the ferro-metals operations slumped, with the consolidated profit of the Ferralloys subsidiary sliding from R72,1m to R18,6m Hersov says sales volumes of ferromanganese dropped marginally while prices remained almost static However, demand for ferrochrome dropped substantially and this, with a significant reduction in the average US\$ and rand price received during the year, was largely responsible for the sharp decrease in consolidated profit



Assmang's Hersov ferrochrome to remain depressed

DATES TO REMEMBER

Last day to register for dividends:
 Friday Apr 19: Berzack 18c; Bivec 13c; Confed 42c; Cullinan 17c; D & H 50,5c; Gen Opt 5c; Momentum 6,75c; NEI Hold 55c; Shoredits 4c; Voltex 3,5c; WB Hold 14c.
 Meetings:
 Tuesday Apr 16: Masonite (Durban) SBIC.
 Thursday Apr 18: Elex (S)
 Friday Apr 19: Drop-Inn (S) (Diep River).
 All meetings are in Johannesburg unless otherwise stated.
 S = Special meeting.
 ■ = Includes special dividend.

Effects of this are shown in the profit mix. Whereas in 1988 just over half the attributable profit came from ferromanganese and alloys production, with 49% from mining operations, last year these figures had swung to 16% and 84% respectively.

Also, capital expenditure rose from the previous year's R10,6m to R49,6m, spent mainly on construction of an additional furnace at the ferromanganese division and on replacement items. The additional furnace, with annual production capacity of 50 000 t of ferromanganese, was commissioned in the second half of the year and enabled output from three of the existing smaller furnaces to be stopped until increased demand for ferromanganese warrants their recommissioning.

Working capital funding requirements were sharply higher at R109m against the previous R57m, both debtors and the stocks of manganese, iron ore and ferro-alloys being steeply increased At year-end, total debt — all short-term — was R117m, giving a debt equity ratio of 36%, compared with a net cash balance of R2,5m at the end of the 1989 year The interest bill thus jumped from R9,9m to R14,8m, and is set to rise further this year unless the borrowings can be cut significantly

This could be offset at least partly by a reduction in the tax rate, as estimated tax losses are now R17m, against just over R1m a year earlier However, this year's earnings will probably depend primarily on the ferrochrome market Hersov says demand and prices for manganese and iron ores and ferro-

manganese will remain at "satisfactory" levels in 1991, but demand and prices for ferrochrome remain depressed and they are not expected to recover materially during the current year

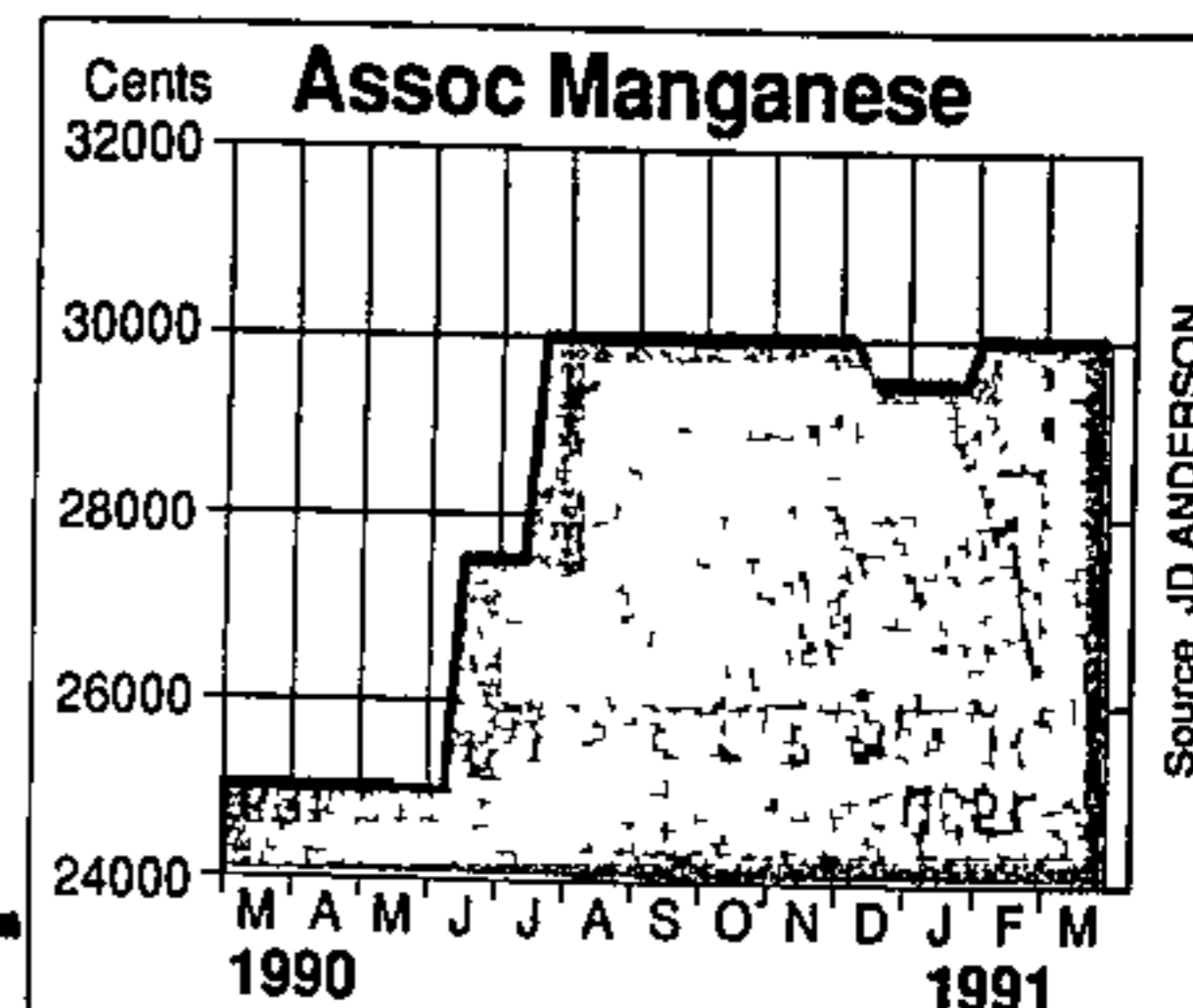
That makes a further deterioration look a distinct possibility With last year's payout covered 3,6 times, a maintained dividend looks possible, but the share is expensive on a 2,5% yield The firm share price probably reflects the poor tradeability of the stock rather than immediate prospects

Andrew McNulty

ASSOCIATED MANGANESE PRICE SLIDE

FM 12/4/91 217

With both sales volumes and prices of certain of its products well down from levels of two years ago, Associated Manganese's earnings



PALABORA FM 12/4/91 217 GREAT EXPECTATIONS

Activities: Operates open-pit copper mine in the north-eastern Transvaal

Control: RTZ 38,9% and Anglo American Corp/De Beers 28,6%

Chairman: G A MacMillan, MD A J Leroy

Capital structure: 28,3m ords Market capitalisation R2,3bn

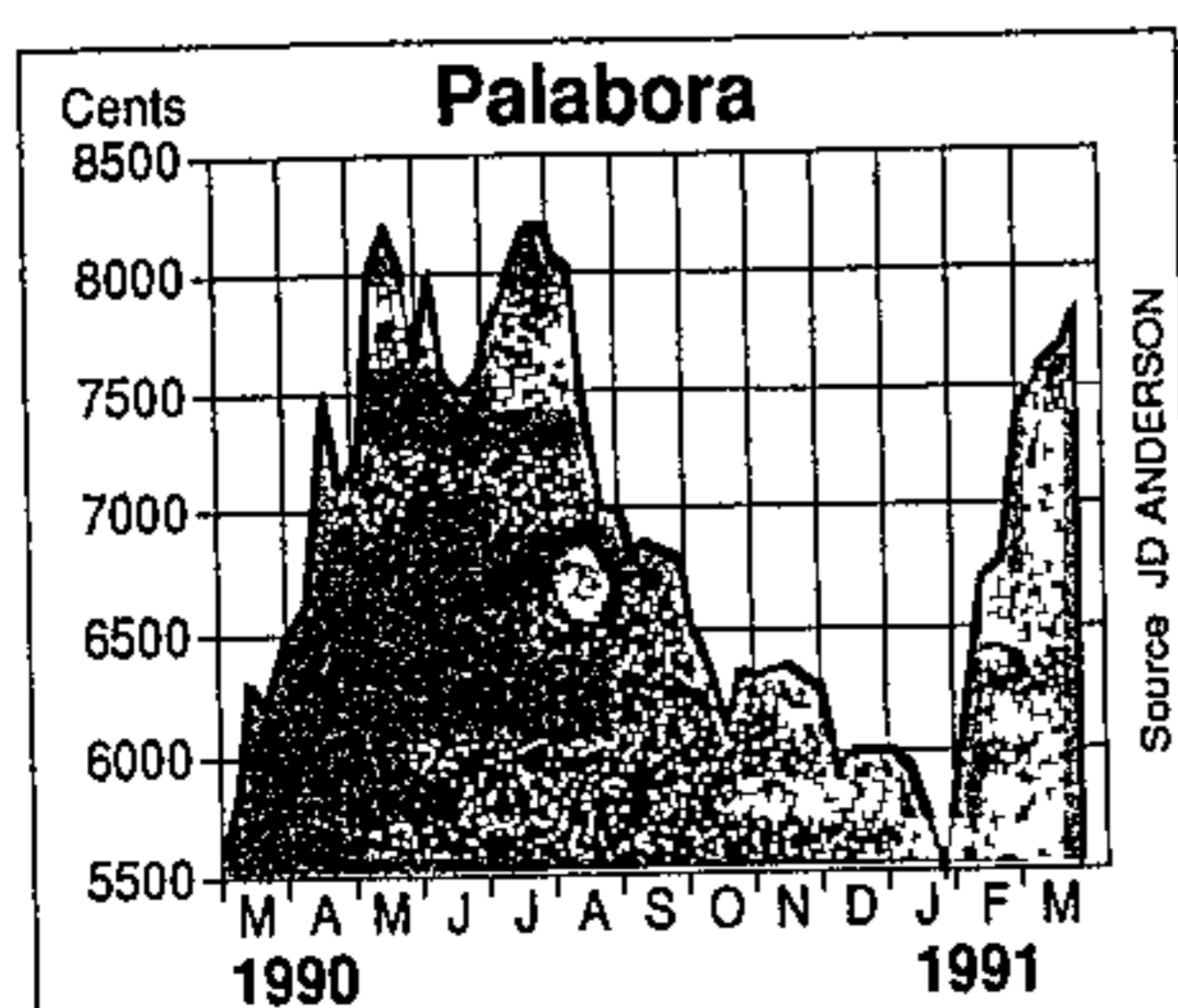
Share market: Price 8 000c. Yields 9,75% on dividend, 10,1% on earnings, p e ratio, 9,9, cover, 1,2 12-month high, 8 250c; low, 5 500c Trading volume last quarter, 238 074 shares.

Year to Dec 31	'87	'88	'89	'90
Turnover (Rm)	544	859	1 217	1 122
Pre-tax profit (Rm)	214	426	687	516
Attrib profit (Rm)	99	186	292	228
Earnings (c)	350	658	1 032	805
Dividends (c)	295	565	875	780
Copper produc (000t)	126	119	126	116
Copper sales (000t)	125	119	129	126

Judging by the way the share price has taken off over the last month, from 6 750c to current levels around 8 200c, the market is expecting great things from Palabora Mining (Palamin) — but it's difficult to see what.

Earnings and dividends from this well-managed copper producer fell during 1990 after 1989's phenomenal results, and the falling trend looks set to continue because of the lower copper price and the stronger rand against the pound. Also, Palamin has operational problems to sort out, particularly in its smelting facility. The usually excellent record on cost control was tarnished last year by a 20% rise in the production cost of copper cathode.

Capital expenditure jumped to R67m from R19m in 1989, and looks set to remain high for a number of years because of various projects to which the mine is committed.



Palamin's Leroy tackling operational problems

Sinking of the exploration shaft, and the drilling work needed to evaluate the underground orebody, is budgeted at R53m to be spent over the next two years and written off over seven years. Palamin plans to stop open-pit mining in 2000 and convert to an underground mining operation.

Another R35m is to be spent on two new loading shovels, while a further R18m is earmarked for upgrading the zirconium plant.

Looking medium-term, the mine may have to buy new 150 t haul trucks, to replace some nearing the end of their economic lives. Greater expenditure on haul truck maintenance is given as a reason for last year's jump in working costs. However, Palamin MD A.J. Leroy says no new trucks will be bought this year, adding that haul truck mechanical availability remains above 90%, internationally one of the best rates for this kind of mining.

The mine's biggest headache remains its smelter, which cannot produce enough anode copper to allow the refinery to work to rated annual capacity of 137 115 t of cathode copper production. Total anode output last year was 119 507 t, while total refined cathode output was 116 005 t.

Management has battled with the smelter bottleneck for several years and two years ago installed a Con-Top cyclone for R10m. That not only failed to provide the intended 10% increase in smelter throughput, but started interfering with the normal smelter operations.

It was removed in August and the annual report says smelting unit costs of R352/t were 42% above 1989 levels. Even more management attention is now being paid to the smelter, where an upgrade project will be carried out this year combined with increased training of operations staff and a more intensive maintenance programme.

The two major cost-saving schemes — in-pit crushing and electric trolley-assist — continued to more than pay their way. The

in-pit crushing system saved the mine R12,3m in working costs for the year, while the saving on diesel fuel attributable to the trolley-assist scheme amounted to a net annual reduction in direct energy costs of R12,8m. Leroy points out that for the 10-year period 1981 to 1990, the trolley-assist scheme has saved 264m l of diesel fuel worth R110m in direct energy costs and a further R40m in associated savings such as longer engine life.

Also positive is the rising trend in ore grade. This will continue as the bulk of the mining operations swing towards the richer centre of the open pit.

However, analyst forecasts on this year's dividend run as low as 600c. A month ago Palamin looked expensive at 6 750c. On fundamentals it looks even more expensive now.

Brendan Ryan

BARMINE/GENMIN ^{Fm} 12/4/91
NEXT ROUND (217)

Latest development in the Barmine saga is logical enough with Genmin's Impala Platinum, the second-largest platinum producer, the most likely candidate for negotiations after industry leader Rustenburg Platinum (Rusplat) walked away.

At this stage, the rest is largely speculation. Both Barlow Rand director John Hall and Genmin chairman Brian Gilbertson decline to comment, except to confirm the negotiations are with Genmin, not specifically Implacat. That could imply something wider than a simple Implacat/Barmine link-up. So earlier rumours about Anglo American Corp acquiring much of Rand Mines' business have reappeared, with Gencor in the lead.

An obvious question is whether the talks involve Lonrho's Western Platinum (Westplat), in which Implacat has a 25% stake following the deal through which it injected Karee mine into Westplat. Westplat chairman Terence Wilkinson says his company is not involved.

Taking a cynical view, perhaps the best thing that could happen — at least for the three established platinum producers — would be for Barmine to go under. That

Genmin's Gilbertson *seeking common ground*



would remove a competitor, probably immediately improve the platinum price and also deter any other newcomers.

It may not be that simple. Assuming Barmine is in desperate straits, another interested party — Anglovaal? — could yet end up with a bargain. Hall declines to say whether, as he puts it, Barmine is "dealing from a position of strength or is a mendicant."

Likely reason for Implacat's interest is the group may want the extra metal, and Barmine is worth acquiring if the price is right. At a milling rate of 160 000 t/month, Barmine should produce annually about 113 000 oz of platinum, 57 000 oz of palladium and 20 000 oz of rhodium.

Implacat is currently expanding its annual production from 1,08m oz of platinum in 1990 to 1,35m oz by 1995 largely from expansion of its UG2 mining operations. In his 1990 statement, Gilbertson said 45 000 oz annually would come from mining and process improvements at existing operations, mainly through higher recoveries from a new furnace. Another 150 000 oz would come from two new mills processing UG2 ore from the current Implacat lease and the final 75 000 oz would come from the Messina mine.

This expansion is based on contractual commitments to supply the extra metal to customers. During a mine visit last week, Impala MD Mike McMahon indicated a revision of plans at Messina would result in a production shortfall totalling about 47 000 oz from that mine for the period 1993 to 1995. He was confident the shortfall would be easily made up from process improvements in Implacat's plant.

Some 50% of Implacat's Merensky reserves have been mined out and expansion will come from the extension into the Deeps and on the UG2 reef, using existing shafts in areas where the Merensky reef has been mined out.

Financially, Implacat is heavily committed to this expansion. Capex for the year to June is estimated at R300m and the expansion programme is being funded through cash flow and debt at "prudent" levels. Barmine is solely a UG2 operation and Implacat has plenty of experience on that reef having already treated some 22 Mt of UG2 ore.

Assuming the tax ringfence cannot be breached, then Barmine has to redeem its R1,1bn taxed loss against its own future earnings. One platinum industry source reckons that can be done, but it will take time and involve cutting back the operation from 160 000 t/month to 100 000 t/month instead of Rand Mines' plans to push production to 250 000 t/month.

Which comes back to the biggest unanswered issue. If this is simply a case of supporting a viable mine over a remaining financial hurdle, why is Barlow Rand apparently reluctant to do it? From its experiences with Middelburg Steel & Alloys, the group should know the kind of commitment needed before success is achieved in difficult mining and metallurgical ventures.

Brendan Ryan

IMPALA/KEELEY Fm 12/4/91

FINAL DETAIL (217)

The last niggling worry over Impala Platinum's right to mine the downdip extension to its existing operations — the Deeps — has been removed as part of the deal between

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Fm 12/4/91 (217)

Genmin and Kelgran.

The dispute between Implat and the Bafokeng tribe, which owns the mineral rights to the Deeps as well as much of the group's existing lease area, went to the Supreme Court in 1989, which gave judgment in Implat's favour.

After further negotiation it was announced in the 1990 Implat annual report that the group had reached agreement with the tribe on terms to mine the Deeps. Agreement was struck with the majority of the tribe's councillors, led by acting Chief George Molotlegi in the absence of his brother, Chief Edward Molotlegi.

Edward Molotlegi, in exile in Botswana because of a dispute with Bophuthatswana leader Lucas Mangope, subsequently challenged the agreement but Implat remained certain of its legal standing. That challenge has, however, worried some JSE analysts concerned about the ownership of the Deeps' mineral rights and what could happen through any constitutional changes affecting the status of Bop.

At the time of the dispute the tribe had put the mineral rights into a Kelgran-controlled company, Bafokeng Minerals, in which the tribe has a 21% stake. When the dispute became public in 1988, Kelgran chairman Fred Keeley had proposed setting up his own platinum operation on this ground. Kelgran has now sold the rights to Genmin for R7m. That removes the last possible obstacle to Implat's rights to mine the area should Edward Molotlegi try to use this as a lever against the company.

Keeley tells the *FM* Kelgran was fully entitled to carry out the deal because it controls Bafokeng Minerals. A meeting is to be held with the tribe on May 3.

Brendan Ryan

Antimony hopes up in long term

810 am 17/4/9
ANTIMONY producer Consolidated Murchison said yesterday the market remained under pressure internationally, with little prospect of immediate relief.

But it reported reasons for improved longer-term prospects, adding: "It is rumoured that the Chinese government intends cutting about 30% of that country's antimony oxide exports through re-centralisation measures."

A cut in Chinese shipments would probably lead to improved prices and benefit the industry worldwide, it said. (217)

It referred to criticism of the Chinese for what it called "unfair pricing and dumping".

The company reported an improvement in its performance for the quarter ended March 31, reflecting a R1 000 net profit compared with a R4 000 loss the preceding quarter.

A weaker rand currency and steady US dollar prices helped counter a 17% fall in concentrate sales volume resulting from recession in export markets, it said.

— Reuter.

COMPANIES

Speculation mounts over Barplats' fate

BIDAM 1914191

TALKS between Genmin and Rand Mines over the latter's battling platinum operation, Barplats, move into their fourth week today as speculation mounts that a successful deal will presage the "unbundling" of the Rand Mines group.

Neither party would comment on the negotiations yesterday. Barplats is due to report its interim results at the end of the month.

Analysts said yesterday there were indications Genmin was committed to signing a deal with Rand Mines. At the end of March, negotiations between Rand Mines and JCI broke down after Rustenburg Platinum MD Barry Davison said his company had not been able to find direct or indirect benefits which would accrue from a deal with Rand Mines.

One analyst said the most likely outcome of the talks was that Genmin would supply the funds necessary to cover Barplats' short-term financial problems in ex-

MATTHEW CURTIN

change for a range of Rand Mines assets.

Barplats owns important base metal and platinum mineral rights, as well as the recently commissioned base and precious metal refineries at Brakpan (217).

Rand Mines also has stakes in other companies of interest to Genmin's platinum and chrome operations, Impala Platinum and Samancor. Rand Mines has a 50% stake in Winterveld Chrome, wholly owns the Henry Gould and Milsell chrome mines and owns 50% of Vansa Vanadium, which owns a 12% interest in Barplats.

Negotiations might also involve the transfer of Middelburg Steel and Alloys from the Barlows group to Genmin.

Barplats Mining (Barmine) shares closed yesterday at 125c, 10c off a record low of 115c on Tuesday. Barplats shares, which stood at R15 in February last year, closed yesterday at 290c.

Consortium agrees to develop chrome deposit

^{515 am 22/4/91}
SOUTH Witwatersrand Exploration (Southwits) announced at the weekend it had signed an agreement in principle with an unnamed European-based consortium to develop its recently discovered Brits chrome deposit.

Southwits' share price has tumbled despite optimistic estimates of the Brits deposit's chrome and platinum metals potential.

MD Nic Stavrakis said the European-based consortium had paid an undisclosed amount to acquire control of the Southwits company which holds the Brits mineral rights.

Upfront

The Europeans are also expected to pay for development of a mine if warranted by further exploration.

The upfront cash payment would benefit Southwits "considerably" in both the short and long term", Stavrakis said.

He felt that the deal was "definitely a very bright cherry".

Analysts warn that the Southwits venture is highly

SEAN VAN ZYL

speculative. (217)

The Brits deposit, situated on a 2km reef, is said to also be rich in rhodium and platinum, and could produce 20-million to 30-million tons of ore.

However, the initial intention would be to mine chrome ore — which is in plentiful supply. It has been estimated that a small mine could be developed for R50m.

But as one analyst put it: "That would be a one-eyed, two-men-and-a-dog operation working the outcrop. If there was any intention of producing platinum metals, the capital cost would be sky-high. Look what Lefkochrysos (since renamed the Crocodile River mine) has cost so far, and it still needs to have a fortune spent on it."

Analysts said the value of ferrochrome produced at current market prices would be about \$600/ton.

The market capitalisation required to mine the chrome concentrate and beneficiate it would probably be about R50m.

Base metal rights row moves into court

LEGAL action was being taken to resolve a dispute over base metal mineral rights exploited by JCI's Lebowa Platinum operation, Leplat chairman Barry Davison said yesterday. An interested party was seeking a "declaratory court order".

Business Times reported in August that the African Finance Company (AFC) was a third party owner of base mineral rights on a farm at Atok, the site of the Leplat mine. Trojan Exploration secured a three-year prospecting contract and an option to purchase the farm from AFC in 1989.

In the report, Trojan director Martin Brink said Leplat did not own the base

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MATTHEW CURTIN

mineral rights and had a case to answer. Brink is a former director of Loucas Pouroulis's Lefkochrysos platinum operation, established after Pouroulis's Salene won platinum rights from JCI in 1986.

Davison said he stood by Leplat's August statement that the company was legally entitled to mine and dispose of base metals mined in conjunction with platinum.

Analysts said yesterday a case could only be made against Leplat if it could be established that it was possible to profitably mine the base metals on their own.

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BIP 2/27/71

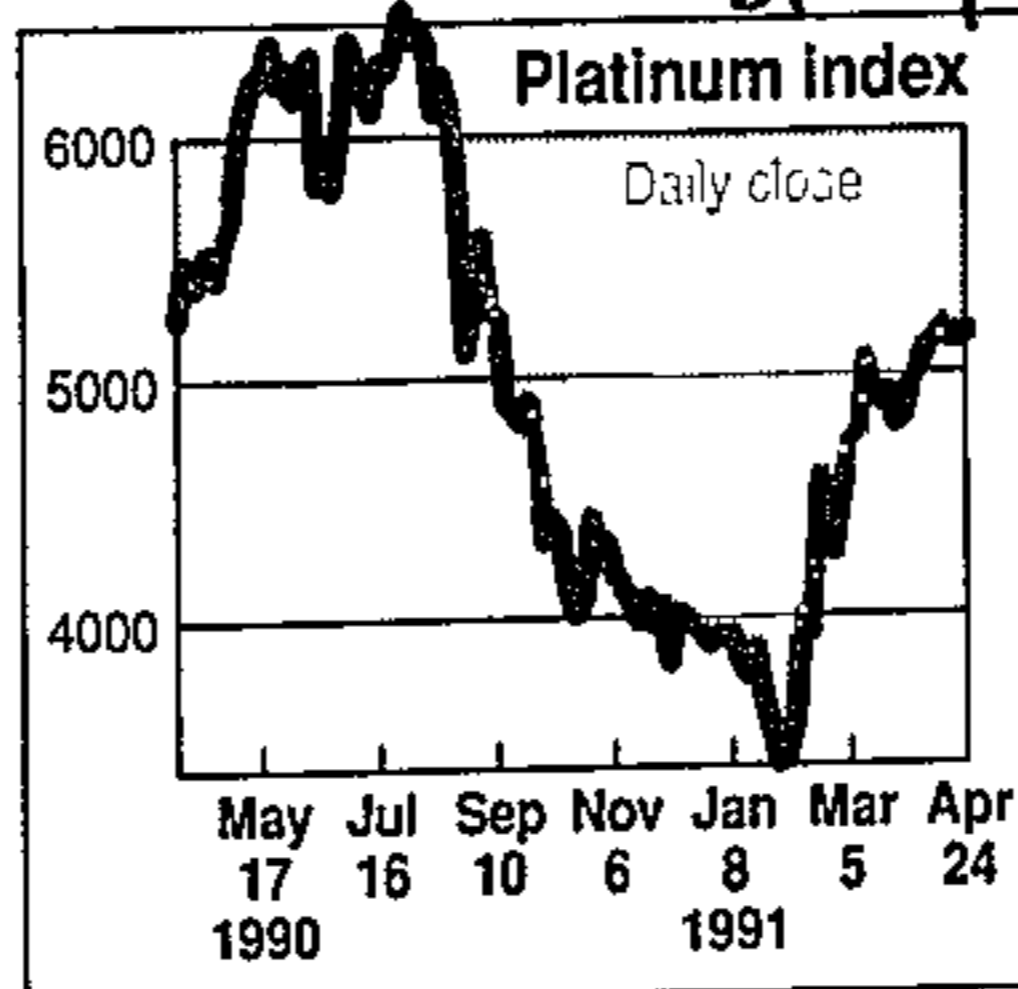
Confidence sends platinum soaring

MATTHEW CURTIN

THE soaring rhodium price and post-war confidence in world economic recovery has fuelled the steady rise in the JSE's platinum index since it hit lows in February, analysts said yesterday

The index is unchanged year-on-year but has risen 52% since February 2 from 3 383 to 5 159. Although it is more than a thousand points off its high of 6 512 in August last year, it has defied the weak platinum price

Fergusson Brothers analyst Derek Ritchie said yesterday the rhodium price could double to more than \$10 000 and palladium prices could triple to \$300 an ounce if unrest interrupted Soviet production



Graphic: FIONA KRISCH Source: JSE

Platinum group metals — platinum, palladium and rhodium — are vital for the manufacture of car catalysts. The Soviets produce half the world's palladium and is an impor-

tant rhodium supplier. Ritchie said setbacks in Soviet supply would push prices upwards and the current leveling off of prices might already reflect Soviet sales of metal stockpiles as its production fell away.

Davis Borkum Hare analyst Alex Wagner was more cautious, discounting the effects of setbacks to Soviet supply as short-lived because of the wildcat nature of strikes and the long production pipeline for the metals.

He said despite the post-war euphoria, next week's US car sales and GNP figures were likely to show the US economy was deeper in recession than expected, news which would dampen the platinum market, even if the long-term prospects were good.

ROOIBERG TIN FM 26/4/91

THINLY SPREAD (217)

Activities: Tin mining and smelting in the Warmbaths district.

Control: GFSA 48%, directly and indirectly.

Chairman and MD: J G Hopwood.

Capital structure: 2,1m ord. Market capitalisation: R5,3m

Share market: Price: 250c. 12-month high, 700c, low, 250c Trading volume last quarter, 9 621 shares

Year to Dec 31	'87	'88	'89	'90
Turnover (Rm)	22,2	21,1	25,0	18,9
Pre-tax profit (Rm)	0,025	1,47	2,4	(3,6)
Attrib profit (Rm)	0,025	1,47	2,4	(3,6)
Earnings (c)	1	47	114	(173)
Dividends (c)	—	50	30	—
Tin sales (t)	1 507	1 260	1 129	1 128

The fate of Rooiberg — SA's largest tin producer — hangs by a thread and depends on whether the high grades shown in the March quarter can be maintained

That is not a comfortable position. The complex nature of the tin-bearing orebodies mined by Rooiberg has caused large and apparently uncontrollable grade fluctuations in the past.

Average grade of 0,8% tin shown for the March quarter is up by a third on the December quarter, thanks to higher grades at both the "C" mine and the NAD mine, where grade is running at 1,5% tin.

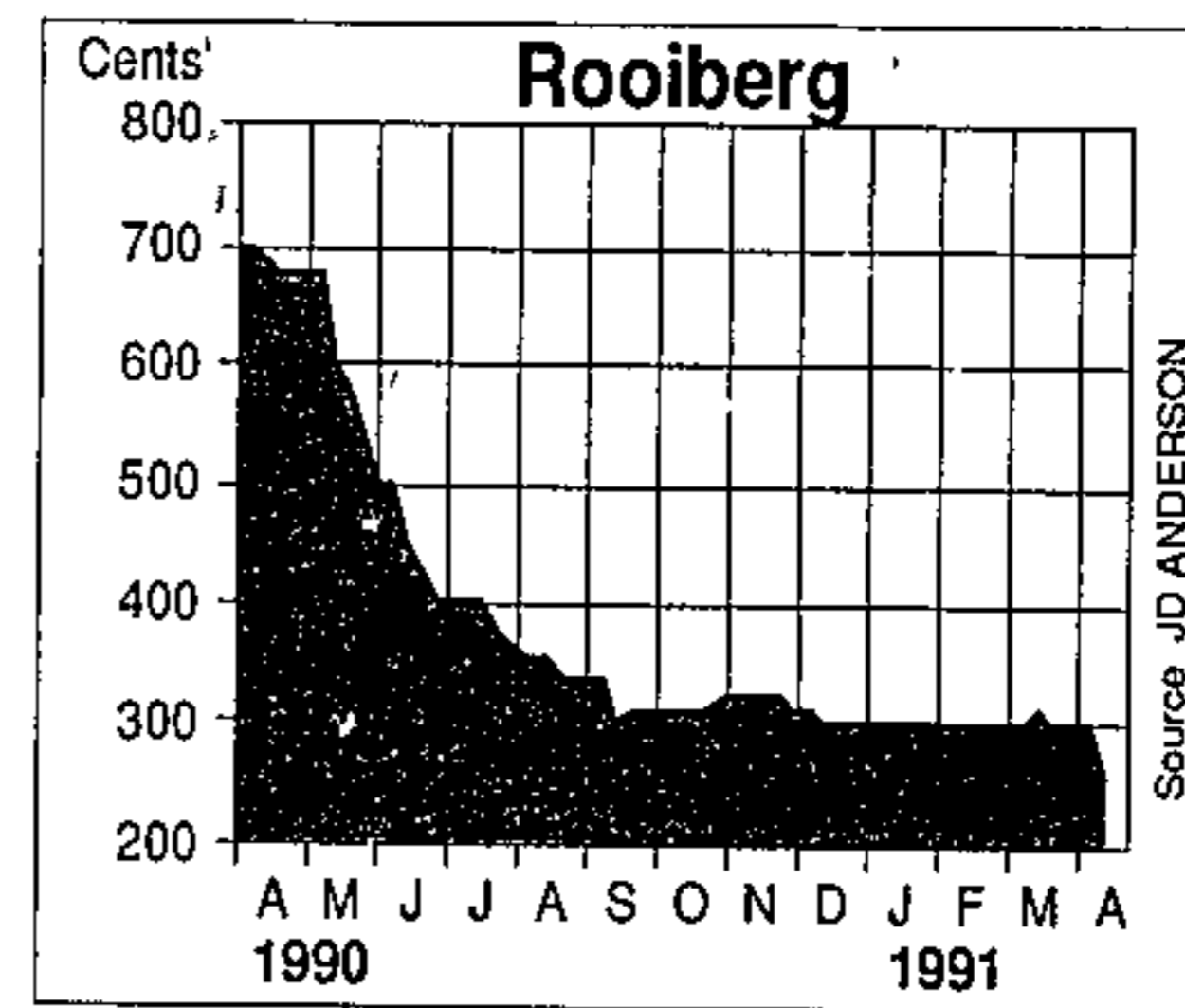
Even so, Rooiberg is still not breaking even on operations because the tin price remains bombed-out and looks like staying that way. The current LME price of US\$5 470/t equates to R14 769/t, and compares with the mine's average net revenue of R16 764/t sold last year and R22 102/t in 1989. Rooiberg's average cost of sales for 1990 was R21 131/t.

In the struggle to survive, management slashed the operation to the bone last year, closing two mines, selling redundant equipment and stopping all non-essential activities.

That resulted in a 12% drop in total working costs to R22,2m (1989: R25,3m) despite the average inflation rate for the year of 14,7%. The number of workers employed dropped to 732 at end-December from 1 133 a year ago. Chairman John Hopwood says there is little scope for further rationalisation.

He reckons world tin production should drop this year, because of cutbacks in output

COMPANIES FM 26/4/91 (217)



from marginal mines and lower production from Brazil, but the overhang of tin stocks will restrain any price increases. At best, a modest recovery in the price is expected.

Rooiberg's financial cushion to absorb further losses is shrinking fast. The balance sheet shows R5,1m in cash and short-term funds at end-December, against R7,2m a year previously. Management's aim is to hang on for as long as possible, hoping for a recovery in the tin market, but Rooiberg appears uncomfortably close to the edge.

Brendan Ryan

Trojan-Lebowa dispute heads for court action

S(Times(Buss)(T)

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1/11

28/4/91

By JULIE WALKER

CLARITY is being sought by Trojan Exploration about the rights to base metals produced by Lebowa Platinum Mines from an Atok farm on Lebowa's title.

More than 20 years ago, Rustenburg Platinum Mines bought the rights to precious metals — not to base metals — from AFC Investments

In 1987 Rusplats sold Atok into Lebowa Platinum and became the major shareholder in Lebowa, which was floated on the JSE that year

Trojan says the base metals recovered by Lebowa Platinum are rightly for Trojan's account Lebowa says the proceeds belong to it.

Lebowa's 1990 report says "Certain parties have alleged that the company may have infringed their base mineral rights in respect of a portion of the Atok Section

"The directors, after consultation with their external legal advisers, are of the opinion that such allegations are unfounded."

After Business Times brought the dispute into the open last year, Lebowa announced in effect that it had never been necessary to secure the base mineral rights on the Atok farm because legally Lebowa was entitled to mine and dispose of base minerals recovered in conjunction with platinum for its own benefit and account.

Lebowa denied any liability to pay royalties or other compensation or consideration to the holder of the base mineral rights. It said it

would resist any claims to the contrary.

AFC granted Trojan a three-year prospecting contract with an option to buy from AFC the base mineral rights of the farm last July.

Last August, Trojan's Martin Brink told Business Times that when he went to inspect the property, he found that Lebowa was mining and selling the base metals which belonged to Trojan

Notice

This week AFC's John Dicks said that notice of motion to have the Pretoria Supreme Court make a declaratory order on the dispute had been served by Trojan on AFC as first respondent, Rusplats as second, Lebowa Plats as third,

and the Minister of Mineral and Energy Affairs as fourth

The last three were given copies for information only

Mr Brink said the case would probably be heard in August A 400-page document had been lodged with the court

If the court decides that Lebowa has no claim to the base metals, Mr Brink says Trojan will consider its next step.

Trojan might exercise the option granted by AFC to buy the base mineral rights at the farm, and might also take steps to claim compensation from Lebowa

Lebowa managing director Barry Davison said he stood by the statement made last August — that his company's right to the minerals was legal

Vansa affected by oversupply ²¹⁷

By Sven Lunsche

Star 29/4/91

Vansa Vanadium is again facing lower sales prices as a result of an oversupplied world market for chrome and vanadium pentoxide.

The company reports a 21 per cent drop in turnover for the six months to March, resulting in a plunge of over 50 per cent in working profit from R4,71 million to R2,33 million. No interim dividend is being paid.

Vansa's vanadium production was terminated in November last year and sales contracts have been met from its stockpile.

The directors say discussions are continuing for the sale of Vansa's plant and ore body

Havelock Mine sold to SA's CMC

^{31 Jan 21991}
MBABANE — Swaziland's Havelock Asbestos Mine, which went into voluntary liquidation two months ago, has been sold to a SA company Consolidated Mining Corporation (CMC).

Under the purchase agreement, signed in Mbabane on Tuesday by Swazi Finance Minister SibUSISO Dlamini and CMC chairman Gerald Rubenstein, the Swazi government has a 15% shareholding in the new company, HVL Asbestos Swaziland Ltd, which will operate under the name Bulembu Mine.

Rubenstein announced that Monty Schechter had been appointed managing director of Bulembu Mine, which resumed operations on a limited scale yesterday.

About 800 workers will be employed during this year. More than 1 700 miners lost their jobs when the mine suffered a financial collapse.

Under the same agreement the government will also purchase certain assets of the mine, including its housing estate and certain of the buildings. — Sapa. (217)

and the outlook remained positive.

Commenting on the trading performance, Lewis said that the lower landed catches, reflected in the results, was symptomatic of the whole industry. He added that the industry was facing a "challenging 1991 season", with this year's quota on rock lobster not likely to be fulfilled.

As a result, the higher earnings forecast made in the last annual review would probably not be realised. However, Oceana was expected to turn in a better performance in the current six months to end September, Lewis said.

COMPANIES

Highveld waits for better days

By Day 2/5/91

HIGHVELD Steel and Vanadium, producer of about 47% of the world's vanadium pentoxide, was living "from hand to mouth" as it lay in wait for revived world steel consumption to boost demand for vanadium and lift the commodity's price off rock-bottom levels, chairman Leslie Boyd said on Tuesday.

Highveld took many market observers by surprise and pushed the price of vanadium pentoxide up to \$3,10/lb in the March quarter. Boyd said that as by far the world's largest producer of the alloying metal and with the

company unable to meet all demands for early delivery in the quarter there was no reason why it should let traders dictate the price.

The company worked on a take it or leave it, or "walkaway", principle if customers complained about the price.

Highveld's inventory of vanadium pentoxide was empty, and the price rise sent a message to the market that at \$2,50 Highveld's vanadium operation was "not a business".

The company closed its Vantra division in October last year as the vanadium pentoxide market collapsed, and production only restarted under capacity in January.

The vanadium pentoxide price reached \$11,00 in 1989, although Boyd said Highveld was aware the commodity was overpriced and received only \$7,50 for its vanadium.

The price tumbled along with other commodities — chrome and nickel — as customers, who had bought forward in fear of commodity shortages, began to use up their stocks. At the same time, demand remained static and then fell as world steel production dipped in 1990.

Boyd said world steel production would be down again in 1991.

Even though Highveld was operating under capacity — Usko was still dogged by teething problems in bringing its vanadium production on-line, and Vansa Vanadium was mothballed in December — he said the perception of oversupply in the market held sway.

Highveld would have to wait for the recovery in world economies, perhaps at year-end, and with it increased steel production for a sustained increase in the vanadium price

Boyd said Highveld's decision to investigate the treatment of vanadium slag in SA, currently exported for conversion to vanadium pentoxide to the US and Europe, had been triggered by the closure of Luxembourg-based Continental Alloys SA's converter plant in 1989.

Boyd stood by his prediction that Highveld's earnings, down last year and knocking it from its position as the main contributor to Anglo American Industrial Corporation's earnings, would again be lower this year.

However, the erosion of sanctions on steel exports would not only benefit Highveld's bottom line but also would eliminate one of the two major obstacles standing in the way of the "Colombus" stainless steel joint venture with Samancor.

Enhancing

The project, slow to get off the ground after a deal with Taiwanese partner Yieng Loong fell through last year, would establish SA as world leader in stainless steel production.

Boyd said he expected sanctions, already lifted in Europe, would have fallen away in the US, Japan and the Commonwealth by 1992, enhancing Colombus's future.

But, the stainless steel project, whose start-up cost is estimated at R4bn, still depended on the creation of an attractive investment environment in SA.

Highveld and Samancor were talking to government on improving the tax incentives.

Such a move would put SA on a par with other countries which among other incentives provided extended tax holidays to facilitate capital projects like Colombus.

Rhovan's Brits mine on stream

By Day 2/5/91

RHOMBUS Vanadium (Rhovan) has fully commissioned its vanadium mine near Brits from March 31, although work remains to be done on the company's magnetite beneficiation plant.

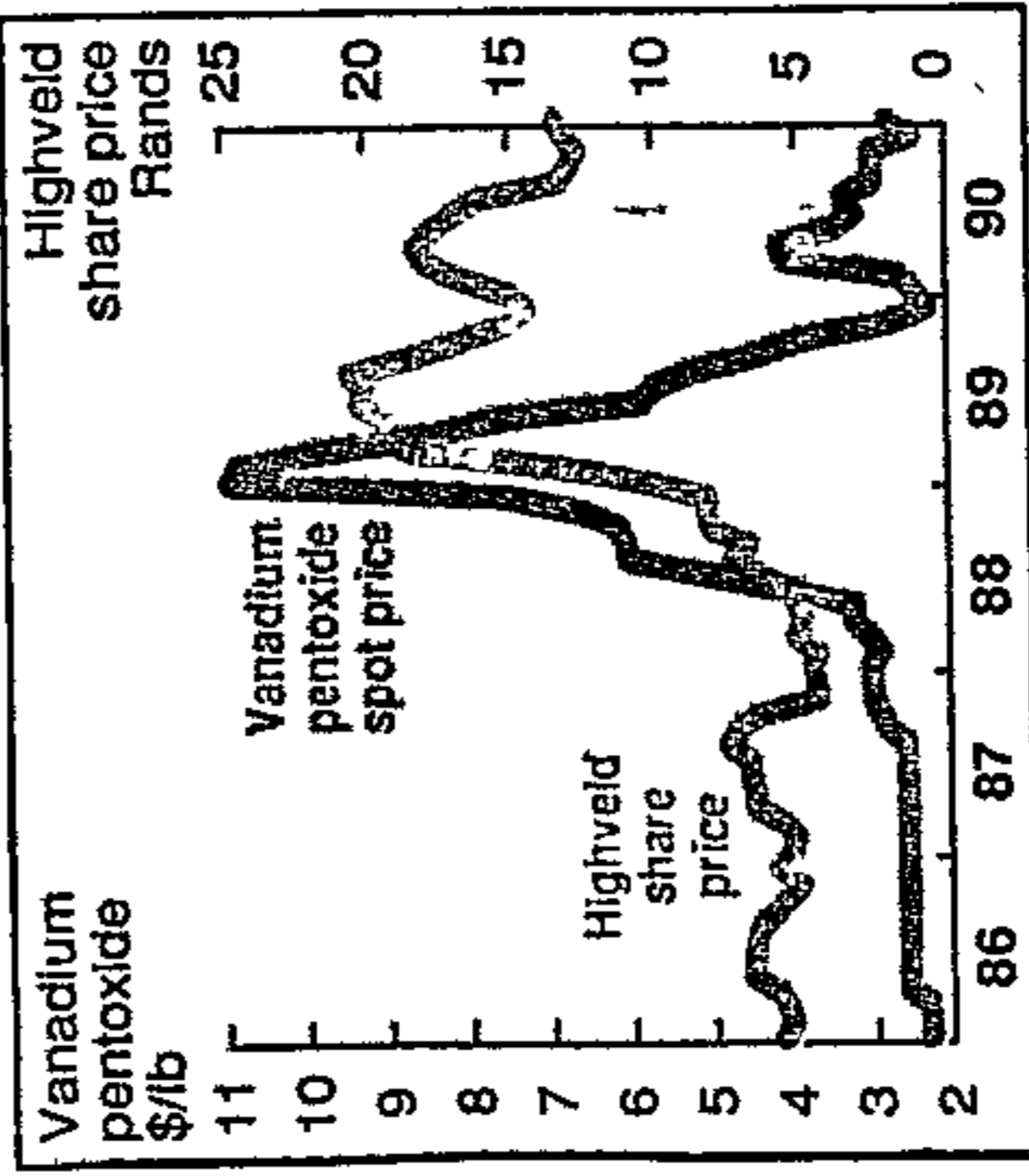
In the six months to end-March, Rhovan capitalised all operating costs, revenue and interest. Capital expenditure fell marginally to R39,4m (R39,7m).

The directors said Rhovan was operating within its borrowing facilities.

Magnetite had been supplied to Usko in the quarter, but Usko was yet to "reach the planned phase 1 volume offtake".

Usko's project to produce vanadium pentoxide has been dogged by problems, and it has been taking less ore than it contracted for, incurring penalties payable to Rhovan.

Both Rhovan's and Usko's future depend on the market for vanadium pentoxide, used in stainless steel production, which is depressed as world steel production falls.



Graphic FIONA KRISCH Source DAVIS BORKUM HARE

SA mines to clean up as platinum market balloons

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AS THE need to cut air pollution by making cars cleaner to drive gathers momentum, SA-owned mines could be supplying 84% of the world's expanded platinum market by the middle of the decade.

With its by-products, palladium and rhodium, platinum is a vital weapon in the global fight against smog and acid rain.

Often referred to as the "space age metal", platinum has been used in electrodes for the fuel cells that power the space shuttle Discovery. It is also used in petrol refining, glass making and goods ranging from heart pacemakers to electronics.

Expansion

But at least 75% of platinum supplies go into jewellery and catalytic converters which transform noxious exhaust gases from vehicles into carbon dioxide and water.

With exhaust emission laws being tightened worldwide, SA producers have embarked on an expansion drive expected to reinforce their unrivalled dominance as suppliers.

Rustenburg Platinum Holdings, the world's top producer, estimates total annual platinum supplies will jump one-third by the mid-1990s from

last year's 3,78-million ounces.

Most of the extra will come from SA and Impala Platinum Holdings' four mines in Bophuthatswana, which could boost the region's share of total primary supplies to 84% in 1995 from 75% last year.

By the end of the decade, total supplies could swell to anything between the 1,3-million ounce rise seen by 1995 to 2,1-million ounces, Rustenburg estimates.

Although some metals traders worry about a possible glut in the next few years, SA miners are convinced there will be a market for the extra supplies.

Demand for platinum in jewellery is expected to grow at least 3% a year, Rustenburg says.

Laws curbing vehicle exhaust emissions will become compulsory throughout Western Europe from 1993, and could be tightened in 1997 if tougher standards to be enforced by California in 1993 are adopted.

The Soviet Union, Hungary and Czechoslovakia are considering introducing emission controls.

Australia, South Korea and Taiwan have enacted exhaust emission controls, and are expected to be followed in the second half of the 1990s by the rest of southeast Asia, where vehicle demand is expected to boom.

Within a few years, Brazil, Mexico and Argentina are expected to have curbs in place.

Rustenburg believes one of the most promising areas for platinum usage in the next 10 to 15 years may be fuel cells, which convert chemical energy into electrical energy.

Fuel cell development has been hampered by high costs in the past, but could receive a boost from environmental concerns over fossil fuel and nuclear power generation.

Impala MD Mike McMahon says emission controls have focused so far on petrol-driven cars and light trucks.

Demand

However, tighter emission laws could create a significant new market for platinum catalysts in diesel engines.

Moreover, published estimates of supply and demand to date take little account of a trend in which more and more US states are voting to adopt the proposed California emission standards rather than the less stringent federal alternative.

This means actual demand could be stronger than projected, says McMahon — Sapa-Reuter.

GENCOR FM 315/91

FUNDING POWER

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Interim results from Gencor for the six months to end-February are unexciting, but they underline how well placed the group is to cope with whatever its cyclical businesses may do in the year ahead

It also appears the group's mining arm, Genmin, will strike a deal with Rand Mines over that house's troubled platinum mine, Barmine Says Gencor chairman Derek Keys. "If we were going to turn the deal down flat we would have done so by now"

He declines to say how long it will take before any deal is finalised. "Negotiations with Western Platinum over Karee lasted three months and that deal was a lot simpler than the situation concerning Barmine," he says "We won't be rushed and it will take as long as it requires."

Keys stresses the negotiations with Rand Mines concern only Barmine and do not involve other parts of that mining house's operations.

Acquiring Barmine would be yet another large demand on Gencor's available resources. But Keys says the group has the funds to handle whatever comes its way Developments at Engen and Impala Platinum (Implat) have turned out far better than expected. Net current assets stood at R1,64bn at February 20, compared with R1,58bn a year previously, as Gencor continued to hold cash balances of more than R1bn Gencor intends using the R522m raised from its recent placing of Engen shares to pay for the bulk of its share of Engen's R1,1bn rights issue

"When Gencor had its own rights issue I believed Engen would be the company in which we would have to commit our resources to the greatest extent. But Engen has performed much better than expected That means we can easily carry the Oryx gold mine to completion whether this involves a rights issue, or loans or whatever is finally decided upon," says Keys

A rights issue from Implat is not needed at present because of the group's sharply improved financial situation Keys estimates Gencor's commitment to the Samancor/Highveld Columbus stainless steel project at around R200m if and when it gets the go-ahead. Columbus currently does not meet the threshold Keys has set for the required

FINANCIAL MAIL • MAY • 3 • 1991 • 91

continue →



Gencor's Keys unbundling

still an option

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FM 315/91

rate of real return on a new investment

On his controversial proposal to unbundle Gencor, Keys says studies have shown it can be done It will be kept as an option open to the group once a number of minor details have been attended to, which could take about 18 months. One of these concerns is foreign loans of £100m held by the house, which Keys says cannot just simply be unbundled Also, doing it now would cost R66m in marketable securities tax — which is about to be phased out — so it would make sense to wait for that

On speculation of a Lonrho/Gencor merger, Keys says "I am not considering such a merger at all"

After five years as chairman, Keys says all his stated objectives have been met except for Gencor's role outside SA. "Our various overseas interests are not yet part of a winning game plan That's what I'm working on now."

Gencor's operating income dropped 16% in the six months to 50c a share, but the group more than made this up through profit of 13c a share from the sale of some of its trading investment portfolio That will not happen in the second half so total earnings will drop, but Keys says the dividend will still be increased "modestly"

At 1140c, the share stands at an 8% discount to NAV at April 24 of 1351c This is a vast improvement on the 25% discount that ruled at the end of last year Reducing that discount was the prime motivation for the proposed unbundling Keys says it is impossible to separate any improvement linked to that issue from market reaction to the speculation on a Lonrho/Gencor merger. The Lonrho/Gencor story broke soon after Keys' initial proposal to unbundle the group.

Brendan Ryan

STEADY COURSE

Six months to	Feb '90	Aug '90	Feb '91
Surplus on investments (Rm)	7	37	33
Operating inc (Rm)	468	630	435
Pre-tax profit (Rm)	369	591	378
Attributable (Rm)	707	740	738
Earnings (c)	60,1	62,9	62,8
Dividends (c)	14	26	15
Net worth (c)	1 462	1 375	1 297

Rhodium props platinum

SI Times

5/5/91

(Bus Times)

PLATINUM supply from all sources far exceeds industrial demand and production is becoming insensitive to the metal's price because of rhodium's strength.

These reasons are given for the decline in the platinum price in the last two years by New York precious metal and commodity research and consulting house CPM.

It predicts continued weakness in platinum this year. In 1990, platinum averaged \$471 an ounce, 8% below the previous year's level. In the first quarter of this year the mean price was only \$391.

Free-market prices of rhodium have soared for several reasons. Supply has been interrupted by acknowledged production problems at SA refineries.

Rhodium demand is growing, with 52% of offtake going to autocatalysts. Its price was \$1,300 two years ago, rising to \$7,000 in mid-1990. It is now close to \$5,000.

At \$7,000, the value of rhodium in a car is about \$50.

Without rhodium, the catalytic converters cannot meet vehicle exhaust emission standards.

But CPM warns that rhodium producers should ensure that the motor industry is adequately supplied and not driven by high prices to seek options to catalytic converters.

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CPM says the problem lies in the fact that for every ounce of rhodium, 10 ounces of platinum is produced. So as producers ensure enough rhodium, more and more platinum has to be produced to recover the by-product.

In years to come, platinum supply could remain high relative to fabrication demand in spite of low prices.

CPM estimates a platinum supply in-

crease in 1990 of 6% to 4.1-million ounces. This is due mainly to a 50% increase in Soviet exports to 750,000 ounces.

The consultants expect a further 5% or 6% rise in platinum supply this year because of additional mine production in SA and greater scrap recovery.

Platinum consumption is growing, and fabrication demand rose by 5.5% in 1990 to 3.5-million ounces. This is expected to rise by 4% this year in spite of an economic downturn in the industrialised world.

The two major users, autocatalysts and jewellery, will retain their importance and consumption could reach 3.6-million ounces.

CPM says that in the absence of investor offtake, the platinum surplus seems set to increase. Most of the downward movement may be behind the platinum market, but CPM does not discount further weakness in the price this year.

Turner to head Rand Mines gold division

MATTHEW CURTIN (217)

RAND Mines, platinum division deputy chairman John Turner is to succeed Clive Knobbs as chairman of the group's ailing gold division on August 1.

Knobbs resigned on Friday.

Turner, who is also joint MD of Rand Mine Properties, joined the platinum division three months ago in the wake of Knobbs's resignation as its chairman. Rand Mines chairman Dammy Watt took over from Knobbs as chairman of the platinum division.

Turner declined to be interviewed yesterday as he felt it would be "inopportune".

Knobbs said on Friday he had resigned for "a number of reasons" but would not elaborate on them.

He said it had been a difficult decision to make, but his parting from Rand Mines after many years was "amicable".

"I am looking forward to moving into new pastures, perhaps even outside mining," he said. *Biday 1315791*

Rand Mines divisional human resources manager Francois Lamprecht said Knobbs's resignation would take effect from July 31. Knobbs is Chamber of Mines president until June 18, when chamber senior vice president Naas Steenkamp is expected to be voted in as his successor.

Lamprecht said Knobbs would stay at Rand Mines until the end of July to see out his presidency and to allow for a change-over period with the new chairman. The

□ To Page 2



● TURNER

Rand Mines *Biday 1315791*

chamber would not comment on Friday on the news of Knobbs's resignation

Market sources said at the weekend that Knobbs had been under considerable pressure in recent months because management was being blamed for the gold division's predicament

Rand Mines' five gold mines have fared worst in the current poor climate facing the gold mining industry. The group reduced its newest mine, Barbrook, to care and maintenance status in December. Three of the group's other mines — Harmony, ERPM, and Blyvooruitzicht — were in the red during the March quarter.

Rand Mines mothballed its Vansa Vanadium operation last year, and has been

batting to set platinum operation Barplats on its feet

When Rand Mines began negotiations with JCI's Rustenburg Platinum and then Genmin over Barplats's future, Barlows said it was considering "rationalisation" of its mining and minerals beneficiation division, which includes Rand Mines and Middelburg Steel and Alloys

Analysts said that unlike Gengold, which acted on the weakness of the gold price in 1988 and has been restructuring and rationalising ever since, Rand Mines' strategy was based on what proved to be over-optimistic expectations of the gold price. Restructuring at Harmony and Barbrook had come too late

● See Page 4

(217) □ From Page 1

Signs of a deal on Barplats

RAND MINES' decision to inject R70m, in conjunction with Anglo American, into its Barbrook gold mine — which has been out of action since December — may indicate that the group is close to signing a deal with Genmin over the future of its Barplats platinum operation. *BIDAY 13/5/91*

Analysts said on Friday the group's decision to spend millions of rands on the gold mine, which is operating on a care and maintenance basis until there is a substantial rise in the gold price, was potentially a cause for concern. They said it was impossible to predict the long-term movement of the gold price and while the metal may have hit its lowest ebb, there was no sign that the price would rise in coming months.

If that was the case, Rand Mines risked "another ERPM" if it continued to spend money on the basis of unrealistic assessment's of gold's upward movement on

MATTHEW CURTIN

which a mine's viability depended. ERPM's survival was secured only with assistance from government and banks, and hopes to revive the mine depend on the newly commissioned Far East Vertical shaft. *(217)*

At the same time, Barplats, whose Crocodile River mine has had problems with smelting and maximising underground production, was desperately in need of short-term funds. The mine ran out of working capital in August last year and has projected capital expenditure of more than R230m this year.

However, if Rand Mines has already sealed a deal in outline with Genmin in which the group's Impala Platinum operation would take responsibility for Barplats' future, then Rand Mines could afford to release funds for Barbrook

Morkels bounces back as market share rises

MARCIA KLEIN

IN what directors called "one of the most successful years in the company's history", Morkels, consisting of 89 furniture stores and 24 Totalsports sports goods and apparel stores, increased its earnings by 63,4% to 23,7c (14,5c) a share, off a low base

Morkels, whose five-year above-average earnings growth was brought to an abrupt end in the year to end-March 1990 with a 35% drop in profit after tax, increased its turnover by 31,2% to R268,3m (R204,6m) and its operating profit by 56,3% to R28,4m (R18,2m) in the 1991 financial year.

Operating companies Morkels and Totalsports both improved their market share. Morkels' turnover was 6,9% ahead of the furniture market, while Totalsports increased turnover by 57,8% compared to an estimated sports market growth of 22,8%.

In an aggressive new store opening programme, Morkels increased its stores by seven and Totalsports opened five stores. At least six new stores in each chain will be opened in financial 1992.

A 43,2% hike in the interest bill to R9,2m (R6,4m) — due to the capitalisation of leased assets — saw pre-tax profit 63,6% up at R19,2m (R11,7m).

After providing in full for deferred tax — taxation increased by 63,3% to R9,7m

(R5,9m) — profit after tax rose by 63,8% to R9,5m (R5,8m). Retained income, after dividends of R4,0m (R2,8m), nearly doubled to R5,5m (R3,0m).

A full-year dividend of 10c was declared, 42,9% higher than the previous year.

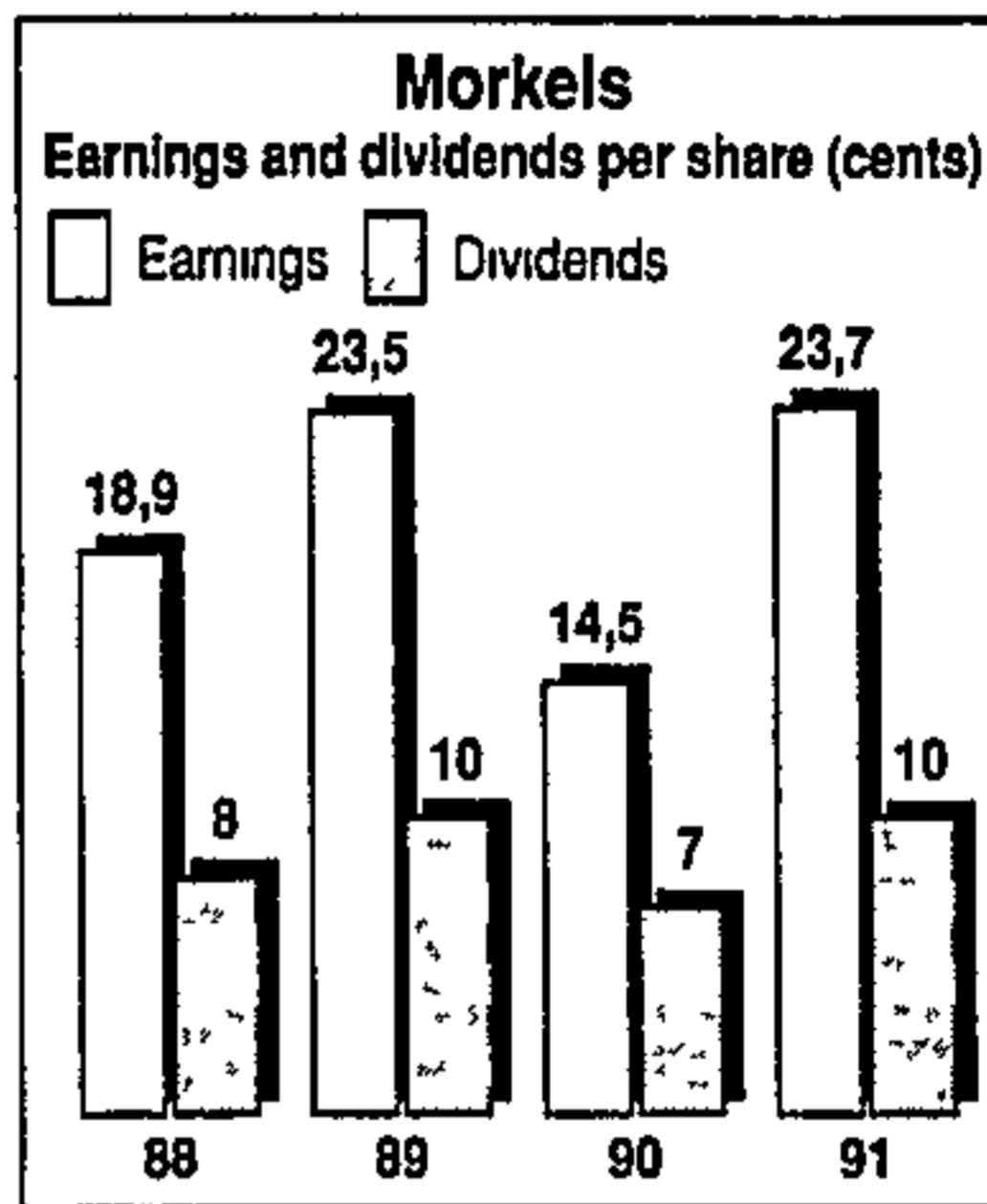
At the end of financial 1990, Morkels boldly published its anticipated 22% increase in turnover to R250m and a 42% boost in profit after tax to R8,75m for the year to March 1991.

If these goals were achieved, Morkel's operating margin would be 9% (8,1%), with earnings of 21,8c a share. Gearing would be reduced to 50%.

These results would leave management in line for an option granted to them to acquire 10-million shares from German holding company Daun et Cie.

Chairman Rian Pauw and MD Carl Jansen said "all the management objectives disclosed to shareholders in the 1990 annual report have, with the exception of the gearing ratio, been surpassed".

A considerable jump in gearing to 128% was mainly due to store growth, the finance lease capitalisation and the growth in the debtors book. Directors said it would not be in the shareholders' interests to im-



Graphic: FIONA KRISCH Source: MORKELS

prove gearing by raising additional equity capital, and Morkels would continue to fund working capital with borrowings.

A change in accounting policy with regard to capitalisation of finance leases resulted in increases in operating profit, interest paid, total assets and interest bearing debt and a reduction in attributable earnings equivalent to 1c a share.

EXECUTIVE SUITE



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Price of platinum 'will approach \$450'

LONDON — Industrial demand for platinum is forecast to fall this year, but Johnson Matthey, the refining, fabricating and marketing group, expects the improved international economic outlook for 1992 should help the price to rise towards \$450 an ounce over the next six months.

In its Platinum 1991 report published yesterday, Johnson Matthey says "The bullish performance of stock markets after the ending of the Gulf war was based on hopes of an early end to recession

"The price of platinum should benefit from such an improved economic outlook, especially if this reawakens investor interest in precious metals"

The report reveals that platinum — which hit a low of \$379 this year and is trading at around \$390 — was blighted by its first surplus since 1986 as Soviet sales jumped 27% to 700 000 ounces, the highest level for 15 years, and SA production rose 6% to a record 2,78-million ounces.

Total supply, including a 20% increase to 210 000 ounces from recycled auto catalysts, reached 3,94-million ounces of refined platinum, 9,4% up on 1989. This outstripped demand growth of 6,2% to 3,87-million ounces, leaving a surplus of 70 000 ounces

Johnson Matthey shows a slowing of growth in two key sectors. The motor industry consumed 1,52-million ounces, up 4,5% against a rise of 11% in 1989. The rate of increase in jewellery consumption also halved to 5% in reaching nearly 1,37-million ounces.

Other sectors were sharply higher, however: a trebling of buying of large bars took total investment offtake up by 25% to 200 000 ounces while petroleum industry demand was 60% better at 120 000 ounces. An additional 24% went to chemical uses at 205 000 ounces.

Looking at 1991, Johnson Matthey makes no firm forecast about the supply-demand balance. It notes that while European carmakers will be fitting more autocatalysts to meet regulations, consumption will "flatten or decline" in the US and Japan.

81027 14/5/91 (217)
JOHN CAVILL

However "sales of platinum jewellery have so far been immune to recessionary factors"

On the supply side there are questions about the Soviet Union. These include labour disruption after strikes at the nickel complex in Siberia last month and disputes between the Russian Federation and the central government which controls sales and stocks

Johnson Matthey also notes that reforms in the Soviet economy and emission controls on its output of 2-million a year would increase internal demand and restrict exports

It also expects the former communist economies of the Warsaw Pact need more platinum if their car production of 1,3-million a year has to meet EC standards

The report makes no forecast for rhodium, the sensational platinum by-product, which shot from \$1 650 an ounce last year to a peak of \$7 000 and is now trading at \$4 650

Stock

At yesterday's level the 205 000 ounces (up 15%) produced by SA last year is worth nearly the same as its 2,78-million ounces of platinum.

Stock building by the US and Japanese motor industries, which boosted demand by 29%, was responsible for the bulk of the increase in buying from 264 000 ounces to 340 000 ounces. Global demand was 17% higher at 388 000 ounces and in spite of a rise of 25 000 ounces to 155 000 ounces in Soviet sales, there was a deficit of 15 000 ounces.

Even though rhodium is still producing a bonanza, "South Africa's miners are unlikely to increase production of platinum just to obtain more rhodium. This would sabotage the price of platinum, even if excess supply was stockpiled by the mines, because the overhang would be obvious in the market; it would also increase their dependence on a single end-use and leave them vulnerable should a substitute .. be discovered," it says

Vansa Vanadium is about to be sold

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81 Day 14/5/91

IN WHAT may be the first move towards a radical restructuring of the Rand Mines group, Chromecorp Technology (CCT) directors are preparing to buy the group's troubled Vansa Vanadium operation

CCT is one of SA's four major ferrochrome producers. Yesterday a source close to the company said some of the eight directors planned to buy "certain assets" from Vansa, including its vanadium mine, mineral rights and vanadium pentoxide plant at Kennedy's Vale near Steelpoort.

Vansa, which was mothballed last November, also owns Winterveld Chrome which mines chrome ore in the same area.

No price was mentioned by the source, but Vansa has a market value of R53m.

The source said the directors would set up a new company, independent of CCT, with overseas shareholders. Swiss-based commodities broker Marc Rich owns a stake in CCT.

Talks at Vansa Vanadium are the second

MATTHEW CURTIN

indication of a re-organisation of Rand Mines and Barlow Rand's mining interests. Platinum operation Barplats — in which Vansa has a 12% interest and which has mothballed its platinum mine at Kennedy's Vale — has been negotiating with Genmin for more than a month.

Barlows as controlling shareholder in Rand Mines advised shareholders on March 6 that it was considering the rationalisation of interests in its mining and minerals beneficiation division.

Vansa chairman Allen Sealey and MD David Ashworth could not be contacted yesterday and a Rand Mines spokesman said he could not confirm the news.

Frankel Max-Pollak Vinderine analyst Kevin Kartun said yesterday the CCT directors were aiming to repeat their ferro-

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chrome success in the vanadium field. Several former Samancor employees including CCT's current CE John Vorster launched the ferrochrome operation three years ago as the alloy's price reached peak levels of about \$0,80/lb, enabling them to recoup their investment at record speed.

However, the immediate prospects for the vanadium market are dimmer.

Kartun said the vanadium market was already weak without Vansa Vanadium's production. Highveld Steel and Vanadium, producer of 47% of the world's vanadium, had failed to artificially stimulate demand by closing down its Vantra plant between

October and January. Highveld had a capacity of about 50-million pounds of vanadium pentoxide a year, and Usko, its major local rival, planned to bring another 10-million pounds on to the market.

Davis Borkum Hare analyst Jacques Pickard said last month demand for vanadium pentoxide had fallen from 100-million pounds in 1989 to 90-million last year and would fall to 88-million in 1991. As steel production would be relatively constant in the foreseeable future, demand for vanadium pentoxide would remain weak.

● See Page 7

Cutbacks in car production see rhodium price level off

CONTINUING cutbacks in US and European car production have helped curtail the spectacular performance of the rhodium price, which has hovered between \$5 000 and \$6 000 an ounce in recent months, about \$1 000 up from December

The price of rhodium, one of the platinum group metals (PGM) essential for the manufacture of car catalysis, fell to \$4 750 last week, a move which is likely to hurt the profitability of SA's platinum producers.

Simpson McKie analyst Rodney Yaldwyn said yesterday the fall in the rhodium price would "take the cream off the top" of Rustenburg Platinum's and Impala Platinum's profits

Anxious

The high rhodium price buoyed both companies' results, which had been hit by platinum's inability to sustain a rise beyond \$400 an ounce this year.

Fergusson Brothers analyst Derek Ritchie said anxious Soviet selling of rhodium in a bid to earn foreign exchange might also have depressed the metal's price.

He said the sluggish performance of Rusplats and Implats stock reflected the weakening rhodium price

Implats shares, which recovered from a low of R39,50 on January 31 to R66,00 in mid-April, have slipped ever since and stood at R65,50 yesterday

Rusplats, traditionally the stronger player, was at R77,50

The rhodium price might return to even higher levels once world economies pulled out of recession and car manufacture picked up but, said Ritchie "the big question" was when this would happen

Yaldwyn said his conservative forecast was that the rhodium price would settle near \$3 500, still a healthy mark at three times the average price in 1988

The price had been unsustainably high and it was not in the industry's interests to have such an inflated price as it could encourage car producers to look for substitutes.

Demand for rhodium was likely to exceed supply in years to come, which in turn would underpin the \$3 500 price

"The lower the price gets, the more sustainable it becomes," he said

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MATTHEW CURTIN

BUSINESS & TECHNOLOGY

overall low-profile PR policy which is only now changing as the group faces a serious challenge from the environmental lobby to its proposals to mine part of the eastern shores of St Lucia.

The reason for the secrecy is the group's desire to keep operating information from rivals in this competitive business and to play down the company's foreign control because of SA's tenuous political status. Worries over the foreign shareholding appear to be receding as SA's international standing improves, but the group still refuses to provide any meaningful financial statistics.

However, its position as market leader is underscored by the fact that it is expanding at a time when market conditions have forced a number of its international competitors to cut back. In addition, various would-be newcomers to the business, like Anglo American Corp and Rand Mines, are reassessing their own projects.

RBM MD Roy Macpherson says the group's expansion is based on an increase in actual contracted sales volumes. Management policy is to sell materials on long-term contracts on a producer-price system, which means the group does not get the full benefit of surges in market prices but its sales volumes are assured.

He declines to provide financial statistics, maintaining RBM is not a quoted company. Analysts, however, estimate the group made pretax profits of about R350m last year. The group's tax position is more difficult to ascertain because it consists of two separate operations — Tisand, which mines the heavy minerals-bearing sand and is controlled by the SA shareholders, and Richards Bay Iron & Titanium (RBIT) which does the smelting and metal recovery and is controlled by RTZ.

Like Samancor and Rustenburg Platinum, RBM would presumably also have been eligible for various export incentives and tax breaks which are now being phased out.

RBIT controls the smelting technology which is at the heart of RBM's success because the operation's viability rests on the upgrading of the heavy mineral ilmenite to high-grade titania slag which has an 85% titanium dioxide content. The smelting technology is a closely guarded secret.

Macpherson reckons the group's market position is strong because of its marketing philosophy and main product, the titania slag, which can be used in either of the two main chemical processes used to produce titanium dioxide pigment. The pigment is

used in the production of paints, plastics, paper, printing inks, textile fibres, ceramics and enamels. The two conversion routes are either the sulphate or chloride processes. The chloride process has been preferred by newer pigment plants because it causes less pollution. Macpherson points out that the chloride process needs a high-grade feedstock, noting that not all ilmenite deposits can be upgraded successfully to slag.

Viability of the proposed Rand Mines/Rho-Ex project in the Transkei depends on the successful upgrading of its ilmenite to slag but Macpherson is sceptical on its success. "We will not sell our smelting technology Middelburg Steel & Alloys will have to develop its own, and it will take deep pockets and a lot of time."

RBM has approximately 30 years of life remaining in the known reserves to the north and south of Richards Bay, but in 10 years' time ore grades will start to decline. Macpherson says additional mining capacity will be required to support the new capacity of the beneficiation plant while, to develop the overall reserve economically, it is important to mine the low-grade reserves concurrently with high-grade areas such as the St Lucia deposit. The St Lucia deposit by itself would meet 25% of plant capacity over 20 years. ■

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FM 17/5/91

MINING FM 17/5/91. 217 COVERT OPERATIONS?

Titanium producer Richards Bay Minerals (RBM) is nearing completion of one of the largest industrial expansion programmes — about which remarkably little is known — undertaken in the country.

The R1,14bn scheme will bring the company's titanium slag production capacity up to 1 Mt/year. The first slag from the new, fourth smelter furnace is due to emerge on schedule early next month.

RBM is the world's largest producer of titanium-bearing materials. Once the expansion is completed the group will account for 23% of world output of titanium feedstocks — titania slag and rutile — (it now produces 18%), 33% of world zircon output (20%) and 20% of the world's supply of high purity iron for the ductile iron castings industry (14%).

The operation is controlled by British mining group RTZ which has 50% of the equity following its acquisition of Quebec Iron & Titanium. The major SA shareholder, and only one quoted on the JSE, is Gencor with 25%. The IDC has a 17% stake in the company and Old Mutual holds 8%.

RBM's secretive management has kept the development under wraps as part of its

FINANCIAL MAIL • MAY • 17 • 1991 • 65

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Behne

Massie pops up in Phalaborwa

217 Star 18/5/91

THE Phalabora Mining Company had an unusual visitor yesterday as former British Prime Minister Margaret Thatcher spent the third day of her week-long visit to South Africa scrutinising one activity the country does best.

After days of meeting political dignitaries in the Cape, Mrs Thatcher surprised protesters expecting her in Nelspruit by appearing at Phalaborwa for a day visit to the copper mine.



IRON HEAD Mrs Thatcher was unperturbed about mine safety Pictures Etienne Rothbert

Children soften

Iron Lady's heart

Disembarking from a private jet (provided for her convenience by Rembrandt's Anton Rupert), Mrs Thatcher strolled into the town's Van Eck airport looking every inch a reigning stateswoman rather than a private visitor.

A British embassy spokesman said the trip to the mine, jointly owned by Anglo-American and Britain's RTZ mining company, was made to underline her position on economic links with South Africa.

A small group of people who had gathered to welcome her obviously thought so too, woman called out hopefully "Hey, Maggie, I hope you're going to sort out the pension" referring to

problems British expatriates have with pensions paid out from England.

After surprising the crowd by greeting well-wishers including some smalltalk with a local mother of twins, Mrs Thatcher, with husband Denis and outgoing British Ambassador Sir Robin Renwick and his wife, was ushered away

by the company chairman and managing director, A J Leroy, and taken to the mine.

Tracked by a gaggle of photographers and reporters, and a low-key but visible security presence, Mrs Thatcher was taken on a tour of the mine and its facilities.

Clearly disdainful of the notion that a mere copper mine might prove a threat to an Iron Lady, Mrs Thatcher declined a

helmet and safety goggles, while the workings of the third-largest pit in the world were explained to her.

And while blasting and machinery may not have moved her, one encounter which caused the Iron to soften slightly was when Mrs Thatcher travelled to Namakgale village, home to most of the mineworkers. She was met at Ikatleng Early Learning Centre by a group of children who greeted her with a repertoire of songs.

Entranced by the music, Mrs Thatcher motioned aside an overeager photographer who blocked her view of the little choir so as to hear the singing better.

To conclude the tour, the party took a walk through the company's well-appointed men's singles quarters — which included a TV room and swimming pool.

At the end of the tour Mrs Thatcher publicly reiterated her support for investment and economic links between South Africa and Britain.

The visiting party then retired for a private lunch before departing for the airport.

And as the jet rose into the clear winter sky heading for Mala Mala game park, the management and workers of the Phalabora Mining company were left to contemplate their brief brush with a political giant of the last decade.



A CHILD'S VIEW A brush with greatness? One of the children at the Ikatleng Early Learning Centre in Namakgale finds something even more interesting than Mrs Thatcher's visit to his school

Namibia do deal on Walvis

WINDHOEK — Namibia and South Africa agreed at talks here yesterday to establish a joint administration over the SA port of Walvis Bay prior to settlement of the issue.

South African Foreign Affairs Minister P. W. Botha said in Windhoek his delegation had come to Namibia to explore the complex issue of Walvis Bay and 12 islands.

Namibia has demanded that the enclave and the small islands be relinquished into its territory.

Mr Botha said one of the issues already discussed between the two countries in Cape Town in March, that of the Orange River border, "was not a problem any longer." He did not elaborate.

Officials said South Africa considers the northern bank of the river, which separates the two countries, as the border, while Namibia says the border should be a middle line in the river.

Mr Botha said he believed peace in Angolan and Mozambique was very close — Sapa

(217)

S/Times (Bus Times) 19/5/91

Platinum big three back in driving seat

RUSTENBURG, Impala and Lonrho are regaining control of South Africa's platinum industry

In the second half of the 1980s several aspirant producers emerged and it appeared that the number of independent producers could rise from three to at least seven by the end of the century

Such a proliferation of producers would have led to increasing competition for markets and posed a serious threat of oversupply and price instability

However, the barriers to entry have proved to be higher than expected. Two recent newcomers — Messina and Rand Mines — have failed to break the stranglehold of the established producers

Speculation

Impala acquired a controlling interest in Messina in February 1990. Rand Mines is locked in negotiations with Genmin, Impala's parent, to secure capital essential to the survival of subsidiary Barplats' Crocodile River mine

Rand Mines initiated talks with Genmin after discussions with Rustenburg Platinum collapsed at the end of March. The outcome of the current talks is a matter for speculation

But it seems that a deal will emerge whereby Rand Mines will cede an interest in Barplats and possibly other assets to Impala in exchange for the funding of capital expenditure at Crocodile River

For nearly 40 years SA's platinum industry was synonymous with Rustenburg Platinum. The company was formed under the administration of the Johannesburg Consolidated Investment group in September 1931

In 1969 another producer emerged — Impala Platinum, managed by Gencor. It also began mining near Rustenburg

A third and much smaller producer, Western Platinum, controlled by international group Lonrho, followed in 1972

The trickle of new producers promised to become a flood in the second half of the 1980s. In 1986 Gold Fields of South Africa announced that it would go ahead with the Northam platinum mine in the Thabazimbi district

Business Times Reporter

down-dip of Rustenburg's Amandelbult section

A controversial decision by the Department of Mineral and Energy Affairs opened the way for another newcomer — entrepreneur Loucas Pouroulis — to develop the Lefkochrysos mine in the Brits district

In an unprecedented move the department refused to renew Rustenburg's prospecting rights on the State-owned land and awarded them to Pouroulis' Salene Mining

Yet another potential producer emerged in 1987 when Rand Mines announced that it would develop a mine — Rhodium Reefs — in the Eastern Transvaal.

At the time a fourth potential producer, Severin Mining, was investigating a site next to Rhodium Reefs

Most of these brave attempts have foundered. Mr Pouroulis underestimated the capital required to bring Lefkochrysos to production and was forced to sell the property to Rand Mines in 1989

Surplus

Mr Pouroulis' failure to retain control appeared to prove that only the larger mining houses possessed the financial and technical resources to develop platinum mines

Even Rand Mines, having seriously underestimated the capital required to develop the mine and financially debilitated by heavy losses in other areas, proved unequal to the task

In November 1991, Barplats announced that it would temporarily suspend development of the Kennedy's Vale mine (previously known as Rhodium Reefs) until the Crocodile River mine was fully operational, paying dividends and generating surplus cash

But in March this year Rand Mines confirmed that it had opened negotiations with Barplats about the future of Barplats.

It appears that of all the entrants to the platinum industry in the last decade only Gold Fields will succeed in establishing itself as an independent new producer

Rand Mines plans R430m write-off

217

B1 Day 20/5/91

MATTHEW CURTIN

RAND MINES will write R430m off its platinum interests and take on debts of R200m from its platinum mine Barmine if the group reaches a deal with Impala Platinum over the company's future. The effect of this will be to reduce Rand Mines' net asset value from R95 to R66 a share.

Announcing an 8% rise in attributable profit to R104m for the six months to end-March, chairman Dammy Watt said yesterday that negotiations with Impala were at an advanced stage.

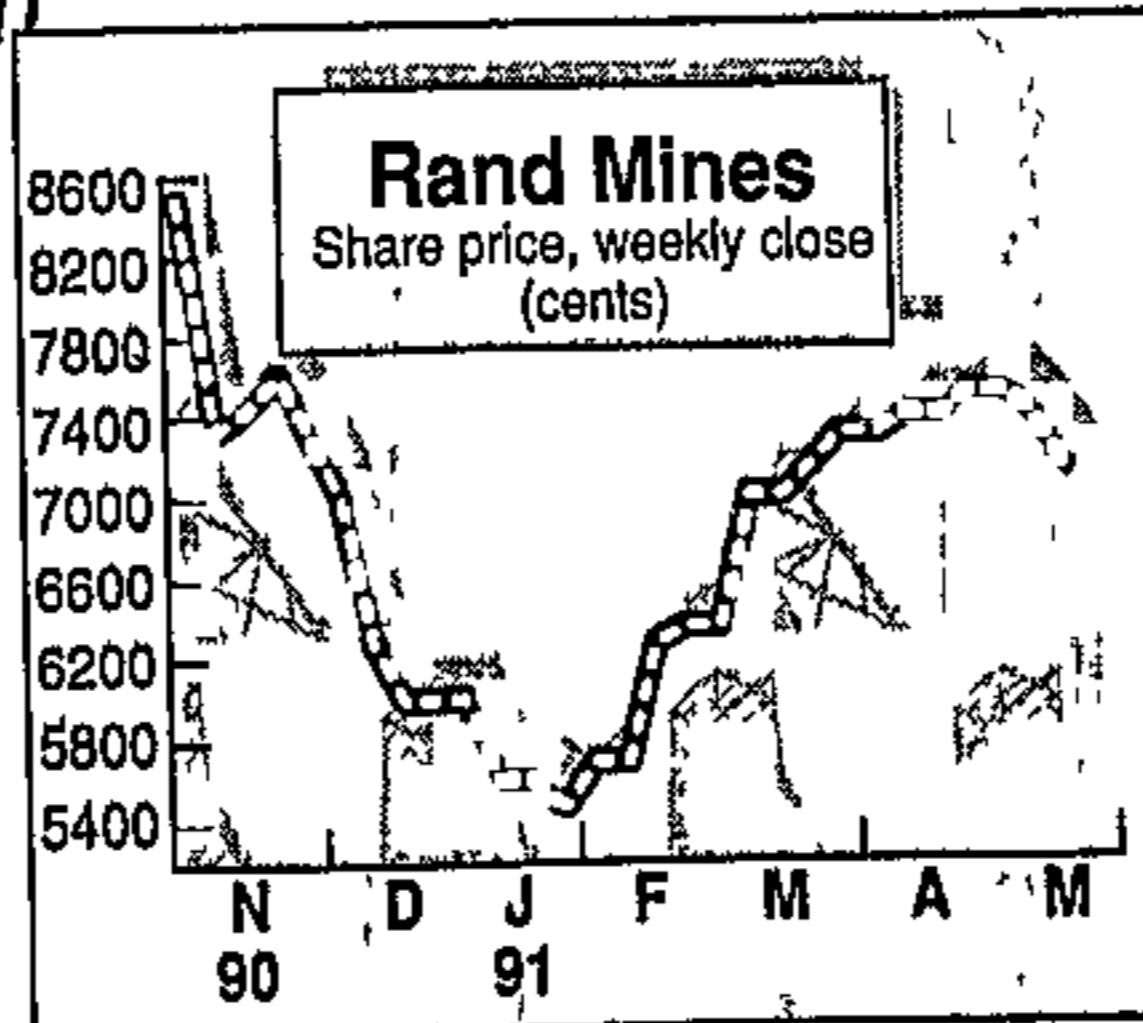
The R430m write-down would reduce shareholders' funds from R1,3bn to R895m at current prices.

Watt said he had "reason to believe a deal would be struck", and an announcement would be made within two to three weeks. Rand Mines had decided to release details of the possible deal to warn shareholders of the impending write-off.

Watt warned yesterday that the current restructuring programme at Rand Mines would knock year-end earnings. Shareholders should expect a 50% drop in the final dividend from last year's 560c.

Analysts said yesterday the move suggested Impala wanted to acquire Barplats "debt-free" and at a bargain price, in exchange for giving Rand Mines Impala shares.

Watt said there would be no rights issue in the face of the increased debt burden,



Graphic: LEE EMERTON Source: INET

which would be offset as quickly as possible by realising the value of some of the group's assets. Rand Mines had undertaken to sell those assets which were underperforming at the best price possible.

Rand Mines is currently in talks with directors from independent ferrochrome producer Chromecorp Technology about the possible sale of the vanadium assets at its Vansa Vanadium operation, mothballed in November last year.

The prospects for the coal division were excellent, and the acquisition of Middelburg Colliery last year, a move which made Rand Mines SA's largest coal exporter, helped boost group turnover in the interim to R857m from R756m last year.

Coal operations generated three quar-

□ To Page 2

Rand Mines

B1 Day 20/5/91

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□ From Page 1

ters or R78m of Rand Mines' earnings in the interim, against 70% or R67m last year. Gold and platinum contributed R2,5m, down from R5,6m.

Attributable earnings climbed 8% to R104m, while earnings based on the weighted number of shares in issue dropped to 700c (714c) a share. An interim dividend of 100c (120c) has been declared.

At ERPM, whose future hangs on the newly commissioned Far East Vertical Shaft, grades from the shaft were "up to scratch" and the mine was performing within the parameters set by the Melamet

Commission

With the demise of Vansa, the group's base metals division turned in profits solely from its chrome operations. Earnings rose to R1,7m to R5,1m on export sales, and sales to ferrochrome producers Middelburg Steel and Alloys and Consolidated Metallurgical Industries.

The forestry division turned in an increased loss of R3,9m as demand for timber in the gold mining industry in particular fell away in the period. Rand Mines property interests posted healthier results with a R6,3m (R5,7m) contribution to group earnings.

RM warns of big dividend reduction

By Ann Crotty ^{star} 20/5/91 ²¹⁷

With the announcement of an eight percent increase in attributable earnings for the six months to March, Rand Mines (RM) management warns that the total dividend distribution for the full year could be down by as much as 50 percent from the 560c a share paid for financial '90.

The extent of the likely cut is considerably worse than analysts had expected and reflects the extensive nature of the funding problems facing the group.

Last week's news of an injection of funds into ailing Barbrook is now overshadowed by the latest statement from the directors that Rand Mines is likely to have to assume R200 million of Barmines' debt and subsequently write off R430 million relating to Rand Mines' investment in Barmines.

If the full-year dividend payment is restricted to 280c a share, the mining house will have R52 million less than in financial '90 to pay out in dividends.

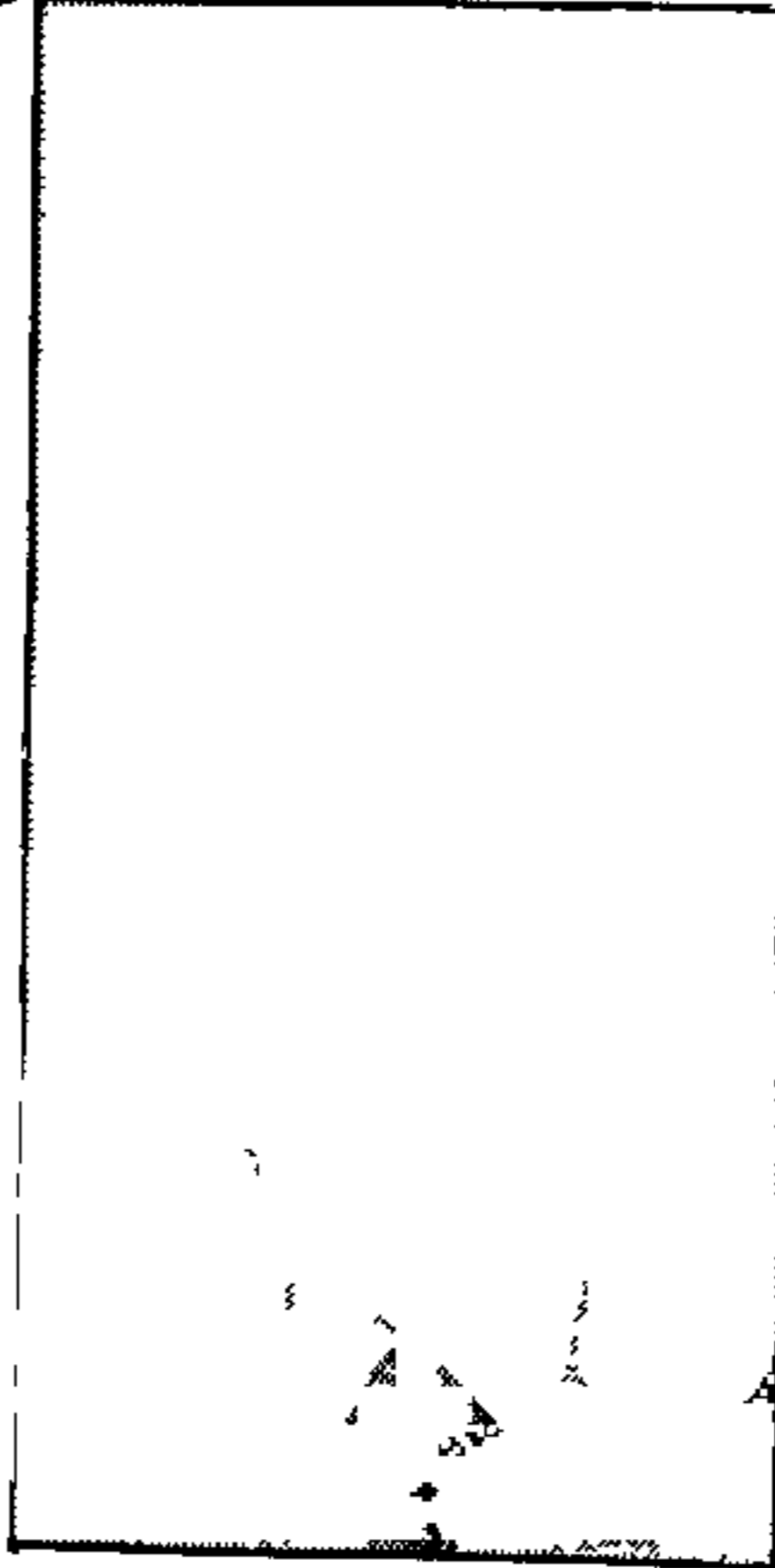
Large chunk

This will cover a large chunk of the R65 million that it has undertaken to inject into Barbrook.

The R430 million write-off reflects the sharp reduction in the Barmines share price since the rights issue in 1989 that was pitched at 450c.

At the time there was some criticism that Rand Mines had pitched the issue price too low — the market price was 575c.

However, subsequent events suggest that the price was very optimistic, since the rights issue the group has faced one prob-



Dammy Watt . . coal division has forged ahead strongly.

lem after another

Friday's closing price was 115c.

The shares of all of the Rand Mines companies involved in negotiations with Impala (Barplats, Barmines and Vansa) have been suspended.

For the six months to end-March Rand Mines has declared an interim dividend of 100c (120c) a share from earnings of 700c (714c) a share.

Once again, coal came to the rescue of Rand Mines, contributing 75 percent of the

R104,3 million attributable profit reported for the six months.

The improved contribution from coal was helped by the increase in Rand Mines' interest in the Middleburg Mine.

Chairman Dammy Watt says "While the group has been plagued with problems in other areas, its robust coal division has forged ahead strongly, with a steady expansion of its production and markets."

"The coal division is now well placed to take advantage of any expansion opportunity that may arise in the near future."

Expectations

The decision to cut the dividend reflects expectations of a substantial increase in borrowings because of restructuring of the group's various interests.

At present, management has no intention of having a rights issue to fund the borrowings.

The intention is to reduce the debt as rapidly as possible by realising the value of certain assets.

"The coal, chrome and property operations are expected to continue to perform satisfactorily, albeit at a lower level than last year."

"This together with the effects of the restructuring and the higher interest burden, will result in a decline in attributable profits, giving rise to a substantially reduced dividend declaration for the year," Mr Watt says.

Shareholders in Barmine on winning streak

Blom 21/5/91

MATTHEW CURTIN

SHAREHOLDERS in Barplats Mining (Barmine) would be the big winners if negotiations between Rand Mines and Impala Platinum led to the restructuring of the mining house, analysts said yesterday.

The JSE yesterday suspended trading in Barmine, along with holding company Barplats Investments (Barplats) and Vansa Vanadium, which has a 12% stake in Barplats Barmine shares have floundered near record lows of 110c for much of the year. Barmine ran out of working capital in August last year and had debts amounting to R338m as of March 31. 217

Fergusson Brothers analyst Mark Madeyski said yesterday that if the market interpretation of Barmine, was right and Rand Mines was willing to take R200m of the company's debt onto its own books, "Barmine's share value must improve".

Other analysts said shareholder confidence should be boosted not only by the easing of Barmine's debt, but also by the management skills and platinum mining expertise Impala would bring to the operation.

Madeyski and Frankel Kruger Max Pollak Vunderine analyst Kevin Kartun said the deal would benefit Impala, but without boosting its share price or earnings in the immediate future.

Analysts speculate on Platreef venture

MATTHEW CURTIN

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SPECULATION is mounting that Lebowa Platinum (Leplat), former Rustenburg Platinum (Rusplat) subsidiary, will be unable to contribute to the funding of the R1,3bn Platreef platinum joint venture with Rusplat.

Analysts said yesterday that cash-flush Rusplat was intending to buy out Leplat minorities in order to fund the project, scheduled to be operating at a capacity of 200 000 tons a month by the end of 1994.

At year-end 1990, Rusplat's net liquid assets stood at R560m (R465m), whereas Leplat's net liquid assets were only R1,2m (R4,2m). The two companies each have a 50% share in Potgietersrus Platinums, the company which will undertake the mine's development.

Rusplat marketing director Todd Bruce said yesterday the companies were examining every possibility with regard to the funding of the project, "from the two extremes ranging from a rights issue to a dilution of Leplat's stake in the project". He said he knew of no plan for Rusplat to acquire Leplat.

He said a decision on how the project would be financed would be taken "reasonably soon". B/Pay 21/5/91

The parties were at an advanced stage in their identification of the optimal mining structure for the ore body on the Platreef. Once that was complete, they could make cash predictions before ultimately deciding the required company financial structure.

Rusplat MD Barry Davison said last year that it was "obvious" Leplat did not have the means to finance 50% of the project cost.

Bleak year ahead for vanadium industry

(217)
LONDON — SA's vanadium industry, which supplies 63% of world needs for the strategic metal, faces an even leaner year than 1990 as prices continue to slump.

The latest issue of the Metal Bulletin reports that between 70 and 80 tons of ferrovanadium changed hands in Europe last week at \$12,75/kg, a dollar lower than the previous week. Another 10 tons has been sold at \$13,40. *Buy 21/5/91*

The Bulletin says that one estimate of demand this year is "no more" than 36,3-million kg, down 16% on 1990 when it

JOHN CAVILL

dropped 10% to 43-million kg. SA supplied more than 27-million kg last year.

Although there is a paucity of vanadium-pentoxide (V₂O₅) in Europe, the ferrovanadium overhang is depressing its price. On the basis of ferrovanadium at \$2,75/kg, vanadium pentoxide's price is about \$2,20.

Highveld pushed the price up to \$3,10 in the March quarter. It supplies about 47% of the world's vanadium-pentoxide.

Barlow Rand puts focus on minerals

Star 2115/91

By Ann Crotty

199 217

Reorganisation at both Rand Mines and Middleburg Steel & Alloys should put Barlow Rand's mining and mineral beneficiation arm on a firmer long-term earnings course

If plans that are currently in the pipeline come to fruition, this division will comprise a 61 percent stake in Pretoria Portland Cement, a prosperous coal house through Rand Mines, a more promising platinum investment through some sort of merger arrangement with Gencor's Impala and, a holding of around 60 percent in MS&A

Performance

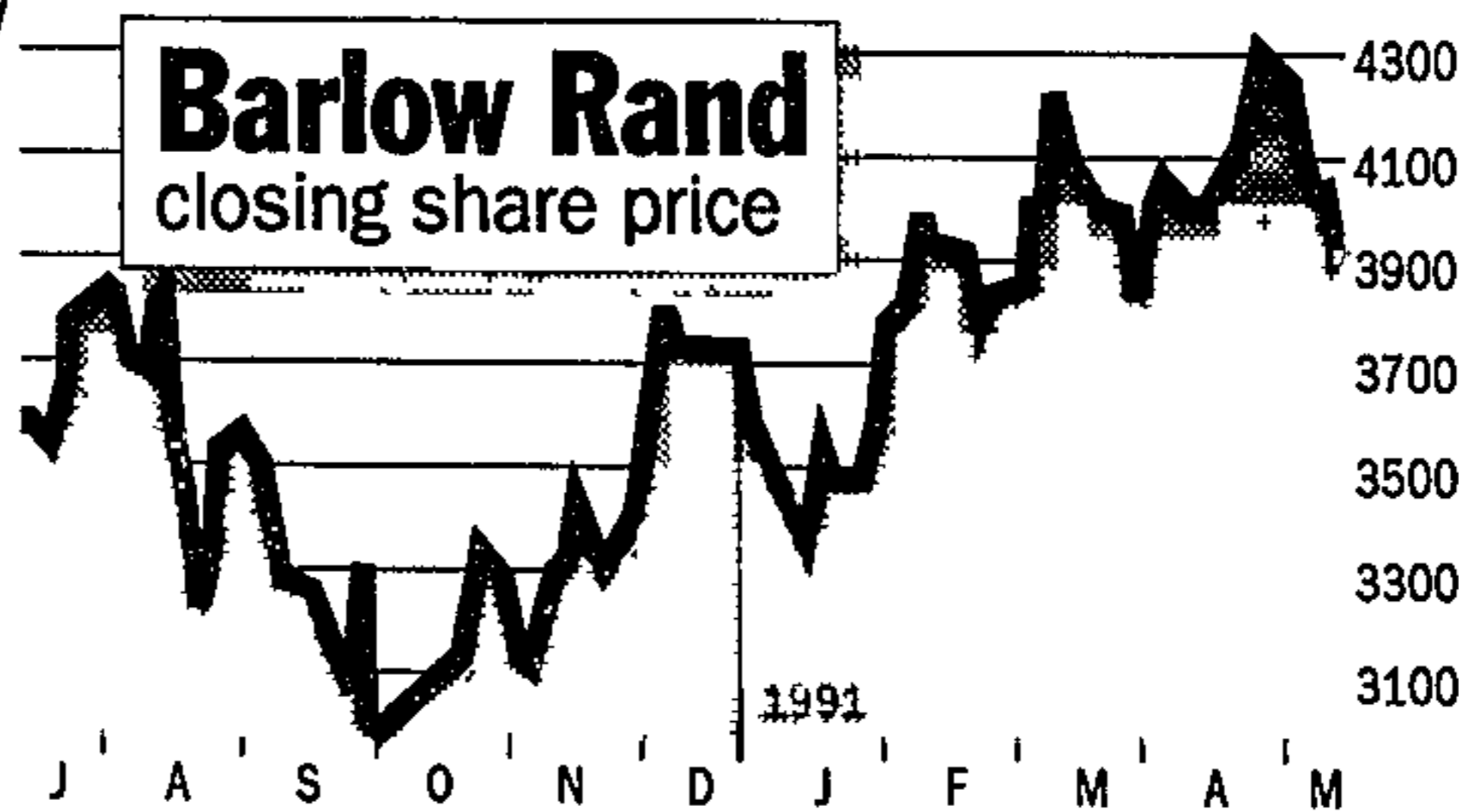
Latest interim figures again show the extent to which Barlow's overall performance is impacted by the cyclicality of MS&A's earnings performance

Of the R713 million (R734 million) taxed profit, the mining and mineral beneficiation interests contributed R159 million or 22 percent of the total. This represents a sharp drop on the R219 million or 30 percent contributed in the first half of financial '90

Going further back (to what was an excellent year for MS&A), in financial '89 the mining and mineral beneficiation interests accounted for 34,8 percent of Barlow's total taxed profit

Initial plans will see Barlow reduce its MS&A holding and get a listing by distributing some MS&A shares to Barlow shareholders during the next financial year

Once MS&A settles in the market and a value can be established for it, Barlow will sell off a block of shares to reduce its holding to a level yet to be deter-



	6 mths to 31/3/91	6 mths to 31/3/90	% Change
Turnover (Rbn)	15.52	13.83	12
Operating profit (Rbn)	1.22	1.23	-1
Operating margin %	7.9	8.9	-
EPS (c)	187	217.7	-14
Dividend (c)	51	51	0
Share price	3950	4000	-
PE ratio	-	-	-

mined — approximately 60 percent.

According to Barlow CE Warren Clewlow the proceeds will be put into another capital development project.

He explains that having developed MS&A into a major player in the steel and chrome markets it is now too large and too cyclical for Barlow's to hold 100 percent of it

During the review period, the R159 million taxed profit contribution from mining and mineral beneficiation was achieved despite a R17 million loss at MS&A. This represents a sharp turnaround from its R50 million contribution in the first half of '90 (In the second half of that year MS&A made no contribution.)

The reorganisation of Barlow's capital structure is expected to have a material effect on Rand Mines' net asset value. Following the reorganisation, Rand Mines intends writing down its platinum investments

Assuming that share prices of the platinum companies remain at current levels a write-down of

approximately R430 million would be required of which R320 million would be attributable to Barlow shareholders

But as Mr Clewlow notes, by the time that this write-down has to be effected on the end-September balance sheet, the market value of whatever emerges following the negotiations could be much stronger than the current level

Debt-yoke

Given that the plan is for Barlow's to be rid of its debt-yoke as well as the fact that there is scope for rationalisation and improved production efficiencies in the combined operations, a stronger market valuation does seem likely

Other contributions to Barlow's taxed profit of R713 million were industry with R151 million (R154 million), packaging and textiles with R117 million (R116 million), food and pharmaceuticals with R244 million (R211 million) and, international with R64 million (R57 million)

Looking ahead the directors note that while the major parts of the group will continue to show growth, it is not likely to be sufficient to offset the reduction in profits expected from Rand Mines and MSA. "Accordingly the results for the full year are likely to show a decline similar to that of the first six months"

Rand Mines to sell portfolio

RAND Mines would sell off its listed investment portfolio, worth almost R100m, on a staggered basis, chairman Dammy Watt said yesterday

He said the group would be selling off its non-performing assets, ones that were not part of the core business, and its investment portfolio

The sale does not include its five managed gold holdings or its unlisted investments but included sizeable gold, platinum and other holdings

At end-September 1990, the balance sheet reflected holdings in Impala Platinum (R25m), a R12m holding in Rustenburg Platinum, a R29m holding in De Beers, a R15,3m holding in Palamin and a

ANDREW GILL

R5m holding in Sasol

It would sell its widespread investments in 21 gold mines, according to the annual report

He said the sales would be made on the market in the best interests of Rand Mines "as and when we see fit" so as to get value for the investments and not to depress the market

There was no time limit on when the holdings should be sold, he said

There was always an option to sell some coal interests but no decision of that kind had been taken at this stage and it was not in line with the move to sell non-core and underperforming assets

BIP day 2 2/5/91

217

Interim results from Rand Mines are the lull before the storm. Earnings have held up well, but are set to drop sharply in the second-half because of heavier interest payments and lower earnings from coal.

Coal is all the house has going for it at present, as the interim figures make painfully clear. It contributed R77,6m of Rand Mines' attributable earnings of R104,4m for the six months to March. Head office came in a poor second, contributing R16,8m from management, financial and investment services. Platinum contributed R1,4m, which looks paltry until compared with gold's R1m contribution while property added R6,3m, base minerals came through with R5,1m and the house lost R3,9m on its Lotzaba forestry and timber operations.

What happens in the second half will depend largely on how much debt Rand Mines will have to carry following the disposal of Barmine to Impala Platinum (Implat). As expected, given its powerful bargaining posi-

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tion, Implat seems to be getting things its own way and looks like acquiring Barmine either completely or largely free of debt

Rand Mines says negotiations are at an advanced stage and, if agreement is reached, it will assume about R200m of Barmine's debt. A reorganisation of Barmine's capital would follow, resulting in a write-down of about R430m in the value of the house's platinum investments. On the balance sheet at March 31, that would reduce NAV by R29 to R66 a share. Chairman Dammy Watt says the plan is to reduce debt as rapidly as possible by selling certain assets which he will not specify

"We have a short-list of underperforming and noncore assets which can be sold but there will be no fire-sale and we will sell when we feel market conditions are right," he says "That could take longer than six months, which is why we have warned shareholders the total dividend for the 1991 year could be cut by as much as 50%."

That uncertainty makes predictions on second-half earnings difficult. Reaction from some analysts is the 50% cut is unlikely but dividends could easily be 30% down. Following publication of the results one analyst has dropped his estimate on earnings from 1 442c to 1 300c and is looking for a total dividend of 320c

So what can Rand Mines sell? Candidates include Lotzaba Forests, the group's portfolio of listed investments, the vanadium interests and Winterveld Chrome. Watt says chrome is a core mining asset that would not be sold outside the group, but that does not appear to rule out a sale to Middelburg Steel and Alloys. If necessary, perhaps Rand Mines could sell some assets into 71%-held Witbank Colliery and also lighten its stake.

Witbank Colliery's interim earnings were 13% down and may not do much better for the full year. The group is feeling the effects of its high gearing because of debt taken on to buy into Middelburg Mine.

Rand Mines is biting the bullet and will emerge the better for it. But its medium-term future will be totally dominated by coal, as will its long-term prospects in the absence of a large-scale commitment to exploration work looking for new ventures.

Brendan Ryan

SA platinum giant lying, says Soviet director

ALBUQUERQUE
Weekend Argus
Correspondent

(217)

LONDON. — An important Soviet Union precious metals official, has accused Rustenburg Platinum of market misinformation.

The official, Boris Ossipov is Deputy General Director of the Soviet Union's precious metals and diamonds marketing agency.

Speaking at the annual London Platinum dinner last week, Mr. Ossipov referred to the surge in rhodium prices last year. From only \$1300 an ounce in August 1989, rhodium, a by-product of platinum, soared to a peak of \$7300 an ounce in 1990. It has since fallen back to \$4400 an ounce.

The price initially soared because of problems at Rustenburg's refinery. Subsequently, however, Rustenburg management claimed that rhodium prices were soaring, because the Soviet Union had cut back supplies.

The Soviet Union is the world's biggest producer of palladium and the second largest miner of platinum and rhodium after South Africa.

Mr. Ossipov furiously denied the Rustenburg views in a hard hitting speech at the Platinum dinner.

He blamed the remarkable fluctuations in the rhodium price on South African producers.

"In response to the rhodium shortage, Soviet exports of the metal were increased substantially," said Mr. Ossipov.

"If we had not responded in this manner, the price of rhodium might well have increased even more than it did."

"Despite the fact that we increased the supply of rhodium from the USSR, some market participants accused us of doing the opposite," said Mr. Ossipov, making a pointed reference to the Rustenburg management who were also attending the dinner.

"In fact, at one point, the rumours so conflicted with reality that one could easily imply that there were supply disruptions in Siberia and not with the new refinery of our friends in the South."

Union Tin mine 'strike' looks rich

UNION Tin has disclosed recoverable, payable, high grade ore in the old mine workings of Welgevonden Tin Mine.

The mine, which was extensively developed between 1909 and 1914, should yield about 3 000 tons a month. *By Day 29/5/91*

Although not viable until funding has been secured to revamp the mine, which ceased operations in 1986, the company director's report released yesterday said re-examination of the workings begun in January this year indicated that this ore was viable "even at the present low tin price".

Director Geoff Ashmead said the company would not be going to the market for funding, nor would it expose the company to unnecessary borrowings.

It was speaking to parties that could offer expertise and financial commitment to looking further into the exercise, but no agreements had yet been signed.

Current conditions were not that good, he said. The tin price had halved since the company took over from GoldFields, Union Tin's share price had fallen substantially, the plant had been idle, and drilling machines were not in

ANDREW GILL

operation

It would cost about R5m to get the mine going again with a second-hand plant, refurbishment and boreholing, he said.

Exploitation of the 500 000-ton pre-floatation surface dump, which has a recovery grade of 0,52%, could produce revenues for setting up underground operations. An in-depth report on the pre-floatation dump should be completed within the next two months.

However, the statements were clouded by a qualified auditors' report questioning the viability of recovering the R342 432 reflected in the financial statements as owing by the GF Dust and Water Control and Surface Restoration Fund to the company.

Ashmead contends that funds in the Trust on Union Tin's account are owed to his firm as restoration work that would need to be done did not come close to the amount, almost R500 000, in the Trust.

Auditors said the statements presented the financial position of the company fairly but for that issue.

FM 31/5/91

217

DIGOCO

VOLATILE

FM 31/5/91
217

The most informative pages in the annual report are those analysing trade in the shares because they reveal, in a nutshell, the highly speculative nature of this company. The gyrations of the past year should serve to caution investors even if they have no knowledge of Digoco's chequered past.

That's probably why chairman Jannie Nel takes the share record so seriously. His review says "I believe firmly that it is our

continue

Activities: Mining exploration company with stakes in a small diamond mine and a marble mine

Control: J A Nel

Chairman: J A Nel

Capital structure: 5m ords Market capitalisation R1m

Share market: Price 20c 12-month high, 60c, low, 5c Trading volume last quarter, 32 400 shares

Year to February	'90	'91
Turnover (Rm)	0,9	0,7
Pre-tax loss (Rm)	0,6	1,3
Loss (c)	1,26	2,43
Dividends (c)	—	—

offer than Digoco, in companies like Randex, Lydex, Barnex, Rho-Ex and Freddev. These have sounder balance sheets, better-quality and better-known mineral rights and established links with major mining houses who, at the end of the day, are going to put up most of the money for a new project and do the actual mining.

Brendan Ryan

shareholders who should determine the value of the shares. A unanimous show of faith by all shareholders will reflect in the Johannesburg Stock Exchange listed price of your shares and add the all-important stability your directors need. Without the credibility such stability will engender, the company will find it difficult to successfully negotiate the backing on which our future depends." Nel, of course, is the major shareholder. Through P J Nel & Broers he holds 34,8% of the ordinaries and 84,3% of the compulsorily convertible prefs issued last year in conversion of R5m long-term debt. His holding indicates very few minority shareholders followed last year's pref share rights issue — a figure the company has not disclosed.

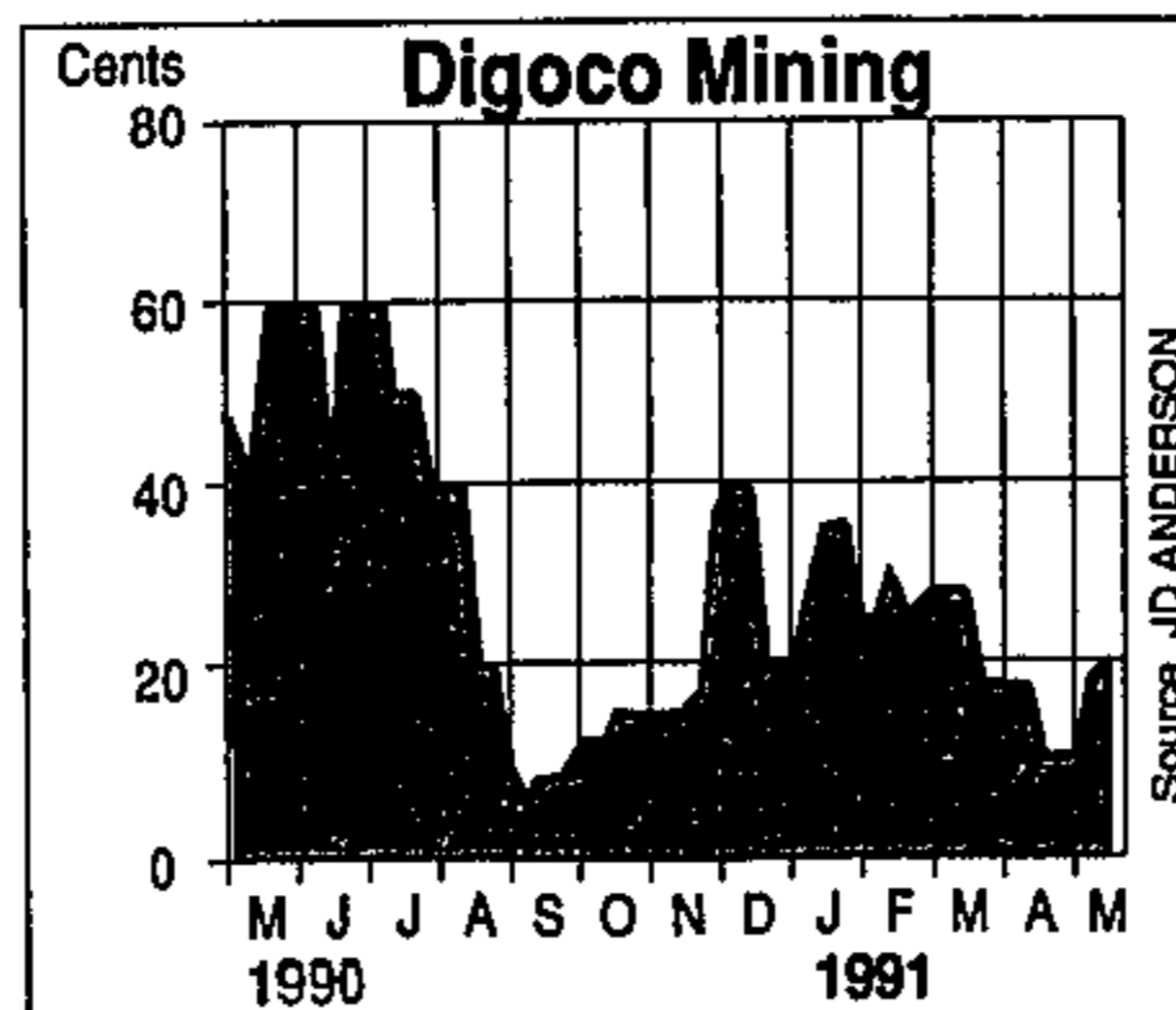
The report shows the prefs swung between 10c-120c from September 13 to end-February, while the ords gyrated between 4c and 42c in the year to February. JSE stats show a 5c-60c range over the past 12 months for the ords, which currently sit at 20c; the prefs are 80c. The improvement in the price of the ords is the result of a 10-1 consolidation.

Digoco owns a small diamond mine, Endless Pit, which continues to lose money, though Nel says "From time to time the operation proved its potential for profit."

Other assets are various mineral rights about which minimal information is given, except that one is a silica deposit, and a 30% stake in Marnite Mining, which mines marnite — a specialised dimension stone. It is not as widely recognised as SA's grades of red, grey and black granite, so marketing it will prove far more difficult than mining it.

Exploration shares are in the doldrums because, with operating mines in so much trouble, few want to buy into companies selling future prospects.

For those who do there is far better on



Platinum price collapse 'could be short-lived'

(217) star 31/5/91

LONDON — The collapse of platinum and rhodium prices yesterday could be short-lived, despite news that Nissan Japan has developed a catalytic converter using cheaper palladium as a replacement metal, experts say.

"The market will be very nervous for a few days. We'll probably see the same scenario as with Ford, with platinum prices gradually recovering and palladium falling back," said Swiss Bank Corp analyst Hans-Peter Hausheer in Zurich.

Metal market analysts said they expected a replay of the events that followed a similar announcement by Ford Motor Co more than two years ago.

"The parallel is the Ford announcement in December 1988 when they said they had developed a platinum-free converter and platinum prices fell from \$580 an ounce to \$522 and bounced," said Andy Smith, precious metals analyst with brokers UBS Phillips and Drew in London.

Catalytic converters, which remove some pollutants from car exhausts, account for 40 percent of the platinum consumed in the West, and 80 percent of rhodium consumption.

Platinum opened in London yesterday \$33 lower at \$362,50, after plunging on the Tokyo futures market following the Nissan announcement.

Trading in rhodium, the most precious of all precious metals, ground to a halt in London as the indicated spreads between buyers and sellers widened to more than \$1,000 in a buy-sell range of \$2,250 and \$3,475 an ounce.

But palladium is dearer. It was \$99,50 an ounce — up from a Wednesday afternoon fixing of \$94 in London.

Dealers said most rhodium

sellers were lining up behind major supplier Johnson Matthey's daily indicated price of \$3,750 — far below a price of \$3,950 quoted by the British-based company on Wednesday.

"We saw palladium prices jump from \$130 to \$146 in 1988, but we haven't seen those levels since," said UBS Phillips and Drew's Mr Smith.

"Since the production of any new converter is at least three to four years away, a cynic might suggest that the price moves are very much future shocks and, from the car-makers' view, are having the desired effect of reducing the platinum price," he added.

Johnson Matthey said it expected the market to stabilise if there were no further information from Nissan, or if it turned out that there was a very limited application for the technology.

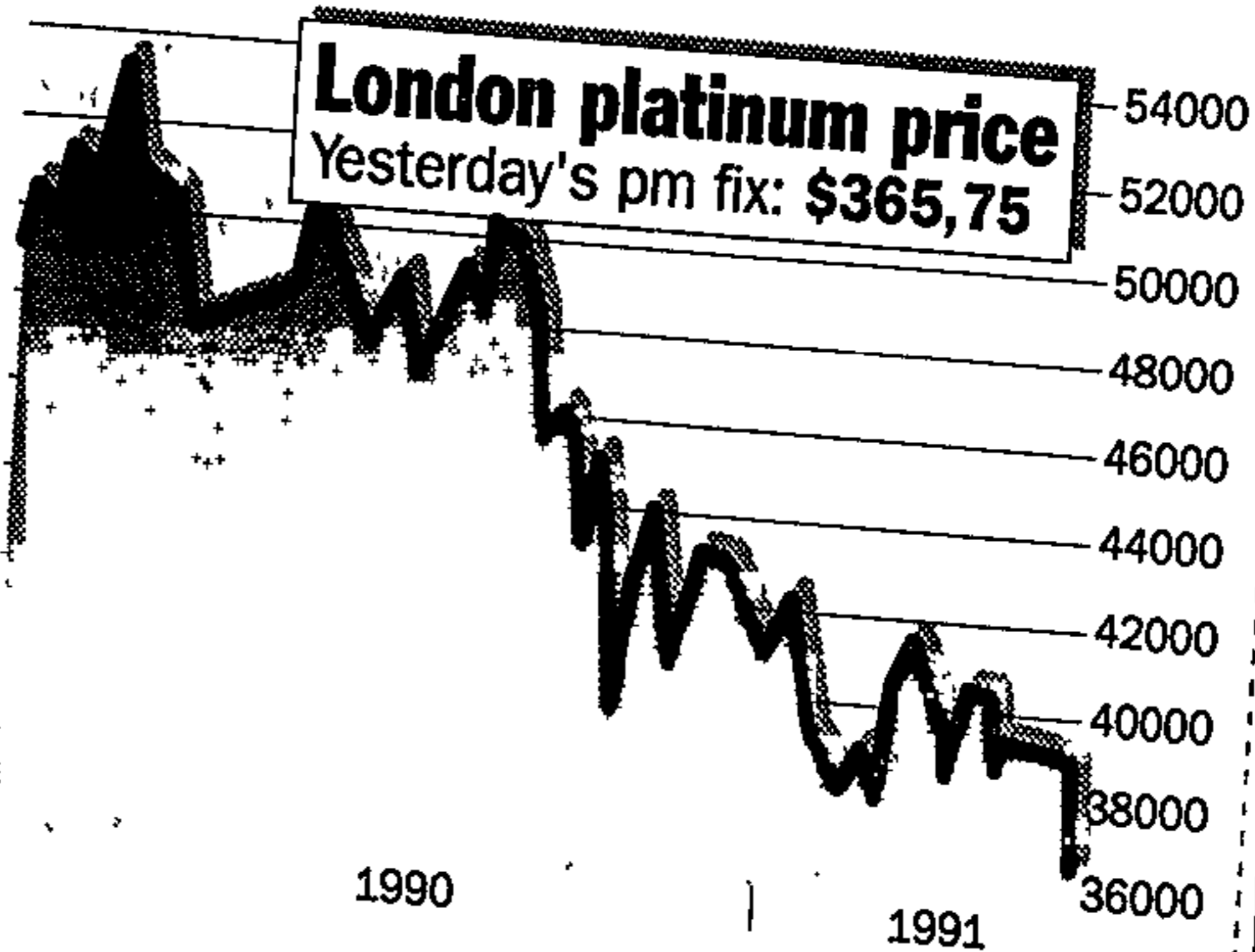
Palladium can replace platinum in certain car models, particularly in the midget cars in Japan, but the metal has limits in larger units.

South Africa is the world's biggest producer of platinum, accounting for about 75 percent of total Western supply in 1990. The Soviet Union is the second-biggest.

The two are also the leading suppliers of rhodium.

In the palladium market the Soviets predominate, accounting for more than half of all Western supplies.

"Our information is that Nissan's technology is very similar to that announced by Ford in 1988, which did not work out in tests and we don't believe the Nissan announcement is going to come to anything," said James Allen, analyst at Johannesburg brokers Anderson Wilson — Sapa-Reuter.



The platinum price plunged by almost \$30 in London yesterday and platinum shares lost much of their recent gains. In London the metal was fixed at \$365,75 an ounce after hitting an earlier low of \$363. On Wednesday afternoon the price was fixed at \$393.

Rusplat moves to calm market

By Derek Tommey

Star
3115791

Rustenburg Platinum Mines, the world's largest producer of platinum group metals, has acted quickly to calm the platinum market

Rustenburg said last night that the Nissan development was one of technological evolution rather than revolution. It would not cause a fundamental change in the forecast usage of platinum, palladium, rhodium and platinum in autocatalyst.

It said that as far as it was aware the platinum and rhodium free autocatalyst planned

by Nissan would have only limited uses, and then probably not until 1994 and 1995.

It said the palladium-only system had to operate at extremely high temperatures which would limit its use.

According to engineers in Japan, if the development were adapted for the US market, it would be as a starter catalyst mounted close to the engine followed by a standard underfloor platinum and rhodium catalyst.

"The stricter US emissions regulations being introduced during the 1990's and their expected adoption by Europe and Japan will put even more

pressure on autocatalyst performance, requiring formulations which will take advantage of the best characteristics of each of these metals."

This will require the continued use of platinum and rhodium in most catalysts, says Rustenburg.

Michael McMahon, managing director of Impala Platinum Holdings, commented "The report (from Nissan) is at complete variance with the working information we have from the Japanese motor car industry. Our latest dealing with them was as recent as two days ago."

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Low prices undermine vanadium

STimes 2/6/91

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THE OUTLOOK for the South African vanadium industry is bleak.

Production costs of vanadium pentoxide are believed to be between \$2.50 and \$3 a pound.

But free-market prices have fallen to below \$2.40 a lb. The London Metal Bulletin of May 20 reports a sale of ferrovanadium at an unconfirmed price of \$12.75 a kg, which equates to a price of about \$2.20 a lb of vanadium pentoxide.

Vanadium pentoxide is converted to ferrovanadium before being added to steel.

World production of vanadium pentoxide fell from about 100-million pounds in 1989 to 90-million pounds in 1990.

The Metal Bulletin says a trader forecasts that demand this year will not exceed 80-million pounds.

Two developments — the closure of Rand Mines' Vansa operation last November and the disclosure that Usko had suffered commissioning losses of R20-million on its Vereemging vanadium plant in the six months to March 1990-91 — are symptoms of malaise in the industry.

Vansa's demise raises questions about the outlook for survival of some other producers. Dominant producer Highveld Steel & Vanadium has the resources and flexibility to survive a long slump, but some small producers appear vulnerable.

Highveld, the world price leader, has posted \$3.10 a lb for the second quarter of this year and denies it is prepared to sell below that.

Highveld has an advantage

By IAN ROBINSON

over other producers because its vanadium is produced as a by-product of steel.

Although the production technology of vanadium pentoxide is relatively simple in theory, in practice it is not easy to operate efficiently.

Vansa failed to achieve an efficient continuous plant operation and could produce only batches.

Targets

Usko's technical commissioning problems and failure to achieve availability targets suggest it has not yet mastered the production technology.

No early relief is expected for vanadium producers because they are threatened by a substitute material, niobium.

The major application of vanadium is as an alloying addition in high-strength low-alloy (HLSA) steels. The addition of small quantities of certain alloying elements — particularly vanadium and niobium — either separately or in combination strengthens steel.

To a large extent vanadium and niobium are inter-

changeable. The use of niobium has grown at vanadium's expense.

South Africa dominates the market for vanadium and accounts for 70% of world production. Brazil dominates the world market for niobium.

The Brazilians have promoted niobium through stable pricing which has contrasted with wild fluctuations in vanadium prices. They have been helped by the persistent depreciation in the Brazilian cruzeiro relative to the US dollar.

The bleak outlook for vanadium has failed to deter a potential new producer, Chromecorp Technology (CCT), in its negotiations with Rand Mines about the purchase of Vansa.

A CCT spokesman believes it is probable that his company will buy Vansa provided that the issue of water pollution on farms allegedly caused by Vansa can be cleared up.

CCT believes it can operate the plant more efficiently than Rand Mines and is confident that its marketing agents — Swiss-based Marc Rich — will be able to sell the entire production of 250 tons a month.

Platinum rides the storm after car catalyst shock

S/Times (15 Times) 2/6/91

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By IAN SMITH

PLATINUM prices and mining shares on the JSE are expected to recover quickly from "Nissan shock", which sent them into a tailspin before the weekend.

Platinum plunged \$33 an ounce to \$362.50 when the market opened in London on Thursday after Nissan Motor Co confirmed that it had developed a vehicle exhaust catalytic convertor using palladium. It is much cheaper than platinum and rhodium, also used in exhaust systems.

The shock waves sent the JSE platinum index into a 10% decline. Heavyweight counters took big knocks, Rustenburg Platinum falling from 7 575c to 6 850c and Impala from 6 775c to 6 000c.

But trading volumes were light before the holiday.

Scepticism about the effectiveness of the Nissan technology and its widespread application outside Japan helped the price of platinum to bounce back to \$379 on Friday.

"The market is extremely jittery with platinum prices see-sawing, but sentiment is mostly firmer," said a Swiss trader.

Most analysts expect the setback to develop into a replay of events after the 1988 announcement by Ford that it had developed a palladium convertor.

Then the platinum price slumped \$52.50 from a much higher level and it took three months to recover lost ground.

Evolution

Ford is still testing its palladium convertor and there has been no "wholesale shift in Ford's autocatalyst demand", says Gordon Thorburn, Johnson Matthey executive director in London.

Rusplat managing director Barry Davison says "We believe the Nissan development is one of technological evolution rather than revolution. It will not cause a fundamental change in the forecast use of platinum, palladium and rhodium for autocatalysts."

Pressure

Mr Davison says stricter regulation controlling exhaust emissions in the US and their expected adoption by Japan and Europe will put even more pressure on autocatalyst performance.

"This will require the continued use of platinum and rhodium in most catalysts."

Impala managing director Michael McMahon says he needs more information before commenting.

"But the reports are at complete variance with the working information we have from the Japanese motor industry — and that was only two days ago."

Biggest

Catalytic convertors account for about 40% of the West's platinum demand and about 80% of rhodium. South Africa is the world's biggest platinum producer, accounting for about 75% of the

West's needs last year. The Soviet Union is the second-largest producer, but it supplies more than half of the West's palladium needs.

The announcement of Nissan's breakthrough sharply depressed both platinum futures and cash prices in Tokyo and the ripples spread to foreign markets.

Swiss Bank Corp analyst Hans-Peter Hausheer said in Zurich. "The market will be nervous for a few days. We'll probably see the same scenario as with Ford, platinum prices gradually recovering and palladium falling back."

Palladium prices, which had risen by \$8 an ounce, lost \$1 to \$101 on Friday.

Dealers said most rhodium sellers were lining up behind major supplier Johnson Matthey's daily indicated price of \$3 750/oz, well below the \$3 950 quoted on Wednesday.

Generally, the market concedes that palladium can replace platinum in certain models, particularly in mid-range cars in Japan. But it has its limits in larger vehicles.

Nissan is expected to use its palladium-only convertor from 1994 and 1995 in small, low-cost vehicles.

Rusplat, which has discussed the development with autocatalyst experts in Japan, Europe and the US, says the palladium version can be applied only as an exhaust manifold system, which will operate at extremely high temperatures.

This places constraints on its application.

Starter

Mr Davison says "The development is said to be for the Japanese market where lead and sulphur content in fuel is low. US and European fuels have higher lead and sulphur levels."

Rusplat has been told by engineers in Japan that if the new convertor had to be adapted for the US market it would be used as a starter catalyst mounted close to the engine. It would be followed by a standard underfloor platinum and rhodium catalyst.

Middelburg may buy in chrome

MIDDELBURG Steel & Alloys (MS&A) may need to buy ferrochrome from outside sources to meet contractual commitments if continuing problems at a new plant limit its production capacity

However, managing director John Gomersall rejects the idea that MS&A's competitive position on world markets would be harmed should this be necessary

MS&A has traded significant tonnages of ferrochrome from outside sources in recent years and regards such activities as a normal commercial operation

Confidence

The level of outside purchases depends on the interaction of demand, availability of supplies and MS&A's strategic objectives, such as increasing market share or building up stocks.

In spite of a R17-million loss in the six months to

Business Times Reporter

March 31 and technical problems at its new R200 million 140 000-ton-a-year chrome direct reduction (CDR) plant, MS&A Chromium faces the future with confidence

Mr Gomersall says MS&A expected problems with the introduction of such a revolutionary technology and was prepared for a four-year learning curve

Since the plant was commissioned in September 1990, MS&A has achieved considerable success in the implementation of the first stage of the process pre-reduction of chrome ore in a rotary kiln, but encountered problems in the second stage smelter operation

MS&A is encouraged by its success in mastering the complex kiln technology and is conducting a research programme to identify problems in the smelter operation

S/Times (Bus Times)

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2/6/91

TROJAN Exploration believes the new Minerals Act, which comes into force in January, could give it a case in its dispute with Lebowa and Rustenburg platinum mines.

In 1965 an agreement was signed between Rusplat and AFC Investments regarding only the precious metals on the farm Umkuoanestad.

The farm now forms part of the area mined by Lebowa Platinum Mines (Leplat)

Leplat was listed on the JSE in 1987 when Rusplat floated the previously wholly owned subsidiary Atok

Even before the new law comes into effect, Trojan's Martin Brink and Lawrence Blomkamp believe they have a case against Leplat.

In their view, the new law clarifies the issue. It says, "Any person mining any mineral under a mining authorisation may, while mining such mineral, also mine and dispose of any other mineral in respect of which he is not the holder thereto but which must of necessity be mined together with the first-mentioned mineral provided that such person shall compensate the holder of the right to such other mineral for his mineral to an amount mutually agreed upon". (My emphasis.)

If agreement cannot be reached between Trojan and Leplat through arbitration, a court will have to decide on such compensation.

JCI, the management company of Rusplat and Leplat, has declined to negotiate with Trojan.

Trojan itself does not own the rights to the base metals and minerals on Umkuoanestad, but signed a prospecting agreement in September 1989 and has an option to buy from owner AFC.

Trojan will not exercise the option without clarification of the legal position.

Mr Brink says, "In terms of clause 5 of the new law, should there be no agreement on the amount of compensation for the base metals and minerals removed from Umkuoanestad, such compensation will be determined as if an expropriation has taken place"

Rusplat is familiar with the concept of division of minerals. In the late 1960s an agreement with Rand Mines gave Rusplat the rights to precious metals and Rand Mines all the chrome from Bushveld ores

Anglo American, a major shareholder in JCI and Leplat, also owns the base mineral rights to the farm Zeekoegat

Trojan pins hopes on changes in law

STimes 2/6/91

(Bus/Times)

DIAGONAL STREET

By JULIE WALKER



on Leplat's Atok mine.

All Leplat has so far chosen to tell its members is that there is a dispute about base metals and that it does not believe the contender has a case.

Leplat's prospectus says "the orebody contains economic quantities of platinum group metal as well as by-product copper, nickel, cobalt, and gold"

Leplat's 1989 report says that "the increase in gross sales revenue was largely the result of higher by-product revenues, such as nickel and copper."

Trojan does not even accept that Leplat should be entitled to a fee for having mined the base minerals on Umkuoanestad since they have to be extracted in any case and are essential to retrieving the precious metals.

JCI and Trojan have clashed before, particularly on the much publicised "taking away" of the rights to half the lease area of what now forms Barplat's Crocodile River mine

Crocodile River started life as Lefkochrysos.

Mr Brink and Mr Blomkamp controlled Dallad Mining, which together with Loucas Pourouhs' Salene applied for a prospecting lease on the farm Hartbeestpoort B, 15km north-west of the area now being mined by Crocodile River and held at the time by Rusplat. Rusplat applied, too, as did Gencor

Dallad-Salene contended that the Minister of Mineral and Energy Affairs would not be exercising his discretion dutifully in the promotion of mining as determined in the Mining Rights Act if he renewed the lease in Rusplat's

favour because Rusplat had no intention of developing that area for at least 50 years.

Part of the lease was awarded to Salene and Rusplat settled for the rights to a depth of 1000 metres Salene subsequently drilled seven holes plus seven deflections on its lease area.

Trojan says it is a big investor in platinum exploration among other interests. Its di-

rectors have been in the business for 20 years

Trojan claims credit for having, interested Lonrho in platinum mining through Western Platinum mine as well as initiating Lefko.

Mr Blomkamp's Ypsilon Mining has a 5% interest in the net profits before tax of the Pandora project, a drilled and proven platinum deposit near Brits now held by Rusplat. Texas Gulf was Ypsilon's original partner in Pandora, but sold to Rusplat because of to sanctions pressure in America.

Trojan manages exploration programs in joint ventures with Lydex, Randex and RhoEx and recently concluded an agreement with Rhodium Reefs regarding the farm De Goede Verwachting.

TML looks after investors, staff

STimes 2/6/91

(195)

(Bus/Times)

TIMES MEDIA (TML) shareholders and staff both fared well in the year to March in spite of the downturn in the economy.

The value of shares rose by almost 50% to R12 in the year

But the rise in the share price has led to a large provision against a liability for which the only asset is staff goodwill. In 1989 the group "issued" more than 1200 staff members with phantom shares at 640c in an incentive bonus scheme.

Employees can "cash in" half their options this year, and TML shareholders pay the price.

The operating margin slipped from 16,8% of turnover to 14,9% because of inflation, tendering business loss and the provision against bonus scheme

"Shareholders should remember that the scheme issue is large off," says manager Stephen Mulhollar

"I am delighted possible for our in the recovery Circulation

tions — which include day Times — rose, but advertising well down, part appointments lifted 12% to increased a cover pr acquisition

Earnings lower as was raised Mr whe and p

Old allies now foes in St Lucia mine row

By TERRY VAN DER WALT
TWO leading conservationists, who are former colleagues, this week clashed over mining at St Lucia on the Natal north coast.

A former director of the Wilderness Leadership School, Barry Clements, who now works for Richards Bay Minerals (RBM), is pitted against the school's vice-chairman, Dr Ian Player, who is playing a key role in the campaign to stop the proposed mining venture.

Mr Clements, a professional conservationist for 13 years, was appointed public relations general manager for RBM to clear up "misconceptions" about the company's controversial R400-million plans to strip-mine the dunes at St Lucia. A ruling will be made by the government early next year.

RBM claims the misconceptions arose after conservationists and the anti-mining lobby misinformed the public of its plans.



IAN PLAYER

But Dr Player this week re-iterated his belief that the area was "sacrosanct" and should not be mined.

"I say let RBM get on with what they are doing where they are (Richards Bay) and see how they go."

But Lake St Lucia is a sacrosanct area and should be made part of one great park as recommended by a commission of inquiry in 1986," he said.

Dr Player added that

RBM had only claimed that the unspoilt area was not ecologically important after minerals were discovered there.

Mr Clements contends that almost 60 percent of the area RBM plans to mine is covered by commercial pine forests which have helped accelerate the drying up of wetlands to just a few pockets.

But Dr Player countered: "It is true that there are pine forests there, but if they were removed, the area would return to normal very quickly."

"Anything that could affect the hydrology of the area would be fatal to the lake. South Africa is desperately short of conservation areas and this generation has its last chance of setting aside a decent chunk of country."

His views were echoed by Dr George Hughes, director of the Natal Parks Board, which is expecting to finalise the consolidation of the greater St Lucia Wetland Park in the next few months.

"The board's policy is simple," he said. "We don't like strip-mining wherever it takes place and would not like to see the mining of the eastern shores of St Lucia."

RBM expects to generate about R6-billion in revenue over 17 years at the state-owned area at St Lucia, which it hopes to start mining in 1996.

An environmental impact assessment has been carried out and a draft report should be released soon to interested and affected parties — including RBM, lobby



BARRY CLEMENTS

groups and the Natal Parks Board — before recommendations are made to the Cabinet on mining.

RBM was widely condemned for its first environmental study in August 1989 which Mr Clements admitted was "rushed and inadequate".

And he added that, when the sparks started to fly, RBM made the "short-sighted" decision not to defend itself against the

barrage of criticism.

"RBM is completely to blame for the lack of response and the flack they got, but the anti-mining body embarked on a total misinformation campaign."

"The end result is that a large proportion of those who signed the anti-mining petition believe that, if they stopped the mining at St Lucia, the lake would be saved," Mr Clements said.

"This is not the case at all," he contends.

Mr Clements said the lake was largely dependent on what happened in its catchment area — such as pressure from population growth, poor farming methods and the damming of the Mkuzi and Hluhluwe rivers.

Lake St Lucia and its catchment area of 9 000 square kilometres has been

severely degraded by human interference, he said.

RBM chief ecologist Paul Camp has said that conservationists and self-appointed experts have criticised the rehabilitation programme without understanding the natural cycles that dune vegetation has to complete before reaching the mature forest stage.

And RBM chief public relations officer Piet Maré says the term "mining of the eastern shores of St Lucia" has also created the impression that mining operations will be carried out right on the water's edge.

"The area to be mined, should we get the go-ahead, is a 17-kilometre long sausage-shaped ridge running parallel between the lake and the sea."

"It starts 10km north of St Lucia Village and ends 3,5km south of Cape Vidal," he said.

"It covers 1 200ha although the prospecting lease area covers 3 460ha."

Platinum set for upward correction

JOHANNESBURG. Nissan's report on development of a platinum-free car exhaust converter was countered over the weekend by an official statement from the car giant that the converter would be used only in the Japanese domestic market, Impala Platinum MD Mike McMahon said yesterday.

Analysts expect platinum and rhodium prices to continue Friday's upward correction after Thursday's dramatic freefall with platinum-related share prices following suit. Nissan said the technology had still to be proved and comments attributed to a Nissan spokesman were not sanctioned by the company. It said the impact on platinum and rhodium markets would be minimal.

The converter apparently relies only on palladium and reports said it would be ready for installation by 1994.

The comments took a heavy toll on the platinum and rhodium markets on Thursday as the platinum price plunged \$33 to \$362.50 an ounce at the London opening, after dropping steeply on the Tokyo futures market. It closed \$24.50 lower at \$369.50 on Thursday and \$7 higher at \$376.50 on Friday. The JSE's platinum index plummeted 10% or 535 points to close at 4 749 points. McMahon said the converter was not intended for the North American and European markets and was suitable only for small engines, probably about

1 500cc

QT 3/6/91

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He said on Thursday that the company was concerned that the news, which appeared first in the Japanese Economic Journal, conflicted with its latest confidential information from Nissan.

Nissan was an important customer and Implants had long-term contracts for the supply of platinum, palladium and rhodium, all platinum group metals (PGMs).

PGMs are vital ingredients in the manufacture of car catalysts which reduce noxious emissions from car engines.

Frankel Max Pollak Vinderne analyst Kevin Kartun said Thursday's

volatility emphasised the vulnerability of the platinum market and its heavy reliance on the autocatalyst and jewellery markets.

It also indicated that sooner or later an alternative could be found for platinum and rhodium in converters and the metals would have to find more uses.

Barry Davison, MD of leading platinum producer Rustenburg Platinum (Rusplats), said the Nissan development was "one of technological evolution rather than revolution, which would not cause a fundamental change in the forecast usage of the three PGMs for car catalyst applications."

LEBOWA PLATINUM Fm 7/6/91

GOING OPENCAST (217)

Rustenburg Platinum and Lebowa Platinum have revised their plans on developing the Platreef deposit near Potgietersrus, and now intend going for an opencast operation instead of an underground mine

The most important result of the change is it will probably halve the capital expenditure bill from the previous estimate of R923m in June 1990 money values, or R1,3bn in escalated terms. Rusplat MD Barry Davison says he cannot disclose the new capital expenditure estimate at this stage but, after a visit to the site last week, JSE analysts put the new capex costs at between R350m and R500m.

That removes a major burden from Lebowa Plats, which has a 50% stake in

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FOX

Fm 7/6/91 (217)

Platreef through Potgietersrust Platinum, and is now faced with finding only some R250m to fund its share of the mine instead of as much as R650m. Lebowa will have to raise this money through loans, a rights issue or a combination of the two. The alternative is to lower its stake through some kind of arrangement with Rusplat.

Full details of the new mining project cannot be revealed until the end of June — which surprised a number of analysts who expected these to be released during last week's visit.

Davison says the information is simply not available now because of delays caused by

the study on Barmine, which diverted management attention temporarily from the Platreef project. He says development of the mine will start as soon as possible, and the mine will meet its full production target of 200 000 t/month of ore by September 1994 as previously scheduled.

Within seven months of the final decision to proceed, about 25 000 t/month of ore will be mined from the new pit and transported by road to Lebowa Plat's Atok mine where it will be put through the mine's old treatment plant. Concentrate produced from this plant, and from the new concentrator to be built at the Platreef mine, will be sent to Rusplat's

smelter and refineries at Rustenburg.

The first 30 years of life are planned to come from three separate opencast pits, which will be phased in consecutively. The mine will shift on average 22 Mt/year of material to produce 2,4 Mt of ore.

The plan is to use mining contractors to move this tonnage, which is one of the main reasons the capital cost will be so low. Following the example of the successful Nava-chab opencast gold mine in Namibia, which uses contractors, the Platreef mine will not buy and run its own mining equipment.

Housing will only be provided for those staff who get company cars, breaking away from the norm in the mining industry of providing subsidised houses as a standard perk down to skilled category workers. There will be no hostel, and most of the work force will come from the surrounding area.

Reaction from analysts to the new plan has been cautious but generally favourable. A number still prefer Rusplat as a safer investment to Lebowa Plats given current uncertain conditions in the platinum market.

Brendan Ryan

SON OF FORD FM 7/6/91.

Both platinum share and metal prices have recovered somewhat from last Thursday's tremor, which knocked US\$30 off the platinum price, but the aftershocks of the Nissan announcement are still being felt

One of the most worrying is the question mark put in the minds of investors and analysts over the precise state of the platinum market and its stability over the next year. Another is the future trend in the rhodium price, which has not yet settled down. A lower rhodium price has serious revenue implications for the platinum mines because high rhodium prices have so far protected them from the worst effects of lower platinum prices.

The Nissan announcement came at an interesting time, because it follows soon after the annual assessments of the platinum market from Johnson Matthey (JM), which markets Rustenburg Platinum's production, and from Ayrton Metals, which markets Impala Platinum's output. Irish and Menell Rosenberg analyst Dave Russell says the two reports differ sharply, with Ayrton describing the short-term outlook as "worrying" and taking a more pessimistic view than JM.

Graham Titcombe, executive director of

continue

JM's precious metals division, who was in SA last week for a share analysts' visit to Lebowa Platinum, maintains JM has a clearer view of the market because of its more extensive marketing network. The JM *Platinum 91* report reckoned there was an oversupply of 70 000 oz of platinum in 1990. It is predicting another "modest" surplus — probably the same again — this year. But traders believe the platinum price should rise

to about \$450/oz by year-end

About two years ago Ford knocked the platinum price off its pedestal at levels above \$600/oz, with its announcement of a new catalyst that uses less platinum and more palladium which is much cheaper. Ford subsequently toned its claims right down, but the platinum price never recovered.

Nissan has done essentially the same thing. The Japanese auto maker is also backpedalling on the impact of the development, but the damage has been done. One might well wonder if this is a deliberate ploy by car manufacturers to depress the platinum price. On the face of it, car manufacturers are at a disadvantage because they must use platinum and SA produces three-quarters of the world's supply. That level is forecast by Rusplat MD Barry Davison to rise to 84% by about 1995.

The situation seems to offer scope for motor manufacturers to manipulate the market to their advantage if they can. But Titcombe rejects this suggestion, saying the major car makers would not indulge in such "sharp" practices. He does say there are speculators in the platinum market who benefit from price volatility, and attributes some of the market overreaction to the general lack of knowledge on the fundamentals of autocatalyst technology.

Titcombe says the Nissan development does not change JM's views on future demand for platinum and rhodium, and bases this on JM's experience as the world's largest manufacturer of autocatalysts. He says the Japanese have been using palladium autocatalysts on their vehicles since the Seventies, but their applications are limited.

He points out the development is aimed specifically at the Japanese market, where the lead and sulphur contents in the fuel are much lower than in the fuel sold in US and European markets. Palladium is more easily "poisoned" by lead in fuel than platinum, which restricts use of palladium autocatalysts outside Japan.

He says the palladium-only system must be fitted to the exhaust manifold on the engine block, so it only works at very high temperatures. Were it adapted for the US market, it would be used as a starter catalyst mounted close to the engine, a standard platinum/rhodium catalyst would still be required to be mounted on the exhaust under the car. He adds the technology is aimed only at smaller vehicles in Japan from 1994 onwards, and questions whether it would be viable on its own for larger cars.

Brendan Ryan

Huge scheme to mine Natal sands

B/D am 7/6/91

217

MATTHEW CURTIN

RHOMBUS Exploration (Rhoex) and Shell SA have agreed in principle to go ahead with a R320m joint venture to mine and refine mineral sands in northern Natal

Mineral sands are principally used in the production of titanium pigment which is used in the paint, paper and plastics industries

Shell and Rhoex will have 60% and 40% stakes in the project respectively, with the mining exploration company able to reduce its participation to about 9% if it does not contribute further funds

Rhoex MD Rob Still said at a news conference yesterday that production would start in the mid-1990s.

Rhoex had successfully added value to its mineral reserves, he said, but there was further work to do before the project was given the green light, a decision likely in 1992

If the project was successful it would bring invaluable skills into SA and make a "significant contribution" to foreign exchange earnings through the export of the beneficiated products

Still said the titanium feedstock market was relatively stable with pigment producers expanding capacity by 28% in an industry whose annual turnover was already R30bn. While there was short-term oversupply in the market, the project partners

were confident they would be able to exploit the changing structure of the market and titanium shortages in a few years time

Titanium pigment was the major value-added market, worth 10 times more than simple mineral production. The Natal sand project would be able to upgrade its operations in the longer term to exploit the more lucrative market.

Frankel Kruger Max Pollak analyst Kevin Kartun said yesterday the project had been well researched by Shell and Rhoex. Taking into account the inevitable difficulties of converting the project from the pilot to the fully operational stage, its prospects were good.

However, Shell's support for the project of this size, undoubtedly with the backing of the Shell International, suggested the venture's prospects were good.

Still said Rhoex's role would consist of continuing geological work and monitoring the financial progress of the project. Shell was responsible for the marketing the beneficiation process along with Lurgi SA. Lurgi is a joint venture company between E L Bateman and Lurgi AG of Frankfurt. Shell has already paid Rhoex R4,7m in

□ To Page 2

Natal

B/D am 7/6/91

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□ From Page 1

exploration costs and R13m worth of feasibility work is underway

The mineral sand reserves, held by both parties, contain 7,9-million tons of ilmenite, 500 000 tons of rutile, and 1,1-million tons of zircon, expected to last for 20 years. Current exploration is expected to confirm the existence of additional reserves. These figures are about 30% higher than the proven ore reserves published in Rhoex's

1990 annual report

The project, about 15km from SA's main operational mineral sands project conducted by Richards Bay Minerals, involves the mining of inland mineral sands under agricultural and plantation land

Shell minerals division MD Gordon Jarman could not be contacted for comment last night

Growing deficit may drive up silver prices

MATTHEW CURTIN

A MOUNTING deficit in the silver market, estimated at as much as 100-million ounces for 1991 by some observers, may drive the metal's price up from today's historically low levels, pulling gold and platinum prices with it. The metal's price jumped to \$4.50 on Friday, almost \$0.40 up in three days. *6/Day 10/6/91*

In 1990 silver prices fell from \$5.25 an ounce to \$4 by year-end, before falling to a 17-year low of \$3.77 on February 24.

Holcum Futures analyst Lindsay Williams said yesterday there was a dramatic change in the fundamental conditions affecting the silver market.

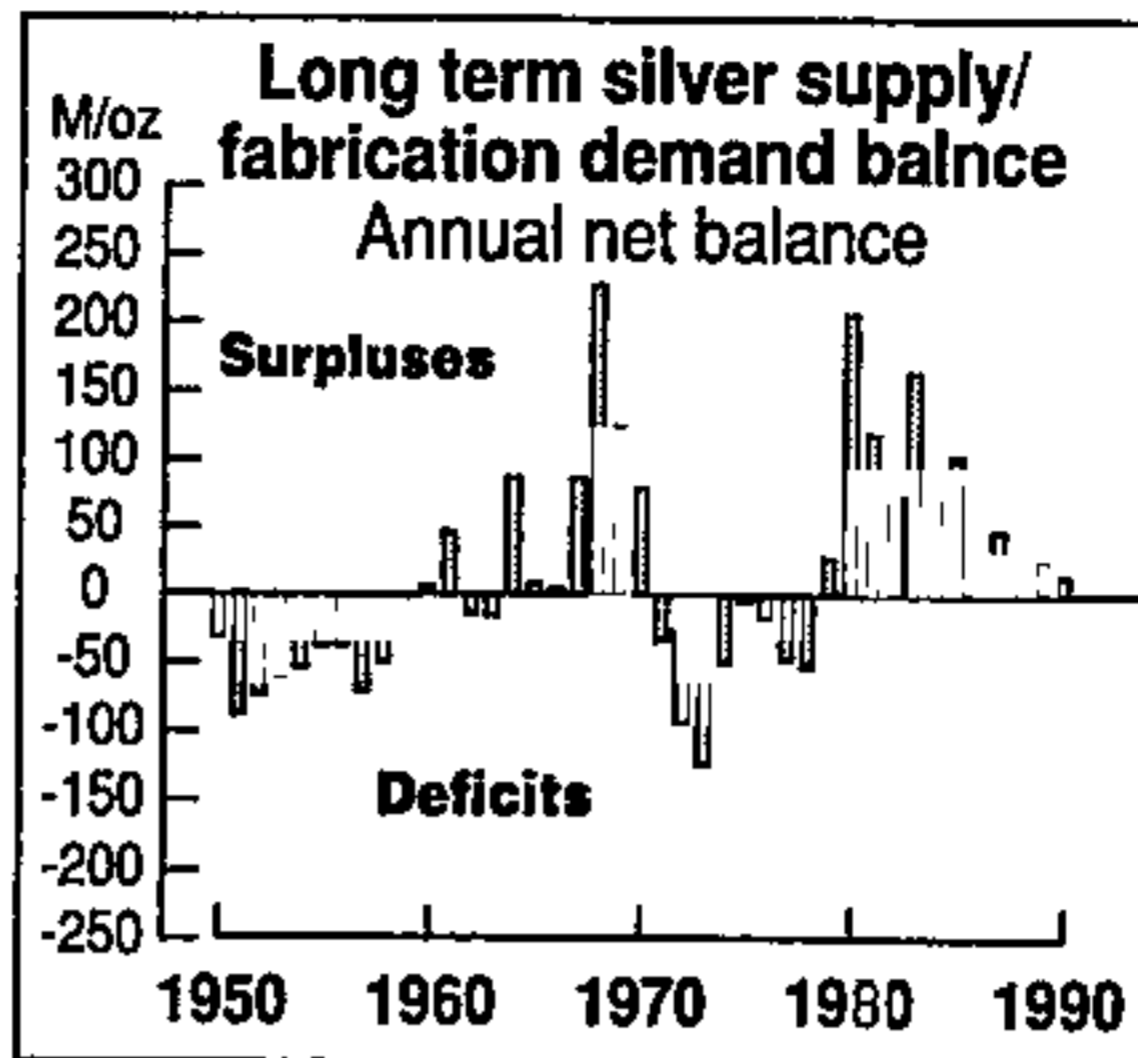
Thirteen years of surplus supply had ended in 1990, with demand exceeding supply by 24-million ounces in what the Silver Institute called conservative estimates.

Demand from silverware and coins, and the jewellery, photographic and electronics industries was 525-million ounces last year, against mine production and secondary supply of 501-million ounces.

The institute said in its latest report that investors no longer wished to hoard silver for years and the declining price reflected this disinvestment. It said "the only thing that will force silver prices higher during the next year is a change in investor and speculator sentiment towards silver".

Williams said the institute's figures showing the mounting supply/demand deficit would do just that.

Furthermore, silver production was closely related to base metal production, of which it was a by-product. Low silver prices meant there was little incentive to mine silver on its own, but lower base



Graphic LEE EMERTON Source SILVER INSTITUTE

metal prices in general were also knocking the amount of silver produced as those operations slowed down. Reuters reported last week that Jeff Christian, MD of New York research organisation the CPM group, said "Some mining operations are not profitable at these levels. There are few, if any, serious attempts to find and develop new mining properties expressly for silver".

Williams said with the US and Western economies apparently on the verge of pulling out of recession, industrial demand for silver would increase.

He said the prices of silver and other precious metals were closely linked because of "the vagaries of the metal market's trading mechanisms". "Commodity fund managers play up the differences between silver, gold and platinum group metals to maximise their returns".

If silver rose 10%, it would pull the other metals higher simply in order to keep the metals in the same trading plateau.

Minvest comes to the JSE main board today

B/Dam 13/6/91 217

MESSINA Investments (Minvest), the management controlled syndicate which bought Messina Limited's non-platinum interests in January this year, is to be listed on the JSE from today, in the mining financial, mining holding sector.

Minvest will offer 12,49-million ordinary shares of 1c each at a subscription price of 100c a share in a private placing. The company's directors said the primary purpose of the offer was to raise funds to repay the R12,5m loan taken out to pay for their acquisition of the company.

Minvest acquired the anthracite, coal, copper, diamond and property interests from Messina, a subsidiary of Genmin's Impala Platinum (Implats), after minority shareholders approved the deal at a fiery general meeting on January 30.

The company's directors said in Minvest's listing prospectus that management intended to restructure the company's broad asset portfolio, "retaining those which offer growth potential and disposing of those which are not suited to the medium term objectives of the company". Non-productive assets included Minvest's Namibian copper claims and coal assets near Ermelo.

The company's main income is currently derived from the Messina copper mine. Directors said although income from the mine for the 10 months to end June would amount to R8,5m, the mine had existing ore reserves for only another 30 months production and income would decline to R1,7m for the year to end June 1992.

Analysts said yesterday investors should treat the listing with caution because the limited lifespan of Messina copper would

MATTHEW CURTIN

severely dent long-term earnings.

However, one analyst said the company's major asset was its management team, including executive chairman Tony Buchan, MD Danie Kirsten and chief geologist Derrick Dicks.

Management had a long track record with Messina. In turning the company's platinum interests to account, now the basis of Implats' R339m to R500m Messina platinum mine, it had proved to be more successful than counterparts like Loucas Pourouls, Severin Mining Development and South Witwatersrand in the mining exploration business.

The directors forecasted that the company's after-tax income would be R8,7m for the year to end June, falling to R4m by June 1992.

Minvest's 13-year-old diamond operation, Messina Diamonds, turned in operating income of R2,5m in the six months to end June 1990, and while operating income was expected to be R5,4m in 1991 and 1992, the directors said it was not possible for geological reasons to increase production in the future. Minvest was nevertheless "actively looking for further investments in diamond mining".

Minvest also owns Nkomati opencast anthracite mine, with annual capacity of 300 000 tons and ore reserves of 9,4-million tons. The directors said these reserves gave the mine a reasonable lifespan and time within which to develop underground operations. Export potential would be enhanced by construction of a washing plant to produce higher grade products.

Implats 'running Barplats mine' as talks near end

MATTHEW CURTIN

RAND Mines' Crocodile River platinum mine, the core of the Barplats platinum operation, was effectively under Implats management after widespread retrenchments among the mine's management team, market sources said yesterday.

They added that the 10-week-old negotiations between Rand Mines and Genmin's Implats over Barplats' fate were within days of completion.

A Rand Mines spokesman would not comment yesterday on the speculation. A Genmin spokesman said a team from Implats was on site investigating the operations at Crocodile River. He understood there had been some retrenchments at the mine, but they were decisions taken by Rand

Mines alone.

Negotiations between the two parties started at the beginning of April. On May 23 both sides announced talks were at an advanced stage, and shares in Barplats, Barplats Mining (Barmine) and Vansa Vanadium, Rand Mines' mothballed vanadium operation with a 12% interest in Barplats which is currently up for sale, were suspended on the JSE.

On the same day, Rand Mines announced that a successful deal would oblige the group to take on R200m of Barmine's debt and force the group to write R430m off the value of its platinum interests. Rand Mines' net worth would be cut by almost a third from R95 a share to R66 a share.

Meanwhile, Engineering News has reported that Implats was about to construct a platinum concentrator at its developing Messina platinum mine at a cost of R100m

An Implats spokesman said the concentrator was still at a design stage and was likely to cost less than R100m. The company has so far earmarked R339m for the development of Messina

Analysts said yesterday that with the imminent conclusion of a deal with Rand Mines, concentrates from Messina might now be destined for Barmine's smelter at Crocodile River operating under capacity, rather than for existing Implats smelters. Such a move would save Implats the cost of building a new smelting plant at Messina.

COMPANIES

Minorco gives IRC time to shop around

INSPIRATION Resources Corporation (IRC) is looking for a higher bid for its wholly owned Hudson Bay Mining and Smelting (HBMS) subsidiary despite accepting Minorco's C\$100m (R250m) cash offer. *8/20/18/6/91*

IRC said in a statement yesterday it had accepted the Minorco and Minorco (USA) offer to buy Canadian-based HBMS in principle and had entered into a Stock Purchase Agreement for the sale.

However, IRC is allowed to solicit further offers for HBMS as long as they exceed Minorco's by C\$5m, and has until July 31 to do so — a one-month extension of the previous deadline. The statement said IRC was actively seeking such offers.

Minorco said it had agreed to the extension after a request from IRC.

If no further offers are received before July 31 the HBMS sale is expected to be concluded in August. Completion of the sale is subject to IRC securing financing for HBMS's modernisation programme at

ANDREW GILL

its Flin Flon plant in Manitoba.

HBMS operates an integrated mining and metallurgical complex extracting zinc, copper, gold, silver and other metals in Manitoba and Saskatchewan.

The programme, undertaken to conform with environmental regulations, is expected to cost C\$187m. Negotiations are still under way with the Canadian federal government and the Province of Manitoba for C\$80m in financing.

Minorco will provide C\$20m security if the sale is concluded and negotiations for further financing are under way with unidentified banks. *(18/6/91) 217*

"We are very pleased to have reached this agreement with Inspiration. We believe that Minorco's acquisition of Hudson Bay has significant benefits for all concerned," Minorco (USA) CEO and president Gerard Munera said.

Probably
Versatile

SHARON WOOD

\$371.53. Further strength could later
take it to \$390.34.

BUSINESS

Scepticism greets giant coin scheme

B/Day 19/6/91

(217)

ANDREW GILL

THE proposed 180-ton issue of 1kg precious metal coins, to be struck at the Cape Mint, has been greeted with scepticism by industry members and market analysts.

Although it "would be wonderful if it worked", they cited fundamental demand and supply factors as reasons which could see the issue fail to take off.

The sets, consisting of four 1kg coins of gold, platinum, palladium and silver, are priced at R160 000 and are being marketed as the Universal Humanities Rain Forest Collection.

Gross revenue is estimated at about R7bn if all the sets are sold at current prices. The marketers are aiming to sell 45 000 sets after which no further issues would be made.

On the supply side, almost 1.5-million ounces of platinum would have to be used in the production process, a feat which London-based Ayrton Metals analyst Brian Nathan believed would be hard to achieve.

It represented almost half of the world's annual production and would be difficult to purchase because most of the world's platinum mines already had long-term supply contracts, he said.

Impala Platinum MD Mike McMahon said the issue would "do wonders" for the platinum price if it worked. He said supply should not be a problem.

Mintek president Aidan Edwards said: "The number is far too vast." The issue was too large to be a collector's coin and the premium would most likely be nominal.

If fully subscribed, 45 tons of each metal would be beneficiated over a period of four years.

The coins were conceived by Johannesburg-based Universal Coin Corp (UCC) and part of the proceeds are being given to Surinam's government, which is attempting to preserve its rain forests.

UCC executive chairman Manny de Agrella was confident the sets would be bought up and said 13 000 orders had already been placed, mostly in block buying from institutions.

De Agrella said gold and silver blanks could be obtained from Rand Refinery while the blanks from which platinum coins were struck would be obtained from various sources. He had already spoken to Johnson Matthey and a meeting with Impala Platinum was scheduled.

The bottom-line margin on the sales would be in the region of 7% to 12%, he said. Surinam would receive \$4m of that.

The coins are gazetted in Surinam as legal tender.

They will be struck at the Cape Mint by engraver and die-sinker Mauro Pagliari. The mint has been awarded a hallmark.

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Palamin digs to prolong its life

BID am 19/6/91

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PALABORA Mining (Palamin) is set to begin a key part of its programme to establish whether the copper mine has enough reserves underground to prolong its life beyond the year 2002 when open-cast operations cease to be viable

It is to begin 1 000m of horizontal development tunnelling from the base of its exploration shaft sunk from the bottom of its giant open-cast mining pit

Depth

Paul Clothier, spokesman for Rio Tinto Zinc (RTZ), the owners of Palamin, said yesterday that the first blasting for station development for the horizontal section, about 500m below sea level, took place at the end of May.

Open-cast operations were being carried out about 30m below sea level, 430m from the surface, and were scheduled to continue to a depth of 305m below sea level.

He said if underground mining was given the go-ahead, production would start only in the mid-1990s after the sinking of twin production shafts outside the open-cast pit

RTZ commercial adviser Martin Thompson, in a review of the copper

MATTHEW CURTIN

market in 1990, said the metal had enjoyed "a much better year than expected" Copper consumption in the Western World rose by more than 2.5% whereas refined production increased by only 1.4%

SA mine production, dominated by Palamin, fell back to 194 000 tons, from 197 000 tons in 1989. SA is the world's ninth largest non-communist producer of copper ore, but produces only 2.7% of Western World supply

The US, Chile and Canada, the biggest players, produced 55% of the total, which rose from 7.15-million tons to 7.28-million tons in 1990

In a recent edition of the London-based Mining Journal, Thompson said lower output from the Zambian Copper Belt and Peru restricted the increase in world production

Refined production rose worldwide from 8.41-million tons to 8.53-million tons in 1990. Palamin produced 116 000 tons of refined copper in the year.

Thompson said copper prices were 13.7% and 6.4% lower in pounds sterling and dollar terms in 1990

Margins remained good for most copper mines, but they were set to deteriorate worldwide, as wage set-

tlements, increased high-cost mining capacity and the implications of past cost cutting measures combined to squeeze margins.

Clothier said Palamin remained one of the world's lowest cost producers but smelting problems in 1990 had cut into margins. The mine was still reaping the reward of expenditure on cost-cutting programmes.

Thompson said RTZ, responsible for about 9% of world copper production, estimated mine capacity stood at 7.45-million tons by the end of 1990

Outlook

A further 1.1-million tons was set to come on line in the next three years, thanks to the new Escondida mine in Chile and important expansion projects in Canada and the US, with another 100 000 tons theoretically available after that from mines in Zaire, Mauritania and Brazil

As for the outlook for copper, he said "there is no justification for expecting a significant overall increase in consumption in 1991, nor is there much fear of a major reduction" Production would remain as static as it was in 1990, and the copper price would remain above the \$1/lb mark in the long term

MICHAEL ACOTT

RICHARDS Bay Minerals has come off the defensive. The company has reversed its public relations policy in the face of mounting opposition to its plan to extend mineral sands mining operations into the environmentally sensitive St Lucia area.

Top officials admit that RBM's former policy of refusing comment on an emotional environmental issue has lost it two years and entrenched in the public mind the views of those who maintain that mining the St Lucia dunes will desecrate a part of the nation's natural heritage.

The company is now inviting journalists, conservationists and its fiercest critics to see how dunes are mined and rebuilt. Visitors are shown mining operations and dune rehabilitation, and then taken to see the prospecting and proposed mining area in St Lucia.

Mistakes

"It's not a brainwashing exercise," says Barry Clements, the company's new GM for public relations. "We bring people here, show them what we're doing, warts and all, and let them make up their own minds."

"We don't hide anything and we admit our mistakes. But it gives us a chance to present the facts, which are often not what people think they are. Yes, we've made mistakes, but we also have a lot to be proud of."

Clements, 52, is RBM's trump card in this new open-door policy.

A prominent conservationist himself, he was a Natal Parks Board game ranger and then spent eight years at the Wilderness Leadership School, ending up as director.

Clements is now in direct opposition to his mentor at the Wilderness Leadership School, conservationist Ian Player, who is totally op-

Dune mining open for Bay 1916191

posed to dune mining at St Lucia. Clements supports the St Lucia operation, provided there is a proper rehabilitation programme such as the one RBM has had in the Richards Bay area since operations started there 14 years ago.

He is also no stranger to public relations, or to mining controversy and public perceptions. After four years promoting the idea of technicals at the Natal Technikon, he moved to Rossing Uranium mine in Namibia in 1982.

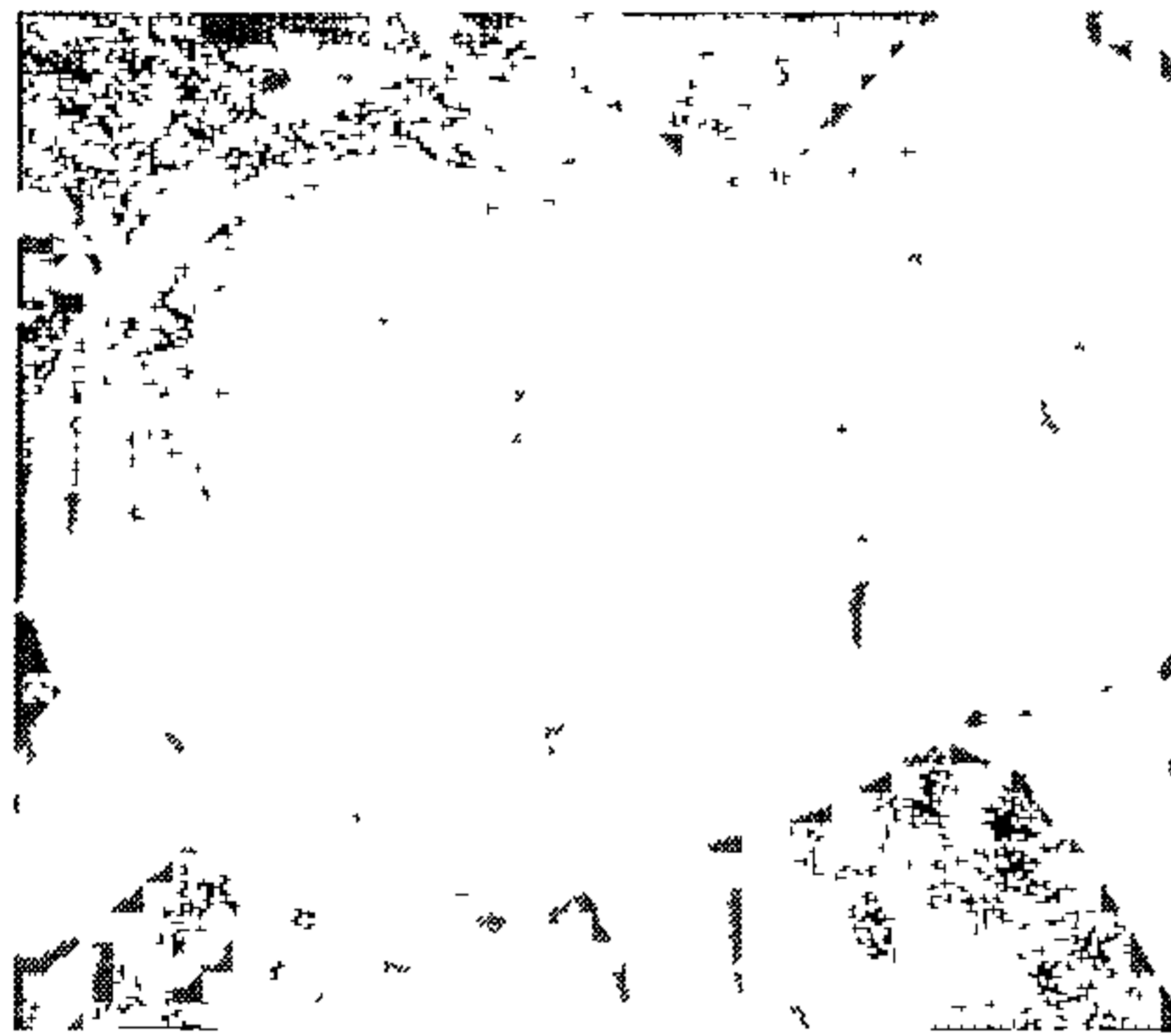
There he found the same problem as at RBM: an operation disliked or feared by the public and by conservationists, and a management not doing enough to counter public perceptions he believed were often based on misunderstanding. His answer, too, was the same as at RBM: open up, show people what is happening and tell them the facts as you see them.

"Rossing now has a 90% positive Press," he says. Rossing is owned by RTZ, a 50% shareholder in RBM. Clements was consulted by RBM last year, and proposed a programme the company started implementing. He was hired from May 1 this year to head RBM's public relations team.

Clements says there was some initial uneasiness, but he had no difficulty persuading RBM management to invite people in. In lectures to visiting groups, he is utterly frank about the switch in policy, and why it was undertaken.

He says RBM mined dunes for 14 years with few problems, it had an excellent dune rehabilitation programme and good relations with the local community, for which it built schools and clinics.

Then, with the application to extend oper-

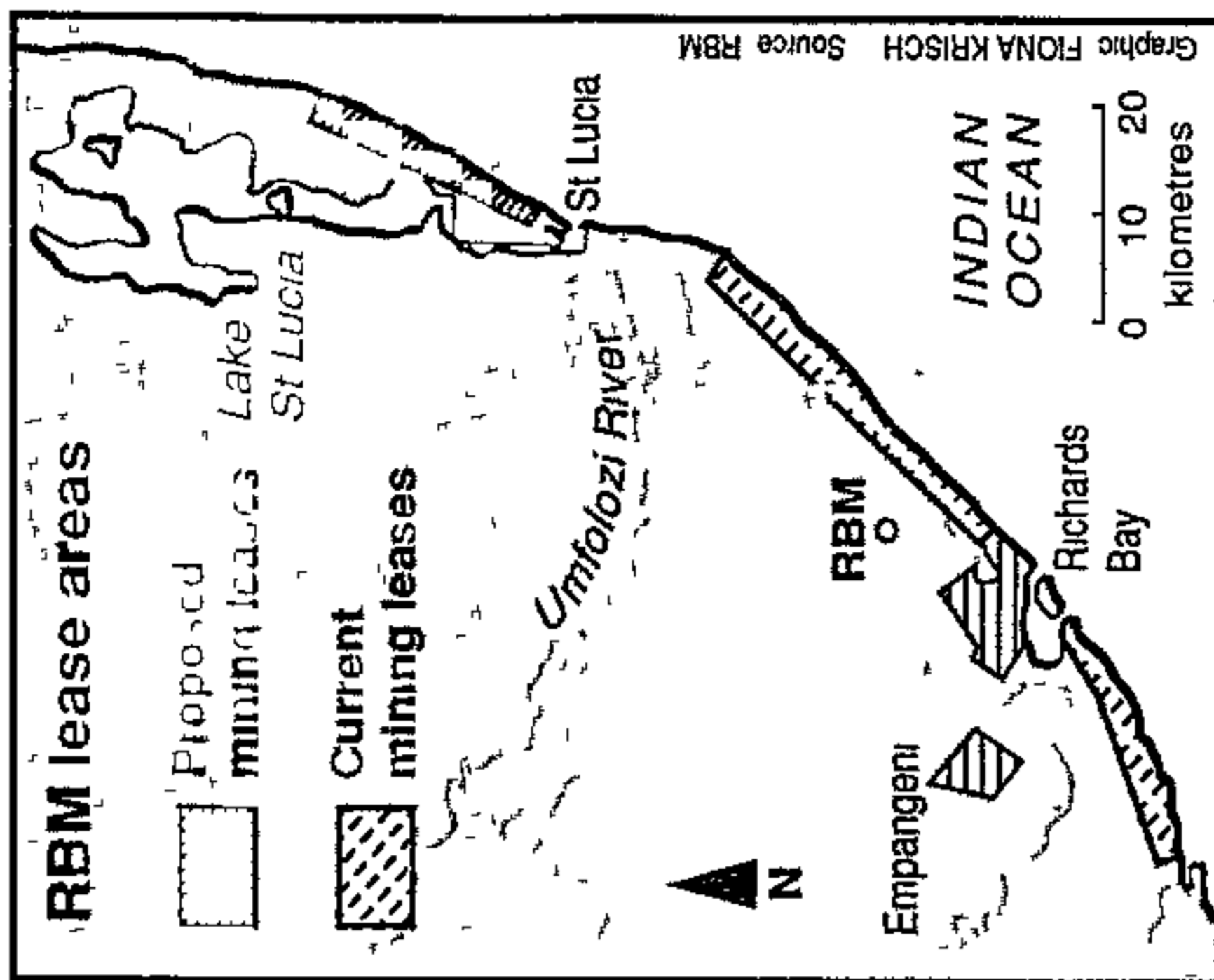


● CLEMENTS "a lot to be proud of"

ations into St Lucia, the storm broke. There was opposition from the Natal Parks Board and the Wildlife Society. Petitions were circulated around the country and between 200 000 and 300 000 protesters' signatures collected.

Clements describes RBM's reaction as a case study of a public relations exercise that did everything wrong. It was portrayed as a fat-cat mining company, foreign because at that stage it had Canadian shareholders, and about to

inspection



rape a pristine wilderness area. Misconceptions, half-truths and even blatant untruths were not corrected, the company put its head in the sand, he says.

"For reasons of 'customer sensitivity' at a time of sanctions RBM sought to remain low-key when facing a huge onslaught by the anti-mining lobby," Clements says.

"Hindsight is an exact science, but I'm afraid RBM must accept blame for the controversy

which raged for nearly two years before they began to respond.

"RBM is now paying the price for their lack of response, which I believe is the main cause of what is now a fixed mindset and a widely held perception on the part of environmental pressure groups and individuals."

The arguments Clements and his team present are three-fold.

They contend that dunes and vegetation can be restored after mining, that the threat to St Lucia is not RBM's small mining operation but the condition of the lake's huge catchment area, and that the St Lucia dunes where mining is intended are not pristine natural forests and indigenous coastal vegetation.

They know not all environmentalists will agree with them and that many members of the public will remain implacably opposed to commercial operations in St Lucia. Their concern is that RBM should make up for lost time by putting its side of the case.

Visitors are shown current dune mining, where destruction of the dunes and vegetation is total, every grain of sand is processed through a separator which takes out the heavy metals - ilmenite, rutile and zircon, which make up about 5% of the dune. The main product is titania slag, used in pigments for paints, plastics and high quality paper, RBM also produces pig iron and mineral sands.

Behind the mining operation is the rehabilitation. Dunes are reformed, shaped as closely to the original as possible, covered with topsoil, seeded and then planted with whatever the landowner - KwaZulu government - wants grown.

Grassland is restored within three years and natural forest within 12, at KwaZulu's request many of the dunes are, however, planted with casuarina trees, which provide charcoal.

At Richards Bay the dunes were 60% eucalyptus plantations, 20% secondary grassland and 20% indigenous vegetation, in the 1 200ha target area in St Lucia, 56% of the dunes are pine forest.

There are also cash considerations, or RBM would not be interested in St Lucia. Operations in the current Tisand mining lease will run down by the turn of the century, which is when the St Lucia dunes could be mined, that is estimated to bring in about R6bn during the 17-year life of the operation.

Fight

Whether or not the St Lucia mining goes ahead will depend largely on an environmental impact study, to be published late this year or early next. RBM has promised to abide by its findings. The current public relations offensive suggests the company is hoping for a favourable report.

That will start the fight anew, not end it. Numerous conservationists want St Lucia left alone, they believe pine forests and other exotic vegetation should be removed and the area left to return to its natural state.

Clements asks who would pay for that.

He says he would not support coal mining in the Kruger Park, but believes RBM will leave its St Lucia area better than it found it. And he shrugs off suggestions that he has sold his soul to commerce.

"I have achieved more for conservation since I have been in industry than in the 13 years I was a professional conservationist. Criticise us by all means, but only after you have come here and seen what we do."

Now Isuzu has platinum in converter panic

6/20/89 ANDREW GILL (27)

THE platinum price slid more than \$3 yesterday, to the same level as gold, as news that Isuzu had developed a palladium-based catalytic converter for diesel engines took another chunk of confidence out of a nervous market.

It was the first time since February 1988 that gold and platinum had traded at the same level, but platinum was still higher than the lows reached after reports that Nissan had developed a palladium-only converter for petrol engines. Those reports were later played down.

The platinum price dropped below \$368 when Japanese truck manufacturer Isuzu announced its new converter and it traded at the same levels as gold for most of the morning. It dipped to \$367.75 in morning trade before recovering to \$369 by the London close as the market absorbed the news. Palladium rose \$1 to \$97.75.

The platinum fall knocked market confidence. Analysts said sentiment had been floundering recently because of the market's perceived tenuous situation.

Platinum's premium over gold has crumbled in recent months and fell to \$16 after the Nissan reports. This compares with \$36 in October last year.

Impala Platinum MD Mike McMahon said he was not worried. He said current supply and demand forecasts did not include those for diesel engines, which were not subject to environmental legislation.

The legislation, however, would come and whether the diesel catalyst was platinum-, rhodium- or palladium-based was not of great concern because more demand for any of the metals would be an additional boost for producers.

He said recent price falls were largely due to producer selling, believed to originate in the Soviet Union.

Frankel Max Pollak Vinderine analyst Kevin Kartun said the announcement demonstrated that much research was being done on alternative converters.

MINING — OTHER

199

July — Sept

New shaft begins in the Deeps

Finance Staff Star 1/7/91

Work has begun on the first surface shaft into the Deeps area down dip of the existing Impala lease

The 9,5 metre diameter shaft down to 1690 metres below surface will be able to hoist 250 000 tons per month from both the Merensky and UG2 horizons and will have a life in excess of thirty years

As well as being the first shaft into the Deeps it will be the first Impala Shaft to have a concrete headgear

To handle the men and material four conveyances and a

service conveyance will be provided together with four 16 ton skips to handle the broken rock

A 7,0 metre diameter ventilation shaft will be vertically moled to 1100 metres below surface

The shafts and services will cost in excess of R1 billion and production therefrom will commence in less than five years

Fourteen surface drilling machines are on site on the Deeps and the decision as to the position of the second Deeps Shaft should be confirmed by the end of the year

The boundary between the current lease area and the deeps has been penetrated from two of the Impala mines and planning of declines to increase production is well advanced. The four Impala mines in Bophuthatswana, Bafokeng North, Bafokeng South, Wildebeestfontein North, Wildebeestfontein South, currently employs 43 000 people and the growth programme will provide job opportunities for 5 000 more people

Needless to say the staff at Impala are thrilled to see the expansion taking place in view of the current status of the gold mining industry.

New chrome plant will boost exports

ISCOR's newly commissioned chrome plating line will boost the steel group's export earnings by R20m a year, MD Willem van Wyk said yesterday.

Additional export revenue would be generated by replacing exports of lower value steel products, such as uncoated cold-rolled sheet, with chrome-coated sheet.

Speaking at the opening of the R125m plant in Vanderbijlpark, Van Wyk said the expanded capacity of

the plant would be in excess of local requirements for the next few years.

The plant will produce 10 000 tons of chrome plated steel a month, supplementing the 26 500 tons of tin plate currently produced a month.

Van Wyk estimated that the local supply of chrome-plated steel would save canning industries R26,5m a year and save SA about R70m a year in foreign exchange.

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MARC HASENFUSS

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USKO/RHOVAN

fm 5/7/91

MERGER TALKS (217)

This week's cautionary notice on the investigation into a "merger" of Usko's vanadium division with its concentrate supplier, Rhombus Vanadium (Rhovan), indicates the would-be vanadium pentoxide producer's troubles have brought it near breaking point

FINANCIAL MAIL • JULY • 5 • 1991 • 77

continue →

FOX FM 5/7/91.

(217)

Rhovan MD Rob Still and Usko chairman Flores Kotzee, who is also chairman of Rhovan, decline to add to the announcement.

However, bottom line is that Usko faces a dilemma. Having announced its decision to enter the vanadium business by advertising in the *Metal Bulletin* that it would soon become the world's largest supplier of vanadium pentoxide, it has fallen flat on its face

It has been clobbered by the contract it signed with Rhovan and the prolonged commissioning problems with the vanadium plant. The market has also swung into recession, with current spot prices at around US\$2,30/lb, compared with between \$5 and \$7 just two years ago, when the go-ahead decision was taken. Usko's management has itself to blame for the first two factors — and it should have had plenty of warning on the cyclical nature of the vanadium market

Penalties being paid

Rhovan negotiated a belt-and-braces contract to supply magnetite concentrate containing vanadium to Usko, in terms of which Usko committed itself to take guaranteed volumes at cost-plus prices. These prices escalated each year, irrespective of vanadium market conditions

Usko is required to pay penalties if it does not take the negotiated volumes of concentrate and, because of the commissioning problems, it is well below forecast production rates. Usko is taking concentrate at about 80% of contracted levels and Still confirms penalties are being paid

Usko had lost R31m on the project by the end of March; Rhovan is making about R1m a month out of the supply contract. Kotzee continues to rule out closing the plant but the situation looks increasingly untenable

Debt reached R182,7m at end-March. Usko last week issued a cautionary notice on steps to deal with it. Most likely action is a sale of assets (*Fox* May 31). Should Usko throw in the towel, it has to pay Rhovan damages of R18m and is barred from re-entering the vanadium business for 20 years

Rhovan could take Usko's vanadium division over with or without financial help from another interested party. Essential to any takeover must be concrete proof that the Usko vanadium pentoxide plant can produce what it is supposed to

Brendan Ryan

RhoEx looks at titanium techniques

217

SI Times
7/17/91
(Bus Times)

By IAN ROBINSON

MINING exploration company RhoEx is looking at different beneficiation techniques to develop two titanium beach sand deposits on South Africa's east coast

Shell South Africa has exercised an option to take part with RhoEx in a joint venture to exploit titanium mineral sand reserves in Northern Natal

RhoEx's other joint venture titanium sands project — with Rand Mines at Wavecrest in Transkei — is on hold pending the resolution of legal problems involving mineral rights

Titanium minerals are used to produce titanium dioxide pigment. It is the predominant white pigment used in paint, paper and plastics

Advantages

Pigment can be produced from both raw and processed materials, but there are several advantages in processing the predominant mineral ilmenite — a mixture of iron and titanium oxides — to intermediate products

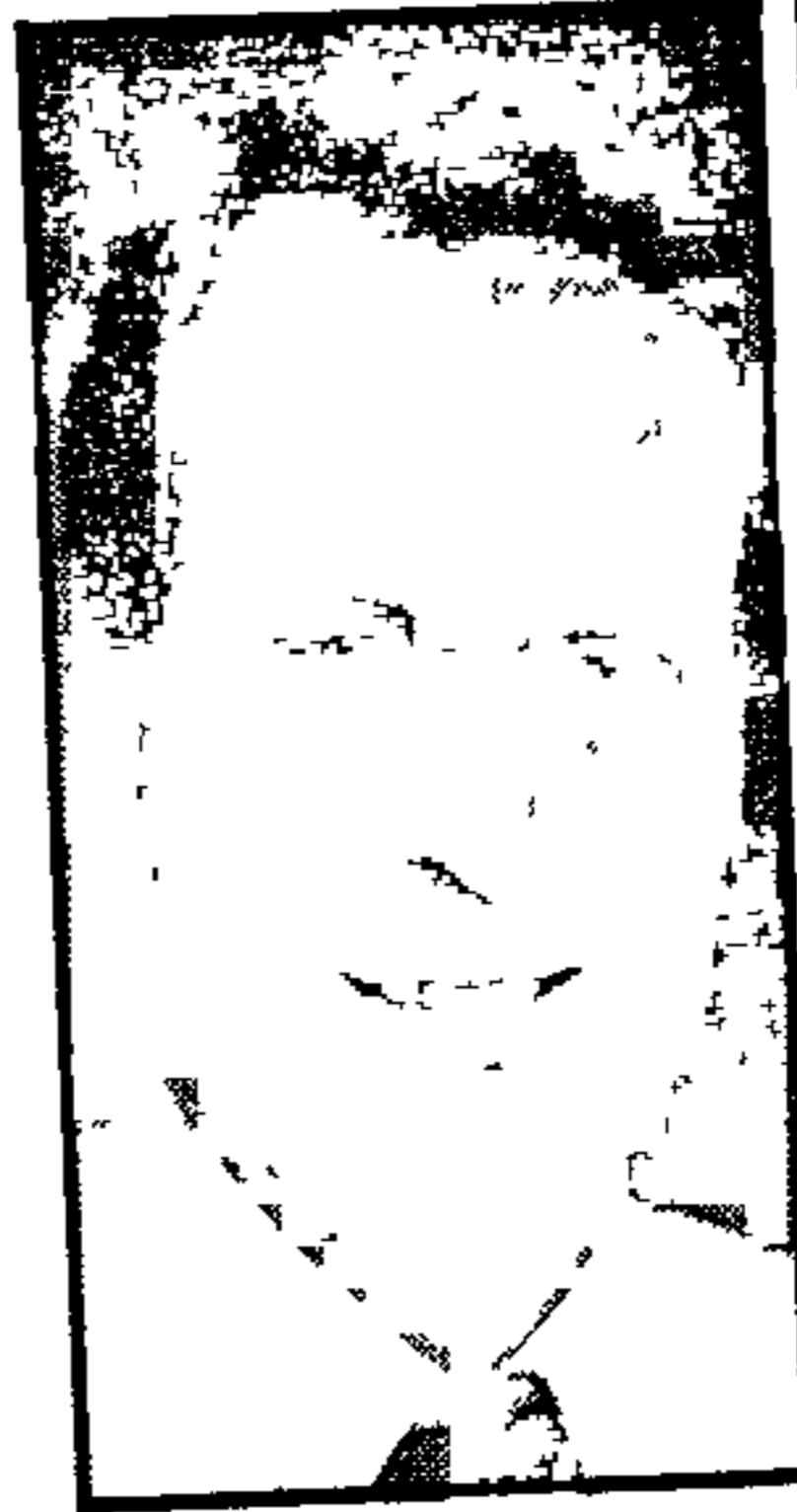
Ilmenite is not a popular feedstock in pigment production because its use generates large quantities of waste iron sulphate. It can only be used in the "sulphate" process to produce titanium pigment, but not in the more modern "chloride" process

Furthermore the grade of ilmenite in SA contains only about 50% titanium dioxide which is lower than elsewhere

Two intermediate titanium products are used in the manufacture of pigment — slag and synthetic rutile (SR). Both products are produced through the separation of titanium oxide from iron oxide in the ilmenite

In the case of slag this is achieved through smelting. SR is produced through reduction of iron oxide in a kiln operation followed by chemical leaching of the iron

SR has a higher titanium dioxide content of about 93% compared with slag which



ROB STILL. Plasma option

contains 80% to 85%. However, the production of slag results in a saleable by-product — pure pig iron. The iron separated from ilmenite in SR production is discarded

The fine grain size of the ilmenite in the Transkei deposit precludes its use for SR production and slag represents the only viable route

Richards Bay Minerals (RBM) is the world's largest slag producer with an annual capacity of 1.2-million tons

RhoEx chief executive Rob Still says that although the RBM slag process is efficient, it may be possible to develop a superior one based on plasma technology

Simple

Middelburg Steel & Alloys, Rand Mines' sister company in the Barlow group, is world leader in this technology which it uses in the production of ferrochrome

However, RhoEx and Shell are leaning to SR rather than slag for the Natal project which would only be about a tenth the size of the RBM operation

Several SR plants are operating in Australia and the Becher SR process is established, with relatively simple technology. Slagging technology is complex and not readily available

Both capital and operating costs are much lower for the SR route

Blom 10/7/91
Metal prices

boost results

ANDREW GILL (217)

STRONGER base metal rand prices across the board in the June quarter helped boost Gold Fields of SA's base metal companies' results

Its coal operation, Gold Fields Coal, also produced stronger profits, results released yesterday showed

Unquoted copper, lead, zinc and silver producer Black Mountain reported after-tax profits of R4,18m compared with the March quarter's R135 000.

Copper, tin, zinc and silver prices all increased while lead prices held their ground.

Ore treated at Black Mountain increased to 347 000 tons from 326 000 tons. Production of lead and zinc increased strongly.

Profits at O'okiep Copper were up 56%. Income was at R41,6m against the previous quarter's R33,2m.

Only Rooiberg Tin produced poorer results. It lost R457 000 compared to the previous quarter's R108 000, largely as a result of a decreased yield of 0,74% against the 0,8% tin grade in March.

Zinc Corporation of SA posted after-tax profits of R6,3m against the previous quarter's R4,1m.

Gold Fields Namibia turned the March quarter's R2,7m after-tax loss into a R2,2m profit through decreased costs and increased revenue.

Manganese still strong

217

SI Times 14/7/91 (Bus Times)

PRICES of South African manganese ore will remain strong in spite of an expected 4.5% decline in world steel production this year

The main buyer is Japan where steel production has remained strong unlike that in the EEC and the US.

The two major producers — Samancor and Associated Manganese — are negotiating with steel producers on prices and tonnages for the Japanese fiscal year that ends on March 31, 1992

Freight

Last year they obtained a price of \$3.40 a metric ton unit (mtu) fob for the benchmark 48% Mn grade. This year the major Australian producer, BHP, has succeeded in maintaining its price at last year's \$3.35 an mtu fob. This sets a good precedent for SA producers

However, the Japanese argue that they should pay less for SA ore than Australian because of higher freight costs

By IAN ROBINSON

International prices for high-grade manganese ore have tripled since 1987 because of rising world steel production and depletion of reserves of high-grade material, particularly in the Soviet Union, which has been forced to import it in recent years

SA, Australia, Brazil and Gabon produce the most of the world's high-grade ore

SA's Minerals Bureau reports that exports of manganese ore in 1990 fell to 2.16-million tons from 2.975-million in 1989. But because of higher prices the fob value rose from R555-million to more than R610-million

Japan is the largest single user of SA manganese ore and in 1990 imported nearly 680 000 tons. This represented about half of Japanese manganese imports.

Manganese is essential to the production of steel where it acts as a deoxidiser and desulphuriser. This renders steels capable of being worked without rupture.

615 ay 16/7/91

Barplats trades in informal market

MERVYN HARRIS

217

FRUSTRATED and irate shareholders of platinum group Barplats Investments (Barplats) and subsidiary Barplats Mines (Barmine) have started an unofficial, secondary market for the shares.

Stockbrokers are not permitted to trade in the shares on behalf of clients as Barplats and Barmine have been suspended since May 17 pending the outcome of negotiations between holding company, Rand Mines, and Gencor.

Market speculation is they will become subsidiaries of Gencor's Impala Platinum Holdings which, it is believed, has taken over management control of the mines.

Two weeks ago, the JSE agreed to extend the suspension on the grounds of further discussions.

Barplats was understood to be trading at 500c on the secondary market (suspended at 260c), and Barmine at 175c (115c).

Every Barplat share used to be worth 2,6 Barmine shares but under new technicalities the ratio is now believed to be 2,8 to one.

A secondary market has apparently also been established for Eersteling shares, after it was placed in provisional liquidation.

812000 17/7/91

Mine's future 'uncertain'

WHILE JCI's antimony producer Consolidated Murchison is not facing closure or liquidation, its future remains uncertain, says Cons Murch chairman Michael Hawarden

The company announced improved results for the June quarter yesterday, with after-tax profits of R220 000, after the March quarter's R1 000 profit.

The June quarter marked the company's year-end with an after-tax loss of R180 000 for the year.

Results were boosted by

ANDREW GILL

an 8% increase in the volume of antimony sold and a 10% increase in the rand price a ton. (217)

Net antimony revenue was up 18% to R4,4m, while gold revenue increased by 2% thanks to a higher rand gold price of R33 132 (R31 106) This was despite an 8kg fall-off in gold brought to account

Total mining revenue was up at R10,5m for the quarter, while operating profits increased to R195 000 from R61 000

Growing confidence boosts Leplat shares

8 Day 18/7/91
MATTHEW CURTIN

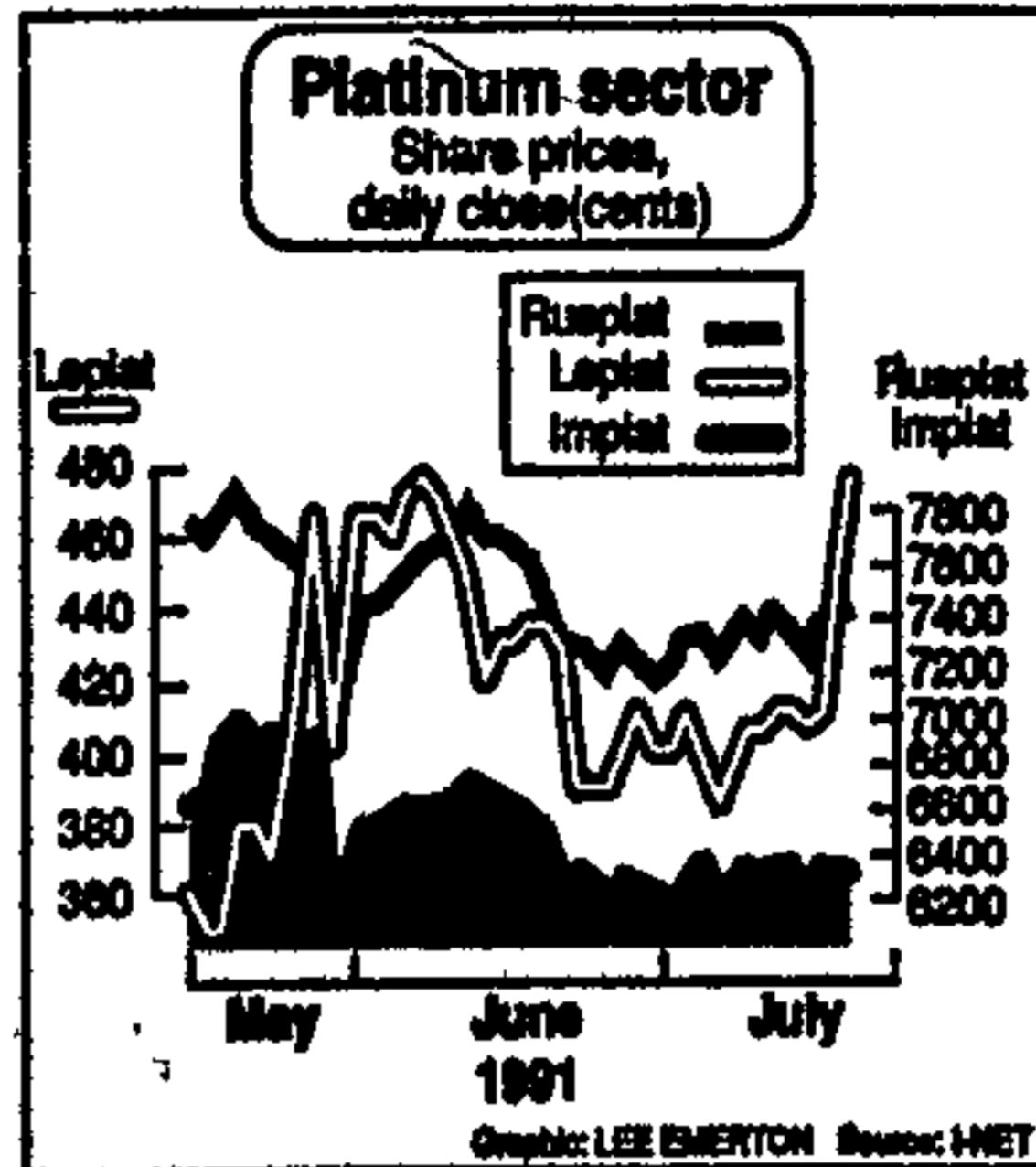
SHARES in JCI's Lebowa Platinum (Leplat) hit a four-month high on the JSE yesterday as market confidence continued to grow over the long-term prospects of Leplat's Platreef open-cast platinum joint venture with Rustenburg Platinum (Rusplat).

Leplat stock closed 5.5% or 25c up at 475c in heavy trading which has characterised dealings in the platinum company's shares for the last 10 days. Nearly 160 000 shares changed hands yesterday.

Leplat's performance is in contrast to the sluggish movement of market leaders Rusplat and Impala Platinum in a sector dogged by signs that the use of platinum and rhodium will be sidelined in the production of car catalysts. At least 40% of platinum production is earmarked for the car industry, and the metal is currently trading with a narrow premium over gold.

Irish & Co analyst David Russell said yesterday Platreef was rich in palladium relative to the Merensky and UG2 reefs mined by Rusplats and Implats, and so was particularly well placed to benefit from new developments in the motor industry.

Developments in Japan and the US in catalyst manufacture and the development of "clean" petrol indicate catalysts in future will require only the cheaper palladium to absorb noxious exhaust emissions.



Yesterday's afternoon platinum fix was \$380.40, with palladium at \$94.90.

Davis Borkum Hare analyst Alex Wagner said the market was eagerly awaiting an expected Leplat announcement on how Platreef would be financed. While it was not the best time for a rights issue given Leplat stock was 50% down from levels at this time last year, Leplat already had a heavy debt burden and loan financing for the new project would put the company in a more dangerous position.

He said the high volumes being traded suggested a large institution was taking advantage of Leplat's relative low price and Platreef's good prospects.

Soviets are offloading

platinum to raise cash

By Neil Behrman ^{Spf} 8/1/91

LONDON — The Soviet Union is using platinum as collateral to raise foreign exchange.

In an unusual deal the Soviets have deposited a million ounces of platinum worth \$375 million at current prices with Swiss banks to be used as a swap for foreign exchange, precious metals dealers say.

Swiss and German bankers say the small size of the swap illustrates how little the Soviets have left to raise vital foreign exchange.

The platinum swap for hard cash follows estimated gold swaps of five million ounces made last year.

The gold swaps were rolled over during the past few months, but bankers are not yet prepared to raise the amount of gold collateral credits to the USSR.

Instead, the Soviets have sold an estimated three to 4.5 million ounces of gold so far this year, compared with eight to 10 million ounces in 1990.

Platinum sales were 320 000 ounces in the first half of the

year, against 700 000 ounces in 1990.

Stephen Briggs, a director at Metals & Minerals Services, a consultancy firm, says the Soviet Union also boosted exports of base metals from production lines and inventories.

He estimates that aluminum sales soared to 275 000 tons in 1990 from 225 000 tons in 1989 and copper sales to 180 000 tons from 115 000 tons.

First-quarter statistics indicate that exports of these metals will be at least maintained at last year's levels, while nickel sales are running at a high annual rate of 80 000 tons.

Stockpiles

The metal is from current production and stockpiles at mines and domestic smelters and factories, says Mr Briggs.

Oscar Prager, a director at Ayrton & Partners, London dealers in strategic minerals such as manganese, chrome and cobalt, says "They are selling anything and everything just to raise cash." Sales of pig iron also rose sharply.

Christopher Stobart, a director at Commodities Research

Unit, says the Soviets are somewhat disorganised, so that independent organisations are selling metal, sometimes in competition with each other.

But Hans Murmann, managing director of Metallgesellschaft, London metals dealers, says the Soviets are not dumping metals.

They are price-conscious and wait for the right moment to sell, he says.

Bullion dealers say the same policy applies to precious metals.

Gold and platinum swaps improve liquidity in the market by enabling merchants and banks to lend more metal to one other. But the deals in themselves should not place pressure on prices.

Proceeds from sales of commodities invariably are not repatriated to the Soviet Union, the money being kept abroad to buy goods.

If returned, the foreign exchange would be lost in a quagmire of controls.

Nevertheless, metal dealers are waiting anxiously to see whether President Mikhail Gorbachev has been able to raise funds at the London economic

summit

If he does not receive sufficient credits, the USSR will be forced to sell greater quantities of commodities from stockpiles.

The critical shortage of foreign exchange is partly the result of a slump in Soviet oil sales, its most important export.

Valdimir Shecherbakov, Soviet first deputy prime minister, says Soviet oil exports might slide by 25 percent in 1992 if measures are not taken to bolster the industry.

Oil production

Lehman Brothers International estimates that compared with the same period last year, first-quarter oil production fell 9.4 percent to 10.7 million barrels a day and is continuing to decline by 200 000 barrels a day.

Edwin Arnold, metals analyst at Merrill Lynch, says Soviet mineral exports may well be higher in the short term, but that the mines, smelters, transport systems and general infrastructure have been starved of investment for so long that deliveries are likely to slide in coming years.

Impala strike nudges platinum up

ALMOST all 8 000 workers at Impala's Bafokeng South platinum mine in Bophuthatswana went on strike yesterday

News of the strike buoyed the platinum market with platinum futures rising slightly in early New York trading, Reuters reports

An analyst on the trading floor said because only one mine was involved the metal did not rise much. "Once platinum stalled the locals quickly liquidated for profits," he said

Mine owner Genmin said the strike was in protest against disciplinary action taken against a colleague.

Impala's three other mines in Bophuthatswana — Bafokeng North, Wildebeest-

THEO RAWANA

fontein South and Wildebeestfontein North — as well as the mineral processes plant, were not affected, Genmin said

An Impala spokesman said the company was holding talks with worker representatives because the NUM was not registered in Bophuthatswana

NUM media officer Jerry Majatladi said most of the 55 000 workers on Bophuthatswana's Impala mines were NUM followers, but the company was exploiting the fact that the union was not recognised by the Bophuthatswana government.

He confirmed that the workers were

To Page 2

Impala

dissatisfied with alleged harassment by mine management.

"They were particularly dissatisfied with one worker being forcefully removed from the hostel to be detained by mine security. They feel that workers should be given a fair hearing," he added

The Genmin statement said "Management says that this strike seems to originate from the fact that disciplinary action was being taken against an employee who has allegedly been involved in acts of intimidation

"Management has invited employee representatives to come and discuss their grievances."

A mine spokesman said there had been no incidents of violence. A no-work, no-pay policy would be followed by the company. Impala MD Michael McMahon has assured Impala's clients that the strike had not, as yet, had an effect on the availability of refined platinum or other metals

On July 4, more than 90% of the workforce at Bafokeng South went on a one-day strike over a wage increase.

From Page 1

Vanadium mine to challenge SA

B[Day 18/7/91]

217

ANDREW GILL

AUSTRALIA is to establish a vanadium mine ready for production in early 1993 and is aiming to snatch 8% of the world's output from depressed South African producers.

A Financial Times report yesterday said the "vast resource" near Mount Magnet at Windimurra in Western Australia contained enough vanadium to keep the total world market supplied for decades.

The new mine's owner, Precious Metals Australia (PMA), intends limiting output to 3 700 tons a year.

Analysts said yesterday if the mine succeeded it was likely to knock most local producers except Highveld, the world's largest producer.

This year the market is about 5% oversupplied.

Highveld was likely to withstand further pressure because of its elasticity in being able to produce steel and vanadium, an analyst said.

Highveld Steel and Vanadium chairman Leslie Boyd yesterday said "It is a bum decision."

Boyd said the mine was likely to go broke just as Australia's first vanadium mine at Windowie did over a decade ago. That mine lasted about two years.

"It's a tough business," he said and

it would be a high cost operation because of starting up, with high financing and amortisation costs.

He also didn't believe it was a particularly good deposit.

PMA chairman Roderick Smith was quoted as saying PMA's costs would be lower than those of SA producers because Windimurra's soft and oxidised ore would make mining a simple, open-pit operation and milling would also be easy.

In comparison, the report said, SA companies had to drill and blast "very hard ore" which also required extensive crushing and grinding.

It was estimated cash costs would be \$1,70/lb and the project is expected to cost between A\$40m and A\$50m. Smith was in London placing shares in PMA and said financing would be A\$15m of equity and the rest by US dollar loans.

Based on present low prices for vanadium pentoxide and the forecast annual output, the project was expected to yield A\$32m a year, including A\$4m from the sale of by-product sodium sulphate.

The other South African producers are Transvaal Alloys and Rhombus Vanadium.

Namsea seeks stake in processing plant

B/Day 19/7/91

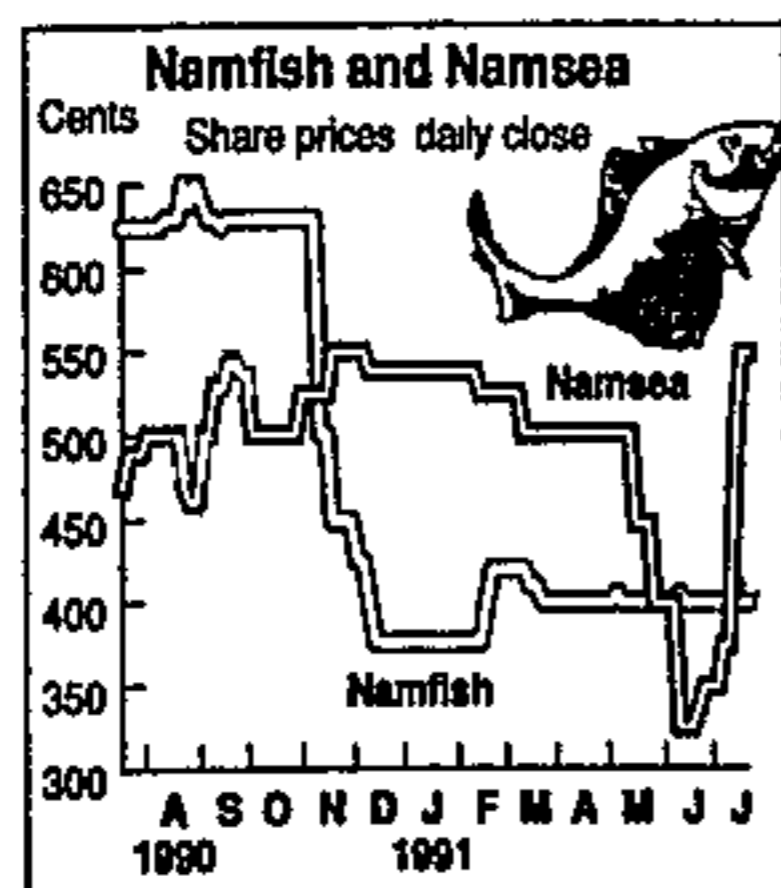
LINDA ENSOR

CAPE TOWN — Namibian Sea Products (Namsea) is negotiating the acquisition of Sarusas Development Corporation's stake in a fish processing operation, United Fishing, in a deal estimated to be worth about R50m.

Namsea and Namibian Fishing Industries (Namfish), with mutual crossholdings, today issued cautionary announcements relating to the acquisition talks

Prior to recent acquisitions made by Namsea, Sarusas had a stake of about 50% in United Fishing in which Namsea holds an existing share

The negotiations arise out of a battle being waged in the Windhoek High Court. At the heart of the litigation is the dissatisfaction of Sarusas over the recent acquisition by Namsea of fishing rights from Namibian concessionaires



Graphic: FOMA KRISCH Source: HNET

Sarusas believes that the terms of its United Fishing shareholders' agreement with Namsea obliged Namsea to offer Sarusas the opportunity to take up the deal with the concessionaires

It has brought an application to the High Court requesting the winding up of United Fishing on the grounds that Namsea's failure to offer it this opportunity has led to such distrust and unhappiness that it can no longer continue with the relationship

Namsea is resisting the application which has been postponed to Monday next week on the grounds, inter alia, that it owed Sarusas no duty as alleged.

Namsea recently obtained the right to use the quotas of four Namibian concessionaires for 1 800 tons of pilchards each.

Sarusas is also dissatisfied that the fish caught in terms of these quotas is being processed by United Fishing

Another shareholder in United Fishing, National Fishing, has also entered a similar deal with a concessionaire, Mukorob, which is another source of conflict

Sarusas' application has been brought against United Fishing, Namsea, the other United Fishing shareholders, the concessionaires and the Minister of Fishing.

Impala unfazed by cleaner fuels

MARKET concern that the introduction of clean motor fuels would cut demand for platinum group metals was unfounded, Impala Platinum MD Mike McMahon said yesterday.

He was commenting on the latest of a series of announcements which some analysts believe will see platinum and rhodium, the key components in catalytic converters, replaced by palladium.

US chemical company Atlantic Richfield (Arco) announced last week it had developed a reformulated petrol which could cut pollutants by more than 33%.

McMahon said Impala was no more worried about the Arco announcement than recent developments by Nissan and Isuzu, which briefly sent the price of platinum to the same level as gold and delivered a blow from which the metal still has to recover

He said growing interest in palladium would increase demand for the metal and raise its price. Impala had already taken into account the effect of reformulated fuels on its long-term forecasts, which were optimistic about platinum's prospects.

Minerals upgraders in line for big tax bonanza

STimes 21/7/91 (Bus Times)

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By CURT VON KEYSERLINGK

THE Cabinet is expected to approve a scheme that gives a committee of bureaucrats the power to dish out generous tax concessions to selected new mineral beneficiation projects.

Deputy Minister of Finance Theo Alant has indicated that it is a temporary measure to promote large-scale investment in export-oriented manufacturing. It may be replaced by measures being formulated by an inter-departmental committee.

Because of the matter's urgency, it was rushed through Parliament as part of the Taxation Laws Amendment Bill.

Free

It allows the ministers of finance and trade and industry to appoint a committee that will probably include the Commissioner for Inland Revenue and representatives of Mintek and the departments of mineral and energy affairs and trade and industry.

The committee may grant companies write-offs on their plant and equipment in excess of their actual cost over five years. This means that some companies could, in effect, get their plant and equipment for free, courtesy of the taxman.



HANNES HATTINGH The loser

The current depreciation scheme allows a 20% straight-line write-off over five years.

Commissioner for Inland Revenue Hannes Hattingh says the committee will determine the size of the write-offs allowed to each company.

"The scheme is without precedent," he says.

It also flies in the face of the stated intention of the authorities to devise a tax system that eliminates the many areas where bureaucratic discretion and not the law determines a company's tax liability.

The regulations say qualifying companies must benefit from SA-sourced minerals, substantially add value, be on a scale that is competitive and export at least 60% of their output.

But the committee has the power to grant benefits to companies that do not satisfy all the requirements.

Unlike the current scheme which gives companies benefits in the form of tax credits

only after they start operating, the new one puts money in the hands of qualifying companies while their factories are being built.

It will come in the form of negotiable tax certificates that may be sold to banks or other companies for use in part payment of their tax.

This could be an added incentive to new investors and foreigners who do not already have a tax base in SA.

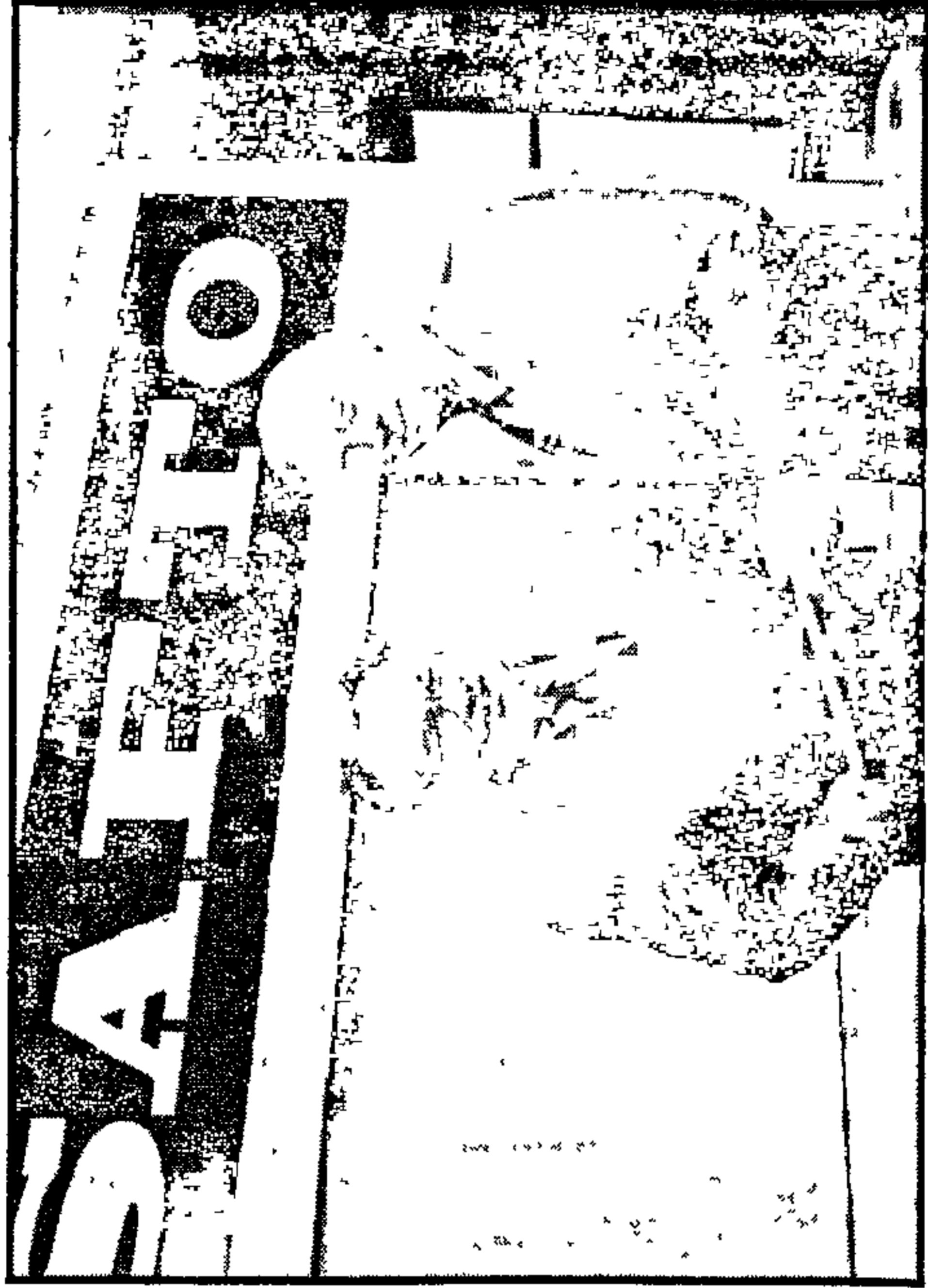
In recent years the Government has favoured giving industrial incentives in cash or negotiable instruments rather than tax concessions. It has apparently chosen the tax mechanism for this scheme because it is less likely to be defined as an export subsidy, thereby attracting retaliatory measures, under the General Agreement on Tariffs and Trade.

A corporate tax consultant says the scheme could make the Columbus stainless-steel joint venture of Arnica and Samancor an attractive proposition. Another venture that might benefit is the Alumas expansion project.

Handicap

Strictly speaking it should not qualify because the regulations say that the mineral being beneficiated should be SA-sourced. But as the tax consultant points out, the committee's discretionary powers enable it to override such provisions.

He says industry is handicapped by high tax rates and the scheme merely goes some of the way to putting it on a more equal footing with foreign competitors.



Soviet Chamber of Commerce president VLADISLAV MALKEVICH and Safto chief executive WIM HOLTES talking trade turkey. Picture SUE KRAMER

Soviets looking for joint mine ventures

THE SOVIET Chamber of Commerce and Industry wants co-operation with the South African mining industry to lead to joint ventures in the USSR. Ildar Younossov, head of the internal department of the USSR Chamber of Commerce and Industry, told Business Times that

By IAN ROBINSON

tract with Russia and another is being negotiated.

217

Platinum mine takes steps to make up lost production

Friday 22/7/91
IMPALA's Bafokeng South platinum mine is taking steps to make up for production lost during last week's three-day strike by 8 000 mineworkers.

Mine owners Genmin said on Friday workers called off the strike after management agreed to review a decision to take disciplinary action against an employee.

Violence erupted on the mine on Thursday. Two vehicles belonging to hostel dwellers were burned during the strike, which began on Wednesday. An attempt was made to burn one of the administrative buildings on the mine.

Not affected

"Now that the employees are back at work, the disciplinary action taken against the employee in question will be reviewed," Genmin said.

Impala's three other Bophuthatswana mines — Bafokeng North, Wildebeestfontein North and Wildebeestfontein South — and the mineral processes plant had not been affected by the strike, Genmin said.

"The MD of Implats, Michael McMahon, says that three days' production has been lost at Bafokeng South this month, and that

THEO RAWANA

the effect of the strike on the group's production would only be noticeable after six to eight weeks," Genmin said in a statement.

The Bafokeng-South mine provides between 20% and 25% of the group's platinum and associated metals.

"Meanwhile, steps are being taken at the mines to make up the production losses," Genmin said.

Employee representatives had told mine management the strike action was a direct result of disciplinary action taken against an employee who was allegedly involved in intimidation during a strike on July 4, Genmin said.

The company announced that an incentive bonus had been implemented and increased production bonuses were being discussed with individual production teams.

A spokesman stressed that the bonus scheme was not a result of the strike.

It was implemented after discussions held during the strike on July 4, when employees said they were unhappy with bonus increases, he said.

Lonrho nears deal on Soviet platinum

217 Own Correspondent

LONRHO could be set to pull off a platinum deal similar to the \$1bn "loan-for-diamonds" agreement that De Beers reached with Soviet minerals authority Glavalmazoto (Glava).

Lonrho SA officials have just completed talks with Soviet platinum producers in Moscow on key technical and marketing matters.

Lonrho will send a team of 20 to Moscow to follow through high-level talks with Glava on the marketing of platinum. *3 Day 22/7/71*

The talks, initiated by Lonrho CE Tiny Rowland, ranged over the entire breadth of platinum group metal marketing, according to Lonrho and were "highly successful". Lonrho has now set up a permanent Moscow office.

News of the move should spark intense interest in precious metals markets and excite speculation of a platinum cartel with SA and the Soviets, accounting for more than 95% of production.

More likely is that the Lonrho link will stabilise the spot market by enabling the Russians to tie up more long-term contracts with car producers and minimise "unsophisticated" unloading on the New York Metals Exchange.

Observers said the deal could be similar to the De Beers one. Under the agreement De Beers Centenary has exclusive rights over the marketing and sale of Russian rough diamonds for five years. — Daily Telegraph.

SA-Soviet platinum cartel rumoured after Lonrho deal

Star Bureau

(217)

LONDON — Speculation is rife in the precious metals market that South Africa and the Soviet Union are working towards some kind of cartel for platinum group metals.

This has arisen since Lonrho, the third-largest of the western world's

platinum group metal producers, said it was having wide-ranging technical and marketing talks with Glavalmaz Zoloto.

So unusual

Glavalmaz is the organisation responsible for the Soviet Union's precious metals production and sales.

The announcement was so unusual that some analysts suggested Lonrho might be acting as a stalking horse for all the South African platinum producers and that the talks might lead to a cartel similar to the one for rough diamonds organised by De Beers.

De Beers has a five-year contract to market the Soviet Union's diamonds.

More palladium

However, the Soviet Union produces more palladium than platinum and is also a big pro-

ducer of rhodium. All these platinum group metals are essential in automotive catalysts, used to clean up car exhaust fues.

Paul Spicer, a director of the parent Lonrho company in London, said talks had been going on for about 18 months about the possibility that his company and the So-

viet industry might cooperate over the very complex refining processes associated with platinum group metals. Lonrho might assist the Soviet industry's marketing.

But other platinum participants said there seemed to be little marketing room left for Lonrho.

Star 24/1/91

Panel to investigate Leplat share deals

8 Day 25/7/91

217

MATTHEW CURTIN

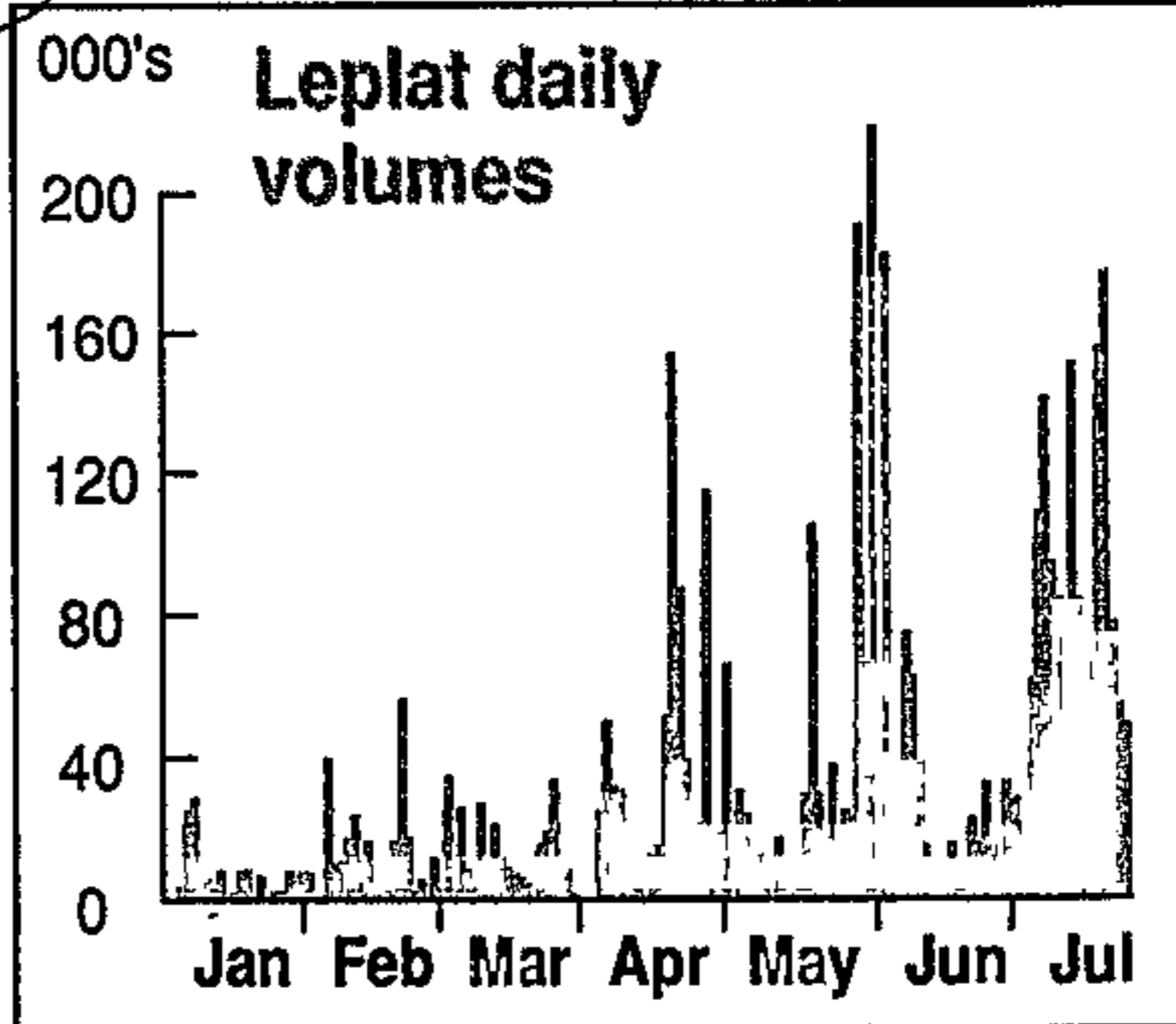
THE Security Regulations Panel would call for trading returns from all brokers who dealt in Lebowa Platinum (Leplat) shares between July 5 and July 19, panel executive director Doug Gar said yesterday. Speculation has been growing that inside information fuelled the unusually heavy trade in the stock in the first half of this month.

Gar said the panel asked the JSE to look at returns in the wake of the jump in Leplat shares and high volumes, particularly in the light of heavy trade after a joint cautionary announcement by the company and Rustenburg Platinum on July 17. Shareholders were advised to exercise caution in their share dealings ahead of an impending announcement on the financing of the project.

However, on July 18, Leplat shares hit a four-month high of 500c, rising 25c on the day, as 178 000 shares changed hands. The heavy trading had started two weeks earlier, taking Leplat up from 390c a share.

Leplat and Rusplats are partners in the joint venture to develop the Platreef in what will be a multi-million rand open cast platinum mining operation.

Finance Week reported yesterday that the activity and rise in the shares was suspicious, coming ahead of the announcement and the companies' end-June results. The



Graphic FIONA KRISCH Source I-NET

report speculated "that somebody in the market was dealing with insider information".

Leplat stock has fallen back since July 19, losing 4.2% or 20c yesterday, to close at 455c.

ARG 26/7/91

New platinum mine planned

DEREK TOMMEY

214

JOHANNESBURG. — Rustenburg Platinum Mines (Rusplat) and Lebowa Platinum Mine (Leplat) are to open what could possibly be the world's lowest-cost mine

The two companies said yesterday a 200 000-tons-a-month mine was to be opened on farms on the Platreef, near Potgietersrus.

The operating company would be Potgietersrust Platinums (PP Rust), jointly owned by Rusplat and Leplat.

It was expected the mine would be in production by mid-1993 and cost about R650 million in escalated money terms.

This was well below the estimated R923 million, in June 1990

terms, forecast at a seminar on the project last October, and stemmed from two factors. For the first 25 years the ore would be recovered by open-cast methods, to be undertaken by specialist contractors, and smelting and refining would be undertaken by Rusplat on a toll treatment basis, so that little capital needed to be spent on plant.

In the first nine years the ore is expected to have an average head grade of 6g/t of platinum, palladium, rhodium and gold, falling thereafter to 5g/t.

In addition to the 90 million tons to be mined by open-cast methods, a further 167 million tons of ore is available down to a depth of 750 metres, which can be

exploited by underground methods later.

The mine will initially produce 200 000 tons a month, rising to 300 000 a month

On these figures and current prices, production could be worth about R500 million a year, rising to R750 million a year

PP Rust will seek a stock exchange listing in Johannesburg and London as soon as possible, and will be financed by a R400 million rights issue to Rusplat and Leplat, and the balance by loans

Leplat shareholders will have to put their hands into their pockets because Leplat will pass on its PP Rust entitlement to its shareholders

Mossel Bay ready for breakke on boom

(217) AELG 2011/91

FROM fishing village and tranquil holiday resort to a bustling cosmopolitan boom town, Mossel Bay will never be the same again.

A Weekend Argus news team travelled to Mossel Bay in the Southern Cape to look at the impact of the R9 billion Mossagas mega-project on the lives of residents — and to see whether the town will go from boom to bust when the project is completed.

Prior to Mossagas "Vaalies" and other visitors during school holidays caused the only disturbance to Mossel Bay's equilibrium

Then over just three years 16 000 construction workers and their families arrived in the area from across the country and the world to earn and spend their money

New meanings have been given to words in the town's vocabulary — such as "fortnight" used in reference to the times workers come into town to spend their wages

Businessmen of the picturesque peninsula town have been able to expand, buying new cars and bigger homes

Many of Mossel Bay's 40 000 residents heard Polish, German, Filipino and Spanish spoken for the first time as 2 000 workers from some 20 foreign countries arrived in town

The project was a major factor behind a 25 percent increase in housing prices, said one estate agent And 70 percent of the town's holiday accommodation was taken up for construction managers

Some residents point to increases in assaults, drunken brawls and traffic accidents — but police say the crime rate is in line with the town's increased population

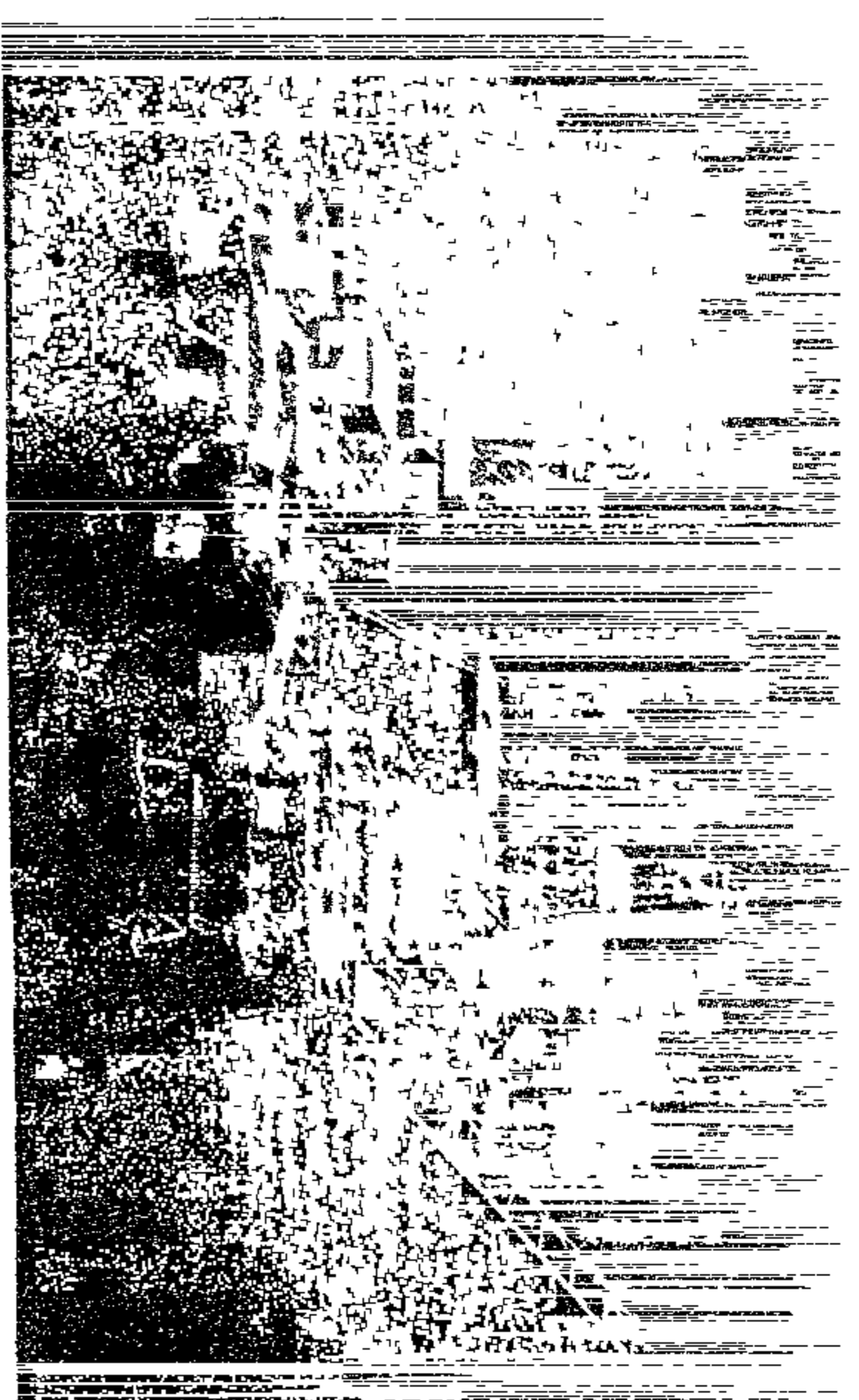
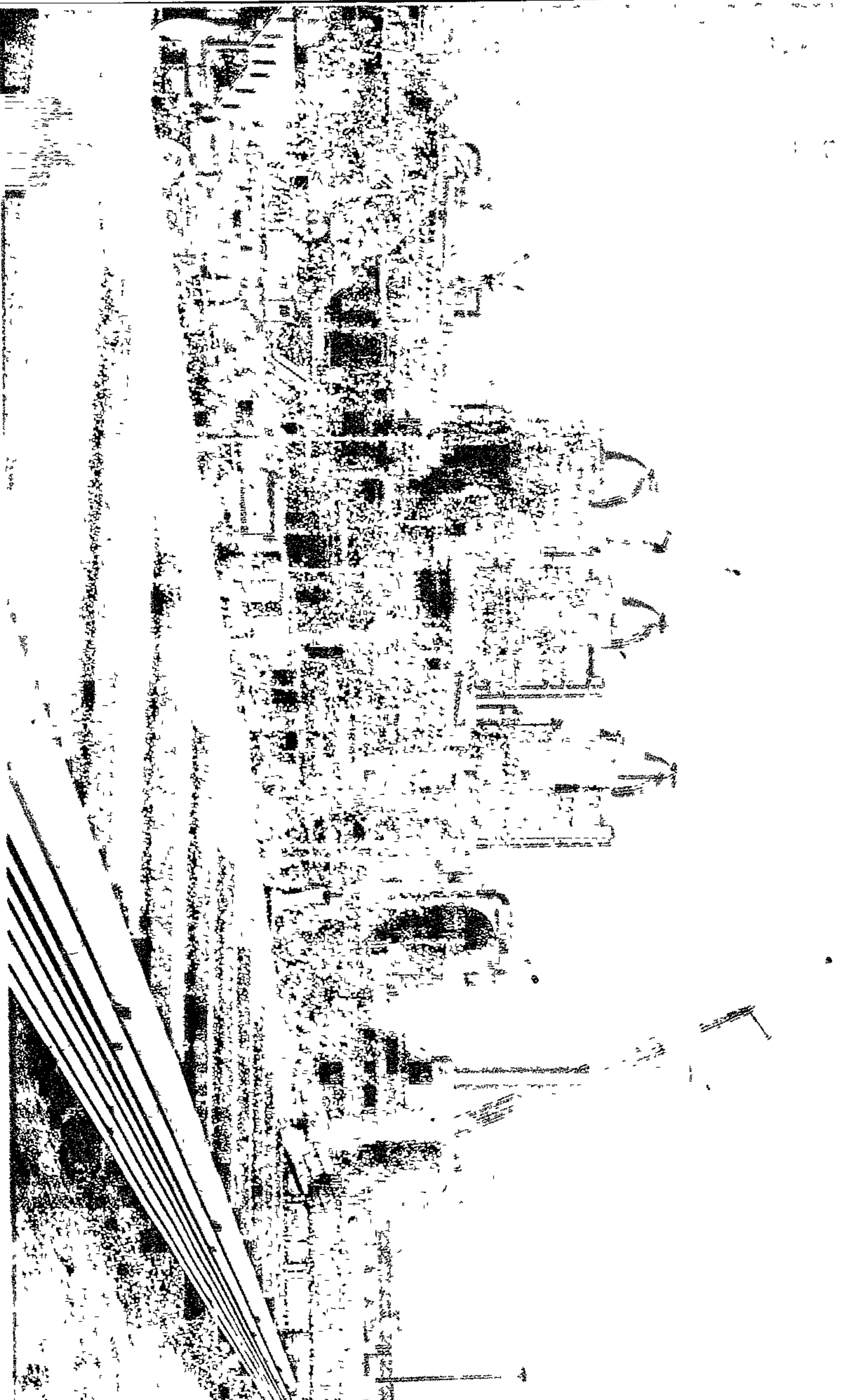
"Before Mossagas came here, Mossel Bay was a very quiet place," said bartender Rita Jacobs "Now the town is very rough and Mossel Bay will not be the same again"

Said resident Kobus Crouse "I think the biggest change was the parking problems, especially on weekends The town used to be very quiet except during holiday seasons, but now it seems like a holiday season all the time"

But not all residents are lamenting the shattered memory of their sedate fishing village.

"It's been a great three years since the project," said Rei Eri els "As far as

Drilling from the Mossagas off-shore production platform is set to begin within days. Weekend Argus Special Correspondent **ADRIAN CLOETE** investigates how the R9 000-million scheme has developed, and what impact it has had on Mossel Bay and surrounding areas.



HOME AFLOAT: The rig Actina, right, is anchored alongside the platform, above, to provide accommodation for the 600 people working to connect pipes and wiring on the platform The ship Pentow Skua, upper left, acts as a service vessel for the operation

HEART OF THE MATTER: The heart of the oil-from-gas Mossagas process are the Synthol reactors which convert synthesis gas into stabilised light oil and decant oil. From the Synthol unit, the oils enter a fairly conventional refinery where they are converted into petrol components.

The influx of Mossagas people combined with rising building costs led to Mossel Bay house prices shooting up by 20 to 25 cent in 2 ½ years, said Mrs Le Roux

The 16 000-strong workforce also put pressure on health and education services in the town, Mr Swart said

The town has responded by building a new clinic and by increasing ambulance staff from two attendants in two vehicles to 12 attendants in four vehicles

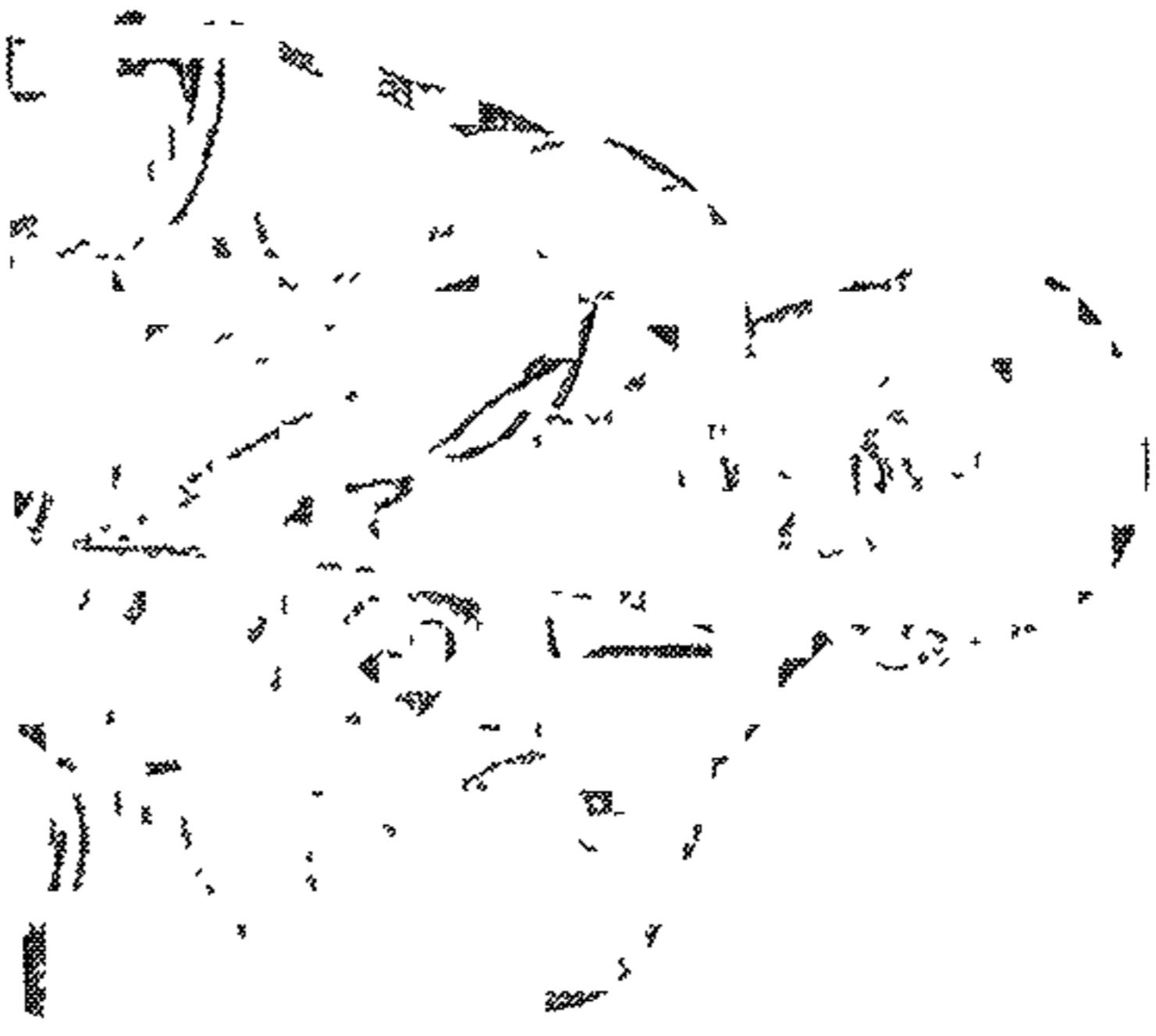
"I don't think it's a secret that Mossagas has put pressure on local infrastructure in all respects," said Mr Hill "But nothing that couldn't be handled"

Is there life for Mossel Bay after the Mossagas site is completed and the construction contracts and workers leave town?

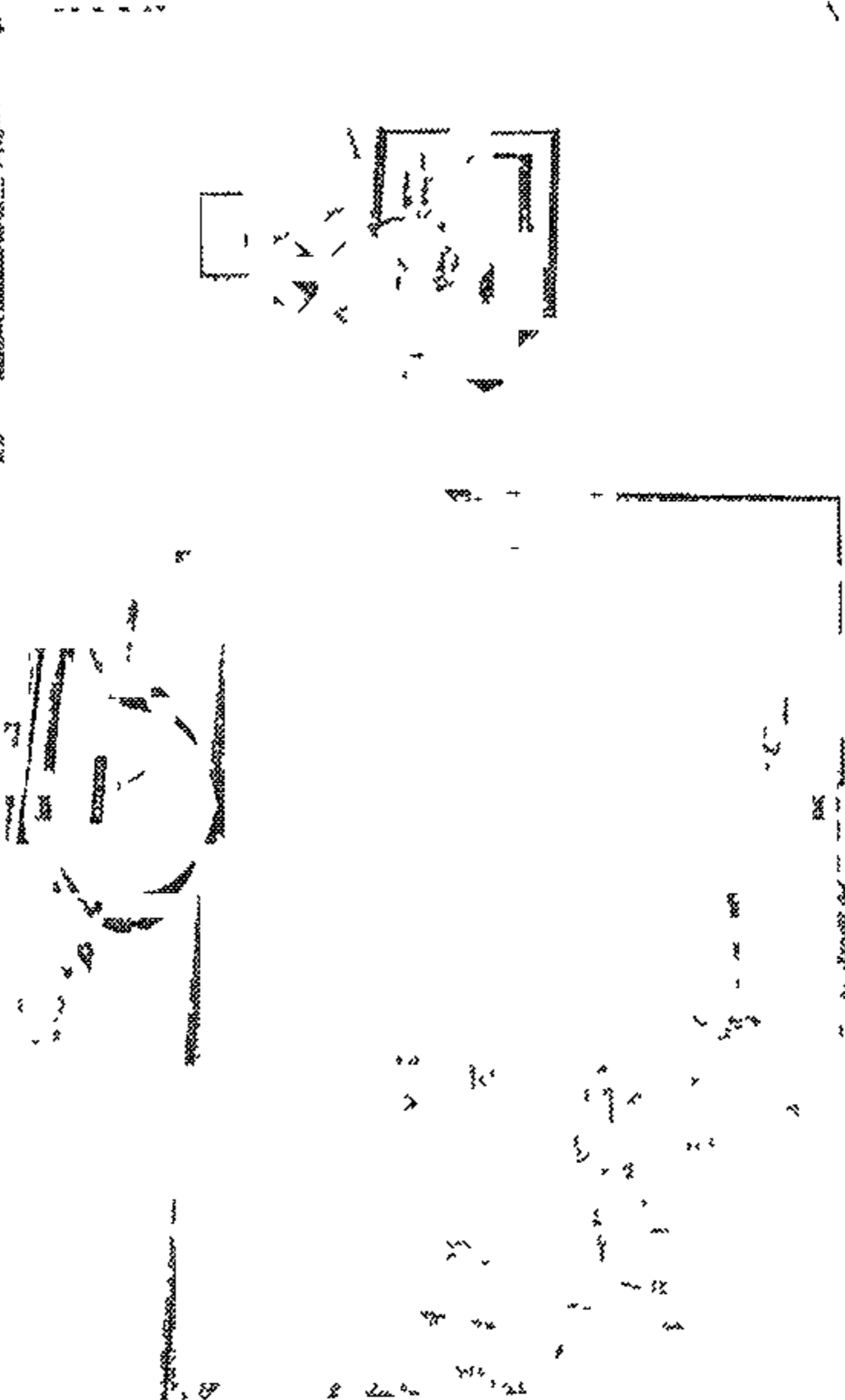
"Sure, there's going to be a drop after construction is completed," said hotelier Mr Agiakatsikas "Nobody knows how much but we hope it won't be too drastic"

The permanent Mossagas workforce numbers just under 1 000 which with their families will translate into about

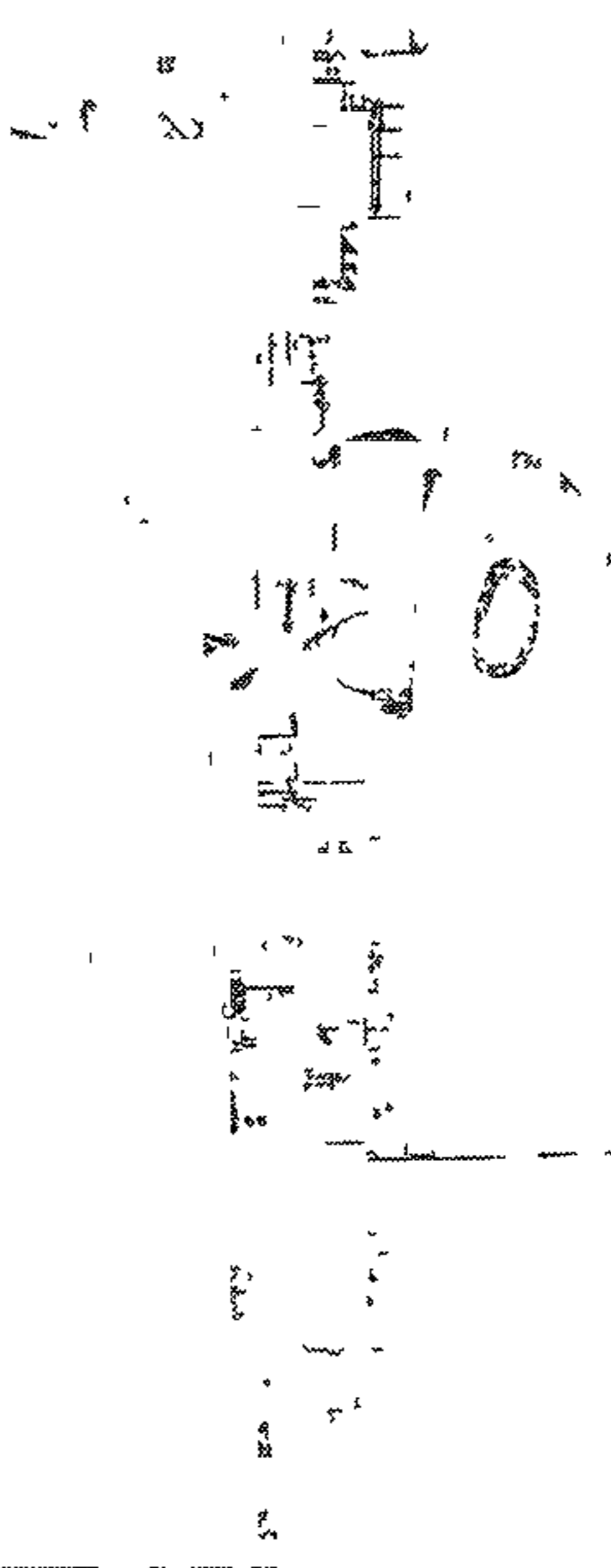
THE FACES BEHIND THE MOSSGAS PROJECT



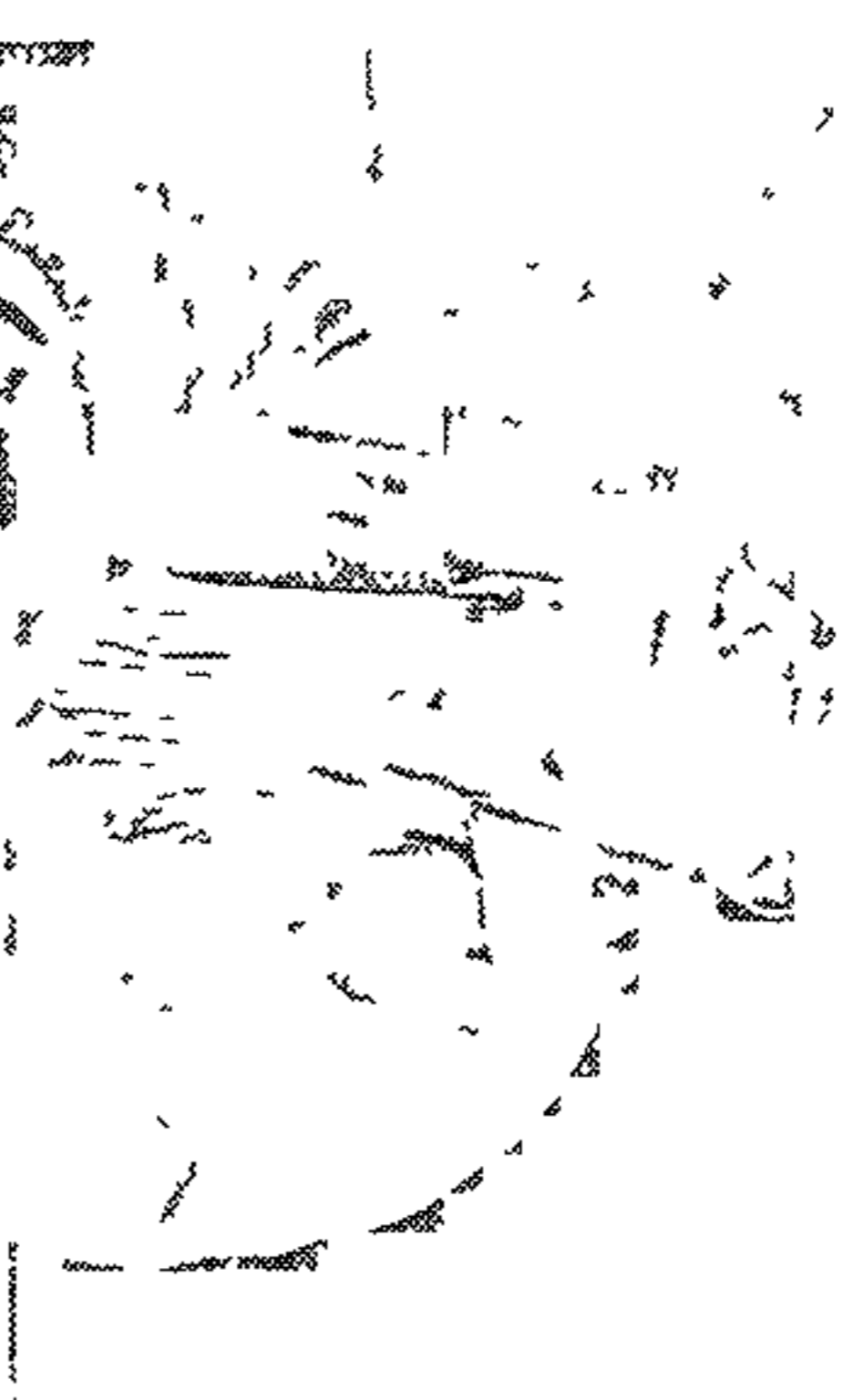
The National Union of Metalworkers sent organiser Mr Chris Chatai to the Mossgas site last September to help reduce the level of industrial strife.



General manager of Mossgas operations Mr John Theo.



Pipefitter Alexander Dukinski arrived from Poland nine months ago as one of the 2 000 foreign workers brought in to work on the project



Mr Ben Nel, the project director for the construction of the refinery and onshore facilities of Mossgas Mr Nel, along with 16 000 other construction workers, will be looking for another job when the site is completed early next year

concerned, Mosse says, but it is not clear Mossel Bay would have died had it not been for Mossas."

While denying that Mossel Bay was ever on its deathbed, the town's Chamber of Business president Mr Johan Steyn said the buying power of Mossas gave birth to hundreds of new enterprises and generated records in turnovers for old businesses.

"When it's 'fortnight', you can hardly walk in this town," said one resident, describing the two days each month when the construction workers are paid.

"I think for the people who failed to get the business, it was only their fault," said Mr Steyn. "The business was there for the taking."

However, the chamber has advised the business community not to over-expand because construction of Mossas will be wrapped up early next year.

Among residents claiming the boom period was not without its downside, estate agent Jeanette le Roux estimated that 70 percent of Mossel Bay's holiday homes were taken up by the newcomers.

"It definitely stopped some tourists from coming here," said Mrs Le Roux. "We couldn't get accommodation for lots of people last year and it was worse this year."

A sports and tackle store-owner said he had lost money from a drop in holiday customers since Mossas moved in.

But hotel-owner Demetrius Agiakatsikas countered, "If you were not able to pick up money from Mossas, then you never will."

Mr Agiakatsikas said his occupancy rate had soared from 40 percent to 90 percent because of the Mossas construction.

Restaurant co-owner Wilma van Zyl said business had picked up 50 percent since the project began.

"The turnover in this place is such that my husband and I can buy property or a new car," she said.

At least six major developments have been initiated in the town since Mossas moved in, including a R73 million shopping and hotel complex announced three weeks ago.

The value of approved building plans has risen from R28 million in 1988 to R55 million last year, reported deputy Town Clerk Daan Swart.

"If it wasn't for Mossas, Mossel Bay wouldn't have developed as rapidly as it's going now," he said.

Commented Mr Steyn, "The only negative factor of the project is the unsavoury element which has come in because of the construction

phase, but I don't think anyone could do anything about it."

Police reported a rise in crime, but attributed it to the increased population and added that the pattern of crime — such as domestic assaults and thefts — were the same as in the "pre-Mossas Mossel Bay".

"You can still describe crime here as normal and under control," said Mossel Bay station commander Major N A Calitz. "People still behave themselves and it's still a very nice and quiet place."

Artisans, supervisors and general labourers

from out of town were given beds in mobile homes and dormitories while construction managers were put up in rented accommodation from Albertina to George.

"We didn't want to build hundreds of houses for the construction workers in order to avoid a ghost town effect when they left," said Mossas spokesman Harry Hill.

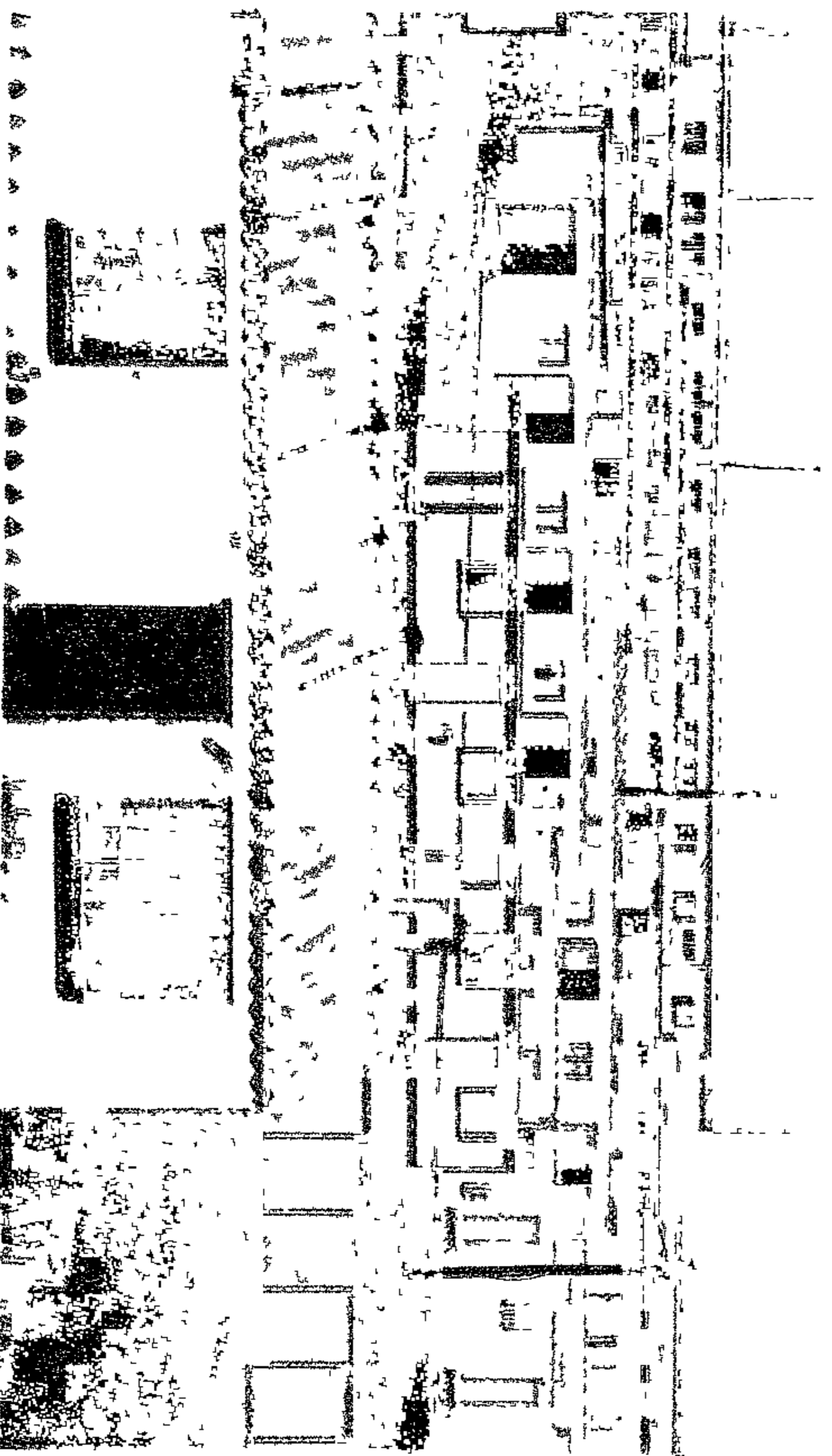
Responded Mrs Le Roux "Some people, especially farmers affected by the drought, were glad they had people in their holiday homes."

"But we'll definitely see a drop in rental prices once the construction employees leave."

"Each one of them will help the economy of the area," said Mossas general manager of operations John Theo. "And the majority of the employees are highly skilled and well-educated, and they will assist the community."

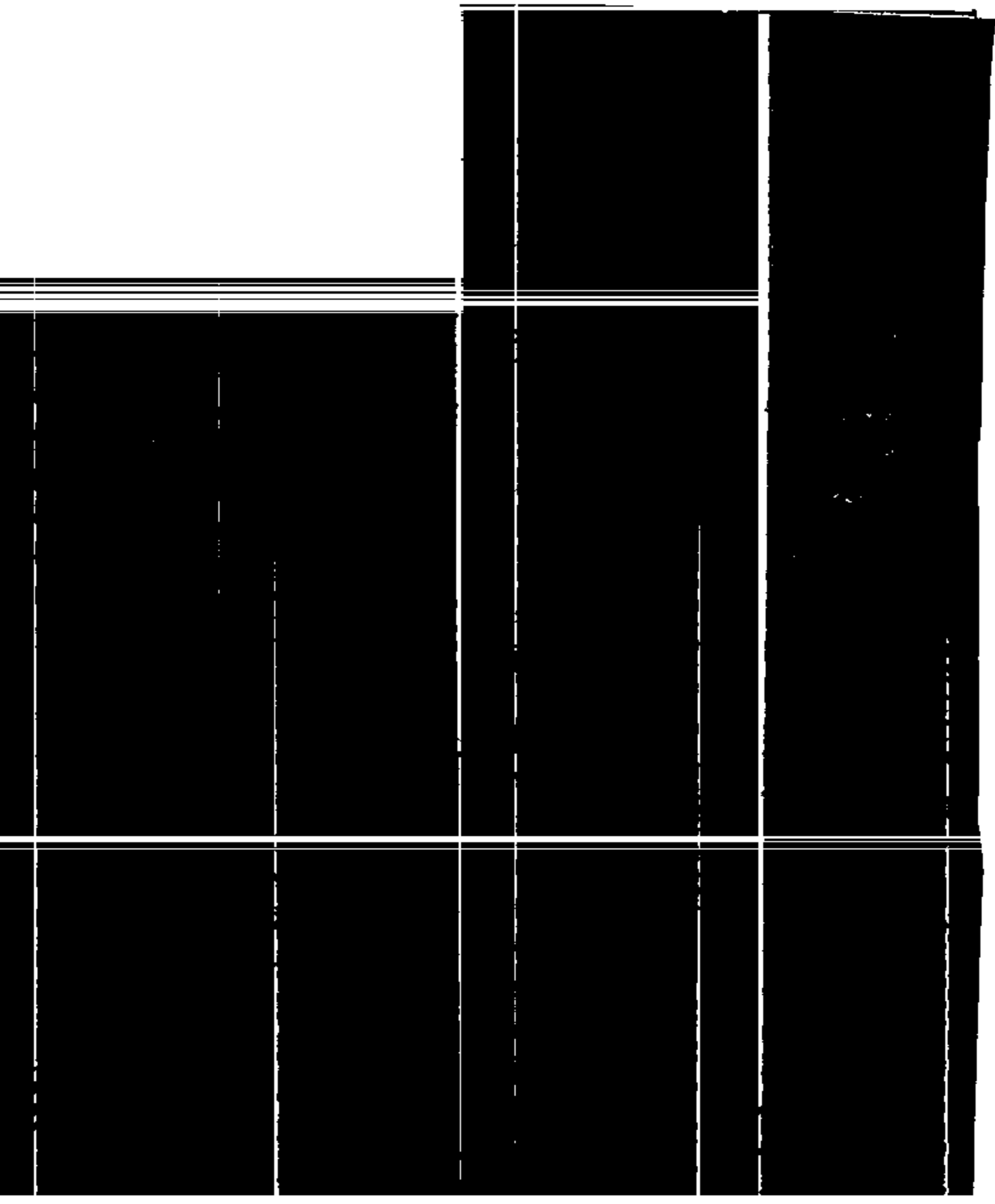
Said Mr Swart "I don't agree with people who say there will be a 'hellavon' decline in the economy. It will come lower but not as low as before Mossas came here."

"Many of the older people came to Mossel Bay to retire and maybe with the increase in traffic and people, they regard Mossas as negative. But when a town expands, there will be changes," he concluded.



□ **GROWING:** From coastal town to bustling cosmopolitan business centre — an aerial view of Mossel Bay today.

□ **HOME ON LAND:** A view of the single-sex camps, left, set up to house most of the 16 000 construction workers who came from across the country and around the world to work on the Mossas project. Some 400 mobile homes, such as these next to the Kwa Nongaba township, were brought in for their temporary accommodation



R400m rights offer for JCI platinum plan

Own Correspondent

JOHANNESBURG — Johannesburg Consolidated Investment (JCI) will finance its R650m Platreef platinum project by listing Potgietersrust Platinum (Potplat), the company which holds the rights to mine platinum group metals on the Platreef.

A JCI official said yesterday that R400m would be raised through a rights issue to Rustenburg Platinum and Lebowa Platinum, which had 50% stakes in Potplat.

Outstanding capital expenditure necessary to complete the project would be financed by subsequent borrowings.

Both Rusplat and Leplat would pass their Potplat entitlements to shareholders, while Leplat would also raise extra funds from shareholders to finance an expansion programme at its Atok mine

Reuter reports that on the New York Mercantile Exchange platinum futures shed earlier gains on light selling as the news of the financing of the new mine broke. October futures slumped at one stage to \$368.50 an ounce following the news, two dollars shy of its lifetime low set on Wednesday.

The cost of the Platreef project has been cut drastically by the news last month that it would go-ahead as an open-cast operation. When JCI unveiled the project as an underground operation, its capital cost was put at R1.3bn, calling into question the ability of Leplat, which has taken on heavy debts, to take up any share in the project.

Analysts have said Potplat will be one of the lowest cost platinum mines in the world thanks to being an open-cast operation and using outside contractors. JCI have said concentrator recoveries of at

least 80% would contribute to the low unit costs.

The official said that technical exercises has shown that open-cast methods were well suited to the deposit on the Platreef. Mining would be undertaken by unnamed "specialist contractors". Smelting and refining would be done by Rusplat on a toll treatment basis.

The mine would start production in mid-1993 with a capacity of 200 000 tons a month, increasing to 300 000 tons. Analysts have said that with a stripping ratio of seven to one, the mine would move an unprecedented 20-million tons of material a year.

Potplat would have access to 90-million tons of ore reserves, down to a viable pit depth of 250m. Deeper reserves amounting to an extra 167-million tons down to a depth of 750m could be exploited by underground operations at a later stage.

James 26/7/91

217

Rusplat, Leplat embark on giant platinum venture

Star 26/7/91

By Derek Tommey (217)

Rustenburg Platinum Mines (Rusplat) and Lebowa Platinum Mine (Leplat) are to open what could possibly be the world's lowest-cost mine.

The two companies said yesterday a 200 000-tons-a-month mine was to be opened on farms on the Platreef, near Potgietersrus.

The operating company will be Potgietersrust Platinums (PP Rust), a name that should bring back memories for old-time platinum speculators. PP Rust is jointly owned by Rusplat and Leplat.

It is expected that the mine will be in production by mid-1993 and cost about R650 million in escalated money terms.

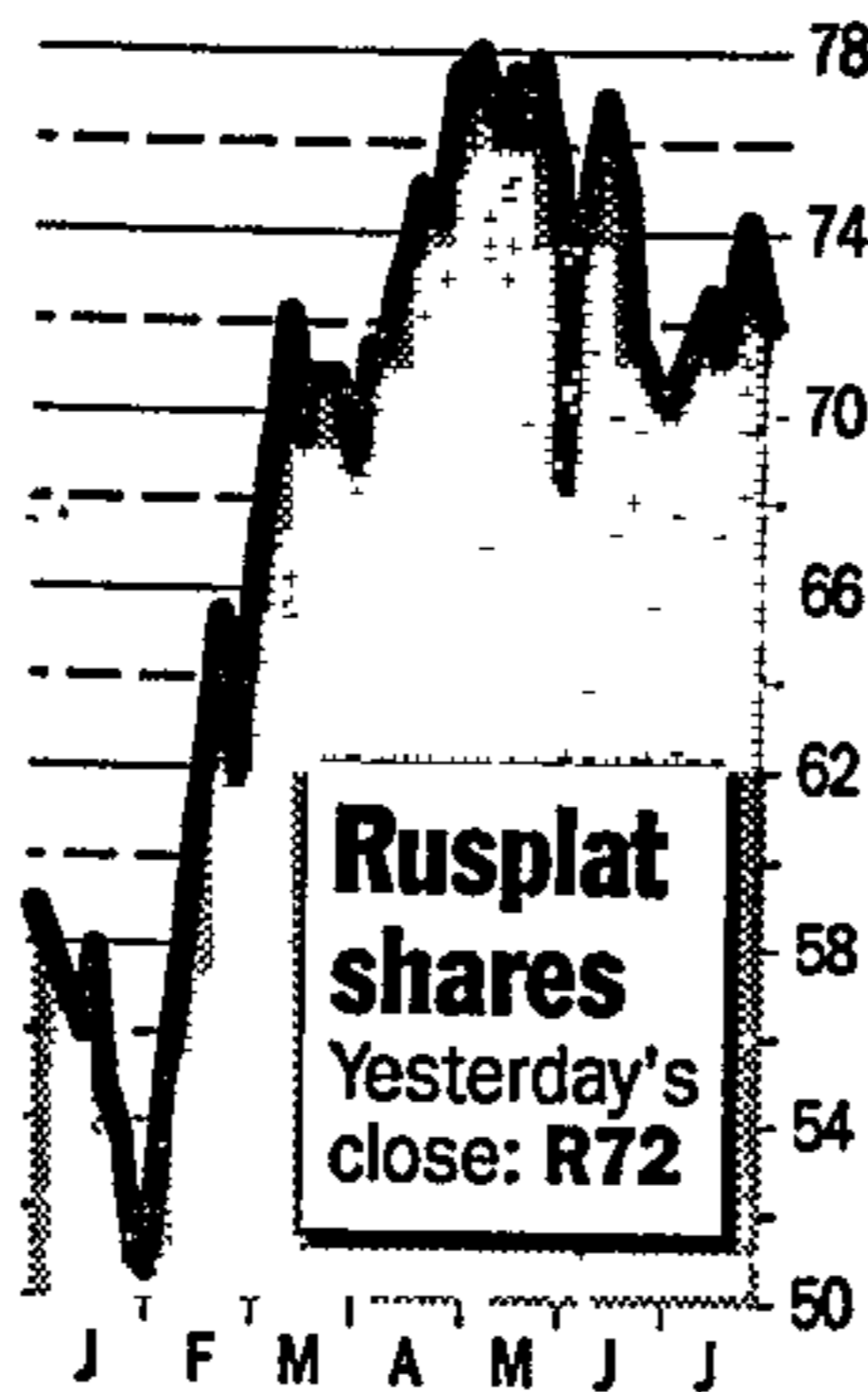
This is a relatively modest sum to spend on opening a new mine and well below the estimated R923 million, in June 1990 terms, forecast at a seminar on the project last October. The low cost stems from two factors.

One is that for the first 25 years the ore will be recovered by open-cast methods, to be undertaken by specialist contractors.

Technical exercises have shown that open-cast methods are particularly well suited to the deposit on the Platreef.

It is estimated that 90 million tons of ore will be available down to an economic pit depth of 250 metres.

Last year it was thought mining the ore by open-cast methods would be down to a depth of only 30 metres.



The second factor is that smelting and refining will be undertaken by Rusplat on a toll treatment basis, so that little capital needs to be spent on plant.

The combination of the relatively low on-mine costs and expected concentrated recoveries will result in the mine being one of the lowest unit-cost producers in the industry, says Rusplat.

In the first nine years the ore is expected to have an average head grade of 6g/t of platinum, palladium, rhodium and gold.

Thereafter the headgrade is expected to fall to 5g/t.

In addition to the 90 million tons to be mined by open-cast methods, a further 167 million tons of ore is available down to a depth of 750 metres, which can be exploited by underground methods at a later stage.

The mine will initially produce 200 000 tons a month, rising to 300 000 a month later.

On these figures and current

prices, production could be worth about R500 million a year, rising to R750 million a year.

PP Rust will seek a stock exchange listing in Johannesburg and London as soon as possible.

PP Rust will be financed by a R400 million rights issue to Rusplat and Leplat and the balance will be by loans.

Leplat shareholders will have to put their hands into their pockets because Leplat will pass on its PP Rust entitlement to its shareholders.

At the same time, it will raise additional funds to finance part of the Atok mine expansion programme.

Leplat has an issued capital of 120 million shares, so the PP Rust entitlement should cost about R1,60 a Leplat share.

Rusplat shareholders, however, will receive a small bonus.

It will take up its PP Rust entitlement, including any accruing to it as a shareholder in PP Rust.

These will be distributed to its shareholders in the form of entitlements to fully paid shares as a dividend in specie.

It will also distribute its 22 percent direct shareholding in Leplat as a dividend in specie.

Rusplat's entitlement is worth about R2 a share, while Leplat's shareholding is worth 90c a share at current prices.

Rusplat says the distribution of its interest in Leplat and PP Rust will offer shareholders greater portfolio flexibility and should create additional value through the elimination of the market discount normally associated with holding-company structures.

Listing to finance platinum mine

B1 Day 26/7/91. 217

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MATTHEW CURTIN

as an underground operation, its capital cost was put at R1,3bn. This raised questions on whether Leplat, which had taken on heavy debts, could take a share

Analysts have said the opencast operation and the use of outside contractors would make Potplat one of the world's lowest cost platinum mines JCI has said concentrator recoveries of at least 80% would contribute to the low unit costs.

The official said that technical exercises had shown that opencast methods were well suited to the deposit Mining would be undertaken by unnamed "specialist contractors". Smelting and refining would be done by Rusplat on a toll treatment basis

The mine would start production in mid-1993 with a capacity of 200 000 tons a month, increasing to 300 000 tons Analysts have said with a stripping ratio of seven to one, the mine would move an unprecedented 20-million tons of material a year.

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Mining group rejects criticism by Highveld chief

8 Oct 26 7 91

MATTHEW CURTIN

THE Australian mining group which is about to embark on a "low-cost" vanadium mining operation in Western Australia has hit back at suggestions by Highveld Steel and Vanadium that the project is doomed.

The Financial Times reported yesterday that Precious Metals Australia (PMA) chairman Roderick Smith said it was misleading to compare his company's Windimurra project with the Windowie vanadium mine that folded eight years ago after only two years of operations.

Highveld chairman Lesley Boyd had said that, given the high cost of starting up

the mine, the poor quality of the ore deposit and the thin margins in the vanadium industry, the Australian company had taken "a bum decision". It was likely to suffer the same fate as three recently started vanadium operations which had either closed or faced financial difficulties. Rand Mines' Vansa Vanadium mine was moth-balled last year.

Smith said the Windowie project exploited a complex bauxite ore containing vanadium for which it failed to develop a

workable extraction process. The ore at Windimurra was of the same type as mined by Highveld, but with the "fundamental difference" that "PMA has a soft weathered ore whereas Highveld is mining a very hard, fresh material". PMA's costs in crushing and grinding the ore were consequently much lower than Highveld's.

Boyd would not add yesterday to earlier comments he had made that these costs were "absolutely minimal".

PMA is to start production in 1993 with output of 3 700 tons a year — about 8% of world output. Start-up cost is about A\$40m.

BARMINE/IMPLATS FM 26/7/91

STILL WAITING (219)

Impala Platinum (Implats)'s takeover of Barmine is definitely going ahead, according to Implats chairman Brian Gilbertson. Comforting news, perhaps — but Barmine, Barplats and Vansa Vanadium shares are now into their third month of suspension with no indication of when they will be relisted.

Reason for the delay is that Implats is still waiting for a decision from government concerning the tax treatment of the takeover — though neither Gilbertson nor Barmine chairman Dammy Watt will confirm this.

"Finalising the deal does not depend on the decision we are awaiting from a regulatory authority," says Gilbertson. "It will go through regardless, with Implats taking an equity controlling stake in the group, taking over the management of the Crocodile River mine and consolidating the mineral rights, including Kennedy's Vale.

"What is at stake is the extent of the funding required from the shareholders," he adds. "This has an impact on the future operations of the mine. It has a very material effect on the interests of shareholders."

Gilbertson confirms that Implats is already running Crocodile River mine, having appointed its own staff to the four top management positions.

The JSE listings committee intends simply to wait. That is despite the supposedly tougher policy on granting suspensions since the Securities Regulation Panel came into force.

Listing GM Richard Connellan says the JSE is not happy with the situation but feels there is little to be done. He says the extended negotiations have resulted in various parties acquiring differing levels of knowledge on what is going on. He feels that arbitrarily re-listing the shares, without publication of an official, detailed announcement from the companies, would leave minorities "trading in the dark."

Considering the deal is going ahead regardless, the JSE should insist on a statement from Implats/Barmine, spelling out the structure of the deal, what has been proposed to government and the implications if the proposal succeeds or fails. Then relist the shares and let investors take their chances.

Brendan Ryan

Its only plant closes, but SA could be tops

(217)
SI Times (Bus Times) 28/7/91.

SOUTH AFRICA could become the world's largest producer of the basic chrome chemical, sodium dichromate (SDC) — in spite of the closure of its only plant at the end of April this year

Chrome Chemicals (SA) managing director Andreas Ossko says the two major raw materials — chrome ore and soda ash — for the production of SDC are now available here.

Before the Sua Pan project in Botswana was commissioned earlier this year, soda ash was only available from abroad

However, no chrome chemical plants will be established in SA until world oversupply is eliminated. Dr Ossko estimates that there is an oversupply of 25% to 30% of SDC. A shake-out of uneconomic plants is required to bring supply and demand into balance.

The closure of Chrome Chemicals' Durban plant was the result of weak world demand and low prices. SDC is used to produce chemicals for tanning, wood preservatives, pigments, plating and many other applications.

Its use has declined because of the introduction of closed systems in the tanning industry where the chrome salts are recirculated and substitution by organic pigments and wood preservatives.

Weak demand has been aggravated by China's emer-

By IAN ROBINSON

gence as an exporter after being a major importer.

With a small annual output of about 8 000 tons, Chrome Chemicals had higher unit production costs than larger producers elsewhere. Bayer in Germany, which controls Chrome Chemicals through Bayer SA, has two chrome chemical plants with a total annual capacity of 100 000 tons.

A new plant in SA would, therefore, need to be on a large scale.

Denial

Chrome Chemicals stresses that the closure of the Durban plant was a commercial decision and was not influenced by environmental and health factors. The SDC process generates hexavalent chrome, a poisonous chemical. Inhalation of it can cause perforation of the nasal septum and other health problems.

Allegations have been made against Chrome Chemicals by trade unions of injury to the health of its employees through failure to maintain adequate standards.

Chrome Chemicals denies the allegations, saying that after it bought the plant in 1974 it introduced equipment to improve health standards.

ARC 29/7/91

(217)

Sharp slump in platinum price worries producers

DEREK TOMMEY

JOHANNESBURG — The South African platinum industry — the biggest in the world — could be running into trouble.

The slump in the motor industry, the largest user of the metal, has resulted in the platinum price falling to a five-year low of \$363,60 an ounce.

A drop in price is nothing new to the industry. It has been facing a steady decline for the past four years.

But to find a platinum price comparable with the present one means going back to the first quarter of 1986.

The platinum price reached \$610 an ounce in 1987. But by the end of July 1988 it had fallen to \$521 an ounce and a year later it was \$493.

It held up quite well in the following months to stand at \$482 at the end of July last year. But since then it has lost almost \$120.

While South Africa produces 2,8 million ounces of platinum a year and on the surface stands to lose \$300 million or R840 million in income this year, most producers have long-term contracts with the motor industry. Al-

though the contract prices are linked to some extent to the market price, it usually takes time before changes in the market price work through to the producer.

This was one reason platinum producers were able to maintain earnings earlier this year.

The major reason was the jump in the rhodium price. Rhodium is a by-product of platinum and also used in auto-catalysts for cleaning car exhaust gases.

Although scare stories about substitutes being found for platinum in autocatalysts might have had some effect on the price of platinum, the major reason for its current low price is the slump overseas in the new car market.

The US's Big Three — GM, Ford and Chrysler — had a combined loss in the second quarter of this year of \$1,3 billion, the biggest second-quarter loss since 1980.

Some holders of platinum are believed to be in serious trouble owing to the drop in the value of their stocks, and it is suspected that in a desperate attempt to give some firmness to the market they started the story that South Africa and the Soviets were hold-

ing talks about establishing a cartel.

But Mr Michael McMahon, managing director of the second-biggest producer, Impala Platinum, points out that any cartel would immediately run foul of US anti-trust laws, which could have serious repercussions for the industry.

And the US buys almost half the platinum used in autocatalysts.

Aussie platinum metals 'no threat'

(217) Bldg 24/7/91

ANDREW GILL

SA AND the Soviets will continue to dominate the world supply of platinum group metals (PGM) to the detriment of the entry into the market by Australian producers, a recent survey by the Minerals Bureau has found.

However, it was considered unlikely in any case that the tendency by consumers towards greater diversification could be sufficient stimulus for further development of the Australian platinum industry.

The report was compiled after initial reports in January 1989 that a PGM deposit had been discovered in Australia, posing a possible threat to SA producers.

SA and the Soviet Union accounted for about 93% of supplies to the West in 1990, according to Johnson Matthey's Platinum 1991 report.

Insignificant

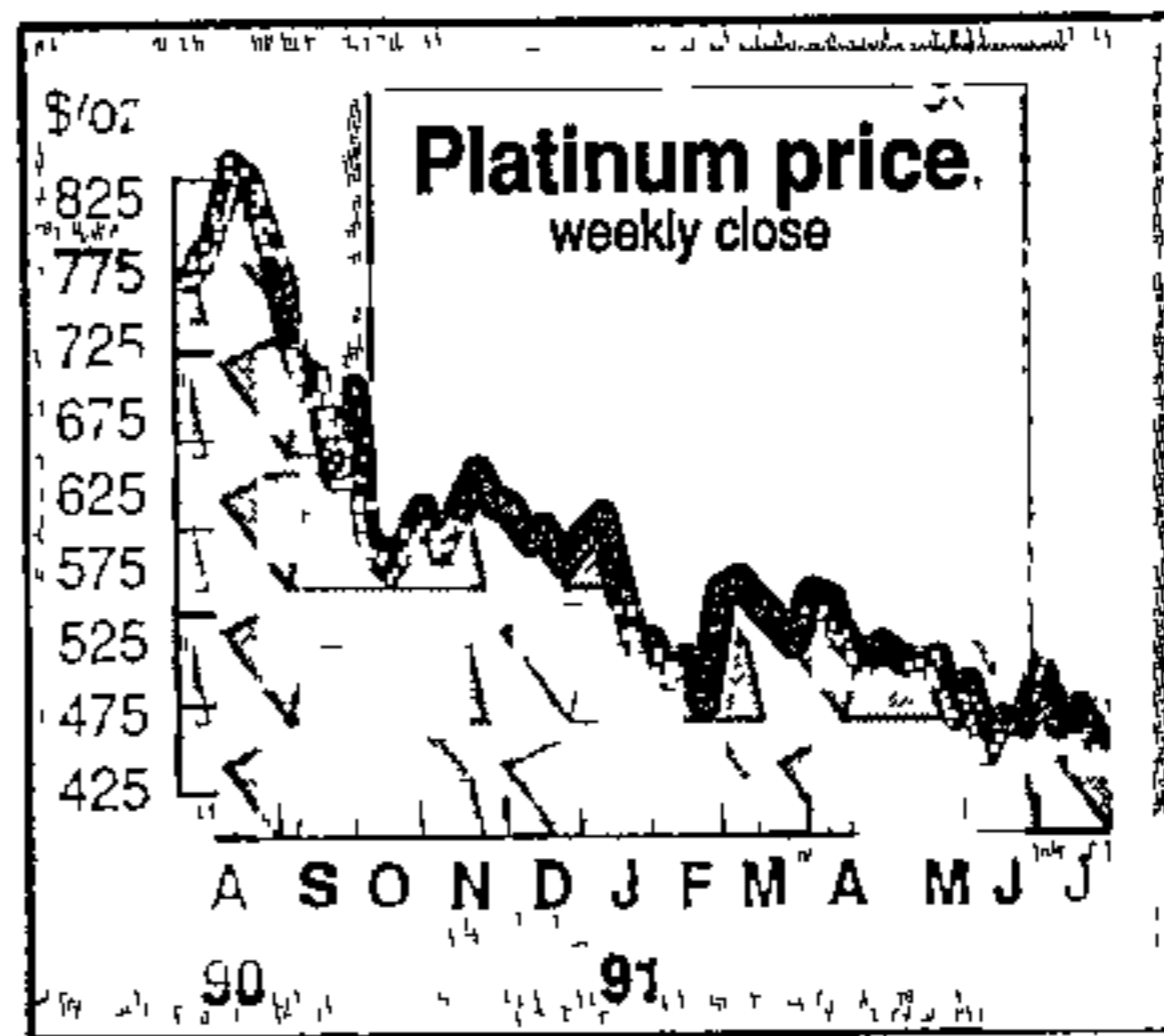
Australia's PGM production is currently insignificant in world terms, with by far the greatest production coming from the Kambalda nickel-copper sulphide deposits. These contained about 1g/t of PGM.

Insignificant amounts come from minor producers, says the report.

Palladium, with platinum, is recovered at the Port Kembla smelting-refining plant, the only primary PGM recovery facility in Australia.

The Australian Mineral Resources Bureau estimated that recoverable PGM content of nickel concentrate produced in Western Australia in 1988 consisted of about 412kg of palladium and 107kg of platinum.

The report said the past four years of exploration in Australia had seen several projects generate considerable interest in their mining potential. The areas are the



Graphic LEE EMERTON Source I NET

Munni Munni layered intrusion, the Fifield intrusion, the Coronation Hill deposit and the Phantom sill.

Interest had also been shown in certain osmium-iridium and platinum alluvial prospects in eastern Australia which could "lend themselves to rapid progress to the production phase should metal prices suddenly increase".

Some analysts had suggested Australia could be producing moderate amounts of PGM, similar to Canadian production, within the next 10 years.

"However, in view of known difficulties in the metallurgy of PGM, this would appear unlikely".

SA and the Soviet Union do not divulge technology, and marketing is complicated by the lack of information on working costs of other producers.

Also, a moderate increase in global PGM demand would not guarantee Australia's successful entry into the market, because the SA industry was aiming to increase supply.

The report concluded that Australia was unlikely to become a significant supplier of platinum group metals in the foreseeable future.

072 011

Platinum price ⁽²¹⁷⁾ hits five-year low

Bl Day SHARON WOOD *29/7/91*

PLATINUM plunged to a \$1 discount to gold in New York on Friday on news that Rustenburg Platinum would be opening a new mine, and amid increasing fears that the metal might become redundant in the motor industry.

Platinum, which is used in car catalysts to reduce exhaust pollution, traditionally trades at a premium to gold. It ended Friday at \$365.50, \$1 below gold's New York close of \$366.50 and at its lowest level in five-and-a-half years, AP-DJ reports.

The platinum price is heavily dependent on demand from the motor industry, but this is being threatened by new technology in the motor industry which could make platinum redundant.

With traditional Japanese demand for platinum failing to enter the market despite low prices, other investors may start to get nervous and leave the metal, AP-DJ reports.

Analysts forecast platinum could fall to a \$40 discount to gold as investors leave the metal and turn instead to gold.

● See Page 9

Industry in doldrums as platinum price slips

By Derek Tommey 29/7/91

The South African platinum industry — the biggest in the world — could be running into trouble.

The slump in the motor industry, the largest user of the metal, has resulted in the platinum price falling to a five-year low of \$363,60 an ounce.

A drop in price is nothing new to the industry. It has been facing a steady decline for the past four years.

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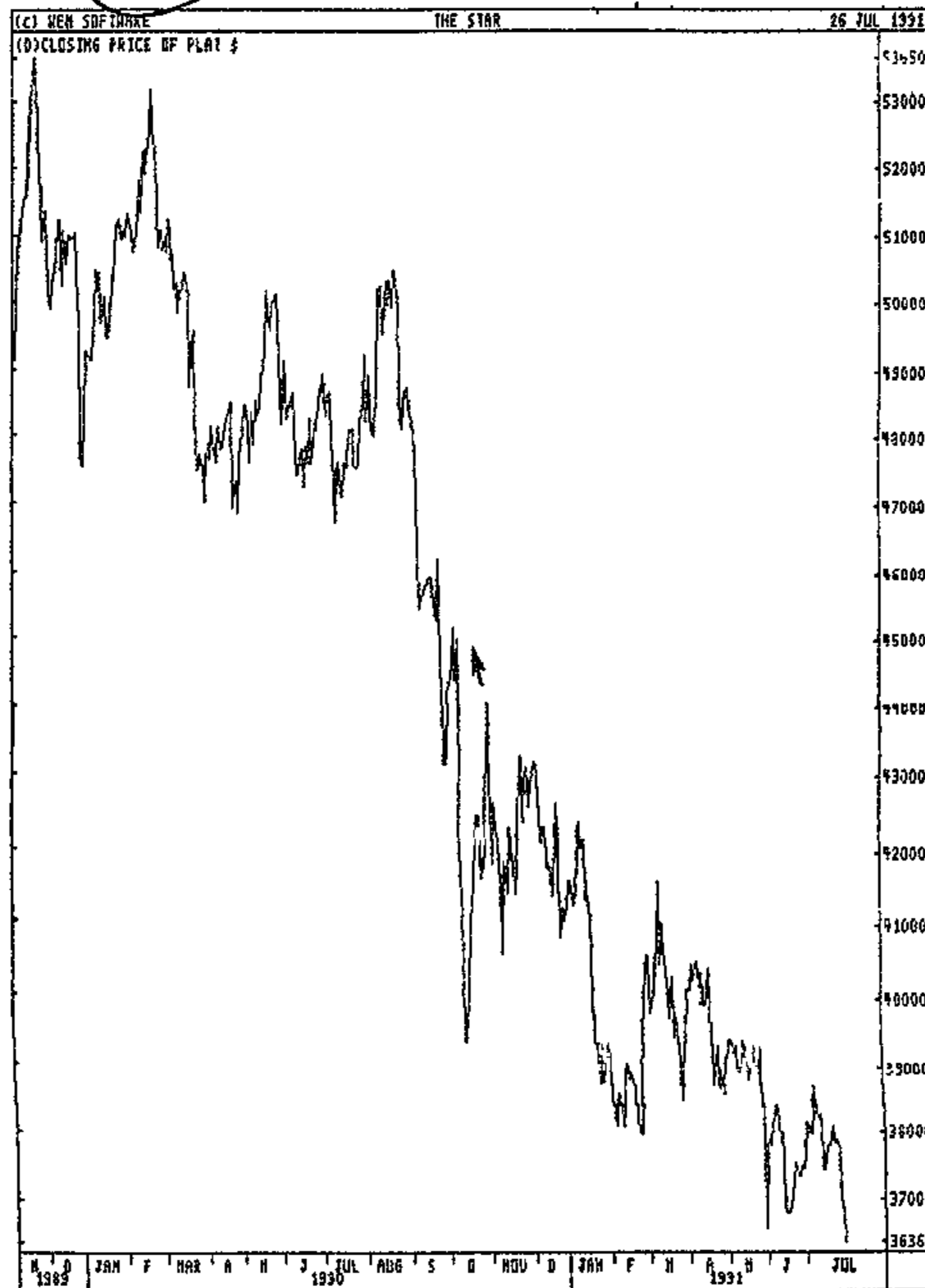
It held up quite well in the following months to stand at \$482 at the end of July last year. But since then it has lost almost \$120.

However, one cannot say that because the SA industry produces 2,8 million ounces of platinum a year, it stands to lose \$300 million (R840 million) in income this year.

The reason is that most producers have long-term contracts with the motor industry. Although the contract prices are linked to some extent to the market price, it usually takes time before changes in the market price work through to the producer.

This was one reason platinum producers were able to maintain earnings earlier this year, despite the drop in price.

The major reason was the jump in the rhodium price. Rhodium is a by-product of plati-



Platinum price under pressure

num and also used in autocatalysts for cleansing car exhaust gases.

Rhodium soared from less than \$1500 for most of 1989 to \$3000 by the middle of 1990 and then to \$5200 at the end of September.

Since then rhodium has also been declining and earlier this month was being quoted at \$3825 an ounce by Johnson Matthey,

the London-based platinum trader.

Although scare stories about substitutes being found for platinum in autocatalysts may have had some effect on the price of platinum, the major reason for its current low price is the slump overseas in the new car market.

Its seriousness may be gauged from the way it is murdering motor industry profits.

America's Big Three — GM, Ford and Chrysler — had a combined loss in the second quarter of this year of \$1,3 billion (about R3,7 billion) — the biggest second-quarter loss since the R1,9 billion of 1980.

In the second quarter of last year the three companies had a profit of \$1,9 billion.

With such huge losses, which followed first-quarter losses, an easing in the platinum price must be expected.

The motor industry is unlikely to maintain its previous off-take from platinum companies.

Some producers, especially if they have cash-flow problems, are likely to sell their surplus production on the free market.

Some holders of platinum are believed to be in serious trouble owing to the drop in the value of their stocks.

It is suspected that in a desperate attempt to give some firmness to the market they started the story that South Africa and the Soviets were holding talks about establishing a cartel.

But the platinum market straight away recognised the story for what it was and it had no impact on the market.

Michael McMahon, MD of second-biggest producer, Impala Platinum, points out that any South Africa-Russia cartel would immediately run foul of US anti-trust laws, which could have serious repercussions for the industry.

America buys almost half the platinum used in autocatalysts.

Mr McMahon says that Impala has no knowledge of any cartel proposals and would not have anything to do with them if there were such proposals.

Metals balance of power shifts

Star 29/7/91 (217)

LONDON — How the metal markets have changed

Eighteen months ago the slightest hint that miners at Chuquicamata in Chile, the world's biggest copper mine, might go on strike would have sent consumers scrambling for metal and copper prices would have roared skywards

But when the Chuqui miners actually did go on strike on July 1, apart from a brief flurry of panic buying from Japan, the dispute did nothing much more than prop up a copper price which otherwise might have been sinking.

News that the strike had been settled last weekend brought only a moderate downturn in the market

This reaction to the Chuquicamata strike reflects how the balance of power in the metal markets has lurched heavily towards consumers this year

Consumers have watched the prices of those metals trade on the London Metal Exchange drop on average by about 10 per cent in the first half of 1991. In aggregate, base metal prices have not been so low since 1987.

Prices have fallen steadily from the peak they reached about the middle of 1988.

Aluminium has come down from \$1.60 a pound to about 60 cents, nickel was nearly \$10 and is down to \$4 a pound, zinc reached 80c a pound and is now 50c.

Lead peaked later, in 1990, at 60c and then fell very sharply to 27c a pound.

Tin has been re-quoted on the LME only since the summer of 1989 since when it has slumped from over \$4 a pound to about \$2.50

By these standards, copper, the most heavily traded metal, has been resilient.

It climbed to nearly \$1.70 a pound during the boom and is still hanging on at about \$1 a pound, a good price for copper

Another sure sign that pro-

London Metal Exchange Copper and Aluminium

	1991	1990	1989	1988
Mid-July stocks (tonnes)				
Copper	251,100	46,450	74,225	103,725
Aluminium	458,275	163,025	130,125	119,100
Mid-July prices (per tonne)				
Copper	£1,341	£1,527	£1,500	£1,248 50
Aluminium	\$1,306 50	\$1,540	\$1,822	\$2,550

ducers are on the defensive came on May 17 when for the first time in nearly five years all six LME metals were in contango

This is when the price of metal for immediate delivery is below that of metal for delivery in three months and essentially implies that adequate supplies are available to the market

Many analysts suggest that prices have further to fall.

The Metals & Minerals Research Services consultancy group, for example, says prices on average are likely to be down by 17 to 18 percent from the 1990 levels by the end of this year. In real terms that would be a 20 percent drop

Recessions in the Anglo-Saxon countries, now creeping into France, Italy and Scandinavia, and a disturbing fall in the rate of growth in those economic powerhouses, Germany and Japan, are mainly responsible

Another factor has been that metal sales from the Soviet Union and former Eastern bloc countries — or in some cases cuts in imports — have played havoc with supply and demand balances

For example, according to MMRS, copper imports to the West from the Eastern bloc jumped from 140 000 to 250 000 tons last year and "it was principally the share increase in Eastern bloc sales (occasioned by falling domestic demand and

the need for foreign exchange) that prevented another big short-fall of copper in western markets in 1990"

Phillip Crowson, senior economic adviser at the RTZ Corporation, the world's biggest mining group, says the Soviet shipments upset the metals industry's calculations

"If the Soviet material disappeared, the market would be transformed," he suggests.

One feature of the present market situation is that while demand for metals has held up reasonably well, so has supply and, with additions to capacity coming into production, some metals are moving into supply surpluses this year

There has been marked reluctance on the part of producers to cut output

Partly this is because many economic forecasts suggested that the recession would not be particularly deep or particularly long

Moreover, for most producers, a slowing or cutting of output is expensive

As Nick Moore, analyst at Ord Minnett, part of the Westpac banking group puts it "Why embark on costly and politically unfavourable capacity cuts if in a short while economic growth is set to surge?"

The lack of producer restraint has sent metal stocks soaring — LME stocks of aluminium and

zinc have never been higher. This could well hold back prices when metals demand picks up.

Mr Moore says "The real risk is that, as in the early 1980s, a substantial stock overhang suppresses upward price potential."

Inevitably this raises the question of whether the metal producers are heading for a slump as horrendous as those seen in the 1970s and early 1980s

They were preceded by two bull markets that ended with prices falling sharply and remaining depressed for years.

Analysts insist, however, that history will not repeat itself for a number of important reasons

For instance, demand for metals is better spread around the world, with the newly industrialised countries accounting for a bigger proportion of the total

Substitution of other materials for metals seems to have gone almost as far as it has to go

At the same time, capacity utilisation rates have been very high and supply problems are likely to remain a prominent feature of the metals markets

Also, stocks have been rebuilding from very low — even dangerously low — levels

Robin Bhar, analyst with Carr Kitcat & Aitken, part of the Banque Indosuez Group, says that in the early 1970s and 1980s there were one million tons of copper in stock around the world and six million to seven million tons of aluminium

"This made recovery from the slump very difficult, particularly as there was also much spare production capacity at that time. That spare capacity does not exist today"

Another important aspect is raised by RTZ's Mr Crowson: "The mining industry is in much better financial shape than for many years

"Companies used the wind-fall profits collected in the late 1980s to pay off debt and rebuild balance sheets" — Financial Times

Battered platinum gets a narrow edge on gold

Blow 30/7/91

217

MATTHEW CURTIN

PLATINUM narrowly regained its premium to gold in afternoon trading yesterday. The London afternoon platinum fix was \$365.75 against a gold fix of \$365.10.

Platinum's marginal recovery after losing its premium to gold and hitting a five-and-half-year low of \$365.50 on Friday followed a week in which bearish sentiment battered precious metals across the board.

Reuters reports that dealers said the pessimism showed no signs of abating. Silver hit a two-month low and closed almost 30c down in the week at \$4.40. "Silver just collapsed. There were a lot of stale bulls in the market and we had fund liquidation and Middle East syndicate selling coming in together," said Merrill Lynch analyst Ted Arnold. Silver's prospects of recovery were constrained by falling Indian demand for the metal as the country's economic problems mounted.

Dealers said gold had held up relatively well, and remained in its broad \$360 to \$370 range. The metal was likely to recoup last week's losses and move back to \$370, underpinned by bullish charts, although it was yet to overcome producer selling at the \$371 to \$372 level, they said.

Simpson McKie analyst Rodney Yaldwyn said yesterday that in deteriorating economic conditions, platinum tended to crash below the gold price, only to surpass gold when the economy recovered. In 1980 platinum soared above \$1 000.

Platinum was historically linked to gold, as another precious metal with important jewellery offtake and investment value.

The platinum market has been battered by a spate of announcements that its role in car catalysts, the primary industry source accounting for more than 40% of demand for the metal, was on the wane.

Analysts said JCI's announcement of details of financing for its Platreef project was the last straw, triggering Friday's platinum collapse.

However, they said the market had overreacted. JCI announced the go-ahead for the project as early as May. Palladium-based catalytic converters were years from being used throughout the motor industry.

And new exhaust emission standards imposed in the US, Europe and Japan boded well for long-term demand for platinum and rhodium.

R5m housing loss keeps Stocks from real growth

Biday 3/17/91

PETER GALLI

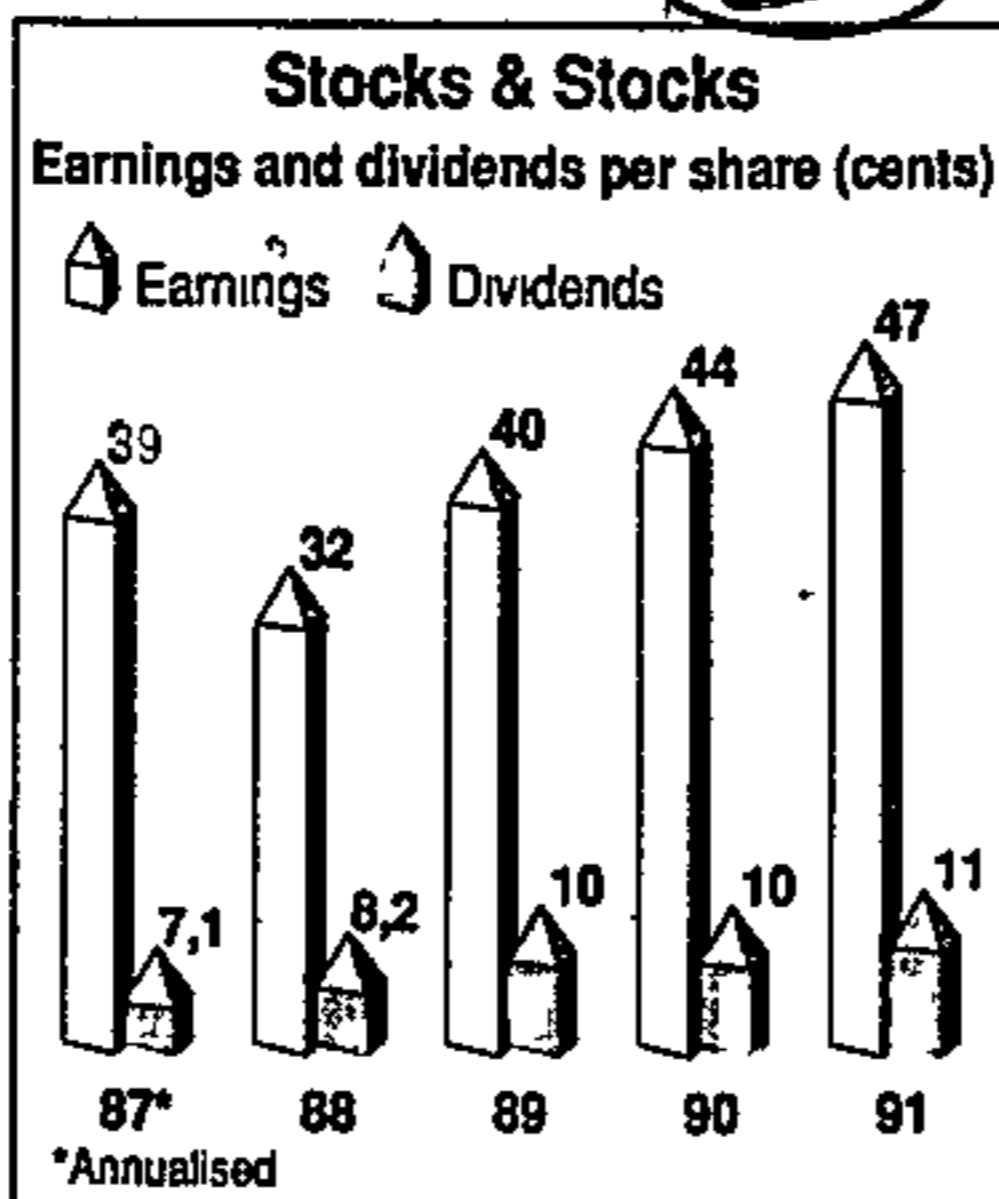
CONSTRUCTION group Stocks & Stocks fell just short of real earnings growth in the financial year to end-April, with attributable income after extraordinary items increasing 13% to R23,17m

"The performance, despite tough market conditions, was due to a decent order book — up 17% at R1,2bn for the year — a good amount of Sun International work and healthy results from its property side

But a loss of about R5m on township development and house sales once again stifled bottom line growth and the rise in earnings (on increased shares in issue) was limited to 3c a share, giving a total of 47c a share for the year from which a 10% higher total dividend of 11c a share was declared

"The township side is still a drain due to almost no business volumes because of unrest, boycotts and lack of bond finance. While we have a holding cost there, we have still maintained a small team," group chairman Reg Edwards said in an interview.

Edwards said the results for the next six months should be around the



same levels, with the group having a year's future turnover secured by its order book

The group was following its policy of reducing dependence on building construction, which was still its primary activity "We are continually looking at new possibilities in the leisure arena," Edwards said.

The low-cost housing construction side, Stocks Housing, had performed "better than ever", increasing its contribution to the bottom line. The group had been involved in several

projects in Botswana and hoped to continue this, Edwards said

The roads construction division had a better year than in 1990 and reflected a good order book "We have recently been awarded a job in Natal rehabilitating the main motorway and a contract for a portion of the Trans-Kalahari in Caprivi, amounting to about R100m together

"This is in addition to our other road work. However, the Information Technology Group reported a net loss for the year. The group had been knocked by current economic activity levels," Edwards said

Nevertheless, Stock's operations generated strong positive cash flow, converting the outflow of R35,5m in 1990 to an inflow of R38,2m in 1991. This resulted in a net cash bank balance of R17m.

"We intend to remain cash flush for the moment and are adopting a conservative cash approach," Edwards said.

Edwards said analysts' view that the share price of 120c was undervalued, was because they were so tightly held

The Stocks share was untraded yesterday, with a buyer at 110c and a seller at 115c

Call for action on streets of shops

LINDA ENSOR

CAPE TOWN — The advent of large shopping centres has threatened the survival of strips of shops lining main thoroughfares in Cape Town and its suburbs, says Seeff Commercial Properties MD Theodore Yach.

Research has shown that the move to shopping centres by retailers and shoppers has led to "gross neglect" of some of the original strip shopping buildings which are also suffering from a lack of parking facilities

Yach said a three-pronged strategy by retailers, owners of buildings and the local council was needed.

Retailers must develop their marketing skills to attract customers, owners must embark on maintenance and renovation programmes, and local councils should provide parking facilities and ensure shopping strips are kept clean

EXECUTIVE SUITE

Sale of Barplats is confirmed

MATTHEW CURTIN

A Genmin spokesman offered no comment yesterday on latest developments. *(217)*

It is understood that talks with government over tax arrangements to facilitate the takeover are holding up the deal

Genmin chairman Brian Gilbertson said last week that "finalising the deal does not depend on the decision we are awaiting from a regulatory authority... it will go ahead regardless, with Implats taking an equity controlling stake in the group, taking over management (which Implats has already done) of the Crocodile River mine, and consolidating the mineral rights, including Kennedy's Vale"

Talks regarding the sale of Vansa's assets to a consortium which includes directors of independent ferrochrome producer Chromecorp Technology are still under way

RAND MINES has confirmed that the sale of its platinum operation, Barplats, to Impala Platinum is going ahead, although no details have been given as to what shape the deal will take, or why negotiations have been so protracted. *Biday*

A Rand Mines spokesman said yesterday that "talks are proceeding and are on course" *3/17/91*

He said there was no indication of when the final announcement of the sale of Barplats would be made

Barlow Rand and Rand Mines advised shareholders on March 6 that they expected successful negotiations concerning Barplats and Vansa Vanadium would lead to a re-organisation of their mining interests

Talks with JCI's Rustenburg Platinum fell through at the end of March, and Rand Mines and Genmin, owner of Implats, have been bargaining since the beginning of April

By William Wells and [unclear]

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Highveld's move on slag worries dealers

MATTHEW CURTIN

COMMODITY dealers in the US reacted with consternation yesterday to the news that Highveld Steel and Vanadium was planning to convert part of the vanadium slag it produces into vanadium pentoxide in SA.

This, the US dealers feared, would remove slag from the international market, which could put some European and US slag processors out of business. Highveld announced yesterday that it planned to spend R10m on plant needed to convert as much as 20% of its slag into pentoxide in the coming year. *2/17*

However, chairman Leslie Boyd made it clear yesterday that Highveld's decision would not affect overseas conversion contracts "at this stage".

The company did not intend to end contracts with overseas slag processors.

"Highveld will continue shipping slag while boosting vanadium pentoxide output by processing extra slag in SA," he said.

At present slack demand for slag has left Highveld's slag facilities operating at less than full capacity.

Analysts have said that Highveld's decision to start a vanadium slag beneficiation operation would bolster the company's performance and increase SA's export revenue.

Highveld produces steel and by-product vanadium slag from vanadiferous iron ore.

It also produces vanadium pentoxide directly from vanadium ore.

Pentoxide is used to produce the ferro-vanadium alloy.

FM 2/8/91 (217)

fledgling newcomer That is no longer the case Rusplat, PP Rust and Lebowa Plat are going to be completely separate operations, mining different parts of the Bushveld Complex that contains the platinum-bearing ores

This means PP Rust's mine on the Platreef will be a "standalone" venture Rusplat is not trying to derive benefit from using its tax shield on the PP Rust's capital expenditure, as Impala Platinum is apparently trying to do with its acquisition of Barmine

Among the questions raised is what happens on the marketing side, particularly if there is a downturn in platinum demand Which company's production will be cut? Rusplat MD Barry Davison says each company will have its own supply contracts covering the bulk of its output Precisely what happens depends on the circumstances of each company at the time

Next question is whether Rusplat is deliberately insulating itself from the other operations, particularly cash-strapped Lebowa Plat, where the Atok Mine is a high-cost producer at this stage In the new structure, JCI will feel the effects of problems at Lebowa Plat, not Rusplat

Davison says the aim is to split the platinum division into three distinct companies each with specific characteristics Investors can then choose where they want exposure He says splitting the portfolio should create additional value by getting rid of the share price discount on assets that results from a holding company structure

A key feature is that Lebowa Plat's stake in the Platreef project is not being diluted, shareholders must pay to take up their rights while Rusplat shareholders will not — at least not directly Going opencast has cut the cost of the Platreef mine from an estimated R1.3bn to R650m, of which R400m will be provided through equity

Davison points out the cash held by Rusplat, which it will use to pay for its R200m equity share of PP Rust, belongs to Rusplat shareholders, who are thus entitled to have the PP Rust shares passed through for free

Lebowa Plat has no spare cash so its shareholders have to pay for the company's R200m share of PP Rust as well as an unspecified amount for the further expansion of Atok mine On the 120m Lebowa Plat shares currently in issue, a minimum of 166c a share is needed to meet the PP Rust commitment alone

That is being called for at a bad time in the platinum market For the first time since 1987, platinum has lost its premium over the gold price Reasons include market oversupply (partly owing to wilting car sales in the US) and worries about the development of various palladium autocatalyst technologies that could reduce platinum demand from this key sector of the business

Statements by the platinum producers play down the impact of these developments However, Irish & Menell Rosenberg analyst Dave Russell says palladium seems to be emerging as a serious alternative to platinum-based autocatalysts Its consumption

PLATREEF FM 2/8/91

Standing alone (217)

Final details for construction of the Platreef mine by partners Rustenburg Platinum (Rusplat) and Lebowa Platinum (Lebowa Plat) include an unexpected development. a new structure for JCI's platinum division

It will be effectively "unbundled" as a result of Rusplat's intention to pass through to its shareholders the 22% share the group holds in Lebowa Plat, as well as its 50% stake in Potgietersrust Platinum (PP Rust), the company that will be listed to develop the Platreef mine. While Rusplat will continue to manage these operations and sell their production, the controlling stakes in them will be held directly by JCI

This differs from the approach followed in March 1988 Rusplat then took its direct stake in Lebowa Plat in return for a rationalisation of mineral rights, which included transferring 50% of PP Rust to Lebowa Plat

Rusplat's then-MD, Brian Gilbertson, and financial director Fred Roux — both of whom have since moved to Gencor — at the time stressed the importance of the direct links between industry leader Rusplat and Lebowa Plat. The impression given was of a "big brother" overseeing the interests of the

FM 2/8/91 (217)

for this purpose is already rising in the US. That is one reason Russell likes the Platreef project — the ore contains a higher proportion of palladium in its platinum group metals than Merensky and UG2 ore

A major unknown factor in valuing PP Rust is the number of shares to be issued A one-for-one rights issue in Lebowa Plats implies a total 240m PP Rust shares in issue, a one-for-two issue would reduce this to 120m. Russell values PP Rust at 600c a share, assuming 100m shares in issue when the company is listed

Brendan Ryan

continue

Middelburg Steel ~~to~~ to get chrome mine

MATTHEW CURTIN

(217)

BARLOW Rand intends to merge Rand Mines' Winterveld chrome mine with the group's unlisted subsidiary Middelburg Steel and Alloys (MS & A), which would "in all probability" be floated off next year.

The proposal has led to concern at JCI's ferrochrome producer Consolidated Metallurgical Industries (CMI), which buys a substantial portion of its chrome ore from Winterveld. *B/day 2/18/91*

Barlow's director and MS & A chairman John Hall said yesterday the group intended to "sling the Winterveld chrome mine into a floated MS & A in 1992", though he added that no decision had been taken yet.

Rand Mines has said Winterveld will not be sold along with the other assets of the group's mothballed Vansa Vanadium.

CMI chairman David Kovarsky said yesterday CMI had approached Rand Mines twice with proposals to buy the chrome mine but had been turned down.

Kovarsky felt "uncomfortable" at the prospect of an important source of CMI's chrome supplies falling into the hands of one of its direct competitors.

CMI's contract with Winterveld had two years to run, but CMI was already investigating the acquisition of its own chrome reserves, possibly from parent JCI.

Barlow Rand announced in May that it was planning to reduce its direct holding in MS & A. Vice-chairman Derek Cooper indicated that a minority stake in MS & A

□ To Page 2

Chrome mine *B/day 2/18/91*

would be sold to outside investors in the 1992 financial year.

The decision to float off the steel and ferrochrome operation including Winterveld comes amid the wide-ranging reorganisation of Barlow Rand's mining interests held through Rand Mines.

(217)

~~10/27~~

□ From Page 1

MS & A has turned in poor results as weak ferrochrome prices and problems with its direct reduction process have knocked its ferrochrome division, offsetting better results from its steel division.

Barlow Rand disclosed that MS & A had suffered an interim loss of R17m this financial year.

Star 2/8/91

Minorco acquires Hudson Bay Mining

By Derek Tommey

(217)

Minorco has acquired Hudson Bay Mining and Smelting, a wholly-owned subsidiary of Inspiration Resources Corporation, together with certain related metals marketing and trading operations for about Cdn\$100 million (about R250 million). Minorco made its offer for Hudson Bay Mining on May 1

Hudson Bay Mining operates a fully integrated mining and metallurgical complex at Flin Flon in Northern Manitoba and Saskatchewan which provides employment for about 2 500 people.

Minorco has also converted its class A shares in Inspiration Resources into common shares. This increases Minorco's voting interest from 42 percent to 56 percent in line with its equity interest.

SA faces copper shortage as Palabora goes deeper

(Bus Times) SOUTH AFRICA could become an importer of copper by the end of the century

It would result from a simultaneous decline in Palabora's production and an increase in the pace of electrification in SA

The Minerals Bureau says SA production (excluding Bophuthatswana) in 1990 was 178 704 tons. Domestic sales were 60 040 tons and exports were 95 067

In 1990 Palabora produced 107 750 tons of refined copper — 60% of SA production. About 40% of its production was exported in the form of

SI Times 4/8/91

By IAN ROBINSON

cathode and the rest was cast into rod by the Transvaal Copper Rod Company (owned 50-50 by Palabora and Usko) for sale on the domestic market. It is drawn into wire and processed into cable for use in electrical applications.

The depth of Palabora's open pit is about 400 metres. Production will become uneconomic once the pit reaches a depth of more than 700m in a few years' time.

Palabora is looking at options to continue production after it ceases from the open pit. Underground mining is possible and a shaft has been sunk in the pit to 140m below its ultimate depth.

Exploratory drilling is being carried out from horizontal development from the shaft.

A feasibility study will be carried out based on the results of this drilling with a view to phasing in underground production from 1995.

A RTZ spokesman says the gradual replacement of open-pit mining by underground operations will lead to the halving of Palabora's production by the year 2000.

Halving

Electrical applications based on copper rod make up most of SA's consumption of primary copper. Domestic sales of copper rod from Palabora declined from 72 230 tons in 1980 to 63 508 in 1990. Unless there is a dramatic growth in demand for copper rod, Palabora will still be able to meet domestic demand by the end of the century through restricting exports.

However, a large increase in Eskom's electrification programme could absorb Palabora's entire reduced production and even necessitate imports. Such a scenario depends on political and economic stability.

SA's consumption could be further increased through growth in non-electrical applications. This is being promoted by the Copper Development Association (CDA). It

has links with the International Copper Association.

Markets for copper have been lost through miniaturisation and substitution by newer metals and materials, such as aluminium and plastics. The CDA's objectives include expansion of existing markets and defence of threatened ones. The CDA is promoting the use of copper in roofing and plumbing.

Most of the copper used in non-electrical applications is

of secondary origin and thus the prospect of a decline in primary supplies poses a lesser threat to semi-fabricators of flat products.

Copalcor, the largest producer of copper-based flat products and extrusions in SA, is more concerned about the need to protect scrap supplies. A Copalcor spokesman stresses the importance of maintaining the current system which prevents the export of scrap.

(217)

By JULIE WALKER

PRECIOUS little good news came at the end of an unsettled week on the JSE. (217)

Platinum shares took a pasting on a variety of doom-ridden views of oversupply and lower demand. Rusplat gave up R5,50 to R66,50 and Impala 730c to R55. Lebowa Plats shed 40c to 420c and Messina 80c to R7 (222)

Talk in the market is that Impala will pay Rand Mines 571c a share for Barplats and that Barmine will be delisted. (Times) (Business Times)

After a weak firrand gave golds a start early in the week, counters sank because gold dipped below \$365

Kloof peaked at R35, closed at R32,25. Driefontein was at 43,50, falling to R40,75. Vaal Reefs lost R12 to R223

The firrand dropped 14c to 339c to the dollar, but regained its original position after President De Klerk's Tuesday speech. (4/8/91)

Mining financials eased, but not drastically. Anglo American closed R2 ahead of the start on Monday, but was 325c away from the week's peak. Gencor lost 10c to R13,75

De Beers did not lose ground when the firrand rallied. It added a net 225c to R89,75

On the brighter side, industrials held their high territory. Richemont reached R31,60, Remgro added 100c to R24,50 and SA Breweries 325c to R57

Banks featured. Absa gained 30c to 975c, First National 75c to R45, Nedcor 75c to R14,75 and Bankorp 10c to 295c.

change. His immediate task is to focus the thinking on strategy and corresponding funding structures.

He is convinced that W&A and shares in the FSI triple-pyramid structure have

been held at an acceptable value and the dividend maintained.

If the economy does pick up fairly soon, investors who have ridden the imagined storm at W&A will be well rewarded.

Platinum's silver lining

S Times (Bus Times) 4/8/91
PLATINUM's price weakness might have a silver lining if demand for jewellery can be stimulated.

(217)
Its price has fallen from above \$500 to \$360/oz in a year and now trades at a discount to gold. Producers say short-term weakness is a result of the world recession, the view that Russia is selling to raise foreign currency, news that the metal could be substituted with others in autocatalysts and overproduction from SA.

Forecasts are not always met — witness Barplats. The other shares also weakened this week.

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Barplats deal on the way

5/1 Times (2/17)
(6/ Times)

4/8/91
By JULIE WALKER

DETAILS of the Impala-Barplats deal will be announced on Tuesday

Trade in Barplats and Barmine, holding company of the Crocodile River mine and the shelved Kennedy's Vale operations, has been suspended on the JSE for more than two months

Impala managing director Michael McMahon says the announcement will be the anti-climax of the century because so much news has been released in dribs and drabs

The hitch arises from a tax ruling — whether Impala will be allowed to offset the big losses incurred in Barplats against its own operating profits

Minorities should be made the same offer as that paid to major shareholder Rand Mines. It paid 450c a Barmine share in 1988 when Crocodile River founder Loucas Pourouls was obliged to sell

Operations have been scaled down at Crocodile River under Impala management

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Catalyst alternatives spark fears

Platinum and gold prices take a plunge

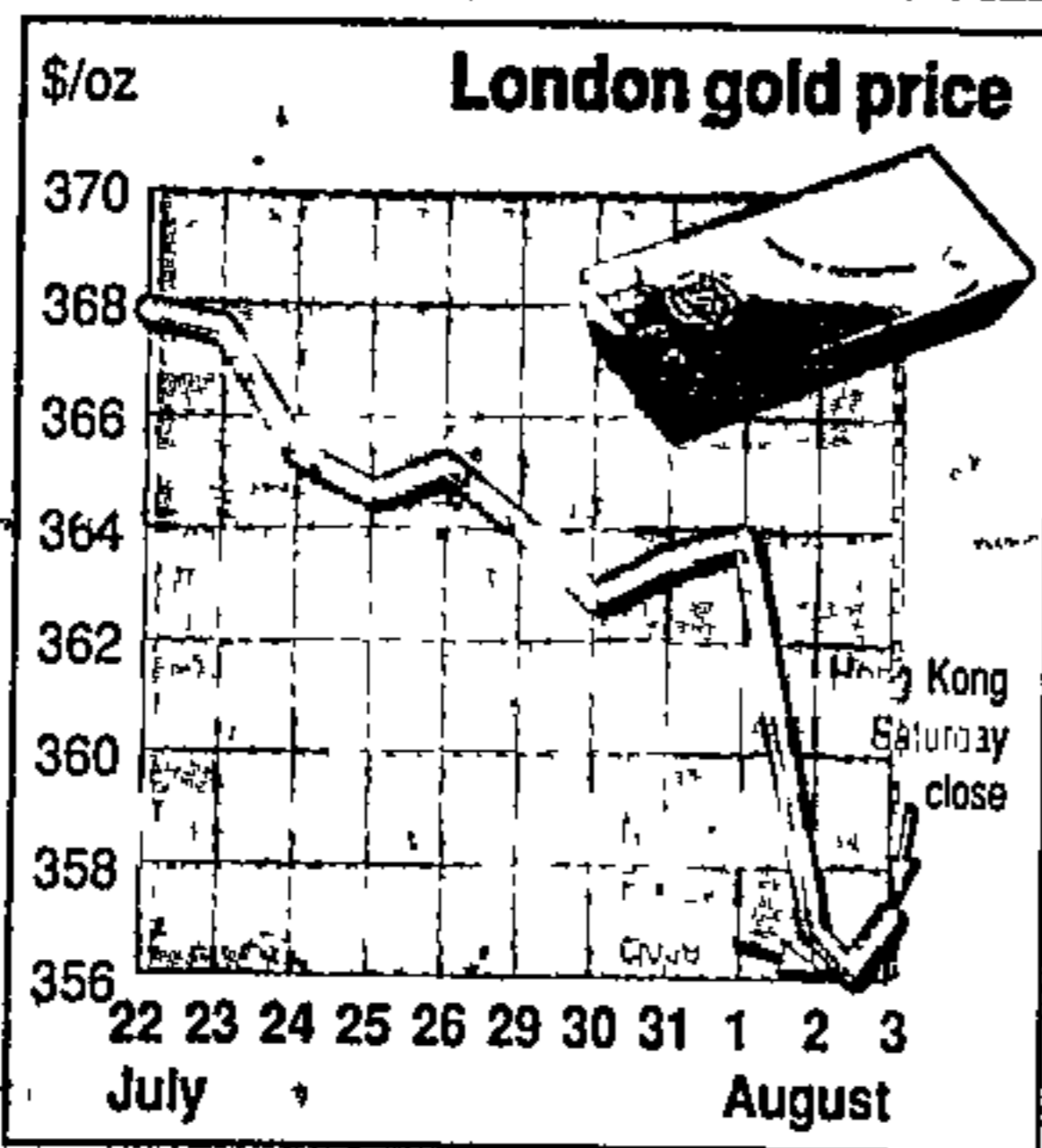
METALS took a battering on international markets at the weekend, with platinum leading the fall and gold plunging through the key \$360 resistance level.

Platinum sank to \$354.25 an ounce in London on Friday afternoon, widening the gap between its price and that of gold, and hitting its lowest level since 1985, Reuters reports.

Gold in Hong Kong dropped \$5.03 on Saturday to close at \$357.25 compared with Friday's \$362.28.

In New York on Friday, gold closed sharply down at \$356.20. In London, gold ended at \$356.90 — down \$6.60 from Thursday's finish.

Fears of oversupply in the face of a fall



Graphic: FIONA KRISCH Source: REUTERS

MATTHEW CURTIN

in the requirement for platinum in car manufacturing are still dominating the platinum market. The sharp fall in the price on Friday was ascribed to heavy selling by Japanese speculators, sparked by unemployment figures indicating the US economy was still in a downturn.

A further factor was news that a Swiss and SA consortium was about to launch a platinum-free and manganese-based car catalyst. This was the major reason for the sharp falls in platinum shares on the JSE.

The JSE's platinum index closed at 4 533 points, 2.5% down on the day and nearly 600 points down from its level two weeks ago.

Impala Platinum led the fall in shares with a 200c loss to close at R55 followed by Rustenburg which closed 150c down at R66.50.

The latest news comes on top of recent announcements from Japan of palladium-based car catalysts, heavy Soviet sales of platinum, liquidations of platinum futures by Japanese investors and disclosure of US government plans to sell some of its strategic stockpile.

The motor industry accounts for more than 40% of platinum demand. Although SA platinum producers have already dismissed the threat of palladium replacing platinum in the catalysts, the US economic recession and poor results from US car companies have depressed short-term de-

To Page 2

Platinum

mand Platinum is used in car catalysts to absorb noxious exhaust emissions which have become the target of strict clean air legislation in the US, the EC, and Japan

Some analysts described as improbable the development of a manganese exhaust converter by a Germiston inventor.

Simpson McKie analyst Rodney Yaldwin said that whatever the merits of the technology it was having a serious effect on the market

Another analyst said while there was "a credibility problem" with the manganese catalyst, it was worrying that a small number of individuals was able to influence the platinum market to such an extent

In a preliminary announcement, African Industrial Research SA (Air SA) said that an international release giving details of

its "new generation manganese-based catalytic pollution eliminator" would be made today by the Cable News Network, World Television News and Time magazine. On Friday Time's Johannesburg office had no inkling of the announcement

Air SA said the catalyst had been tested by Audi Germany, Audi SA, the Atomic Energy Commission, the CSIR, Chicago Gas and the Botswana government

CSIR executive vice-president Daan Toerien said on Friday that the CSIR had done no work for Air SA

Analysts said Francois Cornish, designer of the new catalyst, was based in Germiston. The address given for his office and laboratory was that of a block of flats. The secrecy could have been to safeguard the research

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From Page 1

Gloom about platinum seen as unwarranted

6 Day 5/8/91

MATTHEW CURTIN

PLATINUM producers and analysts have dismissed the current bearish sentiment which has driven the platinum price to 5½-year lows as unwarranted, given the long-term prospects for the sector.

The platinum price has tumbled from \$505 an ounce last August to below \$360 last week. The metal has been tripped up by announcements of non-platinum car catalysts, sales of strategic stockpiles, and new mines — all threatening to slash demand and increase supply in the future.

Platinum shares held up well until the end of the week. The JSE's platinum index, which had sustained its March level of 4 800 points while the platinum price had tumbled from its year-high of \$415, slid to 4 500 points on Friday. It is still a long way from its 2½-year low of 3 381 points touched at the beginning of February this year.

Rustenburg Platinum (Rusplat) MD Barry Davison said he attributed "the current malaise in the platinum market" to "both short-term and long-term perceptions", some of which were well-founded.

"Until such time as the US economy in particular shows definite signs of a recovery, especially in the automobile sector, the price of platinum is unlikely to show any significant improvement."

He said the international recession affected the demand for and prices of industrial commodities, and platinum was no exception.

Johnson Matthey calculated in its 1991 platinum review that 42% of platinum demand was accounted for by the motor industry for exhaust catalysts in 1990.

Davison said a second short-term factor was the condition of the Soviet economy and the perception that a high level of precious and other metal sales would be required to maximise foreign exchange earnings. SA and US government announcements of impending sales of platinum and palladium stockpiles had added to bearish sentiment.

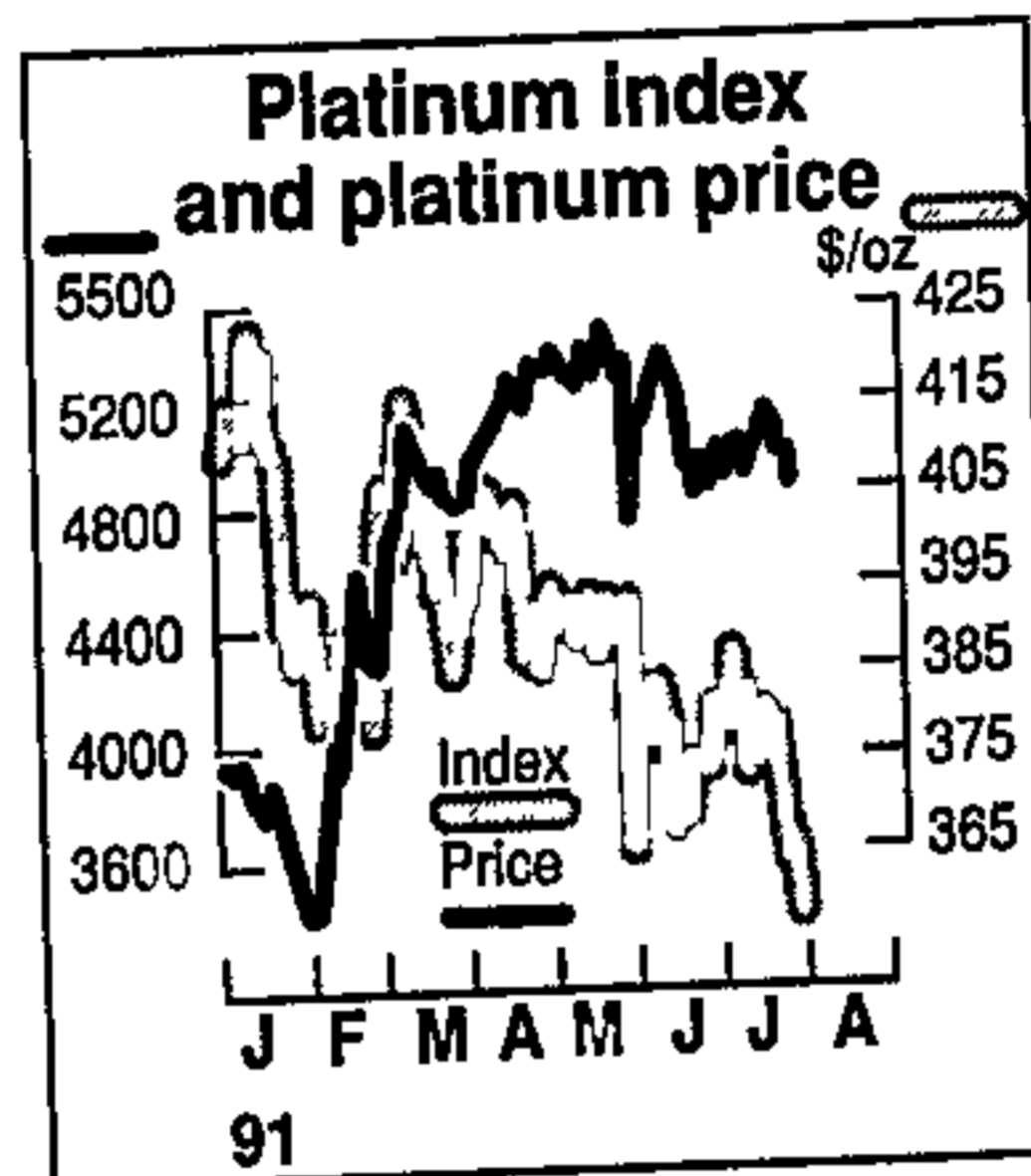
One analyst said "distress signals from US car producers" were responsible for the market's despondency. Manufacturers had capital "stuck in the pipeline", meeting platinum contracts, at a time when they were strapped for cash.

However, Davison said there were encouraging signs that the US auto-

mobile industry was beginning to recover. General Motors, Ford and Chrysler cut their combined March quarter loss of \$2.3bn to \$1.3bn in the June quarter.

If the recovery was sustained, it would, with the heavier loading of platinum group metals (PGMs) to meet tighter emission standards, have a major effect on platinum demand in the short-term.

Some analysts remain uncon-



Graphic LEE EMERTON Source I NET

vinced. One said that the market was "awash with platinum". Others pointed to the plans of SA producers to expand production from 2.9-million ounces in 1990 to about 4.06-million ounces by 1995, contributing to world over-supply of about 0.5-million ounces.

Taken with developments towards palladium-only car converters, the long-term outlook was not rosy.

JCI's announcement of financing details of the Platreef project triggered last week's drop in the platinum price. Both Rustplat and Leplat are also expanding their operations.

Genmin's Impala Platinum gave the go-ahead for the development of its Messina mine earlier this year, and the company will add the capacity of Rand Mines' platinum division, which it is about to buy, to its own expanding operation.

Analysts have said Lonrho's Western Platinum and Eastern Platinum mines would have reached full production by 1995, when GFSA's Northam mine, still under development, would also reach peak production. New platinum mines are estimated to add almost 450 000 ounces to SA's annual production by 1995.

Acknowledging developments in

the car catalyst industry aimed at eliminating platinum, Davison said the threat had been greatly exaggerated. Car catalyst demand would continue to grow, to satisfy both new EC emission control standards effective from January 1993 and the spread of clean air legislation throughout the industrialised world, "requiring the use of ever-increasing quantities of all PGMs".

Frankel Max Pollak Vinderine analyst Kevin Kartun said PGMs were the key to understanding the residual strength of the platinum sector. While the demand for gold depended almost entirely on investment and jewellery, the demand for platinum spread across the motor industry, jewellers, new technology and investment. Furthermore, it was impossible to examine each of the key PGMs — platinum, palladium and rhodium — in isolation.

Kartun said the lower the price of platinum fell, the more attractive it became for industrial and jewellery use, which in turn would spur demand.

Davison, in a speech earlier this year, said the most promising development for platinum in the next 10 to 15 years would be the development of fuel cells which required platinum-coated electrodes. In theory fuel cells are highly efficient and clean generators of electricity but their application has so far been limited.

Johnson Matthey have predicted a 10-fold increase in the use of platinum for fuel cells by the year 2000, from the current 10 000 ounces a year.

Rhodium, currently the key ingredient in the newest car converters along with platinum, has been trading at sustained high levels of around \$3 800 an ounce.

Analysts said if palladium converters were introduced worldwide, then palladium would jump from current levels of about \$90 an ounce. Whatever happened, SA producers stood to gain.

The underlying demand for PGMs also accounted for the strength of platinum shares. In the last financial year, revenue from rhodium, which soared above \$5 000 an ounce at one stage, more than compensated some mines for lower platinum revenue. However, rhodium's price now reflects the fact that Rustenburg has overcome the teething problems at its new refinery.

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Turn of gold bulls to sing platinum blues

By Jabulani Sikhakhane

Platinum shares were marked down sharply on Friday on rumours that a South African firm, based on the East Rand, would soon announce the development of a manganese-based catalytic converter. Sagging platinum pushed down the gold price by \$7

Impala's share price fell by 12 percent to close at R55 — off a low of R54,75

Rustenburg lost just over seven percent, closing at R66,50

Frankel Max Pollak Vinderrine analyst Kevin Kartun says the rumours of the manganese-based converter have made investors nervous.

However, base-metal catalytic converters had been tried previously and found not viable under normal operational conditions

"You have to drive the car for about 600 kilometres to get the necessary temperature under which base-metal con-

verters will start functioning," he says

Further depressing the platinum price to five-and-a-half-year lows and to a discount against gold were weekend reports of a major seller on the market

Platinum came under selling pressure in the Far East on Friday morning amid reports that Japan had sold as much as two tons of platinum

The US has announced that it will reduce its platinum stockpile by \$100 million worth

Car manufacturers, who have been reporting large losses, are expected to reduce their platinum stockpiles in response to falling sales

Mr Kartun adds that another factor is that Japan, which accounts for about 90 percent of platinum jewellery intake, is under pressure from high interest rates, falling Tokyo markets and weakening property prices

But Ed Hern Rudolph analyst Robin Washer thinks that the falling rhodium price is the main reason for the sharp declines in platinum stocks

He says the rhodium price

has up to now compensated producers from the lower platinum price and increased working costs

If the rhodium price falls below \$3 500, the profits of platinum producers will fall over 20 percent

The price of rhodium is already below this level, having fallen from \$5 500 a year ago to about \$3 400 last week

The price is expected to fall further because Rustenburg Platinum appears to be sorting out previous refining problems and the Soviet Union is expected to continue selling more rhodium to raise foreign exchange

Over 80 percent of rhodium offtake is used for autocatalysts.

Platinum is also depressed by higher expected sales by the USSR

Last year the Soviet Union sold 700 000 ounces of platinum out of total Western world supplies of 3,73 million ounces, a figure expected to be maintained this year

Swiss government statistics show that platinum shipments

from the Soviet Union soared about tenfold in the first half of 1991

Swiss analysts say the USSR is probably seeking hard currency to pay for food imports

Much of the Russian platinum is probably shipped as part of swap arrangements, under which the Soviet Union sells the metal for cash with a pledge to buy it back later

Switzerland is a traditional clearing centre for precious metals

The Soviets have used swaps to raise cash because they fear outright sales will flood the market and depress prices

However, Mr Washer says there are two factors which could cushion profits of the local platinum producers to a certain extent the weaker rand/dollar exchange rate and the decrease in the effective tax of platinum producers from 54,5 percent to 50,88 percent

Mr Kartun says while nervous investors have driven down platinum share prices, results from Rustenburg and Lebowa due this week should be good

Gold holds ground, platinum tumbles

blow 6/8/91

MERVYN HARRIS

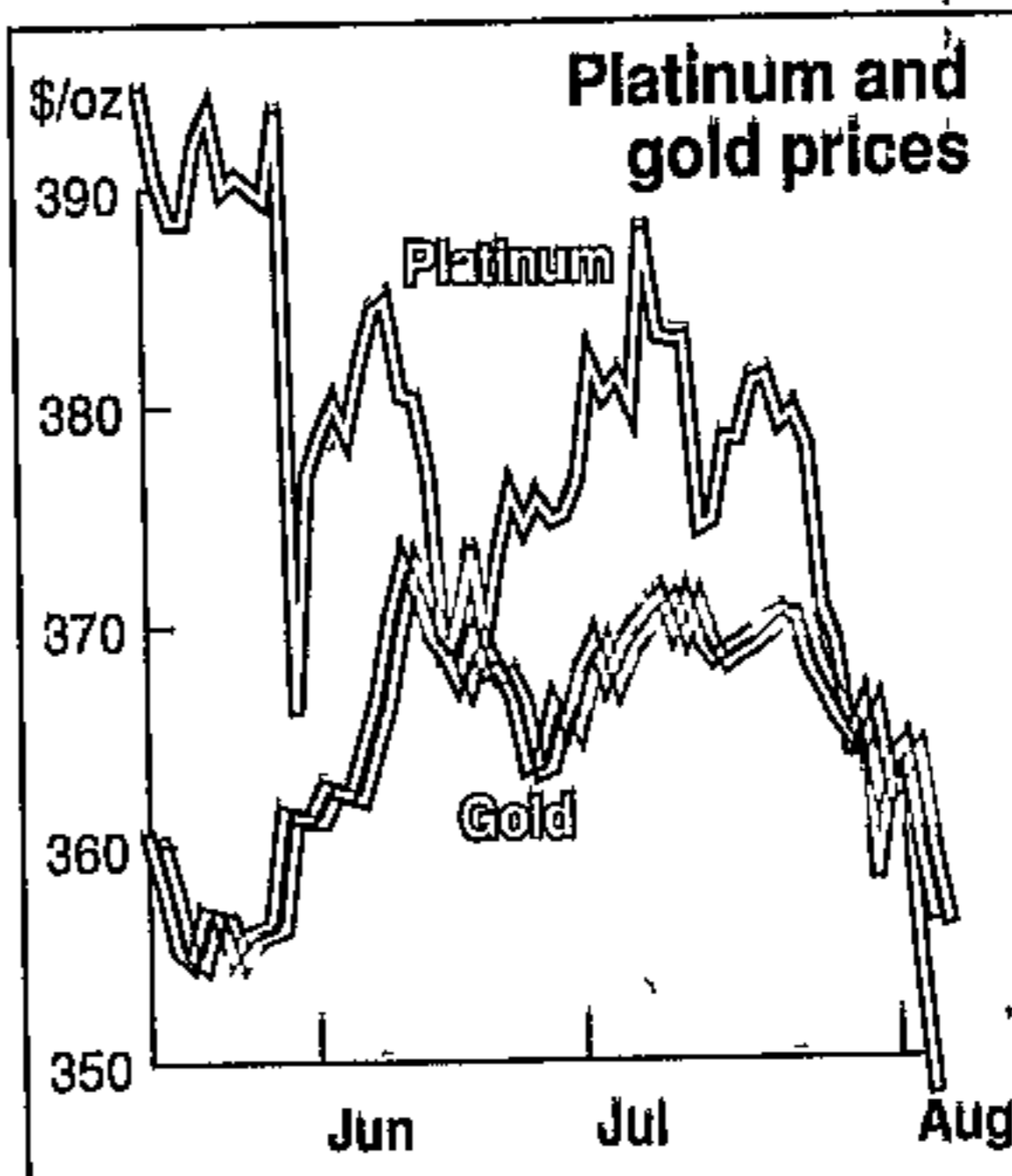
GOLD held its ground to close marginally lower in London yesterday at \$356.20 as renewed weakness in platinum was offset by a sharp dollar plunge on turbulent financial markets.

Japanese investors again led the assault on platinum, which slumped almost \$10 to \$345 — its lowest level since January 1986 and a major support level — before recovering to close at \$350.75.

Analysts said lack of industrial buying of platinum and high Soviet exports in the first half of 1991 had combined to undermine Japanese investor confidence in the metal. They warned of further downside potential.

But Diagonal Street was telling a different story yesterday as share leaders Rustenburg Platinum and Impala Platinum each firmed 50c to R67 and R55.50 respectively in thin trade.

They were among the 18 firm spots on a wary market where most investors opted to remain on the sidelines. Dealers report-



Graphic: FIONA KRISCH Source: I NET

ed no aggressive selling and overall price movements were generally narrow, with 80 shares ending with losses in the absence of buyers who tried to get shares at lower

□ To Page 2

Platinum

levels

Gold shares also held up reasonably well in the face of a firmer firrand investment unit which tends to drag shares down. The unit firmed to R3.25 from R3.29 to the dollar

A dealer said "The market seems to be telling us that gold is still likely to go up and that platinum could be near its bottom."

The JSE overall index declined 25 points to 3 432 on the back of a 24-point fall in the

all-gold index to 1 258 and an 18-point easing in the industrial index to 4 071

The free fall of the dollar on foreign exchange markets came as the US currency succumbed to technical-chart selling after breaking resistance at the DM1.73 level, Reuter reports

The dollar closed sharply lower in London at DM1.7195. The US currency only managed to hold ground against the troubled Japanese yen

□ From Page 1

Vansa sale nears completion

IN a multimillion-rand deal, a consortium headed by the directors of Chrome-corp Technology (CCT) and Swiss commodity dealer Marc Rich are on the verge of buying the assets of Rand Mines' mothballed Vansa Vanadium operation.

Vansa's market value was R53m when its shares were suspended three months ago.

However, the deal is dependent on Rand Mines' ability to ensure that future operations at Vansa will not contaminate the local water supply.

CCT MD John Vorster said yesterday that the deal was "99,9% complete". However, he said it would be impossible to consider restarting operations unless the question of future

B. Day 6/8/91
MATTHEW CURTIN

pollution from the mine was settled. (217)

A hydrological study found the Vansa Vanadium operation was responsible for polluting the water supply serving farmland near Steelpoort.

Vansa MD David Ashworth said yesterday what was now at stake was the question of setting up "provisions for a future tailings dam" which would not pollute the water table.

He said that when Rand Mines acquired the mine from Afex it understood that the rock beneath the mine's current tailings dam was impermeable.

But a year ago it was

discovered that the water table was contaminated with salt. Ashworth said it appeared that salty waste material from Vansa's kilns had leaked through cracks in the floor of the tailings dam.

Rand Mines had consulted the Department of Water Affairs which had accepted a rehabilitation plan for the area.

Ashworth said the tailings dam would no longer be used. There were several sites suitable for new dams when Vansa began operations again. There was also the opportunity for Vansa to use water from the contaminated water table, rather than from the Dwars River. In the process, the mine would be able to clean up the water

A vain wait for jittery metal markets

B/Dary 6/8/91

MATTHEW CURTIN

PRECIOUS metals markets around the world waited with bated breath yesterday for Advanced Industrial Research SA (Air SA) to unveil its revolutionary manganese-based catalytic converter

The announcement never came (217)

Despite the promise of a Press release to be broadcast "simultaneously" by CNN, World Television News and Time Magazine, no more news on the would-be breakthrough emerged.

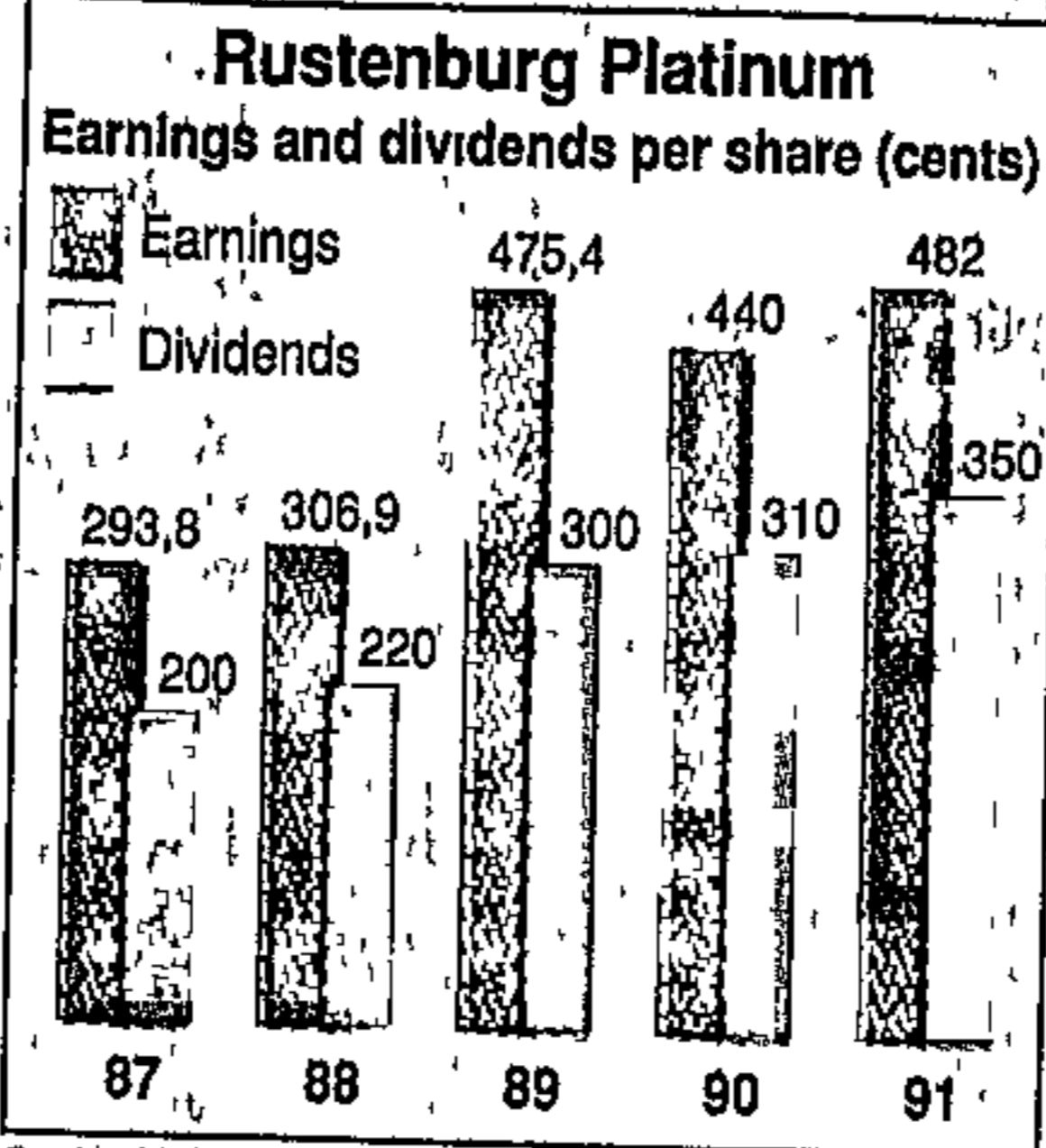
Air SA also promised that its announcement would coincide with a presentation to the US Senate by Senator Robert Dole — who Air SA said was the head of the Democratic Party in the Senate, when he was in fact the Republican Party leader — on clean air legislation. The Senate is not in session at the moment.

Frankel Max Pollak Vindermine analyst

Kevin Kartun said yesterday that although no new information was available, and while there was widespread scepticism about the company's claims, the prospect of an announcement was making markets jittery. Platinum prices sank again yesterday to 1986 lows, but platinum shares held up well on the JSE.

A spokesman for the SA Minerals Bureau said the chances of a manganese catalytic converter being adapted for use in cars were slim. Air SA has said its "pollution eliminator" would reduce noxious car exhaust emissions by 95%.

More than 40% of platinum is currently used in the manufacture of car catalysts. Car companies in the US and Japan are developing palladium-only converters but their application has so far been limited.



Graphic: FIONA KRISCH Source: RUSTENBURG PLATINUM

Rhodium price a boon for Rusplats

By *Blom* 7/18/91 MATTHEW CURTIN

A THREEFOLD increase in the average dollar price of rhodium more than offset a lower average platinum price, and higher working costs at Rustenburg Platinum (Rusplats) in the year to end-June. **(217)**

Sales rose by 16% while earnings at Rusplats, the world's largest platinum producer, rose from 440c a share in 1990 to 482c a share in 1991.

An increased dividend of 350c a share was declared against 310c in 1990.

Presenting the company's preliminary results, MD Barry Davison said yesterday the average price of rhodium in 1991 was \$4 601 an ounce, up from \$1 479 in 1990.

In contrast the average platinum price fell from \$485/oz in 1990 to \$428 in 1991.

If current rhodium and platinum prices prevailed, they would have a "significant impact on the coming year's earnings".

Platinum prices rose from their lowest levels in six years to \$354 yesterday. Rhodium has been trading near the \$3 500 mark, having fallen from peak levels of more than \$5 000 last year once Rusplats ironed out problems at its refinery which temporarily reduced supply of the metal.

Costs of sales at Rusplats rose from R1.7m to R2.1m in the year, a reflection of a 15% hike in unit production costs and the higher rhodium revenue.

Rusplats has a conservative accounting policy in which the value of platinum stock is determined by dividing mine output of platinum into the total cost of mine production less the net revenue from sales of by-product metals. In the case of rhodium, sales climbed 23% in the year.

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Barplats

By *Blom* 7/18/91

(217)

□ From Page 1

group limited trackless mining to development work.

McMahon said Impala would cut production from the current target of 240 000 tons of ore a month to 130 000 tons, about 9% of Impala's total production. The mine was originally designed to mill 360 000 tons a month. He said that by 1996 the mine would be producing 90 000oz of platinum and 12 000oz of rhodium a year.

Production from Crocodile River would include material from quickly accessible ore reserves previously owned by Impala's parent, Genmin, to the east of the mine property. Opencast operations at Crocodile River would cease, and material from

the new reserves would account for about 40% of tons milled in 1993.

Impala had no immediate plans to restart operations at Barplats' mothballed Kennedy's Vale mine, but its long-term prospects were enhanced given that Genmin also owned mineral rights to the south of the mine. Equipment at Kennedy's Vale is likely to be sold or used elsewhere.

In the reorganisation of the platinum operation, Rand Mines' stake in Barplats is reduced from 64% to 43%. Barplats Mining (Barmine) will become a wholly owned subsidiary of Barplats and be delisted.

● Picture: Page 3

● Comment: Page 12

Impala gets Barplats in R343m swap deal

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BID by 7/8/91
MATTHEW CURTIN

IMPALA Platinum has acquired 38% of Rand Mines' platinum arm, Barplats, in a complicated deal which will see Barplats' present debts of R343m swapped for new shares in the company.

The deal gives Impala shareholder control of Barplats. It took over the management of Barplats' developing Crocodile River mine in June, and intends to raise R300m to finance its plans for bringing the troubled project into production. The after-tax amount will be less if the authorities agree to a proposal that capital spending be offset against Impala's current taxable profits.

The new rights issue means that since the launch of the mine in 1987 by Loucas Pouroulis, something approaching R1,5bn will have been sunk into bringing the Crocodile River project into production in 1996. Impala has totally changed underground mining plans, mothballed the smelter and refinery based on special technology and has announced that annual output will be limited to concentrates containing 90 000oz of platinum.

Announcing the deal at a news conference yesterday, Impala MD and newly appointed Barplats MD Mike McMahon said Impala would mothball the mine's smelter

and Barplats' base and precious metal refineries in Brakpan.

All three had been designed specifically to deal with the metallurgically difficult and chrome-rich UG2 ore.

He said concentrate from Crocodile River would now go to Impala's smelting and base metal refining facilities where the group currently processes a mixture of UG2 and Merensky reef ore. Precious metals would be toll-refined overseas.

McMahon said the move would improve metallurgical recovery rates and reduce the amount of metal locked up in the refining pipeline.

Impala would also phase out trackless mining at Crocodile River which had proved to be too expensive.

Pouroulis introduced trackless mining in a bid to make the mine low cost and highly efficient because it was believed the new technology would cut working costs and need a small work force of only 900. When Rand Mines took over the mine in 1988, it identified trackless mining as a problem because the ore body was too narrow, dipped steeply and was badly faulted. The

□ To Page 2

Rusplats

217
BID by 7/8/91
Working costs were higher, he said, because Rusplats was laying the development groundwork for its 1992 expansion programme, the costs of which would fall next year as development slowed and production increased.

Davison said Rusplats had cash reserves of R1,1bn, but at Lebowa Platinum (Leplats) no dividend was paid in the year in order to conserve the company's cash reserves for its expansion programme.

Details of Leplats' impending rights is-

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□ From Page 1
sue would be released at the end of this month.

The increase in cost of sales at Leplats outpaced the growth in sales revenue in the year as labour problems interrupted production and pushed up unit costs, in addition to the higher by-product revenue.

Davison said the company was having problems increasing production in line with a target of 100 000 tons a month set for the end of next August.

Earnings at Leplats fell from 15,5c a share last year to 8,5c a share in 1991.

Rusplat beats the platinum plunge and lifts dividend 217

Star 7/18/91.
By Derek Tommey

In spite of difficult times in the platinum market Rustenburg Platinum Holdings — the world's biggest platinum producer — was able to increase its attributable earnings in the financial year ended June by 9,6 percent to a record R604 million.

It has declared a final dividend of 225c a share making a total payment for the year of 350c a share — an increase of 40c or 12,9 percent on last year's dividends.

Gross revenue rose 16,4 percent to R3,4 billion, mainly as a result of the higher dollar price for rhodium. This offset the lower income from platinum following the fall in the dollar price of the metal and the firmer rand.

The cost of sales increased by 23,4 percent to R2,0 billion. However, this was partly the result of an accounting policy which among other things values by-prod-

ucts of platinum mining at R2 a unit. This depressed the book value of platinum stocks held and inflated costs. The increase in unit production costs was held to 15 percent.

Profit on metal sales rose 7 percent to R1,37 billion.

However, labour problems at Lebowa Platinum Mines resulted in profits falling, in spite of gross sales revenue rising by 44,4 percent to R111,9 million.

Cost of sales rose more than 50 percent from R60,3 million to R97,8 million and profit on sales dropped from R17,2 million to R14,1 million.

Taxed profit was R10,2 million (R18,6 million) equal to 8,5c (15,5c) a share. No dividend is being paid. Lebowa paid 7,5c a share last year.

The chairman, Mr Barry Davison, said that every effort was being made to increase production, currently running at between 40 000 tons and 50 000 tons a month, to

100 000 tons by next August.

He would not make any profit forecasts for the two companies but said that the underlying fundamentals in the platinum market seemed good and he was confident that the platinum market would improve.

He said there were encouraging signals that the US automotive industry in particular and the US economy in general was beginning to recover.

Orders for platinum and rhodium for the fourth quarter of 1991 by the domestic US automobile manufacturers were significantly higher than they were for the previous three quarters.

At the same time Japanese demand continued to grow satisfyingly.

In the five months ended May sales of platinum by Rustenburg's agent and sub-agent in Japan to the industrial, jewellery and small investment sectors increased by almost 23 percent compared with a year ago.

Impala brings new hope to Barplat

By Derek Tommey (217)

Shareholders in Barplat and Barmine have cause to rejoice. There are strong indications that their investments may at last start showing a worthwhile return.

The two companies, Barplat and its subsidiary, Barmine, are in serious difficulties. They control the Crocodile River platinum mine near Brits which is in the development stage, and the Kennedy's Vale Platinum Mine in the Eastern Transvaal which has had to be mothballed.

Capital needs

Because of production problems Crocodile River has not yet shown a profit in spite of absorbing about R1 billion and is still desperately in need of more capital.

But fortunately for the Barplat group shareholders and the companies' employees a white knight has arrived on the scene. It is Impala Platinum, the world's second largest platinum producer, and it now looks as if these companies will be turned around.

Impala is to provide Barmine with valuable ore reserves which will lead to an improvement in

Rand Mines will lose interest which will affect this year's earnings. But Michael McMahon, managing director of Impala, said that these developments will give Barplat a fresh start.

He said Impala will provide quickly accessible ore reserves to the Crocodile River Mine. A new mining plan has been developed which scales down the targeted level of production from 240 000 tons to 130 000 tons a month.

This equates with a platinum production rate of 90 000 ounces a year, which should be achieved by 1996. Existing ore reserves will sustain this level of production for more than 40 years.

The new plan is based on phasing out costly trackless mining equipment. Instead ore is to be hauled to the surface through shafts. A 245 metre shaft should be commissioned in September and will hoist 55 000 tons of ore a month. The No 1 Vertical Shaft should be commissioned by mid-1993.

Mr McMahon said that Impala would bring substantial benefits which will reduce working costs and improve cost competitiveness.

However, Mr McMahon warns that in spite of Impala's ability to add considerable technical expertise to the project and the fact that it is essentially debt free, there are still risks

The most critical are the project's dependence on the rhodium price and the successful completion of the modified capital programme.

Barplat is to acquire Barmine through a scheme of arrangement. Barplat will then make a rights issue to raise R300 million.

The tax authorities have been asked to allow Impala to offset certain expenditure at Crocodile River against its tax. This would enhance the viability of the mine. So far the authorities have not replied.

Reserves

Mr McMahon said the transaction had expanded Impala's reserves by more than 200 million tons at depths of less than 1 000 metres.

The mine at Kennedy's Vale although mothballed, has important longer-term potential for Impala and Barplat shareholders.

Barplat and Barmine shares are being relisted today after being suspended in May. With Barplat planning a rights issue at 571c a share and Barmine shares estimated to be worth about 200c, the two counters should trade at substantially higher prices than the 220c at which Barplat was standing and the 115c for Barmine before their suspension.



Michael McMahon, managing director of Impala

the grade of ore mined. It is also taking over management control of the company enabling it to use its expertise to reduce Barmine's operating costs. In exchange Impala will finish up with a 38 per cent stake in Barplat.

Rand Mines, which at present has a 70 per cent stake in Barplat, is paying a fairly heavy price for Impala's assistance, for its stake will be reduced to only 45 per cent. Rand Mines may also have to halve its dividend this year. It has agreed to convert loans of R207 million to Barplat into Barplat shares. This and other loan-share conversions will eliminate almost entirely the need by Barplat to pay interest on loans.

Stev 7/18/91

Scepticism over catalytic converter

Mystery SA link

Star 7/8/91

to platinum's dive

By Paula Fray
and Sven Lünsche

Mystery surrounds a South African invention which contributed to this week's platinum price plunging to its lowest level in almost six years.

Rumours that Advanced Industrial Research SA, known as AIR (SA), of Johannesburg, might have developed an automotive catalytic converter using manganese instead of platinum saw jittery international and local investors sell platinum.

Converters have traditionally provided platinum's best market.

Over the past few weeks the price of platinum in London has fallen by nearly 8 percent, or \$30 (about R84), to a 5½-year low of \$348,35 an ounce on Monday.

Yesterday, however, it recovered sharply with a London fixing of \$356,35 and a New York close of \$355.

New York dealers said traders were ignoring the South African reports.

AIR (SA) head Dr Francois Cornish said yesterday that the development was completed and negotiations were under way for partners in the venture.

He said the converter could remove more than 95 percent of pollutants from vehicle exhaust gases.

Denials

Despite the announcement, industry sources remained sceptical on several grounds.

● Three companies which were listed by AIR (SA) as having tested the technology — the Atomic Energy Commission (sic), the Council for Scientific and Industrial Research and Armscor — all denied involvement.

● AIR (SA) initially said a press release would be issued "simultaneously" on CNN, World Television News and in Time magazine on August 5. No announcement was made on Monday.

● According to AIR (SA), the announcement was due to coincide with a paper being presented to the American Senate by Senator Robert Dole who, it said, was head of the Democratic Party. Senator Dole is a Republican and the US Senate is not in session at present.

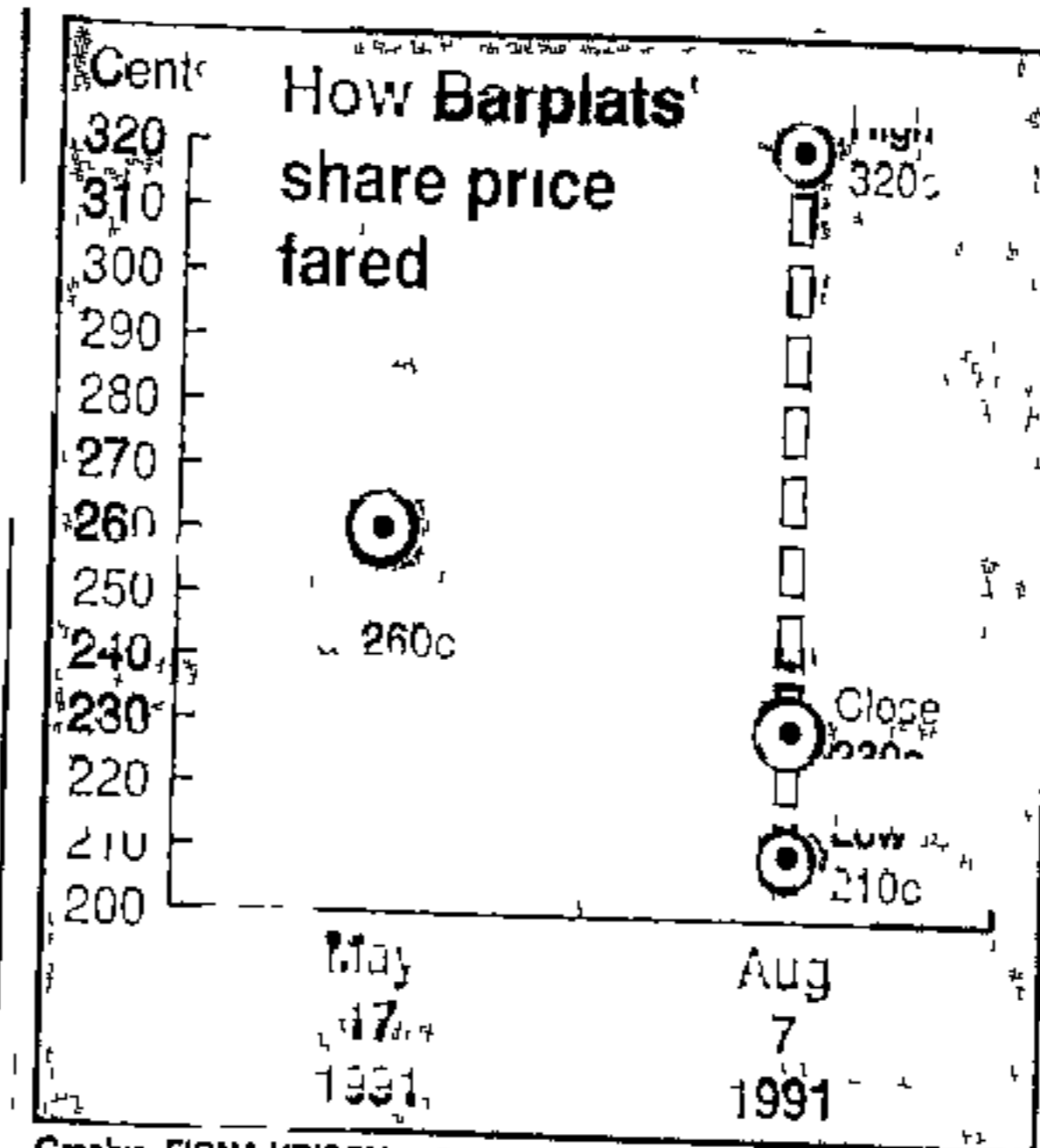
Yesterday a spokesman for the CSIR denied they were involved in testing the catalytic converter.

The denial was echoed at the Atomic Energy Corporation (there is no "Atomic Energy Commission").

Armscor had also not conducted tests. "At this stage we have an interest in the material referred to, but Armscor has not tested it," the spokesman said.

Rustenburg Platinum, the world's largest platinum producer, said it was "thermodynamically impossible" for a manganese-based autocatalyst to work.

Sapa reports that Michael McMahon, managing director of Impala Platinum, the world's second biggest producer, said: "We actually think it's all nonsense."



Graphic: FIONA KRISCH Source: JSE

B1 Day 8/8/91

Rollercoaster ride for mine shares 217

MERVYN HARRIS and MATTHEW CURTIN

SHARES in Rand Mines' former platinum division, Barplats Investments (Barplats) and Barplats Mining (Barmine), stole the limelight on Diagonal Street yesterday

The shares see-sawed dramatically on their relisting following the deal announced yesterday in which Impala Platinum took over Barplats

Barmine, suspended for nearly three months at 115c, shot up to 130c before plunging to close at 85c, a fall of 26% on the day. The more tightly held Barplats swiftly rose to a high of 320c from its suspension price of 260c but the shares reversed direction before noon to touch a low of 210c as the market reassessed their value. The shares then recovered to close at 230c

Vansa Vanadium, Rand Mines' mothballed vanadium operation currently up for sale and which has a 12% stake in Barplats, eased from its suspension price of 115c to close at 70c.

In contrast, shares in market leaders Rustenburg Platinum and Impala firmed on the day, buoyed by stronger platinum prices for the second day running. Platinum closed at \$356,50, up from \$355

Analysts were unsure of the correct value of the stock and said investors in Barmine who were selling their shares stood to lose most heavily from the takeover deal

George Huysamer & Partners analyst John Clemmow, said for the purpose of refunding Barplats shares were valued at 571c "but this does not mean anybody else has to accept that valuation".

In the deal, Barplats' debt of R343m was

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Mine shares 217 From Page 1

capitalised with the issue of 60,2-million new Barplats' shares Barmine will be delisted and constituted as a wholly owned subsidiary of Barplats Barmine shareholders will be offered 35 Barplats shares for every 100 Barmine shares held

Frankel Max Pollak Vinderine analyst Kevin Kartun said that Barplats would probably settle at 140c a share, implying that Barmine's value, at 35% of Barplats', was only 50c a share

Clemmow said "The Impala tie-up has given Barplats stock extra stability but at

lower levels" The value of the shares should be between 180c and 130c

Analysts said the deal was a small boon for Impala's longer-term platinum operations, as it had acquired a small debt-free platinum operation, unlocked former Gemmin mineral reserves, and boosted the group's entire mineral reserves

The deal was a blow for Rand Mines, which had taken on millions of rands in debt after spending close to R1bn on its unsuccessful attempt to bring Barplats to full production

IMPALA/BARPLATS (217)

Rescue operation ^{FM 9/8/91}

Shareholders in Barplats and Barmine do not have much to celebrate when the shares are relisted this week. The mine survives, but the deal hammered out between Rand Mines and Impala Platinum (Implats) is overwhelmingly in Implats' favour.

It reflects the financial and operating mess the would-be platinum producer is in. Implats gets control for no cash outlay and without having to make an offer to Barplats or Barmine minorities.

Through a scheme of arrangement, Barmine will become a wholly owned subsidiary of Barplats. Barmine minorities will have to take Barplats equity on a ratio of 35 Barplats shares for every 100 Barmine shares held. The price put on the deal is 571c a Barplats share, valuing Barmine at 200c a share. The ratio of 2,8 Barmine to 1 Barplats differs from the current ratio of 2,6 1. Rand Mines financial director Ian Stevens says this reflects R35m in cash that will now be held in Barplats.

Hermie Engelbrecht, deputy executive director of the Securities Regulation Panel, says the offer to minorities that would normally be required, was waived because the panel accepted Implats' contention that this was a rescue. Implats MD Mike McMahon says he considers the terms fair to minorities. Board of Executors Merchant Bank, which consulted to Barplats, supports this.

Barlow Rand chairman Warren Clewlow says the deal will benefit all parties and his group will retain a strategically valuable stake in a platinum company.

Even so, the terms are punitive for Rand Mines, which may have to cut its dividend this year by as much as 50%. Having pumped close to R1bn into the operation, Rand Mines ends up with a heavily diluted stake in a mine that has been halved in size and into which it will have to put more money through another rights issue.

While Implats is convinced the new-look Barplats is viable now that it is free of debt, it will produce about 90 000 oz of platinum annually instead of the 180 000 oz planned by Rand Mines. Implats intends making sweeping changes, including a radical revision of mining operations and mothballing

FM 9/8/91 (217)
Barplats' smelter and precious and base metal refineries

Rand Mines will take on R343,5m of Barplats' debt, for issue of Barplats shares at 571c each. Implats takes 38% of Barplats, for contributing minerals adjacent to the Crocodile River and Kennedy's Vale mines, as well as its technical, managerial and marketing skills. Implats got the mineral rights from Genmin by issuing 1,04m shares, worth R57m at current prices.

Rand Mines will hold 45% of Barplats but has agreed to set up a holding company structure through which Implats will have 75% of a company that in turn will hold 51% of Barplats and so ensure equity control.

McMahon says the addition of shallow ore reserves to the Crocodile River mine is crucial. The large opencast operations can be stopped and underground development at Crocodile River can be cut back.

It resolves problems with expanding the mine caused by blocks of mineral rights owned by JCI inside the Crocodile River lease. These interfered with the mining plan and Rand Mines had been unable to acquire the rights. McMahon says Implats has more negotiating flexibility on these rights, which could be swapped for other ground that Rustenburg Platinum wants. Rusplat MD Barry Davison confirms this.

Barplats' concentrate will be treated through Implats' own smelters and the base metals will be recovered through Implats' base metal refinery. Barplats' precious metals will be toll-refined overseas. Little management attention has yet been given to what could be done with spare capacity in the mothballed smelting and refining plants.

So far, Golden Dumps and Rand Mines have poured R1,2bn into the two mines — Crocodile River and Kennedy's Vale — owned by Barplats, but another R300m is needed for Crocodile River. That could be cut to R100m if Implats succeeds in its proposal to the Receiver of Revenue that it be allowed to offset capex at Barplats against its SA tax base. Implats' share of this rights issue will be its only cash commitment in acquiring Barplats.

Brendan Ryan

FM 9/8/91 (217)

"significant" if prices do not improve, but declines to make precise forecasts

Davison remains confident on platinum's long-term fundamentals but concedes little can be expected in the way of price improvements till the benefits of an upswing in international economic activity are felt

Rusplat continues its policy of not disclosing detailed information such as production levels, unlike rival Impala, which last year started publishing these Davison says this is to protect a competitive advantage

Marketing director Todd Bruce says platinum is unlikely to improve significantly until the US economy shows definite signs of recovery, particularly in the motor sector, but points out that signals are this is under way

"Fourth-quarter platinum and rhodium orders by domestic US automobile manufacturers are significantly higher than in the previous three quarters Evidence is mounting that the economy in general is moving out of recession Unemployment insurance applications dropped in July, as did unemployment, while manufacturing grew at the fastest rate in over two years," Bruce says

Japanese demand also still grows, with January-May platinum sales by Rusplat's agents up 23% on last year Net platinum imports by Japan rose 30% over the period

Bruce repeats Rusplat's contention that the threat to platinum from palladium autocatalyst developments has been greatly exaggerated and debunks the latest claims of a manganese-based autocatalyst.

With its powerful balance sheet Rusplat is the best-placed producer to survive bad times in the platinum market but sister mine Lebowa Platinum is not so fortunate

Its taxed profit fell 45% in spite of a 44.4% increase in turnover for a number of reasons, including the effects on cost of sales of lower metal stocks and labour problems which caused a month's closure

After-effects of the labour trouble are still

continue →

SEPARATE PATHS

Rustenburg Platinum

Year to June 30	1990	1991
Turnover (Rm)	2 943	3 426
Cost of sales (Rm)	1 660	2 049
Attributable (Rm)	551	804
Earnings (c)	440	482
Dividends (c)	310	350

Lebowa Platinum

Turnover (Rm)	77.5	111.9
Cost of sales (Rm)	60.3	97.8
Attributable (Rm)	18.6	10.2
Earnings (c)	15.5	8.5
Dividends (c)	7.5	nil

RUSPLAT/LEBOWA FM 9/8/91

Before the fall

(217)

Final results from Rustenburg Platinum (Rusplat) are better than expected, but the modest increases in earnings and dividends will be wiped out this year if present platinum and rhodium prices persist for any time

Rusplat lifted turnover by 16.4%, thanks to a trebling in the average price received for rhodium to US\$4 601/oz (1990. \$1 479). That more than offset an 11.7% drop in the average platinum price to \$428/oz (\$485)

Both have since fallen, with rhodium down around \$3 200, while platinum has plunged further to as low as \$348 in recent days. For the first time since about 1987, it stands at a discount to gold

MD Barry Davison sees little chance of any swift recoveries in prices. He says the impact on revenues and earnings will be

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being felt Lebowa is expanding from a mill rate of 50 000 t/month to 100 000 t/month by August next year. In a presentation at the end of May, management was confident this forecast would be met Davison now indicates that may not happen, as productivity targets are not being achieved

Lebowa is borrowing platinum to meet the shortfall on contractual commitments, which adds to costs Davison says details of how much shareholders will have to contribute through a rights issue to completion of the Atok mine expansion should be published by end-August

Brendan Ryan

continue →

PLATINUM

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Golden link *FM 9/8/91*

Japanese disillusionment with platinum has followed diminished expectations for silver in putting a damper on gold. But it is a knee-jerk reaction and the short-term linkage of sentiment between the precious metals belies the differing fundamentals of the three.

Platinum is in oversupply. Last year's surplus of 70 000 oz threatens to be higher in 1991: Soviet shipments in the first six months of more than 700 000 oz are equal to the whole of the previous 12 months. The US plans to sell US\$100m worth from its strategic stockpile. There are doubts about the strength of economic recovery in the US and hence the outlook for autocatalyst demand.

So platinum should be trading like an industrial metal, London analysts argue.

The two metals are chalk and cheese. Jewellery offtake accounts for 71% of gold demand and last year almost matched Western mine production and "communist" bloc net sales.

Only 36% of platinum goes into jewellery, 91% of that is in Japan (1.19m oz or 32.5% of world demand last year, according to Johnson Matthey). Such overlap as there might be occurs only in Japan, where gold carat jewellery fabrication amounted to some 3.3m oz in 1990, only 5.2% of the global total reported by Gold Fields Mineral Services.

"But Japan is a taste-driven market for platinum jewellery. There is not much evidence that a price differential against gold has a marked effect," says Jon Bergtheil of stockbroker James Capel.

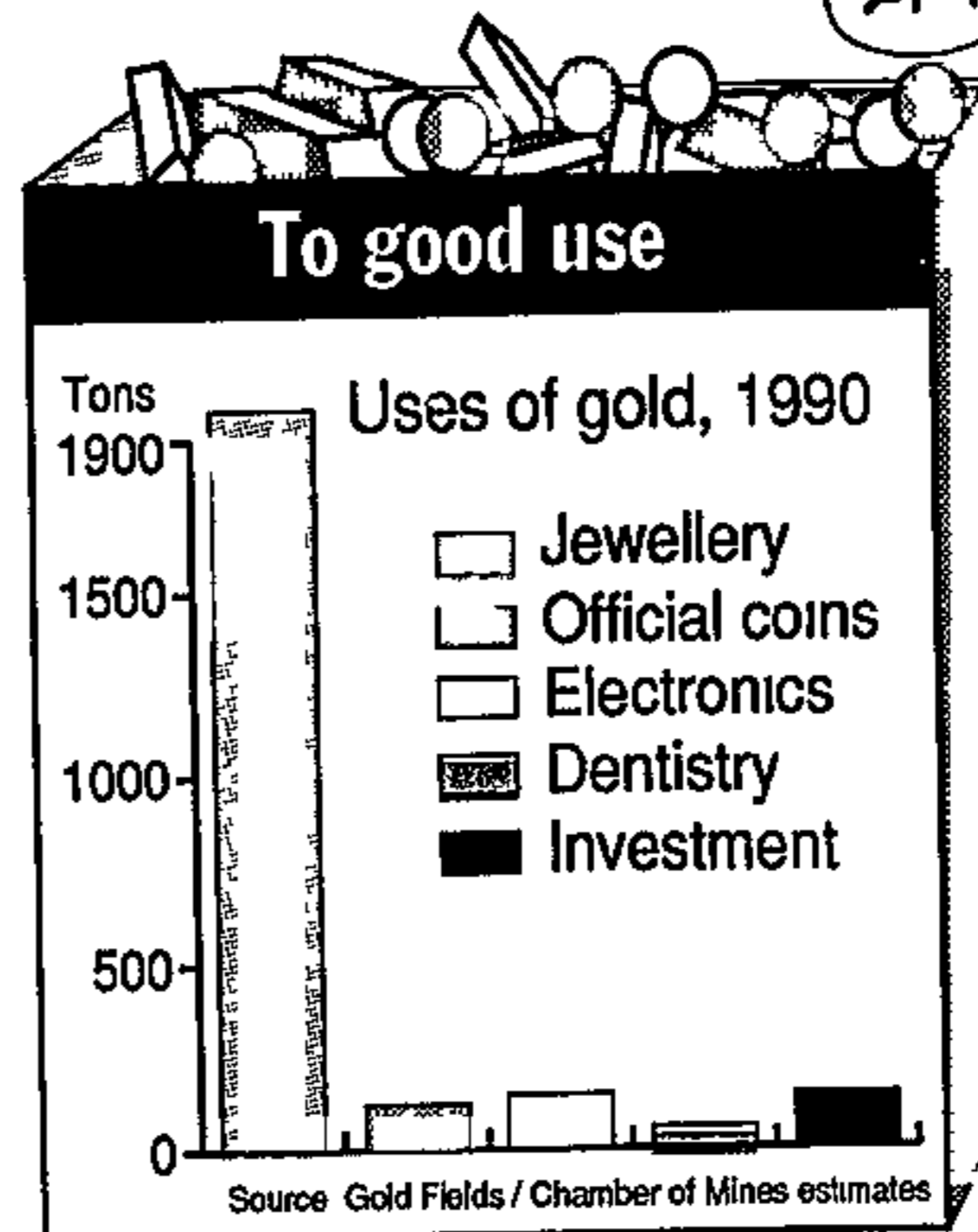
Historically there is little to suggest significant jewellery ties between platinum and gold. Between 1986 and 1990, Japanese platinum jewellery consumption shot up by 61% — during a period when its premium over gold approached \$180/oz and established what came to be regarded as a rule-of-thumb range of around \$120-\$140.

By contrast, Japanese gold jewellery fabrication increased by only 26% in the same period, against a global 72%.

Yet the two metals broadly tracked each other at a consistent distance over the past five years — with the notable exception of the final quarter of 1987, which embraced the October equity Crash and first of 1988, when conflicting anxieties about the world economy closed the price differential down

ECONOMY & FINANCE *FM 9/8/91*

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to almost zero.

Since Iraq invaded Kuwait and confirmation has come of recession in the US and other Anglo-Saxon economies, platinum has taken a hammering, with the monthly average price down 29%, while gold has held relatively steady in the \$355-\$390 range to produce the discount. This matches 1984-1985, when cumulative platinum surpluses amounted to 480 000 oz.

Bergtheil believes the difference between gold and platinum will be enhanced during the next few years. "There is a brake under gold at \$350 because of the amount of production which becomes unprofitable. We expect a steady 2% annual drop in output during the Nineties," he says.

"When you run the platinum figures through you get rising output. As production cost averages \$240/oz the price could fall a lot more before supplies are cut back." ■

Aussie fears of SA put to rest

(3 Times) 11/8/71
By LOUIS BECKERLING

PERTH — The return of South African minerals to world markets is unlikely to undermine Australia's competitive position, anxious investors have been told.

More likely, says a broking analyst, is a firmer world price for coal as SA producers are relieved of the need to discount and so bust sanctions.

The reassurance comes from JB Were & Son mining analyst Ross King in a research note to clients of Australia's largest and oldest stockbroker.

But Mr King is not equally confident about the outcome of a tug of war which might break out between the two countries for investment capital.

He also warns that exports of steel-related products by SA producers to Asian markets could present Australia with fierce competition.

The anxiety in Australia about the attraction presented by SA mineral producers to the world investment community stems from the relative sizes of the mining sectors in the two countries.

By Mr King's arithmetic the SA mining sector is valued at A\$114-billion and makes up 66% of total market capitalisation on the JSE. That makes it two-thirds the size of the entire Australian share market.

As sanctions are lifted, says Mr King, SA could become a more attractive haven for investment and Australia could falter in the tussle for capital.

As sanctions, particularly those applied by the US, are scrapped and SA sheds its pariah status, several scenarios are possible in mining investment and the export potential of various commodities, says Mr King.

Constraints

The issues, to take into account when comparing the competitiveness of Australia and SA for various export markets, include

- It will take SA some time to increase production of various commodities to take advantage of new markets
- There may be infrastructural constraints to increased exports that may take years to overcome — Richards Bay coal terminal for one
- SA has exported various commodities at a political discount to the market, for instance, coal.

This means there will not suddenly be a surplus of coal, but there may be greater export strength in price negotiations and therefore higher prices.

- SA is likely to direct more products to Europe than to South-East Asia, steel, iron ore and manganese being the exceptions.

Mr King says SA steam-coal exports total 49-million tons compared with Australia's 46-million and iron-ore exports total 10,2-million tons compared with 15-million from Australian producers.

SA manganese production is 2,1-million tons compared with 3,9-million for Australian producers. SA steel output is 6,6-million tons compared with 8,7-million in Australia.

Lonrho SA in

Soviet link-up

Stines (Burs Times)

LONRHO, South Africa's third-largest platinum producer, is becoming a major player on the international stage.

Terence Wilkinson, chairman and managing director of Lonrho SA, recently visited the Soviet Union for discussions with officials

Mr Wilkinson says the objective of the visit was to promote the exchange of technical and marketing expertise for the benefit of both parties

The Lonrho group has a significant presence in the Soviet Union and the visit was set up by Tiny Rowland, managing director and chief executive of Lonrho plc

Merensky

Lonrho SA's international initiatives are being supported by growth in South Africa. It is planned to increase production from 375 000 ounces of platinum in the year to September 30 to between 650 000 and 700 000oz by 1995. Contracts have been concluded for the sale of the additional production

Production of platinum group metals (pgm) in 1994-1995 will come from about 10-million tons of ore, of which 60% will be UG2 and the balance Merensky Reef. However, this ratio could be varied according to demand for the different pgm. Current group production is about 7-million tons a year. Annual production from individual mines

11/8/91

21st

By IAN ROBINSON

will be Eastern Platinum 2-million tons (UG2), Western Platinum 2.9-million tons (UG2) and 1.4-million tons (Merensky), Karee a million tons (UG2) and 2.5-million tons (Merensky)

The expansion programme will consolidate Lonrho's position as the lowest-cost producer in SA. Karee has a higher grade than Western and Eastern Platinum because it tends to improve in a westerly direction.

A major factor contributing to Lonrho's low production costs is the shallowness of its operations. Most of its operations are at a lower average depth than competitors.

Lonrho's deepest operations will be from Western's No 4 shaft. The shaft has been sunk to a depth of 950 metres, but it will be many years before mining takes place at this depth.

Pioneer

The shaft will have a hoisting capacity of 350 000 tons a month, both Merensky and UG2 reef. The shaft has been sunk to replace worked-out Merensky Reef and to provide new UG2 capacity.

Lonrho has pioneered the exploitation of the UG2 Reef. It has different concentrators and smelters for the two reefs and blending of the process streams occurs only at the converter stage. At present the group operates five dedicated UG2 and two Merensky smelters.



TERENCE WILKINSON Back from the USSR Picture SUE KRAMER

NESS

Recovery seen for platinum prices

217
Aug 12/8/91

The Argus Foreign Service

LONDON. — Dealers believe the slide in platinum prices — one of the factors depressing the gold price — is nearly over.

"It is extremely difficult to predict the bottom of the market, but it is always darkest before the dawn," says a London platinum dealer.

After dipping below \$350 an ounce in New York, platinum has recovered to \$351, a discount of \$7.50 to gold. Platinum is at a five-year low and prices compare with quotes of nearly \$550 in 1990.

Meanwhile palladium at \$83 has been depressed for years and rhodium prices at \$3 000 an ounce "and trending lower" compare with a peak of \$7 300 last year. A price of \$3 000, however, is still reasonable because rhodium was around \$1 300 in 1989.

The slide in prices, however, indicates that profits of the platinum mines will be under pressure unless the main metal, platinum revives.

The main reason for platinum's recent demise is a sur-

feit of Russian metal in Switzerland.

As reported several weeks ago, the Soviet Union is using platinum as collateral to raise foreign exchange.

In an unusual deal the Soviets deposited around 1 million ounces of platinum with Swiss banks to be mainly used as a swap for foreign exchange.

The platinum swaps improve liquidity in the market by enabling merchants and banks to lend more metal to each other.

The deals in themselves should not place pressure on prices, but the knowledge of the stocks has had an adverse psychological impact on the market.

Lending rates in the platinum market fell from around 5.5 percent to 1 percent, making it much easier for professional dealers to sell the metal short. Moreover, the Soviet Union unwound some of the swaps, say Swiss dealers, and sold some platinum from stocks.

Adding to the misery of the mines, disenchanted Japanese speculators have dumped metal, the US General Services Ad-

ministration said it intends selling platinum and the market fears substitutes for auto catalysts.

All these negative factors have coincided with the Northern hemisphere summer months which are normally associated with slower demand from fabricators.

Production at North American automobile factories is also down, so demand for platinum group metal catalysts has fallen.

Nevertheless the market is hoping that yet another US interest rate cut will help revive the motor industry and raise demand for platinum in the Northern hemisphere autumn months.

London platinum dealers also believe that Impala's acquisition of Barplats will reduce supplies.

"People tend to forget that producers are conscious of the market and will not raise output regardless," comments a London platinum dealer who notes that consumer stocks are at low levels.

Atok mineral rights battle 'nears end'

THE parties involved in the legal wrangle over base metal mineral rights being exploited by JCI-owned Lebowa Platinum's Atok mine might know in October who is entitled to dispose of the rights

Trojan Exploration director Lawrence Blomkamp said yesterday Leplat would submit legal documents next week in terms of a declaratory court order filed in April

Trojan would then seek a date for a court hearing in terms of the order at which judgment would be given

In 1989 Trojan secured a three-year prospecting contract from African Finance Company (AFC) and an option to purchase the base metal mineral rights on a farm at Atok owned by AFC. The farm is one of the properties on which Leplat mines at Atok

MATTHEW CURTIN

Trojan has asserted that Leplat does not own the base metal mineral rights at Atok. Leplat does own the precious metal mineral rights, but in order to extract platinum group metals it has to refine base metals, in particular copper, nickel and cobalt.

Leplat chairman Barry Davison reiterated at the presentation of Rustenburg Platinum's and Leplat's preliminary results last week that the company was legally entitled to mine and dispose of base metals mined in conjunction with platinum.

Trojan aimed to acquire the base metals produced at the one farm at Atok, Blomkamp said. It did not necessarily seek financial compensation.

He said if judgment went against Trojan or JCI appealed against the court's decision, the new Minerals

Act which comes into effect in January would be a significant boost to Trojan's claim.

The new legislation says "Any person mining any mineral under a mining authorisation may, while mining such mineral, also mine and dispose of any other mineral in respect of which he is not the holder thereto but which must by necessity be mined together with the first-mentioned mineral provided that such person shall compensate the holder of the right to such other mineral or his mineral to an amount mutually agreed upon."

Blomkamp and fellow Trojan director Martin Brink together with Loucas Pouroulis were awarded part of a prospecting lease formerly held by Rusplat on government mineral rights near Brits in 1986.

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Report 'expected to back kaolin mining'

CT14/8/91

Municipal Reporter

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THE final version of an environmental impact study, due to be released today, is expected to endorse kaolin mining near Chapman's Peak.

The study, due to be released today, was commissioned by Serina (Pty) Limited, the firm which already mines kaolin in the Noordhoek Valley and which hopes to extend its operations on to the new site.

A draft version of the study, leaked to the press last year during the consultation process, contained the conclusion that kaolin mining and the development of Noordhoek's tourist potential were "not mutually exclusive".

Observers said yesterday that it was unlikely that the final report would differ markedly in this respect from the draft report.

The draft report said the tourist industry was sufficiently flexible to tolerate the presence of a well-managed kaolin-mining development.

Platinum industry 'is on the brink of a recession'

MATTHEW CURTIN
and IAN HOBBS

TUMBLING platinum and rhodium prices were on the brink of pushing SA's platinum industry into recession, analysts said yesterday.

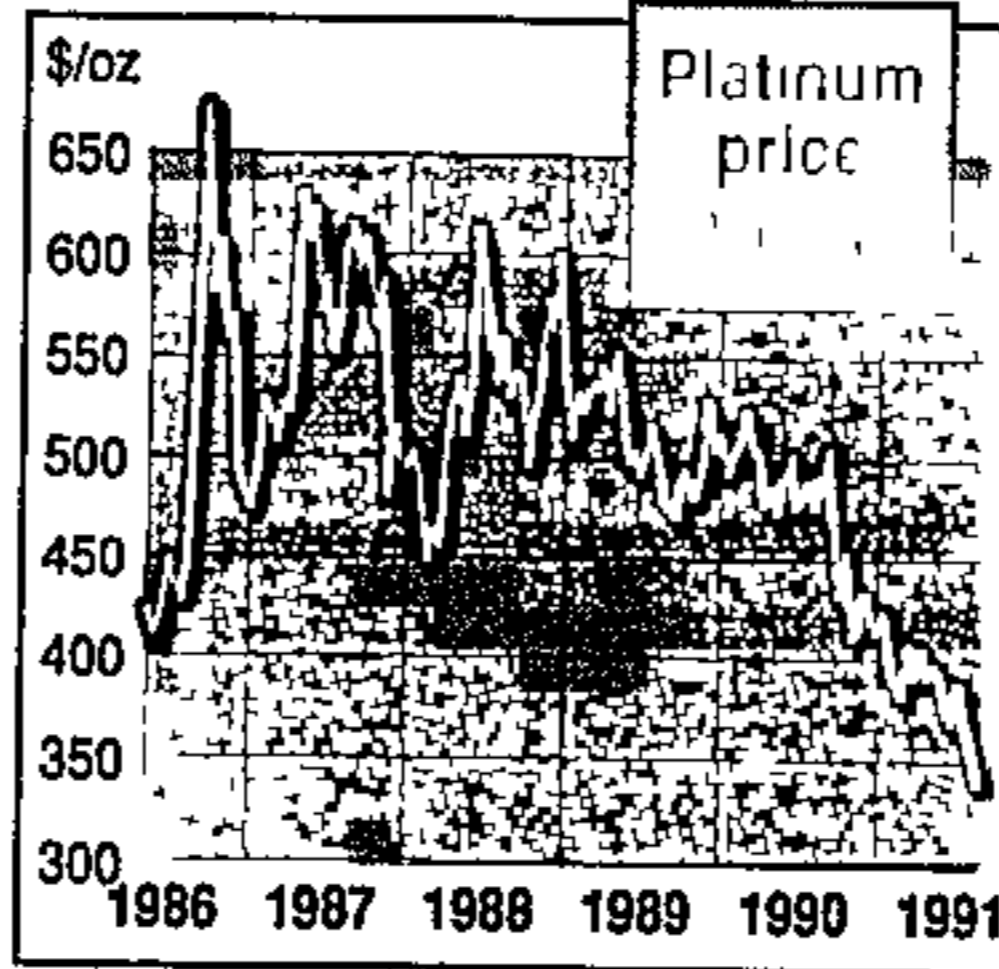
Even if nervousness in the sector proved unfounded in the long term, they said the low prices would affect earnings of market leaders Rustenburg Platinum (Rusplat) and Impala Platinum (Implat) in the first half of this year.

One analyst said the extent to which the depressed conditions in the motor industry were affecting the platinum price was being underestimated.

As more than 40% of platinum was used for car catalysts, the 33% cut in US car sales and the 25% cut in Britain in the past year were having a devastating affect.

"It could well drive platinum prices down to \$320/oz, and rhodium to \$2 500/oz," he said

Platinum prices have been on the slide since a high of \$612 in June 1988. Rhodium which traded for years near \$1 000 rocketed to \$5 600 at the end of 1990



Graphic: FIONA KRISCH Source: I-NET

Rusplat chairman Pat Retief said yesterday he was "not happy with the current circumstances"

The market "never really recovered from Ford's announcement" in December 1988 that it had developed a palladium-only car catalyst.

Users and dealers in London said that while the platinum market was "jumping" at every new report concerning catalysts, the heavy selling in Tokyo and heavy-duty price dive was no cause for panic

"Investors in Tokyo have been sitting on long positions," said a Johnson Matthey dealer "They are normally very resilient but they have had

reasonable offerings and after all the bad press recently about catalysts, they are selling"

Another dealer said "The precious metals market is extremely quiet with most of America and Europe on holiday and any volatility, like the action in Tokyo, is magnified"

Retief said palladium catalysts had "limited market penetration" while observers tended to forget that it was impossible to produce palladium without producing platinum and rhodium.

He said sentiment was also influenced by the weakness of Western economies and dramatically increased Soviet offloading of platinum in Switzerland. He said imports of Soviet platinum had jumped from a norm of 550 000 ounces a year to 750 000 ounces in 1990 and 1-million ounces in the first half of this year.

Frankel Max Pollak Vinderine analyst Kevin Kartun said with profit margins of up to 40% at Rusplat and Implat, the sector was resilient. He suggested that as 95% of platinum was produced by SA and the Soviet Union, closer collaboration between the two producers, as in the Lonrho/Soviet agreement signed recently, might bolster prices.

Proposed Chapman's Peak mine impact study finished

CAPE TOWN — A comprehensive environmental impact study on the proposed kaolin mining project behind Chapman's Peak has been completed by consulting engineers at a cost of hundreds of thousands of rands

The two-year study, undertaken by Steffen, Robertson & Kirsten and presented to the authorities, details the measures which should be adopted to minimise the impact of the proposed mine at Noordhoek on the environment

The proposed mine has

15/8/91
LINDA ENSOR

elicited a storm of protest from action groups such as the Save Chapman's Peak Action Group, which collected 50 000 signatures in a petition

Concerns of these groups ranged from the proposed mine's visual impact, noise and dust levels, heavy vehicle traffic, effluent disposal and the effect on property prices and the tourist industry

Assistant Government Mining Engineer Cape Town region Hilton Mulke said yesterday no mining permit had as yet been granted to kaolin mining company Serina — ultimately owned by Sanlam — as the conditions attached to the permit had yet to be determined. If the permit was granted, these conditions would stipulate what environmental measures had to be adopted.

But Serina MD Carl Tarrant said he had been given an undertaking by the authorities that the mine could proceed once these conditions had been worked out. He said the environmental impact study and other preparatory work had cost Serina R800 000

Serina presently mines kaolin, used in paper and

ceramic manufacture, at Brakkekloof, about 7km from the proposed mine, and supplies about 90% of South African demand. The proposal is for Noordhoek to replace Brakkekloof when this mine comes to the end of its life in a few years time

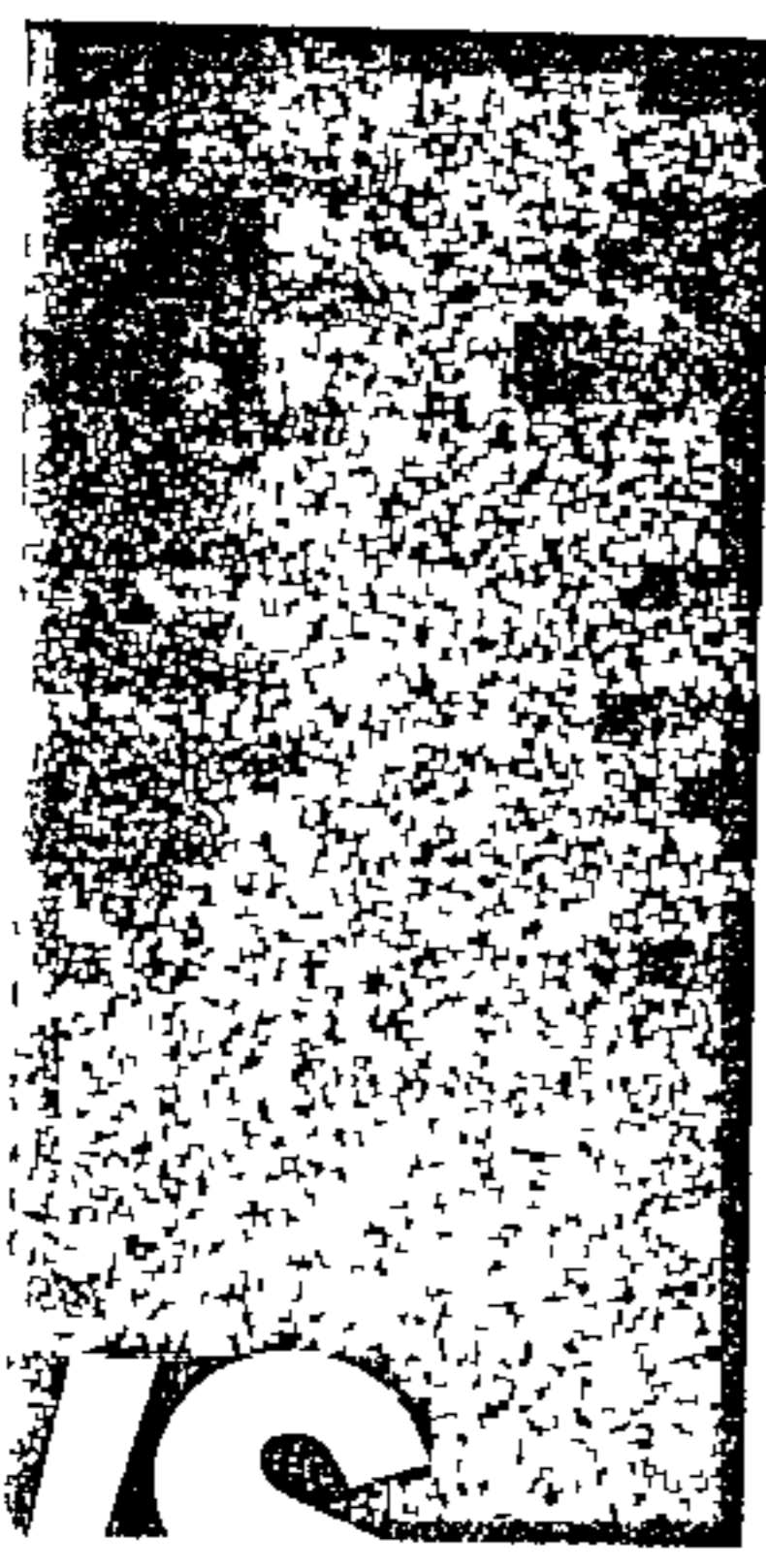
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Degraded

Steffen, Robertson & Kirsten environmental scientist Mary-Jane Muller said at a presentation yesterday that the impact of the mine could be largely overcome if the environmental measures proposed were implemented. Even with these measures property prices would initially drop but should recover over time. If the measures were not implemented, property prices could drop by 20-40%

The impact on surface water was unlikely to be great while the site of the proposed mine was in an ecologically degraded state and mining would not affect the fauna and flora

The study said a major drawback would be the mine's visual intrusion on the landscape and the intrusion of noise. Provided control measures were in place, dust should not be a health hazard



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Palamin's higher copper sales offset drop in the rand price

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5/Day 15/8/91
MATTHEW CURTIN

HIGHER copper sales which offset a fall in the rand price of the metal helped Palabora Mining (Palamin) increase its earnings by 6% in the six months to end June. Earnings at the copper mine rose from 395c a share to 417c a share, and a second interim dividend of 140c a share was declared.

Palamin sold 61 000 tons of copper in first half of this year against 58 000 tons in 1990, but the price the company received fell from an average of R6 713 a ton in the first half of 1990 to R6 558 this year.

The directors said sales from the by-products, Palamin produced fell by R10m. The copper mine produces a range of by-products, a reflection of its geologically complex ore body, which include uranium, vermiculite, zirconia, sulphuric acid, nickel and precious metals.

The directors said the "major adverse

component" in the lower by-product sales was uranium, the result of the long-standing depressed international market for the metal.

Turnover and operating profit improved in the period but the directors said the 15,5% fall in net profit reflected a change in the company's method of valuing stock, meaning 1990 interim figures were adjusted by R28m.

Capital expenditure rose from R95m to R114m. Palamin has started its expansion programme which will see it cease opencast mining activities and begin underground operations at the turn of the century.

Opencast ore reserves will be exhausted by then and tunnel development from the mine's exploration shaft began in June. The cost of the exploration is R53m.

Brighter outlook for platinum metals

From IAN HOBBS

LONDON.—The phasing in of legislation making car and truck catalysis compulsory is likely to spur growth in demand for the main platinum metals "in the years ahead", the Journal Metals and Minerals said yesterday in its annual review.

Despite the fall-off in car and vehicle sales in Europe and the USA knocked the price down, Metal and Minerals was optimistic about platinum metals and said production would continue to in-

crease in response to present and anticipated demand.

The review said the stringent emission controls coming into force, with all new petrol and even many diesel driven vehicles expected to need compulsory catalysis in Europe, America and other countries before the year 2000, the outlook was for "strong growth in demand for platinum, palladium, and rhodium by the automobile industry for the foreseeable future."

"Industry experts believe that loadings of platinum and rhodium

per-catalyst are set to rise by nearly 30% to cope with the stricter standards," said the review. "Also, more countries in the developing world are considering the introduction of emission control standards."

The automobile industry consumed about 40% of platinum supply in 1990 at 1,55m ounces and this is expected to rise to 1,7m ounces by the end of 1991. Jewelry consumption at 1,35m ounces last year is expected to rise to 1,5m ounces.

But demand by other platinum consumers, ranging from special-

ist chemicals to electronics and the glass industry, has been static at 950 ounces since 1989 and is expected to drop to 920 ounces this year, with the biggest decline of about minus 3% in electronics demand.

● Users and dealers in London said that while the platinum market was "jumping" at every new report concerning catalysts, the heavy selling in Tokyo and heavy duty price dive was no cause for panic.

"Investors in Tokyo have been sitting on long positions," said a

Johnson Matthey dealer. "They are normally very resilient but they have had reasonable offerings and after all the bad press recently about catalysts, they are selling."

Another dealer said there was no indication of new selling. People mainly in the Far East are offloading and it had sparked a bit of action in Europe.

"We tasted a new low in New York but it bounced well and will move up again. There will be a lot of people around to take up the slack on platinum."

Star 15/8/91

Palabora conserves cash

By Derek Tommey (217)

Palabora Mining, the nearest South Africa has to a base metal "blue chip", is conserving cash.

It has reduced its second interim dividend to 140c a share from 180c last year, even though earnings for the six months ended June are 5,5 percent higher if one excludes a R27,8 million bonsella arising from a change in accounting policies at the beginning of last year.

This year's first and second interim dividends together are equal to 250c a share, against 290c last year.

Palabora increased its copper sales to 61 116 tons in the first half of this year, from 57 999 tons

in the same period last year. But this increase was partly offset by a drop in the copper price from R6 713 to R6 558

Sales of by-products dropped by about R10 million owing mainly to the depressed uranium price.

Turnover rose 2,2 percent to R557,6 million, while operating profit rose fractionally from R244,5 million to R245,8 million

Profits before tax dropped 2,5 percent to R243,8 million, as a result of increased interest payments, but profit after tax increased 5,5 percent to R118,0 million equal to 417c against R111,9 million equal to 395c a share last year before the including of the R27,8 million bonsella.

Messina will look to market for R230m

B/Day 16/8/91
 IMPALA Platinum subsidiary Messina Limited would raise R230m in a rights issue, to take place between April and June next year, in order to finance development of its R400m platinum mine in Lebowa, MD Mike McMahon said yesterday

Messina announced in January that in addition to R51m already allocated to the project it would spend R339m to bring the mine to production at the end of 1994

Messina would produce 100 000 tons of ore a month and 60 000 ounces of platinum a year, a reduction on original plans for platinum production of 75 000 ounces a year at a cost of R500m

McMahon said the outstanding R110m needed for the project would be carried as interest-bearing debt during the later stages of the mine's development. Trial milling from the mine's two mining areas would begin in July 1993

Impala said last week it would have to spend R300m, pending a decision from the authorities on possible tax relief, to bring the Crocodile River platinum mine it acquired from Rand Mines into full produc-

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 MATTHEW CURTIN

tion in 1996 at a rate of 90 000 ounces of platinum a year. Impala is also expanding its main Bafokeng operations from 1,08-million ounces of platinum last year to 1,35-million by 1995.

Industry sources and some analysts said despite the current turmoil in the platinum market which has seen prices sink to their lowest levels for six years, the long term prospects for platinum demand would meet the expansion of SA production

McMahon said shares in Messina, which reported its first results yesterday as a company shorn of its copper, diamond and coal interests, was trading at a significant discount to the net asset value of the group

McMahon said Messina's market value was R93m. Yet the group had R77m in cash, owned mining equipment company Premier Equipment Holdings, had already spent R74m on mining assets at Messina and had more than 13 000ha of mineral rights

Messina's pre-tax profits fell 26% to R23m from R31m last year. Attributable earnings dropped from R37m to R11m

Platinum shares hit as metal price falls

Bloom 16/8/91

217

MERVYN HARRIS

PLATINUM shares were hammered on Diagonal Street yesterday as the metal's price tumbled on the back of another sell-off in Japan

However, the platinum price rose from day lows as bargain hunters entered the European market

After touching a low of \$335,50 in Tokyo, platinum firmed to close in London at \$342,50. This was nearly \$4 down from the previous close and there were fears that platinum could suffer another overnight loss in Japan

But some dealers said the widening discount to gold, which firmed slightly yesterday to close in London at \$358,50, could put a brake on platinum's fall.

Dealers on the JSE said a big selloff in Johannesburg Consolidated Investment (Johnnies) — it fell 100c to R50,50 on shares worth almost R14m changing hands — could have been motivated by Johnnies' major interest in Rustenburg Platinum which slumped 3,5% or 250c to R68.

Other platinum shares were also down sharply, led by Barmine and Barplat which each shed just over 15% to new lows of 55c and 140c, respectively.

But attention shifted from platinum to industrials as blue chips plummeted in a sudden selloff in mid-afternoon, which saw

the index plunge 1,3% or 56 points to 4 111, before recovering to close 38 points down at 4 129 as buyers entered the market to pick up shares at the lower levels.

The downturn of leading industrials ended a four-day run to new highs. The extent of the falls left many dealers baffled.

"Industrials were pushed to levels that could not be justified and have now come back to where they were a week ago," a dealer said.

Some analysts expect blue chips to resume their uptrend after taking a short breather.

In a highly volatile session of trading, share prices were also buffeted by a firmer finrand and a fluctuating gold price which briefly rose above \$360 on dollar weakness on news that the German Bundesbank had raised interest rates.

The dollar lost over a pfennig to DM1,7375 after the rates rise. The rand ended little changed from Wednesday's close of R2,8690 to the dollar after a volatile day's trade.

The strengthening of the finrand to R3,19 from R3,24 to the dollar was ascribed to the draft peace accord reached between government, the ANC and Inkatha.

Northam on target for platinum sales

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B/Dam 16/8/91
MATTHEW CURTIN

NORTHAM, Gold Fields' developing platinum mine, would meet its current development targets and sell its first metal at the end of August next year whatever the state of the platinum market, chairman Alan Wright said yesterday.

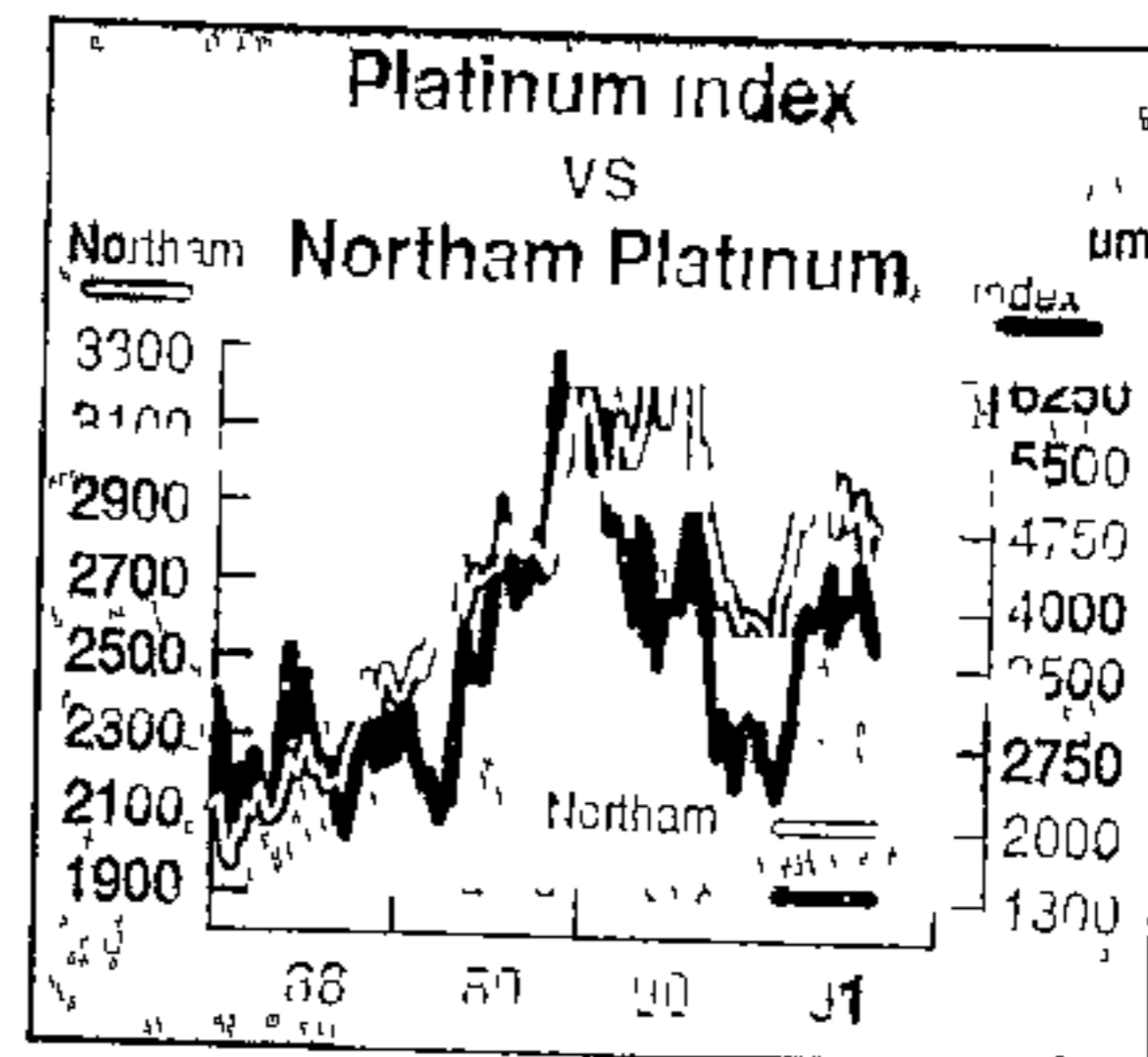
Unperturbed by the bearish sentiment which has driven platinum prices to near six-year lows and slashed more than \$2 000 off rhodium prices since the start of the year, Wright said "production plans are on course and will happen"

Northam, scheduled to reach full production of 150 000 tons a year in 1995 at a cost of R1.3bn, had enough capital to come to production, but was likely to need bridging finance to cover working capital by then

Wright blamed falling prices on the economic recession in the US and Europe which inevitably affected the motor industry, the main customer for platinum group metals (PGMs). In the longer term, he was confident tightening emission standards in the US and the EC would boost demand for PGMs and push up prices

The strength of demand was such that Northam was "very confident regarding future sales contracts". Customers liked to spread their "supply source risk" across producers if they could not do so across countries which meant Northam would be well placed by 1995

Wright's optimism contrasts with analysts' concern that because Northam is the world's deepest platinum mine also using new technology, its working costs are likely to be high enough to make it the plati-



Graphic LEE EMERTON Source I NET

num operation most susceptible to weak market conditions.

However, Wright said the conditions were no more difficult than at gold mines which had reached greater depths

Frankel Max Pollak Vinderine analyst Kevin Kartun said yesterday that Northam had so far met all its financing and development targets, and was "a success technically". The question mark hanging over the mine was its profitability. There were bound to be teething problems with the new hydropower technology and in the start-up phase of the mine's concentrator, smelter and base metal refinery

Northam had predicted an average in situ grade of 10g/t on the Merensky reef but samples to date had a lower average. Exploration from Rustenburg Platinum's neighbouring Amandelbult prospect showed an average grade of 7.5g/t

"Northam is down dip from Amandelbult and there is no evidence that grades increase with depth," Kartun said. Wright said grades so far encountered were in line with borehole results

Messina pushing on with new mine

Star 16/8/91.

By Derek Tommey

(219)

The Messina mining company is forging ahead with its plans to open a new platinum mine at a cost of about R400 million despite the recent slide in the metal's price.

Platinum was quoted on the London Metals Market yesterday at a new six year low of \$342,50 an ounce

However, analysts point out that production at the world's two largest producers, Rustenburg Platinum Mines and Impala Platinum, has not been affected by the current gloom in the platinum market

Neither company has received any request from customers to curtail supplies This suggests that the world motor industry is using the present situation to stockpile platinum ahead of the time when it will become more expensive — which is a bull point for the metal

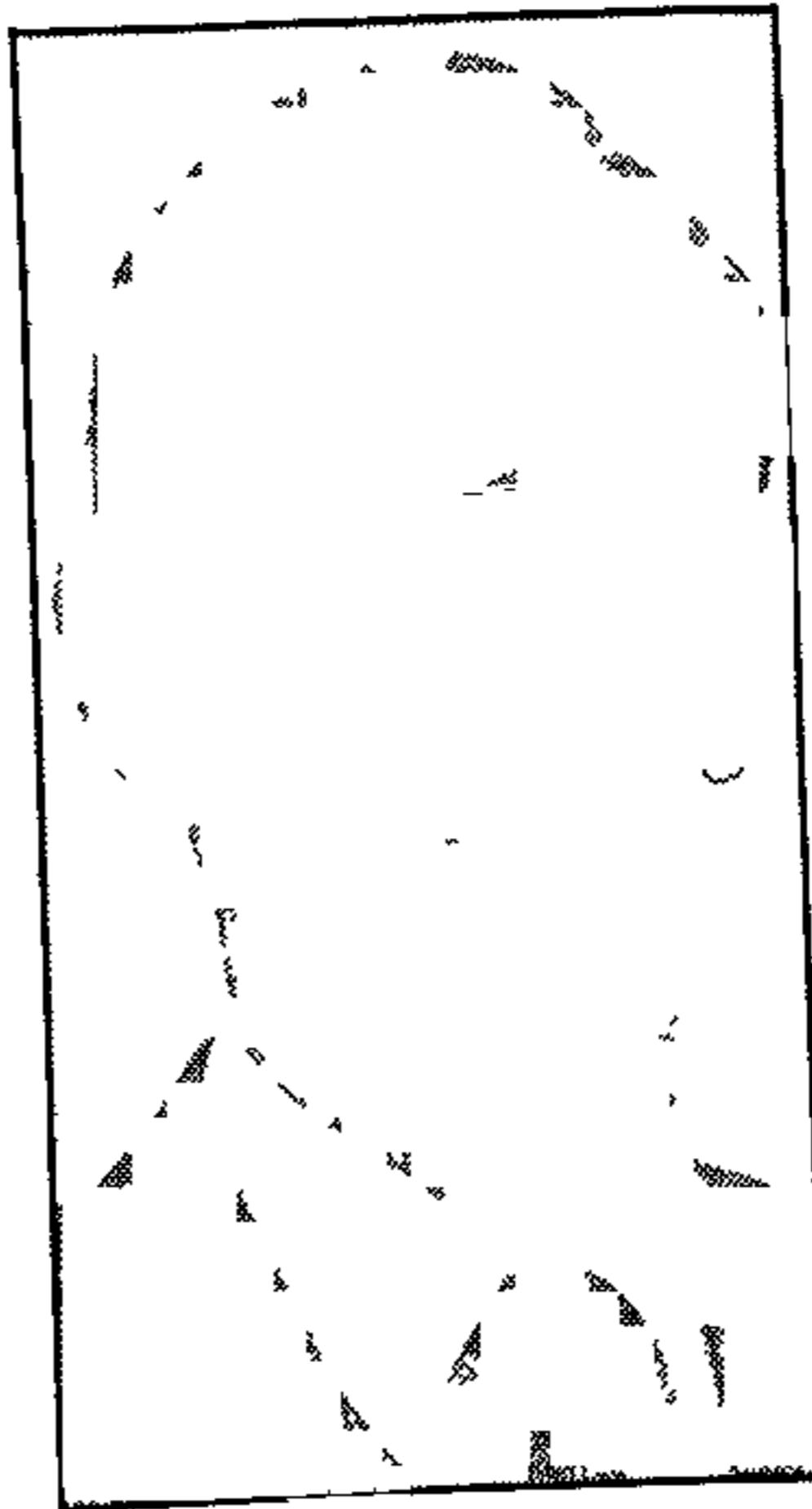
Messina, which is a subsidiary of Impala, says its new mine will be in full production by the end of 1994 It will mill 100 000 tons of ore a month and produce 60 000 ounces of platinum a year. This will give the mine an estimated life of 40 years

The mine originally intended milling 160 000 tons a month But a feasibility study showed that a lower initial milling rate would be more profitable

An amount of R339,3 million has been voted for the mine This is in addition to the R51,3 million already approved

The R339,3 million will be funded from a rights issue in the second quarter of next year which will raise R230 million, and the balance from loans

As it has a rights issue in prospect, Messina would no



Michael McMahon . Messina's share price is standing far below the company's net worth.

doubt like to see its share price at a higher level than at present as it would be able to issue fewer shares

This probably accounts for Impala's managing director, Michael McMahon, pointing out that Messina's share price is standing far below the company's net worth

In July 1991, Messina's average share price was 720c, giving it a market capitalisation of R93 million This is a significant discount to the net asset value as the group has R77 million in cash, is the owner of Premier Equipment, has spent R74 million on mining assets at Messina Platinum and has 13 401 hectares of mineral rights in Lebowa

Mr McMahon says he is confident that the company's value and underlying soundness will be recognised as soon as the project comes to fruition.

In order to raise cash for the new mine Messina has sold its copper, diamond and coal interests This brought it R9,7 million

In the year ended June Messina's earnings before tax, excluding the contribution from the sale of mining operations, declined by 26 percent to R22,8 million while attributable earnings declined from R36,6 million to R10,5 million

The planned mine design includes a 625 metre deep, 6,2 metre diameter vertical shaft at Voorspoed capable of hoisting 90 000 tons per month

On Doornvlei the existing 50 degree incline will be completed and will provide the balance of production by hoisting up to 12 500 tons per month Production from the two mining areas is expected to start with trial milling in July 1993

Additional exploration boreholes drilled in the past year on the mineral lease area to depths of 50 to 1500 metres have resulted in ore reserves almost doubling

Reserves (in-situ) calculated to a depth of 700 metres below surface for UG2 are now estimated at 35,1 million tons and the Merensky reserves are estimated to be nearly 24 million tons

The official languages at the Messina mine will be English and CipeDi The Lebowa Government indicated that it was not in favour of Fanagalo being spoken at the mine

Most of the people who are to be employed at the mine will be Pedi speaking and instead of teaching them Fanagalo it was decided to teach them English or to teach the non-Pedi speaking employees Pedi

Genmin's training and development department is to develop an English/Pedi course for Messina employees

Implats presses on despite market woe

S/Times (Bus/T) 18/8/91 (217)

IMPALA PLATINUM is continuing its long-term expansion strategy in spite of the current depressed market

The market is highly sensitive to rumours, such as those about substitutes for platinum in catalytic converters for vehicle engines. Other factors depressing the price are an oversupply of platinum, caused by low demand, and expansion planned by South African mines.

Control

The Barplats deal represents an important move in Impala's expansion strategy. The deal gives Implats a 38% share in the Barplats group and management control of both Crocodile River mine near Brits and Kennedy's Vale mine in the Eastern Transvaal.

It has expanded Impala's reserves by more than 200-million tons at depths of fewer than 1 000 metres.

Implats has thus reduced its dependence on deep reserves confined to its original operating area in Bophuthatswana near Rustenburg.

Implats has acted to extend its sphere of control through its acquisition of the Messina mine in Lebowa and a 27% stake in Lonrho's platinum operations.

Implats had been operating Crocodile River for six weeks before the official an-

By **IAN ROBINSON**

nouncement and is rationalising production from the mine.

Targeted production has been scaled down from 240 000 tons a month to 130 000, which equates to platinum output of 90 000oz a year. That should be achieved by 1996.

This production will be additional to 1,35-million oz a year according to the group expansion plan announced last year. Current annual production is about 1,1-million oz.

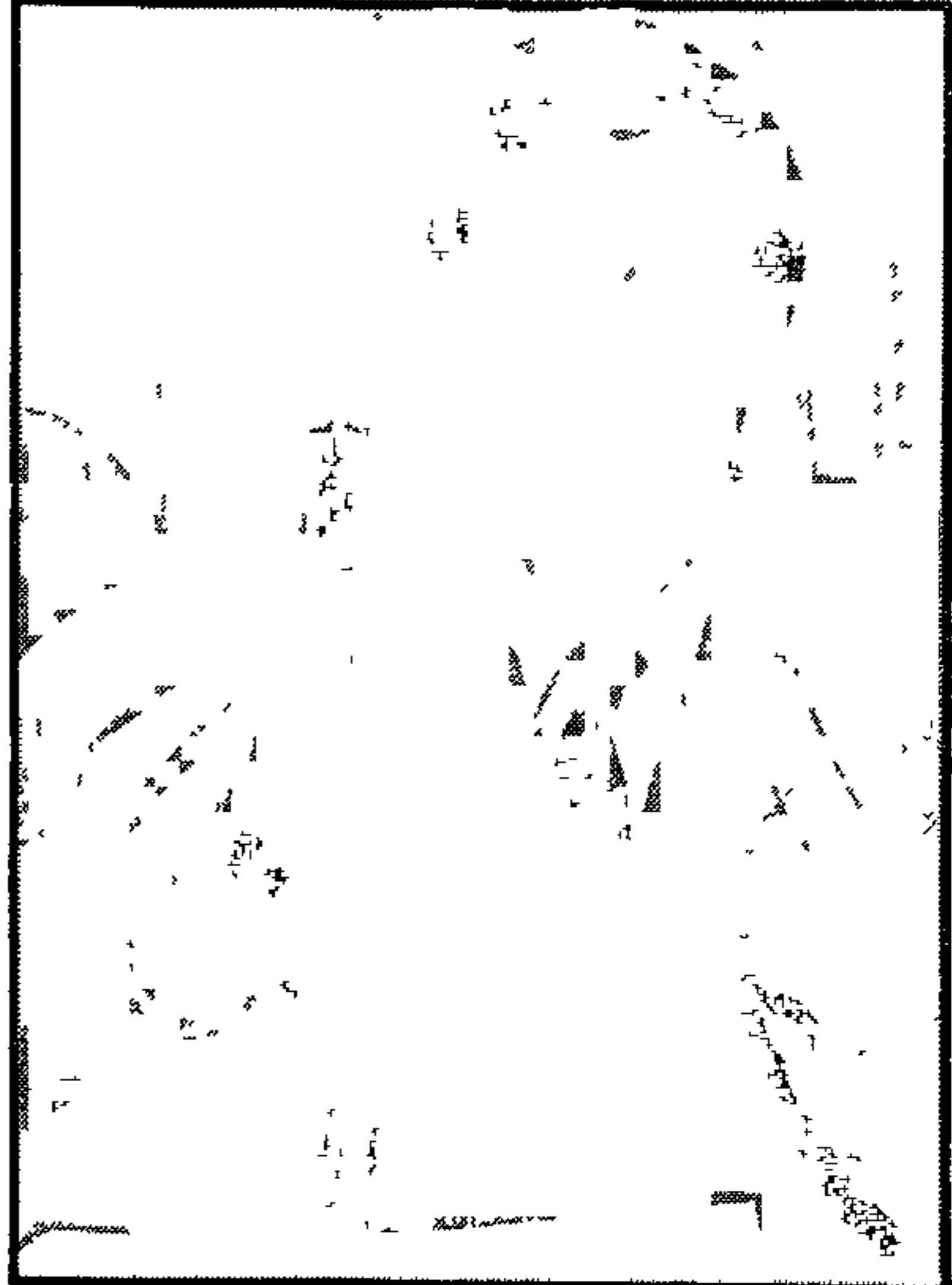
Implats senior marketing manager John Hollely is confident that platinum demand will grow in line with group production expansion. He expects growth in the automobile, fuel cell and jewellery sectors.

Jewellery

EEC legislation to reduce noxious car exhaust emissions will be introduced next year and should lead to an extra 100 000 to 400 000oz annual demand for platinum.

Moves to alternative "clean" power systems favour the introduction of fuel cells using platinum catalysts.

Platinum is being effectively promoted in Japan, Italy and Germany by the Platinum Guild International and jewellery designs are being introduced which use it in combination with gold.



JOHN HOLLELY Confidence in future. Picture COBUS BODENSTEIN

Production at Impala mines cut by half

PRODUCTION at four Impala Platinum mines near Rustenburg had been cut by 50% because of industrial action which started last Thursday, Genmin said yesterday.

The loss of metal production would only be apparent later "as a result of the long refining process", said a management statement.

The industrial action was continuing at the Wildebeestfontein North and Wildebeestfontein South mines.

All employees at Impala's five operations in Bophuthatswana reported for night shift on Monday and the morning shift yesterday, but workers at the two mines were still only working half shifts.

Workers at the Mineral processes plant, Bafokeng North and Bafokeng South mine were working full shifts.

Mineworkers embarked on a go-slow last Thursday to back demands

VERA VON LIERES

for a R20 across-the-board wage increase, the union said. By Monday, 1 600 miners were still continuing their go-slow strike (217)

Genmin said the situation at the mines remained tense and management was still concerned about the possibility of violence.

Violence broke out at the mines at the weekend and eight miners were killed there.

Genmin said it had consulted representatives of the NUM on Monday about the violence and described the talks as "fruitful". These talks on the violence and the wage issue were continuing *Blow 21/8/91*.

MATTHEW CURTIN reports Rustenburg Platinum (Rusplat) led yesterday's about-turn in the perform-

ance of platinum shares, but the continuing strike action at Impala Platinum hit the recovery of its share price so that it was trading at its highest discount to Rusplat for months.

Davis Borkum Hare analyst Alex Wagner said yesterday market leader Rusplat was moving towards recapturing its record premium over Impala shares.

Yesterday, Impala stock closed at R52,25, up 200c, but more than R13 below Rusplat which closed 250c up at R66 a share. The platinum index finished 157 points higher at 4 432.

Wagner said the five days of go-slows at Impala's mines would inevitably affect working costs and productivity at a time when platinum and rhodium prices were tumbling. Platinum prices fell back yesterday from \$354 to \$346 an ounce.

COMPANIES

Rhoex turns loss into profits

RHOMBUS Exploration (Rhoex) has reported a turnaround from its R346 000 loss reported at the interim stage by declaring attributable income 243% higher for the year ended June 8/12/91 ^{21/8/91}

Higher interest income of R6,3m (R4,6m) helped turn the operating loss of R1,5m into profits of R1,85m (537 000) after tax, finance charges and extraordinary items.

The company was hit by a R500 000 restraint of trade payment to former executive Les Holmes in the first half (217)

Commenting on projects in progress, directors said magnetite production at Rhombus Vanadium was being consistently and profitably supplied to Usko, albeit at

ANDREW GILL

underutilised capacity because Usko had not yet reached planned offtake levels. The two were still considering merging operations.

The Transkei Mineral Sands project had been hampered by legal complications regarding the mining lease granted by the Transkei government, but "good progress" had been made towards resolving it.

Encouraging results had been achieved in drilling at Steelpoort Chrome. Rhoex had also entered into a joint venture with Gold Fields Mining and Development to explore a platinum prospect in the northern Transvaal.

RhoEx posts sharply ⁽²¹⁷⁾

higher profit

Star 21/8/91
By Derek Tommey

Rhombus Exploration (RhoEx), which had sharply higher profits in the year to June, has a 40 percent stake in a joint venture with Shell South Africa to exploit mineral sands in Northern Natal.

Shell has paid RhoEx R4,7 million for work done and towards its contribution to a feasibility study.

A sharp increase in interest received boosted RhoEx's pre-tax profit to R2,35 million from R527 000 last year.

But a R500 000 restraint-of-trade payment to LG Holmes trimmed attributable income to R1,85 million (R537 000), equal to 6,99c (1,60c) a share.

At June 30, RhoEx had net current assets of R24,4 million, against R23,5 million a year earlier.

RhoEx is engaged in several prospects. In addition to the possible sale to Usko of Rhombus Vanadium, in which it has a 39 percent stake, it has bought a 50 percent stake in the Taaiboschpruit Colliery.

Negotiations are in progress for a washing plant and for markets for the company's coal.

Rand Mines sells Vansa Vanadium assets

(217)
RAND MINES has sold the assets of its mothballed Vansa Vanadium operation for R17m to Vanadium Technologies (Vantech), a consortium made up of Chromecorp Technology and Swiss commodities dealer Marc Rich (Buy 22/8/91)

In a separate development, Highveld Steel & Vanadium said yesterday it had closed its Vantra division temporarily because of poor market conditions. One of its senior staff members had resigned to join Vantech.

The weak market for vanadium prompted Rand Mines to shut Vansa down and Highveld to close Vantra temporarily at

MATTHEW CURTIN

the end of last year. Highveld also had to lower its vanadium price for the September quarter from US\$3,10/lb to \$2,90.

Analysts said that Vantech's purchase of Vansa was a bargain. Vansa had an issued share capital of R46m and spent more than R30m on the mine in 1989 and 1990.

Analysts said there was speculation that Usko was on the verge of selling its troubled vanadium operations and that Highveld was one prospective buyer. A Highveld official said yesterday it would be premature to comment on the issue.

Producers of platinum may face leaner times

By Day 22/8/91

217

ANDREW GILL

PLATINUM producers may be facing leaner times in the short- to medium-term as uncertainties continue to plague a market tied to sectors that have reduced dependence on the white metal

The attempted Soviet coup was the latest in a number of scares that have sent the market reeling. Analysts were mixed on the effects it would have on the market.

Autocatalysts account for about 36% of platinum demand and manufacturers are constantly looking for cheaper metals to substitute the platinum content.

Japanese investment is dwindling and

strong selling has been evident in the past few weeks.

The price has been dipping for months and finally traded at a discount to the gold price earlier this month.

Platinum was fixed at \$346 in London yesterday afternoon from an overnight \$345, while gold ended at \$356.25.

It last traded at a premium in October 1987 and briefly earlier this year.

Nissan, Isuzu and ARCO have all scared the market with palladium-only converter announcements this year. This followed Ford's 1988 statement that it had made a palladium-only converter.

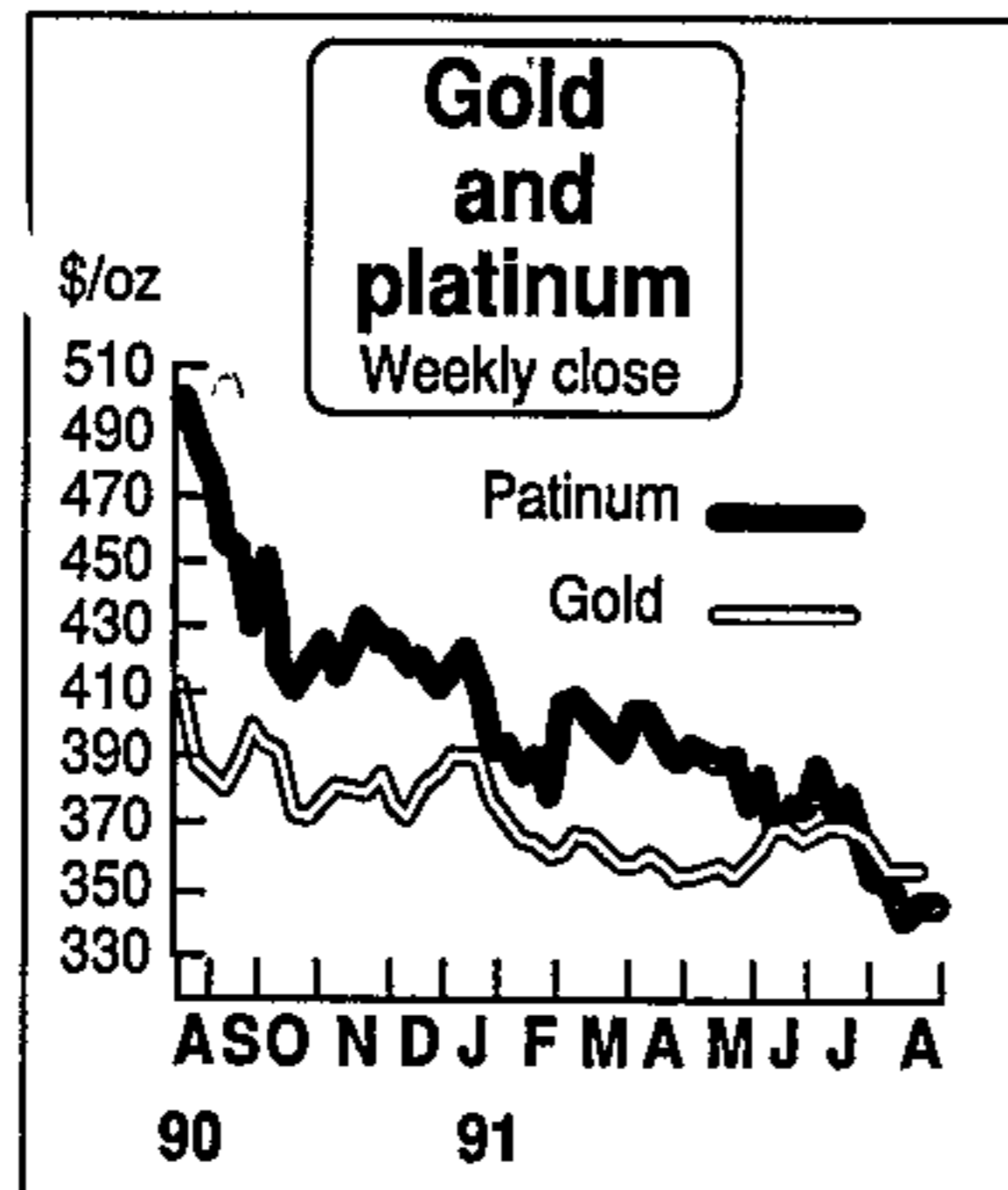
An unsubstantiated claim by a company calling itself Air SA earlier this month that it had developed a manganese-only converter was another blow to confidence.

Also, the US has announced it is to sell off \$100m worth of platinum from its strategic stockpile but Frankel Max Pollak Vinderine analyst Kevin Kartun said staggered sales would probably limit its effect.

Kartun sees a number of encouraging factors that could boost sentiment.

The US economy and its automobile industry were showing signs of improving and orders for platinum and rhodium had increased in the fourth quarter.

Also, the formation of a possible cartel between SA and Soviet producers could stabilise prices.



Graphic LEE EMERTON Source I NET

Star
22/8/91
**Vansa sells
off vanadium
interests**

Finance Staff (217)

Vansa Vanadium is selling its vanadium business to Vanadium Technologies for R17,3 million.

The R17,3 million is payable in cash in stages as ownership of the various assets passes to Vantech.

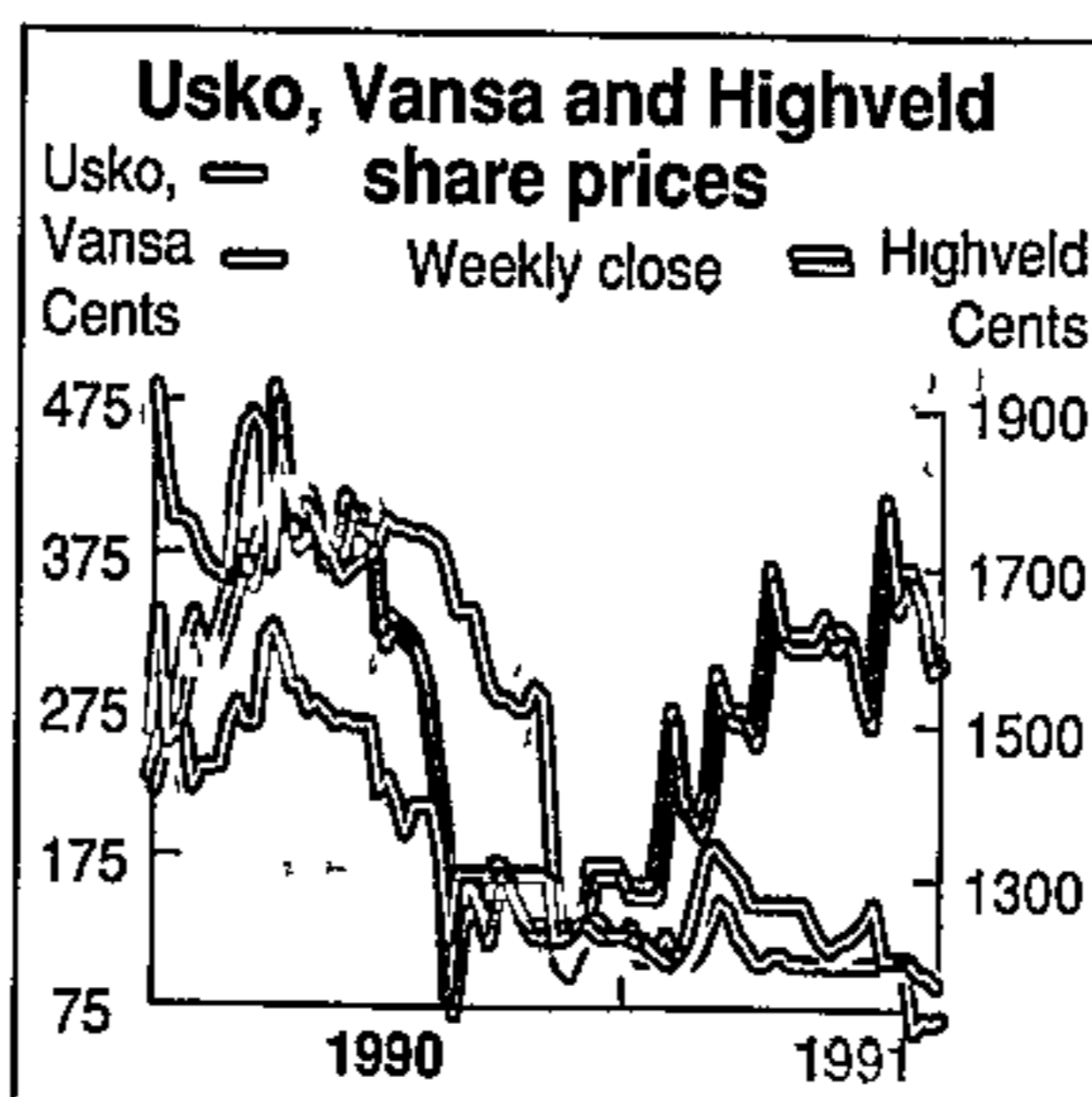
Vansa's chrome operation will not be affected and will continue to be handled by its wholly owned subsidiary Winterveld Chrome Mines.

Explaining the sale yesterday, Vansa said the vanadium pentoxide market remained severely depressed and that the situation was expected to continue for some time.

Furthermore, the market for the product, both in price and in volume, was likely to be volatile.

The disposal would have a negligible effect on Vansa's net tangible asset value.

Vansa estimates its earnings for the year to end-September at 4,4c a share, with no material benefit expected because of the sale.



Graphic FIONA KRISCH Source I NET

Highveld set for huge vanadium deal

MATTHEW CURTIN

HIGHVELD Steel & Vanadium is on the verge of buying the merged vanadium operations of Usko and Rhombus Vanadium (Rhovan) in a multimillion-rand deal, say market sources.

One analyst said "the deal is almost there", but Usko and Rhovan chairman Floors Kotzee would not confirm or deny yesterday whether the sale was going ahead. He said information of that sort should be released to the companies' shareholders first and not through the Press. The two companies have a combined market value of almost R40m.

A Highveld official said again yesterday that it would be too early to comment on the subject.

□ To Page 2

Highveld

Monday 23/8/91

217

□ From Page 1

Usko and Rhovan said at the start of July that they were considering a merger of Usko's vanadium division with Rhovan which supplies it with concentrate from its vanadium mine near Brits.

Usko has suffered prolonged commissioning problems with its vanadium plant designed to produce 9 000 tons of vanadium pentoxide a year. The company, which sold its steel division to Iscor for R50m in July, has not met the 4 500 tons a year it contracted to produce with Rhovan, and has had to pay penalties as a result.

Usko spent R21m on the plant and wrote off a further R31m in 1989 and 1990. The company had run up debts of R182m overall by March this year.

Analysts said Highveld's interest in buying the Rhovan/Usko vanadium operation was to enlarge its control over local production at a time of oversupply. It shut down its Vantra plant, which converted vanadium slag into vanadium pentoxide.

for the second time within a year because of the depressed market.

Highveld has about 70% of SA's vanadium pentoxide capacity and almost half of world capacity.

Usko's problems have been compounded by the weak vanadium market which has seen spot prices plummet from \$11,00/lb at the beginning of 1989 to \$2,30 this week. Highveld's price has fallen from \$7,50 to \$2,90 in the same period. The weak market helped scupper Rand Mines' Vansa Vanadium operation which shut down at the end of last year.

Vanadium Technology (Vantech) announced yesterday that it had bought Vansa's vanadium assets for R17m.

Director John Vorster, also Chromecorp Technology (CCT) CE, said he expected Vantech to bring the Kennedy's Vale vanadium operation to production in the early part of next year. Vansa has a production capacity of 3 000 tons a year.

Mines closed after clashes

IMPALA Platinum has shut down its Wildebessfontein South and North platinum mines in Bophuthatswana until further notice, a Genmin spokesman said yesterday ^{blow} 23/8/91.

He said the decision was taken because of the tense situation at the mines where eight mineworkers died in violent clashes last week. About 16 000 workers continued with a go-slow on Wednesday at the two mines which are responsible for almost half of Impala's platinum production more than 1-million ounces in 1990.

Impala MD Mike McMahon said yesterday the company's mines lacked adequate union structures. This problem was at the heart of industrial relations at the mines. McMahon said he was uncomfortable if

MATTHEW CURTIN
and VERA VON LIERES

workers were not represented by a union. "I would welcome the NUM on my mines."

NUM general secretary Marcel Golding said earlier this week the critical issue in the Impala dispute was the question of the union's recognition in Bophuthatswana.

The homeland government lifted its ban on SA trade union activity within its borders in April. In June the Bophuthatswana cabinet and representatives and Cosatu's northern Transvaal branch reached agreement on a formal working relationship.

The parties said they had agreed all

To Page 2

Mines shut ^{blow} 23/8/91. From Page 1

trade union activity in the homeland would be conducted in compliance with the homeland's labour laws.

NUM spokesman Jerry Majatladi said yesterday union president James Motlatsi addressed Impala's 40 000 workers on Wednesday on the need for unity to give negotiations on the union's legal recognition in Bophuthatswana a chance.

The Genmin spokesman said it was feared that workers' lives were at risk "as some employees at these operations were apparently still supporting the industrial action despite a decision taken by employ-

ee committees to break it off."

Majatladi said the union was "highly critical" of Impala's unilateral decision to close the shafts.

The Genmin spokesman said management also had reason to believe that workers supporting industrial action would stage an underground sit-in yesterday.

Normal shifts were still being worked at the mineral processes plant and at the Bafokeng North and South mines and consultations between management and employee representatives regarding wage issues and violence were continuing.

MESSINA

Presenting the bill 217

FM 23/8/91

Announcement of the R230m rights issue last week failed to stop the slide in the share price, down at a 12-month low of 700c from a 2 350c high last September. This is despite the surprisingly full disclosure of information on the platinum project by controlling shareholder Impala Platinum and Messina chairman Mike McMahon's evaluation that the share is way undervalued.

Messina's annual report contains a full breakdown of platinum group metal (PGM) distribution in the Merensky and UG2 ore reserves at the mine. This contains a pleasant surprise in a higher-than-normal base metal content in the UG2 ore. This is crucial in the smelting stages of recovery.

At 700c a share the market capitalisation is R91m, just 18% higher than the R77m held in cash at June 30. Messina also owns Premier Equipment, which made operating income of R6,7m in the year to June and, in addition, has spent R74m on mining assets at the platinum mine and controls 13 401 ha of PGM-bearing mineral rights in Lebowa.

Reason for the ho-hum reaction is the general belief among JSE analysts that Messina's project, while viable, is unexciting. Given the volatile and uncertain state of the platinum market it is also seen as much higher-risk than alternative investments such as established producers Rustenburg and Impala itself.

Messina will spend R468,3m on a mine which will produce 60 000 oz of platinum annually by 1996. Key point is that this has been cut back from the originally forecast annual output of 75 000 oz even though further drilling has nearly doubled ore reserves.

Estimates are Messina now has 23,8 Mt in-situ Merensky reserves at an average PGM-plus-gold grade of 4,94 g/t (previous estimate — 12,6 Mt at 5,05g/t) and 35,1 Mt UG2 at 6,12 g/t (18,9 Mt at 6,12 g/t).

Impala is building its platinum production to 1,35m oz annually. Some analysts feel that the Messina project has been cut back to the point where it is barely worthwhile. They reckon the prime motivation for going ahead is to keep the Lebowa government happy so that Impala keeps hold of mineral rights it has tied up on the eastern limb of the Bushveld Igneous Complex.

Messina chairman Mike McMahon says the production level chosen is the optimum and the most efficient in terms of capital cost per ounce of platinum produced.

He accepts the development is more expensive than a comparable expansion of established operations at Rustenburg or Impala but says Messina's mine is still cheaper in capital cost per ounce of platinum than greenfields projects such as Northam, Barplats, Lebowa Platinum's Atok Mine and the

Karee division of Western Platinum

"We went for Messina because we thought it was good business; we still think it's good business and we are carrying on with it," he says.

Some analysts prefer Potgietersrust Platinum's opencast Platreef mine, which should produce around 160 000 oz platinum annually for a capital cost of R650m, but the comparison is complicated by the structure of the Platreef project.

Up-front capex has been reduced because the Platreef mine will use mining contractors, who will provide their own earthmoving equipment. As one analyst comments, this trades off lower capital costs against higher operating costs.

Analysts' estimates on the present worth of a Messina share range from R9 up to R15. If the price stays where it is, then shareholders are in for a hefty rights issue commitment in the second quarter of next year. There are only 13m shares in issue and raising R230m implies between a two- and three-for-one issue.

Brendan Ryan

FM 23/8/91

(217)

than double those at the interim stage.

He adds that the smelter reverberatory furnace is "having a good production run" following removal of the Con-Top cyclone which failed to provide an expected 10% increase in smelter throughput. Palamin is spending another R62m on the smelter, spread over the 1991 and 1992 financial years to improve environmental controls and achieve a 5% increase in throughput.

The higher sales offset the effects of the lower average copper price received of R6 558/t (R6 713/t), so that Palamin shows a 2% increase in turnover, to R557m, while operating profit almost level-pegged at R245,8m (R244,5m).

Pre-tax profit was hit by finance costs of R2,65m compared with finance income of R4,9m previously, but the lower tax rates in this year's Budget left taxed profit 5,3% up. Fenwick says finance costs at the interim

HOLDING UP

Six months to	June '90	Dec '90	June '91
Turnover (Rm)	546	576	558
Pre-tax profit (Rm)	250	266	244
Attributable (Rm)	112	116	118
Earnings (c)	395	419	417
Dividends (c)	110	240	110

stage reflect higher borrowings, which should be reduced by year-end. He declines to specify Palamin's current borrowings level.

The performance is better than most analysts had expected but, while some are revising their earnings and dividends forecasts upwards, they still expect Palamin's EPS for the year to be lower than the 805c earned for 1990. This is because the copper price is expected to drop further during the second half. The price is falling in sterling terms and that effect is compounded in rand terms because the pound is about the only hard currency against which the rand is showing any strength. Palamin's prices are based on the London Metal Exchange price.

Fenwick prefers to monitor the copper price in US\$/lb and expects the price to drop about 5% from current levels around \$1/lb. He points out that, while there is a surplus of copper concentrate, the international market for copper metal is more or less in balance because of a shortage of smelting capacity. However, the pedestrian pace of recovery in the world economy is affecting the copper market.

Fenwick declines to make a forecast on second-half earnings, other than to say shareholders will be pleased. He says production cost increases will be held below the inflation rate.

The share price has come out of orbit in recent weeks, dropping back to levels around R75 from the year's high of R85. Even assuming Palamin manages to maintain dividends at 780c for the year, it still looks expensive.

Brendan Ryan

PALABORA MINING FM 23/8/91

Better throughput (217)

Higher copper production and sales made the running for Palabora Mining (Palamin) in the six months to June, as management started getting to grips with the smelter production bottleneck that has hampered revenues in recent years.

Sales for the first half are 5,4% up at 61 116 t (previous comparable period — 57 999 t), and MD Frank Fenwick says full-year sales should be "comfortably" more

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~~217~~

By DAVID CARTE

THE slump in the platinum price to \$331 on Friday and a stronger financial rand took their toll on platinum shares

Rustenburg lost R5,50 to R60 and Impala R6,50 to R45. But they rallied before the close, Rustenburg to R61,50 and Impala to R48,50. At one stage, losses on the heavy-weight platinum approached 10%. *S/Times*

Non-feature of the week was the failure of the Putco share price to react to the announcement that the proposed sale of its assets is off. Had such a sale been concluded, another generous distribution might have been possible. *(Bum/T)*

Managing director Jack Visser, denied a comment that the company's bluff had been called by the Government. He said Putco could be profitable tendering. The bid price was 200c. There were sellers at 250c and the last trade was at 290c.

By Friday, many blue chips had regained most of the sharp losses they sustained earlier in the week on the attempted Russian coup. SA Brews closed at R59,50, short of its high of R60,25, and Barlows at R47,25, R2 off the top. *25/8/91*

Gold was down on an afternoon fixing of \$353,70. Vaal Reefs lost R9 to R194, Kloof R1,50 to 2 875c. Western Deep Levels lost R7,50 to R99,50. De Beers closed weaker in sympathy — partly due to the recovery of both the commercial and financial rands.

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Genmin's operations back on line

VERA VON LIERES

IMPALA Platinum's five mining operations in Bophuthatswana resumed full production on Friday following an agreement reached between management and employee representatives on Thursday, a Genmin spokesman said.

The Mineral Processes plant, Bafokeng North and South mine, and Wildebeestfontein North and South mines were in full production, he said.

Eight mineworkers died in violent clashes at the mines recently and at 16 000 continued a go-slow at Wildebeestfontein North and South mines last week. The two mines are responsible for almost half of Impala's platinum production — more than 1-million ounces in 1990.

Industrial action was sparked by demands for increased wages, although the question of the NUM's recognition in Bophuthatswana was a critical issue in the dispute, the union said last week.

The Genmin spokesman said all employees would work normal shifts while wage negotiations were in progress.

He said production at the mines had dropped by 50% since the beginning of the industrial action on August 15.

Provision had also been made for staff to work additional shifts to make up for the production losses.

● Comment: Page 6

Shares hit by crash in platinum price

bl page 26/8/91. 217

PLATINUM shares crashed on the JSE on Friday, driven down by plummeting platinum prices and the news that Impala Platinum was back in full production after nearly a week of go-slows at its mines

Platinum prices fell to new lows as the metal was fixed in London at \$331,50 an ounce on Friday afternoon, more than \$10 down on the previous afternoon fix. Analysts predicted platinum prices would fall lower to about \$325

Platinum's discount to gold widened, with gold being fixed at \$354 an ounce in afternoon London trading

Platinum closed at \$333,25 in London and \$335 in New York on Friday.

Gold closed at \$354,50 in London and \$353,85 in New York.

On the JSE, sector leader Rustenburg Platinum bore the brunt of the bearish sentiment as its stock tumbled more than 6% or 400c to R61,50. Impala lost 300c or 5,8% to close at R48,50

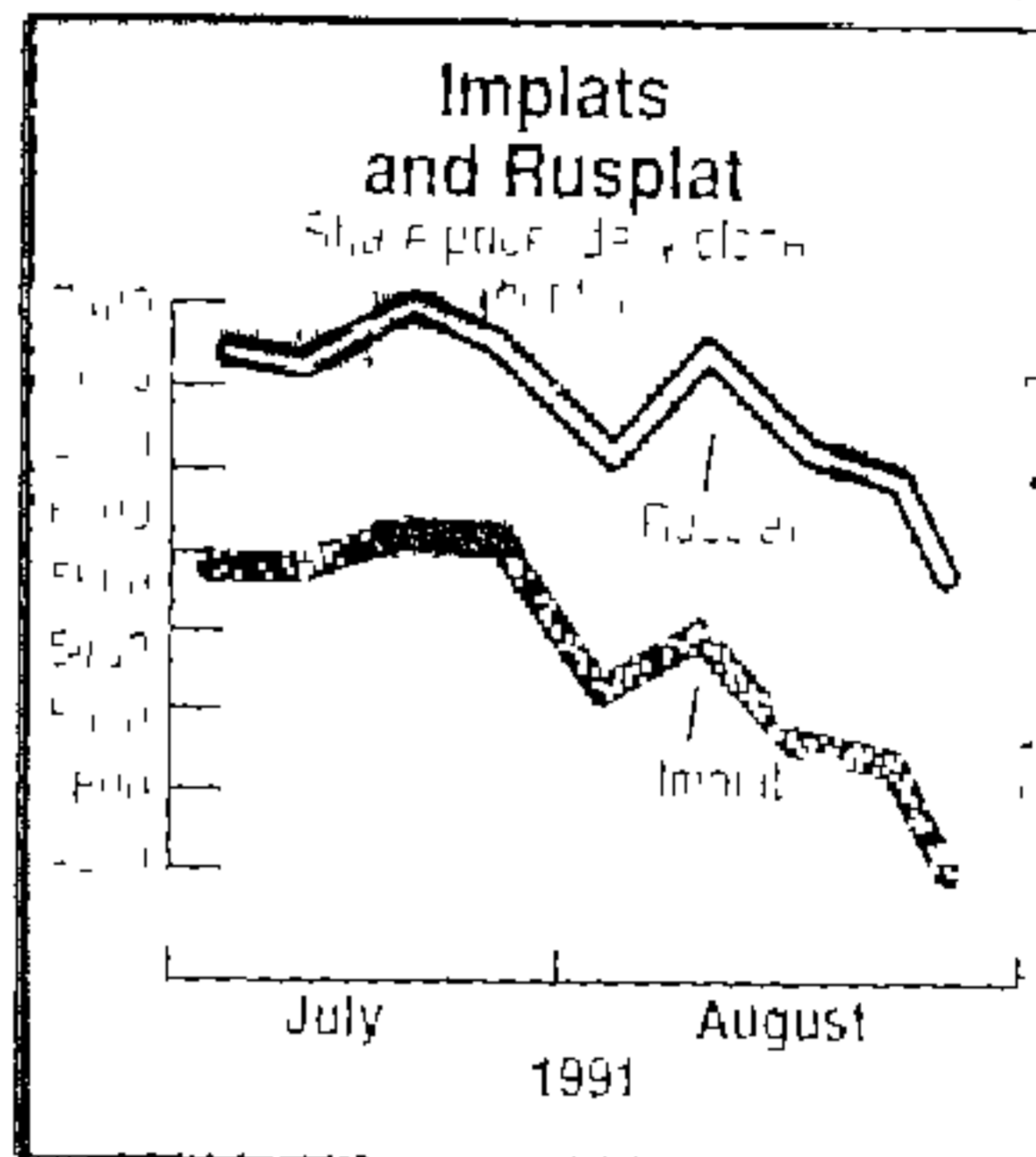
A late afternoon rally on the platinum board saw the shares recover after trading

MATTHEW CURTIN

at more than 10% below Thursday's close earlier in the day.

Reuter reports that Japanese traders said Tokyo had an excess of long platinum-

□ To Page 2



Platinum

positions which could depress prices to about \$320. Some predicted a drop to below \$300 in the near-term if there was large-scale Soviet selling in the physical market

AP-DJ reports that in New York on Friday platinum futures plunged on selling by speculators who last Monday had bet that the attempted coup in the Soviet Union would crimp platinum supplies

The Soviet Union and SA produce the bulk of the world's platinum, and with three new platinum mines set to come on stream in coming years in SA as well as expanded capacity at Rusplat, Impala and Lebowa Platinum, some analysts have predicted years of oversupply

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□ From Page 1

AP-DJ reported that New York traders feared at the start of the coup that Soviet supplies would be disrupted. Later on, platinum began to fall on fears that the country would sell its supplies if it lost Western economic aid

An analyst said despite Gorbachev's return to power, the threat of gold and platinum sales by the Soviet Union remained. The country still needed to raise hard currency to buy food and other products, and individual republics might also sell metals to raise cash

He said industrial and investment demand for platinum was weak because the US economy remained sluggish and the US inflation rate was low

Samancor hit by static prices and low demand

Bl Day 27/8/91

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STATIC chrome and manganese prices (ores and alloys) and falling ferroalloy demand hammered Samancor's results in financial 1991, setting earnings a share back by 33%

However, the rand's depreciation against the dollar and a lower tax bill cushioned the blows, enabling Samancor to increase its cash resources and defy MD Hans Smith's prediction in February that the second half of the year would be worse than the first

Samancor's earnings dropped by a third from 322c to 216c a share in the year to end June 1991. Attributable income fell from R539m to R356m.

The group raised its ordinary final dividend by 10c to 110c a share this year. Samancor has stopped declaring a special dividend which in 1990 saw shareholders paid out 180c a share overall.

Smith said the low commodity prices had knocked profits, but earnings were higher than forecast at the interim stage, helped by the lower tax bill and an increase in interest income since January

The contribution from the group's chrome and manganese divisions to profits had fallen from 90% two years ago to 80% in 1991, with the contribution from chrome falling well behind that of manganese

MATTHEW CURTIN

Smith said the chrome division was still in the black, a satisfactory position given the marginal status of chrome operations at Samancor's rivals in SA and overseas

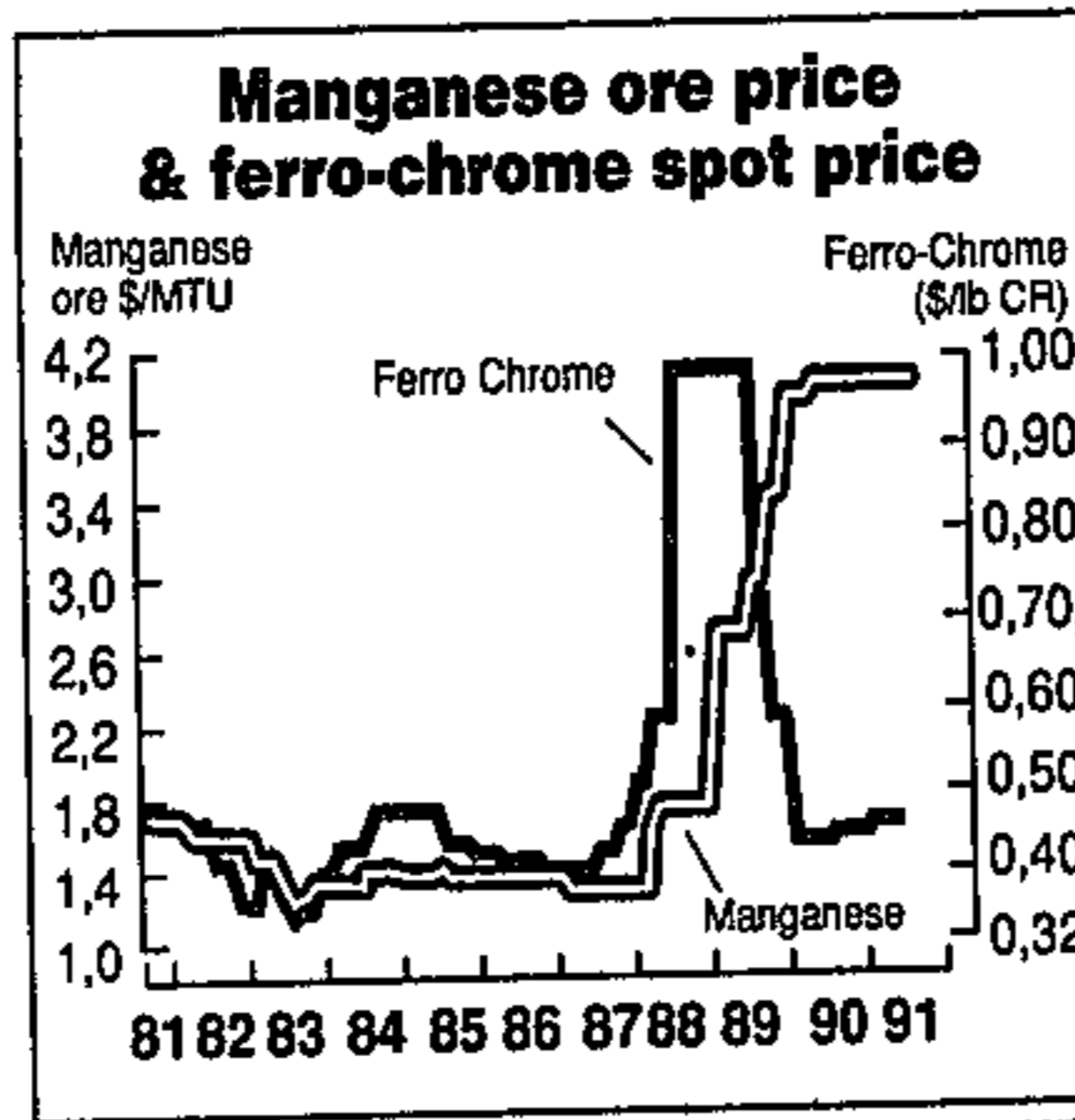
He said the division was operating at 80% capacity, and although consumption was high — near the record levels of 1988 — and stainless steel consumption was likely to reach a new peak of 10,7-billion tons a year by the end of 1991, the ferrochrome price was "unacceptably low" because of fierce SA competition

SA producers — Samancor, Consolidated Metallurgical Industries, Middelburg Steel and Alloys and Chromecorp Technology — are responsible for 40% of the world's ferrochrome production and are the lowest on cost. Despite appeals from some producers and analysts for closer co-operation, the companies are yet to work together to push prices up

Producer ferrochrome prices have been unchanged at US49c/lb for three quarters, but Smith was confident prices would rise in the long term. Customers' inventories are run down and production costs were likely to push the price up. SA's higher-cost competitors overseas could not undercut SA prices indefinitely.

Manganese division GM David Munro said the large fall in Samancor's sales of manganese ore was not from exports but in deliveries to the group's ferromanganese plant at Meyerton, a reflection of the weak alloy market. Ferromanganese prices have slipped to mid-1988 levels of \$565 a ton, while manganese ore prices have stood still at record levels

The group's turnover fell 10% in 1991 from R2bn to R1,8bn. After tax profits slid from R528m to R356m, and capital expenditure was cut by 44% from R192m to R107m



Graphic LEE EMERTON Source I NET

Samancor investigating Albanian chrome venture

SAMANCOR is negotiating a joint venture with the Albanian government for the mining and upgrading of Albania's extensive chrome ore deposits. *BIDU 29/8/91*

The joint venture, involving financial and technical assistance, will be the first of its kind as Albania has had no relations with non-communist countries, sources said.

Samancor MD Hans Smith yesterday confirmed that the group had sent a technical team to Albania to assess and gather geological, mining and metallurgical data from the Albanians on their operations.

He said Albania was significant in the chrome ore sector, but it was still early to comment on the possibility of a joint venture.

Albania is expected to send a delegation to SA soon to evaluate the Samancor operation.

According to a report in London's Financial Times the Albanian gov-

BRENT VON MELVILLE

ernment was seeking a joint venture with Samancor to develop a deposit in the Kukes region, which contains about 14-million tons of chromite.

The report added that Samancor would also help to provide an enrichment plant for Albania to upgrade the ore into ferrochrome for export.

Chrome ore is Albania's largest mineral resource and the country ranks as the third largest producer of chrome ore in the world. It accounts for about 12% of the world market and exports are estimated at 360 000 tons. Ferrochrome exports were about 40 000 tons last year.

Smith, however, said actual Albanian production accounted for only about 5% of world production. Samancor was the world's largest producer of ferrochrome, accounting for 20% of world production.

Platinum climbs several dollars

B. J. O'Connell 29/8/91 (217)
MARKET jitters ahead of yesterday's expiry of platinum August contracts on the Tokyo futures market proved unfounded as platinum prices climbed several dollars away from recent lows.

Platinum's afternoon fix in London was \$338,75 an ounce, up from \$333,75 on Tuesday afternoon, after similar rises in New York

Holcom Futures analyst Lindsay Williams said the move was "extremely encouraging for the platinum market, even if it is more of a correction to a market which has been oversold than the start of a bullish trend"

He said the market had been nervous before the contracts in Tokyo expired because investors were expected to cut their losses

MATTHEW CURTIN

and get out. Market sentiment and prices had been knocked by a series of announcements in recent months heralding new developments in the motor industry and expansions to SA platinum mines, which would cut demand for and increase supply of platinum

The Tokyo market, the largest platinum futures market in the world, had instead signalled that perhaps platinum prices had been too low for too long.

However, analysts in Johannesburg said short-term prospects for platinum were still gloomy. Although Impala Platinum would post healthy results tomorrow, with earnings up by between 13%

and 23%, SA's platinum producers would see earnings drop sharply by year-end 1992

Mathison and Hollidge analyst Tony Rogers said that whereas the gold price had established a solid six-month trading margin, there was no floor to the platinum price yet. Markets were unsure whether or not the Soviet Union would sell large amounts of the metal, although new SA platinum mines might see scheduled production targets fall, as they had already done at Messina, Lebowa Platinum and Barplats

Rogers and Simpson McKie analyst Hennie Vermeulen said Impala's earnings would be boosted by its 27% stake in Lonrho's Western Platinum operation

Plans for platinum at risk

PLUNGING platinum and rhodium prices were putting investment plans for new mines in jeopardy and were at odds with current and forecast demand for the metal, Impala Platinum (Implats) chairman

Monday 30/8/91

MATTHEW CURTIN

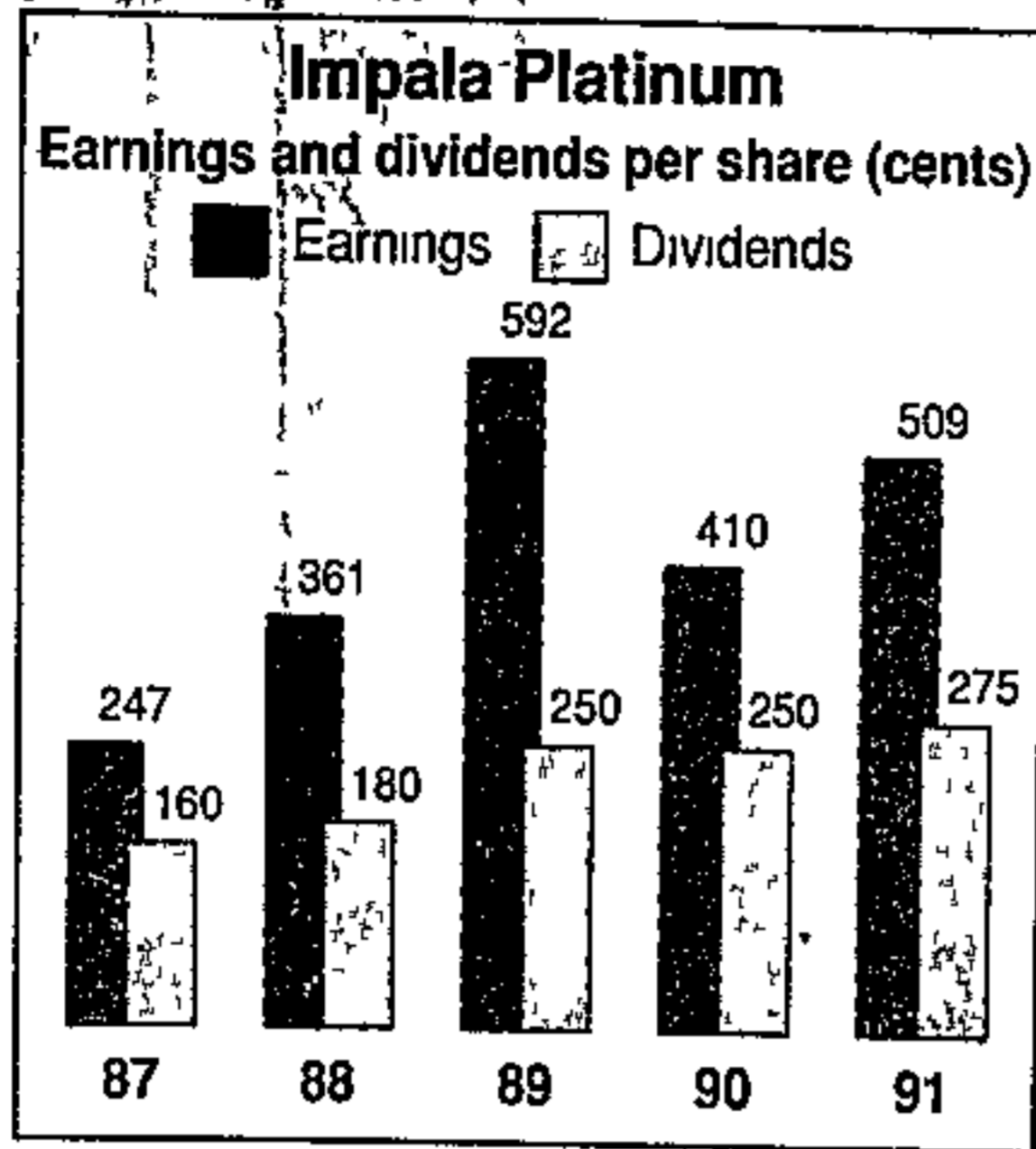
Brian Gilbertson said yesterday (217)
 "Current prices do not justify new investment in mines, especially given that without rhodium and based on the platinum price alone, platinum mines would be on a par with SA's marginal gold mines."

Platinum producers were likely to review their capital programmes if weak market conditions persisted, he said

However, he said there was a possibility that newly mined supplies of metal would be insufficient to meet demand by 1995

Implats received average platinum and rhodium prices of \$424 and \$3 715 an ounce in 1991. Platinum was fixed at \$338 in London yesterday afternoon, while rhodium fell back to \$2 500.

At a presentation of Implats results yesterday, Gilbertson said higher rhodium prices were responsible for the group's increased sales revenue in 1990/91 Im-



Graphic FIONA KRISCH Source IMPALA PLATINUM

□ To Page 2

Platinum ^{Monday 30/8/91}

Implats' earnings a share jumped 24% to 509c a share from 410c the previous year

The group yesterday disclosed production and sales details for the first time. Platinum companies have traditionally not publicised production details

Gilbertson said changes to the style of Soviet platinum selling were primarily responsible for the depressed prices

Soviet selling organisation Almaz had signed a deal with Salomon Brothers to market Soviet platinum, while Moscow's Bank of Foreign and Economic Affairs had now entered the market

Reports of Soviet metal deposits as security for loans from Swiss banks meant up to 1-million ounces of platinum and 50 000oz of rhodium were hanging over the market

The market had also been knocked by reports that platinum had no future in the motor industry, despite subsequent clarification that this was not the case

(217)

□ From Page 1

The industry accounts for more than 40% of platinum demand as it requires platinum group metals for catalytic converters which absorb the noxious gases from car engines

Gilbertson said Implats was the major supplier for three of the biggest car manufacturers, which had recently renewed contracts for more platinum

Analysts say Implats's platinum production from its four mines in Bophutatswana will rise from 1-million ounces a year to about 1.3-million ounces in the mid-1990s

□ As platinum fell back again below the \$340 mark towards five-and-half-year lows last week, New York-based Metals Week said much lower rhodium prices were in the offing. The report quoted a trader who said "The market seems to be riding a parachute and is slowly falling to the ground"

● See Page 9

COMPANIES

Implats position saved by rhodium

B1 Day 20/8/91

MATTHEW GURTIN

A THREEFOLD jump in the price of rhodium enabled Impala Platinum (Implats) to shrug off falling platinum prices and turn in 25% higher attributable earnings in 1991. Bottom line earnings were also helped by a R30m return on the group's 27% stake in Lonrho's Western Platinum and Eastern Platinum mines.

In the 12 months to end-June 1991, earnings a share at Implats climbed 24% from 410c in the previous year to 509c. The group declared a dividend of 275c, 10% up from 250c in 1990.

Chairman Brian Gilbertson said yesterday the 15% rise in revenue from metal sales was entirely due to the higher rhodium prices. Revenues from all the groups' other products, which includes the other key platinum group metals — platinum and palladium — as well as nickel and other base metals, were lower in the year with two negligible exceptions.

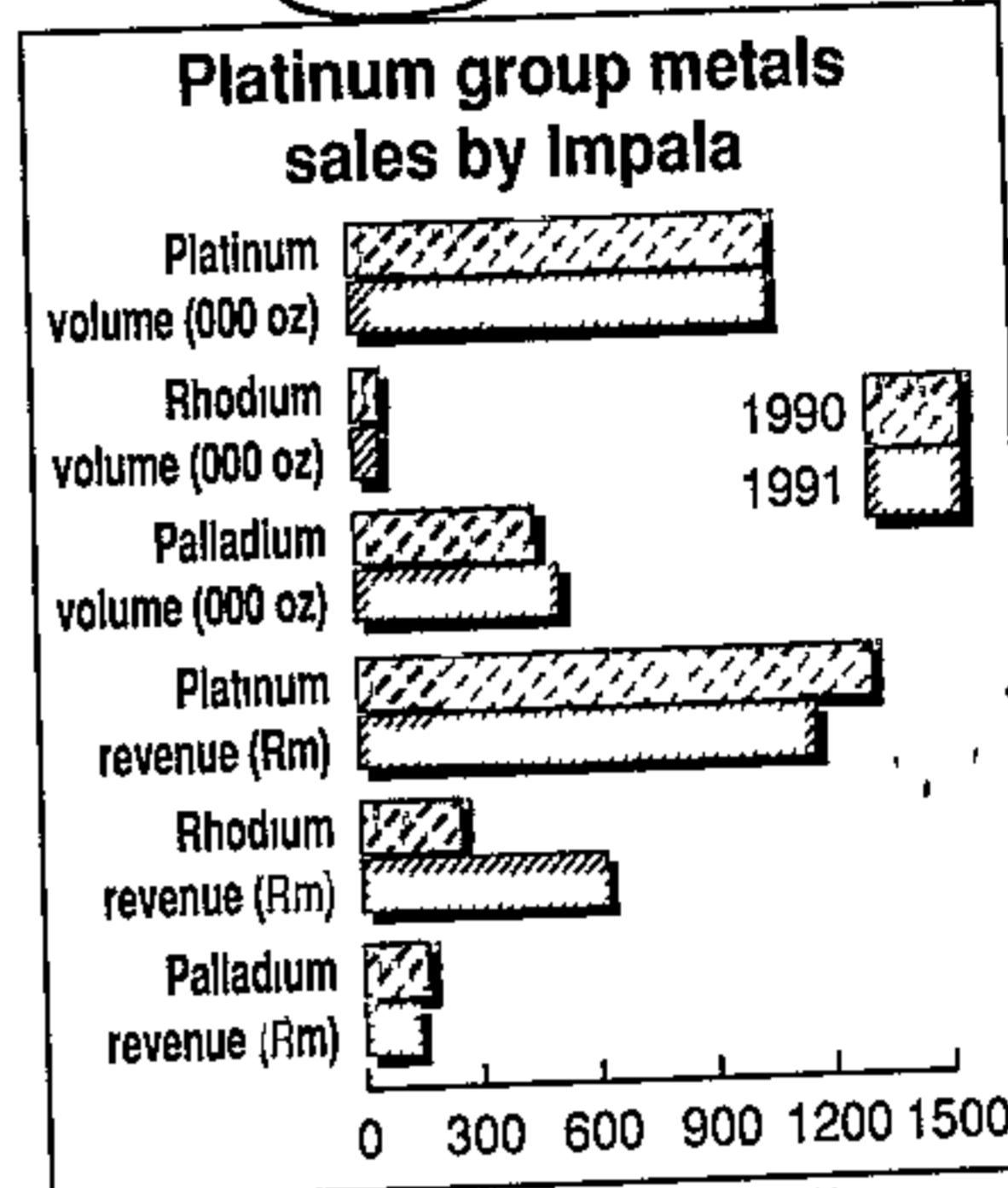
He said that excluding rhodium, Implats's mining operations were in a position similar to that of the country's marginal gold mines. Unit production costs rose 11% in the year to R1 295 for every ounce of platinum refined. The average rand price of platinum fell 11% from R1 240 (\$466) in 1990 to R1 102 (\$424) in 1991.

Concern

In contrast, average rhodium prices shot up from \$1 384 to \$3 715 year on year. However, with the lag in Implats contracts, the falling rhodium prices and even lower platinum prices since January will only affect Implats in the coming months.

Gilbertson said: "The recent price weakness exhibited by platinum and rhodium is of course a cause for concern, and if this persists we shall not be able to maintain the financial performance of the 1991 financial year."

He said if the weak prices persisted they would force SA producers to review their



expansion plans. Implats is in the process of expanding production at its four mines in Bophuthatswana while its developing mines owned by subsidiaries Messina and Barplats are scheduled to start production in the mid-1990s.

Gilbertson said Implats would not raise money on the stockmarket to finance its development plans, apart from offering the Bafokeng tribe and the Bophuthatswana government a stake in the group. If both parties followed their rights, Implats' 100% stake in the Bophuthatswana operations would be diluted to 88%.

In 1991, problems at the Wildebeestfontein North mine saw Implats' tonnage milled drop by 700 000 tons, although improved grade control saw the amount of platinum recovered from ore milled increase marginally.

Rhodium output increased marginally thanks to processing improvements.

Capital expenditure rose from R155m to R381m year on year, as the development of the Deeps and two new mills and flotation circuits for processing UG2 ore progressed. Gilbertson said the group's board approved the sinking of the first Deeps shaft in April, the cost of which would eventually exceed R1bn. The shaft would be in production in 1998.

Poor demand batters Assmang

POOR commodity prices and a slump in demand, which have played havoc with the financial results of SA's producers of ores and alloys in the past year, also battered interim results at Anglovaal's Associated Manganese (Assmang) in the six months to end-June.

The company's interim dividend was cut from 500c to 250c a share, while the directors noted the interim dividend at subsidiary Feralloys was passed for the second year running.

Tumbling ferro-manganese prices and sluggish ferrochrome prices wiped out the benefits Assmang derived from manganese ore prices which maintained their high levels reached late last year.

The company's directors said depressed

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MATTHEW CURTIN

ferrochrome demand and prices meant that consolidated profit was virtually the same as that for the same period in 1990.

The directors said they did not expect demand or prices to improve in the second half of the year.

Assmang's after-tax profits stood still at R57m. Earnings a share rose 13% from 1 420c to 1 599c a share, as the company cut the transfer of profits to non-distributable reserves from R6,3m at the interim stage in 1990 to just R7 000 this year.

Higher interest payments and a higher tax bill offset Assmang's improved turnover and net operating profit. Only the fall in the transfer of funds pushed attributable earnings up from R50m to R57m.

Assmang still coming out ahead

The Anglovaal Group's Associated Manganese Mines of SA has done comparatively well in the half-year ended June 30, reporting a 13 percent rise in distributable profit.

Financial results released yesterday show that releasable profit increased to R56,8 million, compared with R50,4 million the year-ago figure of

However, the transfer to non-distributable reserves decreased by R6,3 million to R7000.

The profit was equivalent to earnings of 1599c (1420c) a share and covers the interim dividend declared today of 250c (500c) 6,4 times (2,8 times).

The board states that although manganese ore prices remained at the higher levels reached during the July/December period of 1990, ferrochrome demand and prices remained depressed.

The result was that turnover rose to R298,9 million (R285,5 million), which led to

an operating profit of R115,5 million (R105,7 million).

After deducting interest paid of R7,1 million (R4,7 million), and taxation and State's share of profit of R51,7 million (R44,3 million), the consolidated profit was virtually unchanged at R56,8 million (R56,7 million).

Transfers of non-distributable reserves totalled R7000 (R6,3 million), leaving an attributable profit of R56,8 million (R50,4 million) Capex during the period

was reduced to R1,6 million (R29,1 million), while commitments at June 30 totalled R1,9 million (R33,9 million). Net current assets on that date amounted to R202,9 million (R148,9 million), while the net asset value was 10740c (8688c)

It is not expected that there will be any material change in demand for, or prices of, manganese and iron ores, and ferro-alloys during the second-half of the year, the directors say.— Sapa.

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Rhodium saves Impala from platinum setback

Star 30/8/91

By Derek Tommey

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Shareholders in Impala, the world's second-largest platinum producer, should be happy with results for the year to June.

A jump in the rhodium price and increased earnings from investment interests helped offset a drop in revenue from platinum.

The result was that attributable earnings rose R61,3 million, or nearly 25 percent, to R311,8 million.

A final dividend of 195c has been declared, making a total of 275c for the year (250c).

But the outlook for 1991-92 is less pleasing. In recent months the platinum price has dropped sharply and the price of rhodium has also come down, though it is still substantially higher than it was at the beginning of last year.

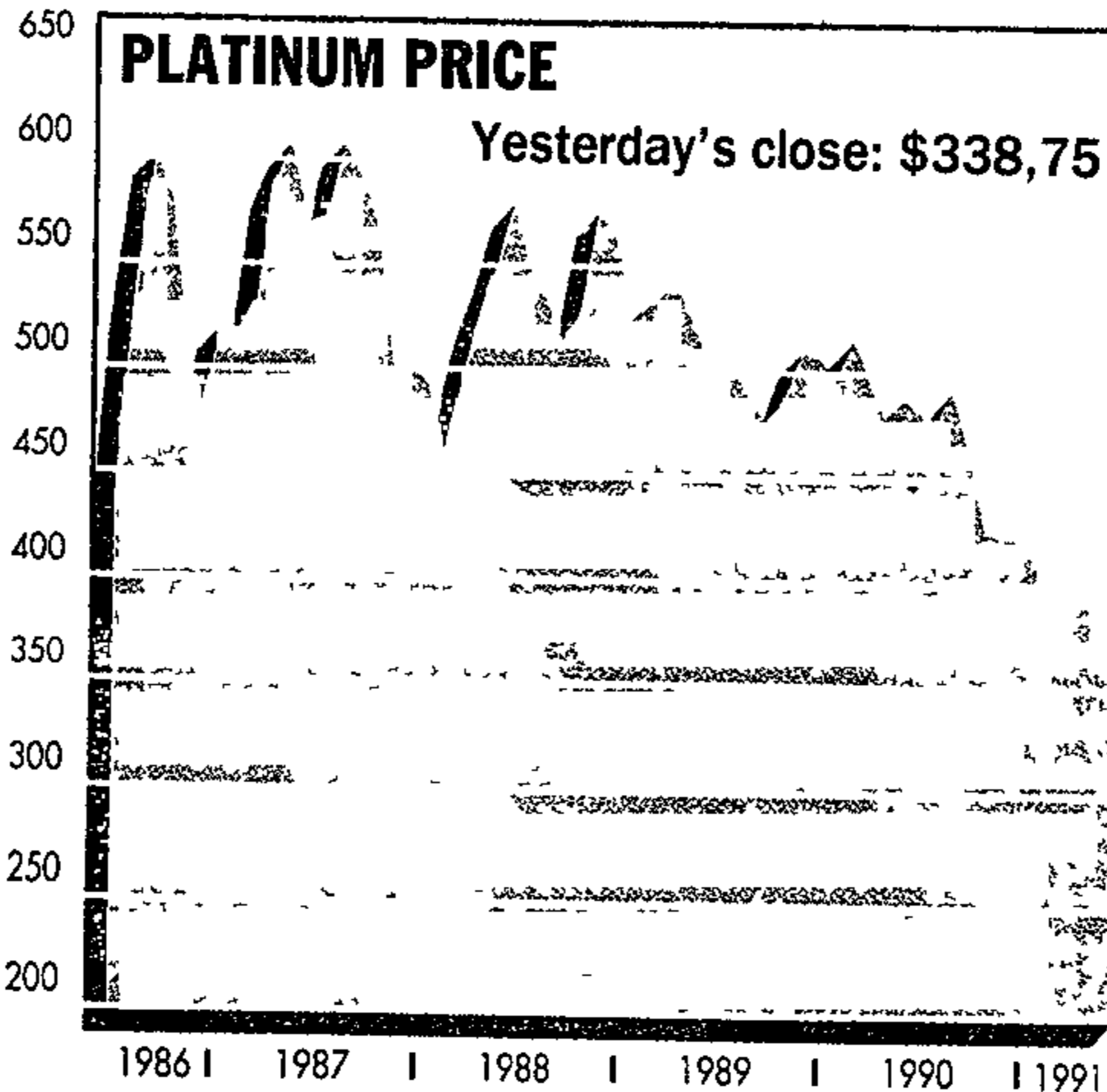
Chairman Brian Gilbertson says the situation is cause for concern.

But for the continued high price of rhodium, Impala would be in serious straits, akin to those of a marginal gold mine.

He says if the current prices of platinum and rhodium persist, Impala will not be able to repeat its 1990-91 results and might have to review expansion plans.

Because Impala believes demand in the next few years could be much greater than originally forecast, there could be a shortage of platinum by 1995.

End-users who have not guaranteed supplies from a pri-



mary producer might find it difficult to get stocks from the thinly traded spot markets, Mr Gilbertson warns.

He says Impala remains optimistic about the long-term prospects for platinum.

Impala is planning to increase production from the current 1 067 000 ounces to 1,35 million ounces by 1995.

This is based on the view that autocatalyst demand will rise from last year's 1,52 million ounces to 2,2 million ounces by 1995.

It also expects total demand, which was 3,78 million last

year, to rise to 4,5 million ounces by then.

However, Mr Gilbertson says these estimates could be too low, perhaps by as much as 500 000 ounces on the automotive side.

He says two factors are probably responsible for the drop in the price of platinum and rhodium, the first being higher Russian sales.

After decades of stable and predictable behaviour, Soviet supply arrangements have altered fundamentally.

The Soviet selling organisation has established a joint ven-

ture with Salomon Brothers Precious Metals in New York, while the Bank of Foreign and Economic Affairs in Moscow has entered the platinum market where it has been an aggressive trader.

More recently, there have been reports that the Soviet Union had deposited large quantities of platinum and rhodium with Swiss banks.

These developments have caused uncertainty, instability and weakness in spot markets.

The second factor has been reports of substitutes being found for platinum.

These have eroded the confidence of investors and speculators, so that even when it has been shown that they are likely to have little effect on platinum group metal requirements, the platinum price has been steadily falling.

Impala's turnover rose nine percent in the year to June to R2,27 billion. Income from the supply of metals rose 15 percent to R857,3 million.

Owing to higher capital expenditure, tax fell from R304,2 million to R246,1 million.

But, in a departure from previous accounting methods, Impala deducted R95,2 million (R107,9 million) from operating profits to cover current expenditure on maintaining capacity.

It has also provided R189,1 million (R29,3 million) against the effect of tax on future capacity.

Had it not been for these provisions, Impala's attributable income would have been 54 percent higher at R596,1 million.

(BDP) Technical Report

Implats fails to improve rating

8/10/91 2/19/91

(217)

MATTHEW CURTIN

DESPITE its strenuous efforts in the past year, Impala Platinum (Implats) has failed to narrow its market discount to rival Rustenburg Platinum (Rusplats) and its prospects of doing so in the near future were slim, analysts said at the weekend.

Implats chairman Brian Gilbertson said last week despite the group's attempt to address its poor market rating in 1990/1991, its effort had proved "remarkable for its failure to exert any noticeable influence on shareholders' perceptions".

Implats released an unprecedented amount of sales and production information last week at the presentation of its 1991 results. Rusplats by contrast has never disclosed platinum production or sales figures, saying it would conflict with the company's competitiveness.

Davis Borkum Hare analyst Alex Wagner said the move was part of Implats' strategy to protect its share price in a bear market. By providing the media and investors with as much information as possible, Implats was trying to counter any adverse market speculation.

Rusplats and Implats are the world's two largest producers of platinum group metals, but shares in the older operation, Rusplats, have traditionally traded at a premium to Implats, a gap which has widened as platinum shares tumbled in recent weeks. Implats came within R5 of Rusplats earlier this year but its discount at the closing of trading on the JSE on Friday was R15 as the shares closed at R47 and R62.

Wagner said "Rusplats is the blue chip company, and Implats is the more highly geared alternative".

He said it was a matter of prestige for Implats to improve its rating. But it was also important to give Implats greater bargaining power with its customers.

He said the discount would remain wide at least until 1993 because of Implats' capital commitments and low cash reserves. Implats is expanding production at its four mines in Bophuthatswana, which in the case of the Deeps project will cost more than R1bn. Implats subsidiary Messina will spend R339m to bring its mine to production in 1993, and up to R300m will be needed at subsidiary Barplats for it to reach target production in 1996.

Frankel Max Pollak Vinderne analyst Kevin Kartun said Rusplats had cash reserves of nearly R1bn against Implats' R80m, which meant it was less vulnerable to the platinum and rhodium prices. The recent unbundling of JCI's platinum interests, as its Platreef platinum project was given the go-ahead meant JCI, rather than Rusplats, was bearing the risk of developing Lebowa Platinum.

He noted that Rusplats' earnings had risen 9% in the year while Implats' climbed 24% even though Rusplats had received better metal prices in the year. Rusplats declared a 13% higher dividend against Implats' dividend hike of only 10%.

He suggested these disparities might reflect the premium Rusplats put on conserving cash resources.

Wagner said higher working costs at Rusplats, which rose 15% last year against only 11% at Implats, made for the difference in earnings' performance.

Gencor 'rights issue' frustrated

^{Biday}
219191
THE 17% plunge in Gencor's share price in the past six weeks had complicated a possible plan for a multimillion-rand rights issue, it was disclosed at the weekend

"The fact that the price has fallen by 17% would place Gencor in a more difficult position to make a decision about the rights issue," Anton Botha, MD, of Gencor's investment arm Genbel, said yesterday.

The group's share price has fallen to 1 240c a share off its July high of 1 500c

"No decision has yet been made on holding a rights issue but that does not mean that we are not looking at this type of thing constantly," Botha said yesterday.

Analysts said Gencor needed to raise more than R1,5bn if it was to follow anticipated rights issues in its subsidiaries and

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WILLIAM GILFILLAN

associates Among the projects the group is involved in are the R3,1bn Columbus stainless steel venture and Alusaf's R5bn smelting project

They questioned whether Gencor could come to the market when it had a falling earnings profile, and at a time when the market had lost momentum.

If Gencor did come to the market it would have to give a large discount to make the offer attractive This was being discounted by the market, explaining the recent drop in Gencor's share price

"Although Gencor has a huge cash pile, half of this is committed to the develop-

□ To Page 2

Gencor ^{Biday} 219191

ment of the Oryx gold mine," Botha said

He said it had been stated publicly that Sappi had expansion plans

Market followers estimate these could cost up to R1bn and Gencor, with its 50% interest in Sappi, would have to come up with R500m

"If the market for paper and pulp products does not pick up in the short term then Sappi will have three choices. It can either cut capex, increase debt or hold a rights issue," Botha said

He pointed out that as Sappi already had reasonable gearing, Gencor might have to put money into the paper giant

"If the Columbus project goes ahead, Gencor could be called on for money as it is unlikely that Samancor would be able to

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finance its portion on its own," he said
Gencor holds 43% in Samancor As Samancor is expected to spend R1bn on the Columbus project, Gencor's share would be R430m.

Botha also said Gencor would be called on for cash if the new smelting project at Alusaf got the green light.

Gencor would be required to outlay about R800m for its 31% interest in the project.

"In addition it is well known that Engen is looking at a number of projects one of which is the possible acquisition of oil production operations," Botha said.

Analysts said they expected earnings at Gencor to fall for the year to end August by as much as 8% to R113m from R123m

Government heading for serious cash crisis

By Derek Tommey

If the alarm bells are not already ringing at the Department of Finance, they soon will be.

An analysis of revenue figures and recent company results suggests the Government is heading for a serious cash crisis.

The figures suggest it might have to consider reducing expenditure next year, if not this year, if it is to have any hope of balancing its books.

Governor of the Reserve Bank, Dr Chris Stals, with his tight money policy, and the international recession, which has lowered the price of many major exports, appear to have achieved between them what many thought impossible: to force the Government to start counting its pennies.

Such a move would also help in the fight against inflation.

The Government's failure to limit expenditure has been one of the major factors behind continuing high inflation. Now that the Government is about to be squeezed, the prospect has been greatly improved for a reduction in inflation in the next 12 to 18 months.

Government difficulties were highlighted by Dr Stals in his annual address last week when he said revenue had risen only three percent in the four months to July.

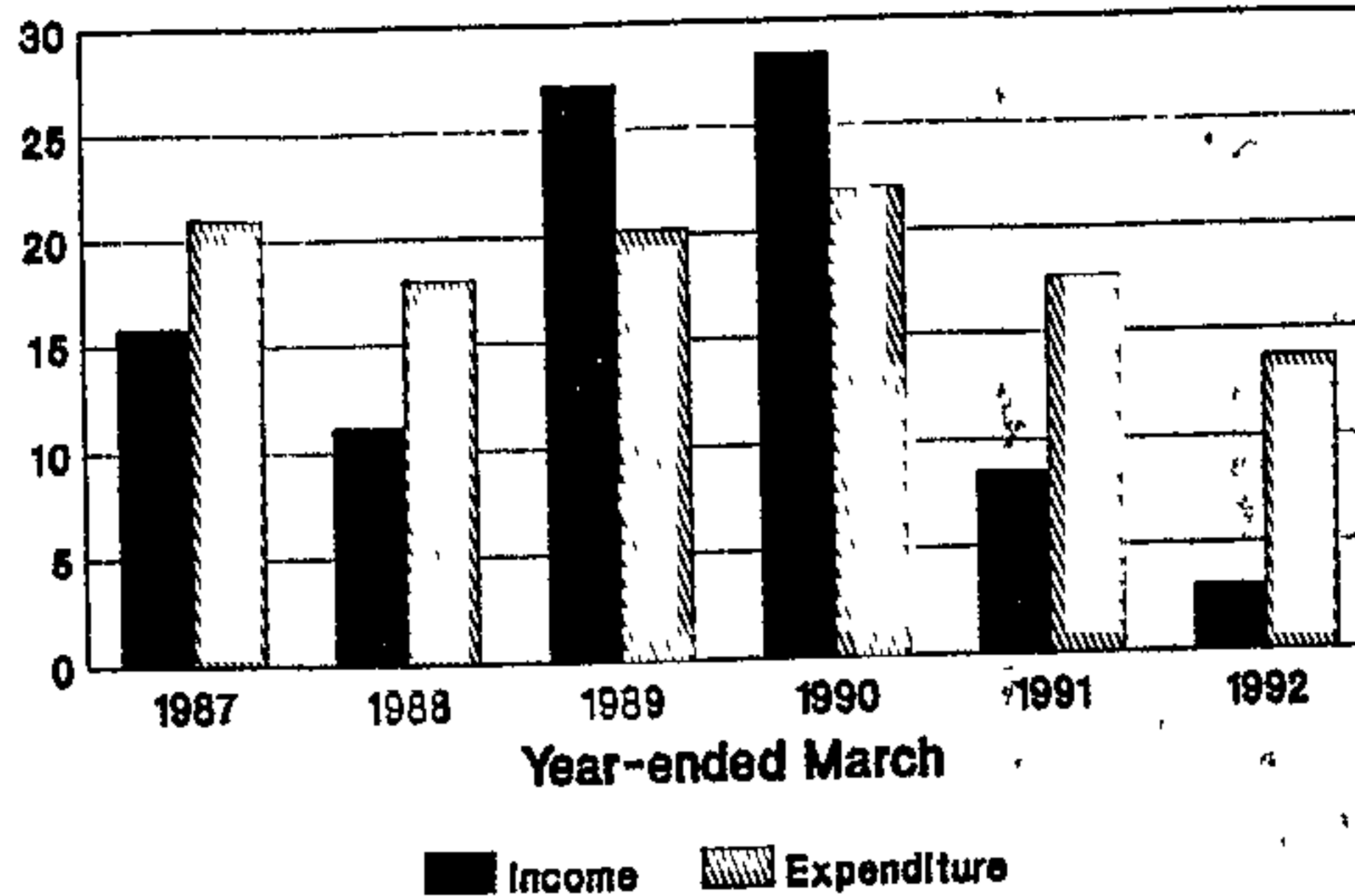
This is well below the 11,1 percent rise expected for the full

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2/9/91

~~State finances~~

217

State finances percentage growth



Revenue rose three percent in the four months to July, against a projected 11,1 percent for the full year

year and well down on the 13,7 percent forecast rise in expenditure.

No doubt the Government is hoping revenue in the remaining eight months of the fiscal year will improve sufficiently to make good at least a significant part of the shortfall. But one cannot be sanguine about this.

Times are tough in the business world, with profits — and tax payments — under pressure.

Last week two major companies said their tax payments for the year to June would be substantially lower than last year.

Samancor reported that owing

to a drop in profit, its tax payment had been cut from R388,8 million to R210,8 million — a drop of R177,7, or 45 percent.

Iscor had an even bigger shock for the Receiver when it said its tax payments had fallen from R259,0 million to R32 million — a drop of R227 million, or 88 percent.

Together, the two are paying R400 million less than they did last year — an amount which could have a significant impact on government finances.

But these figures are for the year to June, and included results for the six months to December

when times were not quite so hard.

What has been happening since then to company profits, and especially to those of mining companies, must be causing serious concern at the Treasury.

Impala Platinum paid R555,6 million in lease considerations, royalties and tax in the year to June. But that was achieved on earnings from an average platinum price of \$424 an ounce and a rhodium price of \$3 715 an ounce.

Platinum and rhodium are now some 20 percent lower at \$340 and \$3 000 respectively. The result is that Impala would be having the same problems as a marginal gold mine but for rhodium revenue, Impala chairman Brian Gilbertson said last week.

It is clear that Impala and fellow platinum producer Rustenburg will be making smaller tax payments in the current six months than they did a year ago.

This must apply to a great many other mines, including coal producers.

What is the Government going to do if revenue does not recover? It has already been attacked by Dr Stals for borrowing 55 percent of its loan requirements in the first four months of the year.

If it continues to borrow heavily it will drive high interest rates even higher. Its only alternative would be to cut its spending.

It certainly looks as if 1992 is going to be a difficult year for the public service.

Bartlett calls for new approach to minerals

PRETORIA — SA had to adapt from being a major gold producer to a multi-products minerals producer, Mineral and Energy Affairs Minister George Bartlett said yesterday.

Speaking at an International Applied Mineralogy Conference at the CSIR, Bartlett said it had to be faced that the SA economy's main engine — the gold mining industry — was slowing down.

SA's minerals industry was heavily export-orientated — almost 80% of total sales were exports.

Since the mid-80's, however, the industry's position as an international competitor had declined substantially and was still fall-

B/Dam 3/9/91
217
GERALD REILLY

ing

Last year's index of competitiveness was 11% lower than that of 1985.

This could be ascribed mainly to a rapid escalation in mining costs, Bartlett said.

Competition in the world's commodity markets was intensifying and new mineral deposits were being exploited, mostly in developing countries.

Dumped

SA's coal exporters, for instance, had to compete with new suppliers in such countries as Colombia, Venezuela and Indonesia. Chrome ores and ferrochromes were being dumped on world markets and there was also an over-supply of manganese.

There were no indications that this situation would improve. Stronger competition was inevitable

and exporters would have to remain competitive in the face of increased costs and lower prices on world markets.

Bartlett said it was government policy to promote beneficiation of minerals through a series of incentives aimed at encouraging added value to minerals destined for export.

SA, as a major mineral producer, had to maintain its leading position in minerals related research.

Because of scarcity and cost of capital, SA was compelled to improve its technology to remain internationally competitive, he said.

The industry was the backbone of the economy and difficulties experienced by the industry impinged on the whole country — "a situation we are facing right now".

On socio-economic and political change Bartlett said if this were not properly managed SA would be "plunged into the pits of poverty and despair".

Genmin team
to leave for
Zambia soon

MATTHEW CURTIN

GENMIN, the mining arm of the Gencor group, was putting together a team of geologists to investigate various mining opportunities in Zambia, a source close to the company said yesterday.

He said the team would leave later this month

The move was a follow-up to last week's visit to Zambia by Genmin chairman Brian Gilbertson, finance CE Philip Rademeyer and mineral resources CE John Raubenheimer

Energy

Zambian president Kenneth Kaunda, who hosted the visit, told Gilbertson the SA business community should invest in Zambia, a country which showed non-racialism could work

Reuter reported earlier this year that Zambia would have a permanent SA trade mission stationed in Lusaka by the end of the year.

Genmin's move comes at a time when Gencor, principally through its energy division Engen, is working hard to take advantage of new markets opening up in Africa

Engen MD Rob Angel said last month that Engen was well placed to compete with the world's biggest oil companies like Mobil, Shell, BP and Chevron, which were established on the continent.

He said export volumes to Africa would treble this year.

(211)
SAP
5/9/91

Implats shuts down unrest mine

Impala Platinum has closed its Bafokeng North mine until further notice as a result of unrest at the mine.

This, combined with production disruptions at other mines, has reduced Impala's production from its Bophuthatswana mines by about 40 per cent.

Management said the decision to close the Bafokeng North operation was because of the tense situation at the mine which has led to threats and intimidation by certain workers underground.

The mine said it was in the best interests of safety to close the mine while negotiations took place with worker representatives.

The 8000 mine employees were told on Tuesday that the mine would shut down until management was assured that production would return to normal.

Impala said in a statement yesterday that through acts of intimidation, work stoppages, go-slows and short-shifts, production had fallen well below target.

Problems started at the mine over a month ago as a result of faction disagreements and spread to problems on wages.

Negotiations with management will continue on Monday Sept 9.

Meanwhile production at Impala's Bafokeng South, Wildebeestfontein North and Wildebeestfontein South mines and the Mineral Process Plant continues but with lower production levels.— Sapa.

Soviets sell million oz of platinum

By Derek Tommey ^{Star} 5/9/91

A million ounces of Soviet platinum reached the West in the first six months of this year, says Mr Retief

However, it was not sold in the market as much went to Swiss banks as collateral for swaps. The deliveries compared with average Soviet sales in re-

cent years of 550 000 ounces a year, and 750 000 ounce last year. (217)

Mr Retief says the lower platinum price is not a reflection of the demand situation. "Every ounce we produce we sell, and every ounce we are contemplating producing is sold in the sense that we have contracts for it."

Platinum rises as Impala shuts mine

B10am 5/9/91

PLATINUM prices firmed yesterday with the news that Impala Platinum had shut down its Bafokeng North mine in Bophuthatswana on Tuesday morning. Platinum was fixed in London at \$345 an ounce yesterday afternoon, \$4 up from Tuesday's fix of \$341. Prices are now back at mid-August levels, having recovered from near six-year lows of \$331 on August 23, but are still well below the high for the year of \$423.

An Impala spokesman said yesterday the mine was closed because threats and intimidation by some workers underground were putting the safety of all employees at risk.

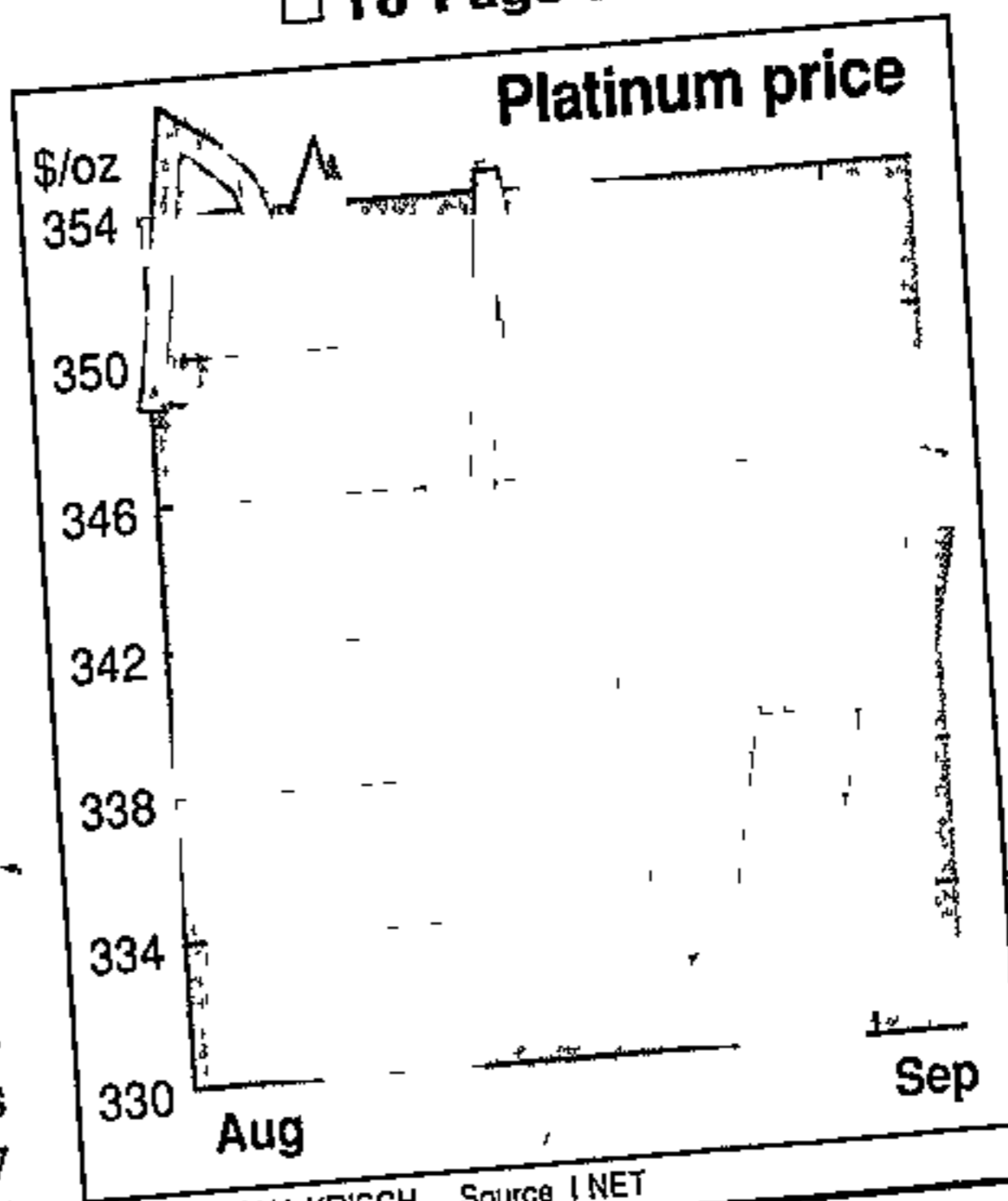
Impala MD Mike McMahon said yesterday platinum operations were running at only 60% capacity because of the closure of Bafokeng North and labour unrest at three other mines and the refinery. Bafokeng North would stay closed until management and worker representatives agreed to measures to defuse tension and restore normal production.

Reuters reports that Johnson Matthey marketing (JM) Neil Carson said that if the disruption to Impala's production continued, there would be demand-driven platinum price rises. Impala, the world's second largest producer, produces nearly 90 000 ounces a month, of which Bafokeng

MATTHEW CURTIN
and VERA VON LIERES

North accounts for about 25%. Impala said production at the mine was already well below target through work stoppages, go-slows, intimidation and short shifts. NUM media officer Jerry Majatladı said yesterday management's practice of unilaterally closing mines was unacceptable.

□ To Page 2



Graphic: FIONA KRISCH Source: I NET

Platinum *B10am 5/9/91*

and heightened tension. Management had not exhausted the means of defusing tension before deciding to close the mine.

Impala shut down its Wildebeestfontein South and North mines on August 22, saying it feared that employees' lives would be endangered after eight miners died in clashes. The mines reopened 24 hours later. It is understood that a key grievance among workers is the Bophuthatswana government's reluctance to recognise SA unions in the homeland. McMahon has said a major problem at Impala is the lack of adequate union structures.

Frankel Kruger analyst Kevin Kartun said yesterday that the problems at Impala would not be resolved until the NUM was recognised, and were likely to continue for some time.

He said management was "walking on a knife's edge", caught between the conflict-

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ing pressures of Bophuthatswana government and union supporters.

Impala said the last round of wage negotiations took place last Friday but no agreement had been reached.

□ The Bophuthatswana Appeal Court yesterday referred a dispute about the leadership of the Bafokeng tribe, which owns the mineral rights to land mined by Impala, back to the trial court, TIM COHEN reports.

The court ruled that further evidence would have to be heard in the appeal against a finding that Mokgwaro George Molotlegi was legitimately holding the position of acting chief.

The action, dismissed by the Bophuthatswana Supreme Court, was brought by Molotlegi's brother, Chief Lebong Edward Molotlegi.

Mine closes, unrest blamed

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Sowetan 5/9/91

IMPALA Platinum has closed its Bafokeng North mine indefinitely as a result of unrest.

The unrest, combined with production disruptions at other mines, has reduced Impala's production from its Bophuthatswana mines by about 40 percent.

Management attributed the closing of the Bafokeng North operation to the tense situation there.

The mine said it was in the best interests of safety to close the mine while negotiations took place with worker representatives.

Wages

The 8 000 mine employees were told on Tuesday that the mine would shut down until management was assured that production would return to normal.

Impala said in a statement yesterday that, through acts of intimidation, work stoppages, go-slows and short shifts, production had fallen well below target.

Problems started at the mine more than a month ago as a result of faction disagreements and continued over wage disputes.

Negotiations with management will continue on Monday September 9. - Sapa.

JCI maintains profits but faces tougher year

star 5/9/91

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By Derek Tommey

Johannesburg Consolidated Investment's (JCI) earnings for 1990-1991 can be considered satisfactory when set against the difficult trading conditions the company experienced, says chairman PJ Retief

Profits are only slightly lower and the dividends have been maintained

However, he is uncertain about earnings in the current year.

He says it promises to be another difficult trading period, with metal prices currently under severe pressure.

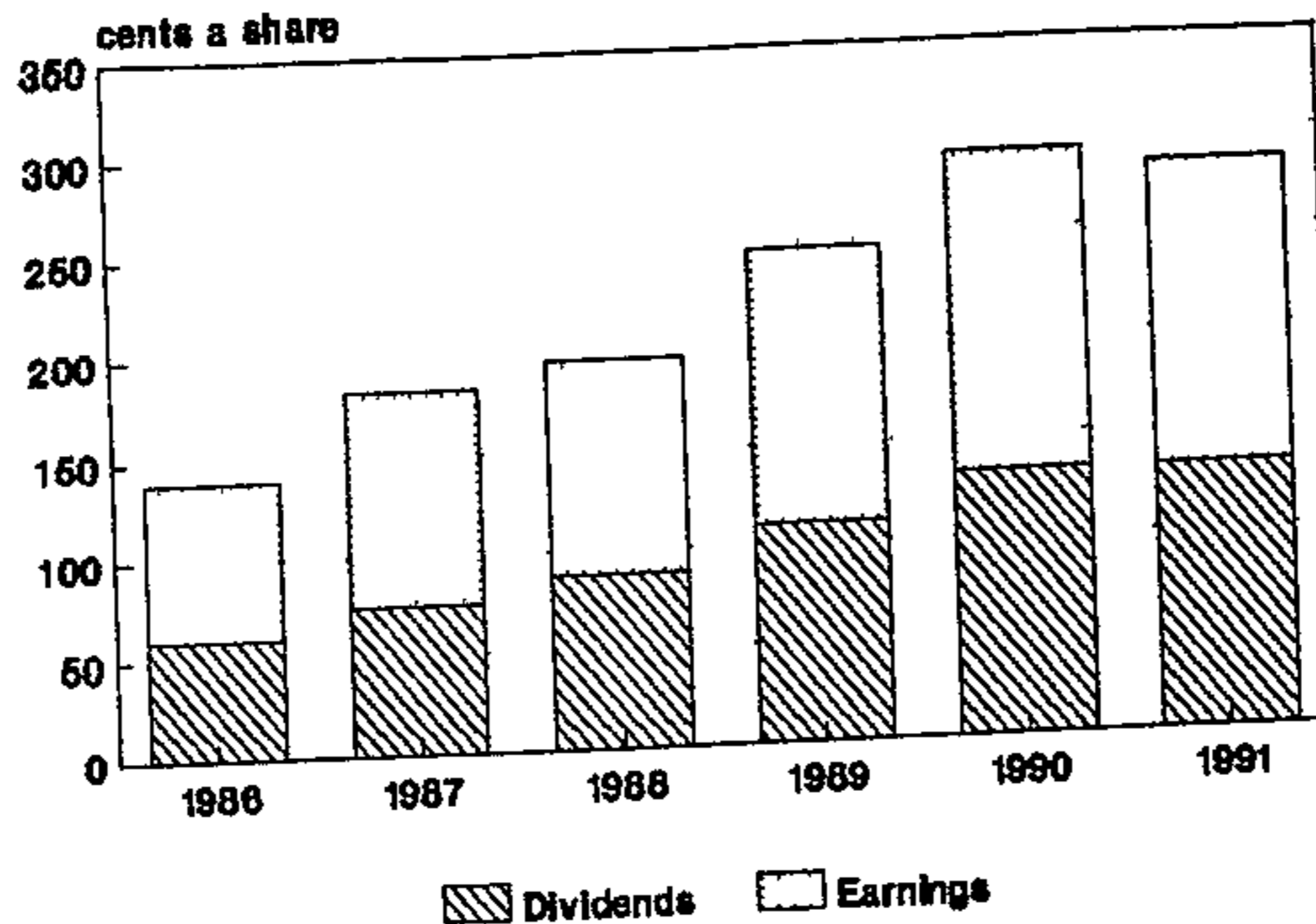
He is particularly worried about the low platinum price and the effect it could have on Rustenburg Platinum, one of JCI's major investments

JCI is optimistic that with a turnaround in the world economy early next year, South Africa will come out of the current recession

But this is unlikely to be in time to make a material difference to JCI's 1991-1992 earnings, which at this stage "are difficult to forecast with any confidence".

Attributable earnings in the year to June declined 2,7 percent from R430 million — equal to 291c a share — to R418 million, equal to 283c a share

Equity-accounted earnings dropped 6,1 percent from R602 million — equal to 408c a share — to R565 million, equal to 383c a share



JCI dividends and earnings (adjusted for 1989 share split).

These figures are before an extraordinary R42,1 million write-off arising from the sale of Lenings

A final dividend of 90c has been declared, making an unchanged total of 132c.

Platinum, coal and industrial interests performed well, says Mr Retief

A higher rhodium price helped increase earnings from platinum group metals by R16,1 million, or about nine percent. Earnings from coal rose 41,7 percent to R48,9 million

Mr Retief believes coal is a good business to be in, and the group is looking about for further opportunities

He says JCI has attractive mineral rights and could join forces with other companies unable to fill their Richards Bay coal quotas

Income from industrial inter-

ests (mainly SA Breweries, Premier, Toyota and printing) rose R3,9 million, or about 2,6 percent, to R193,2 million.

Income from diamonds dropped R2,6 million to R78,8 million

Income from gold declined R7,6 million to R11,3 million as a result of companies following a more cautious dividend policy to conserve cash

JCI's biggest setback was the swing of ferrochrome interests from a contribution of R35,5 million last year to a deficit of R11,3 million this year — a net loss of earnings of almost R47 million.

Mr Retief is reasonably confident of a turnaround in the ferroalloy interests this year because of signs that there could be an improvement in the price of ferrochrome

He feels JCI will have no problems financing any major investments it might embark upon in the next few years

GENBEL FM 6/9/91

Cash rich

~~217~~ (217)

Activities: Long-term investor, holding portfolio of investments mainly in SA mining and resource industries. Also manages a trading portfolio and controls significant mineral rights

Control: Gencor 49,98%, Sanlam 9,41%

Chairman: T L de Beer, MD: A D Botha

Capital structure: 432,3m ords Market capitalisation R2,85bn

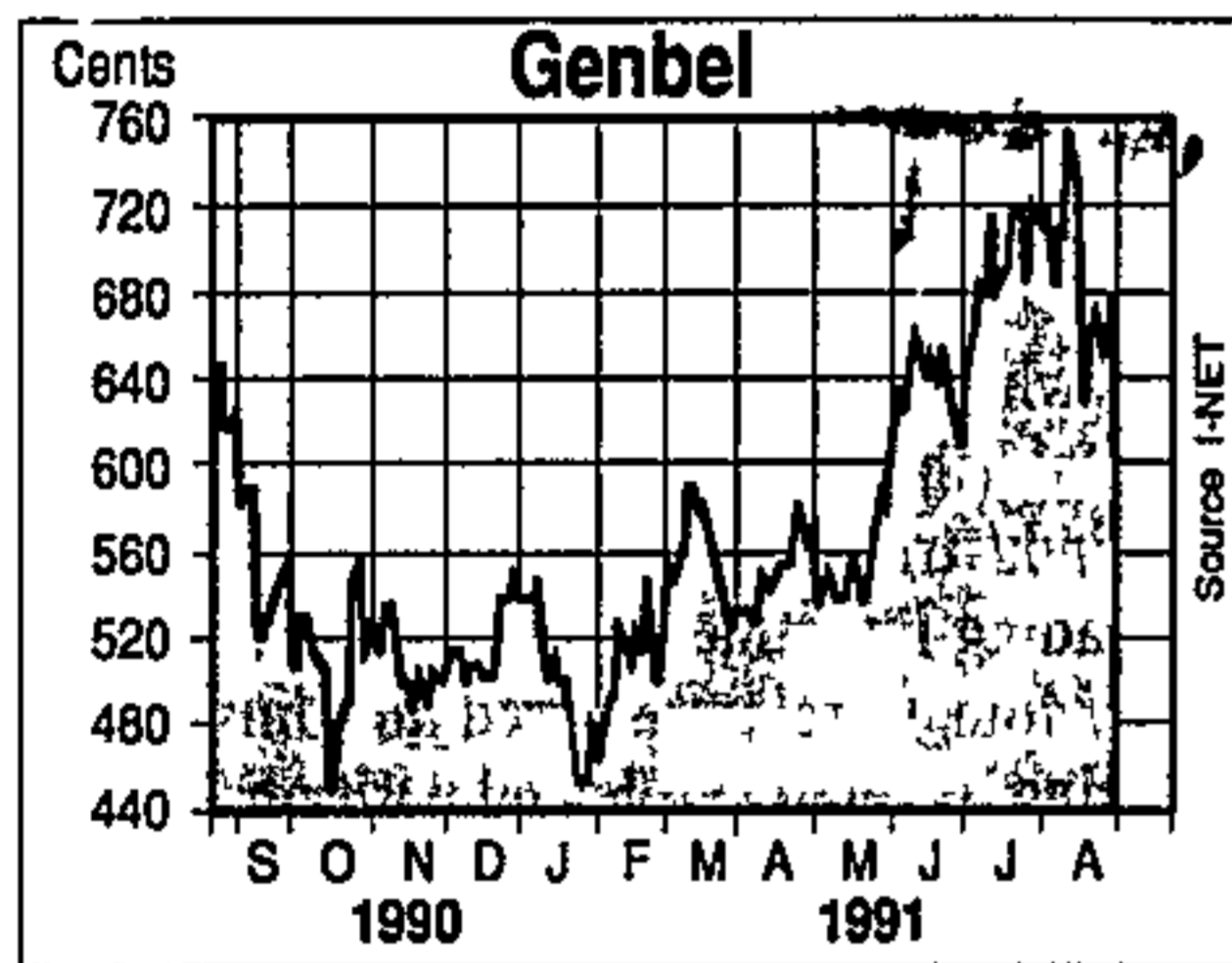
Share market: Price 660c Yields 4,9% on dividend, 4,9% on earnings, p/e ratio, 21, cover, 1,0 12-month high, 750c, low, 450c

Trading volume last quarter, 4,7m shares

Year to June	'88	'89	'90	'91
Investments (Rbn)	1,64	2,53	3,64	3,03
Net income (Rm)	128	100	157	415
Earnings (c)	25,1	25,9	28,8	32
Dividends (c)	25	26	27,5	32
Net worth (c)	458	664	785	740

- **Refocusing** of Genbel's interests has continued and both distributable earnings and the dividend grew roughly in line with inflation in the 1991 year, though the NAV was slightly lower at year-end. After reorganisation of the portfolio, liquidity has risen sharply. There was a cash balance of R324m at June 30, while net current assets have swung from the previous year's net indebtedness of R252m to a positive R173m.

Chairman Tom de Beer says the growth in



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continue →

COMPANIES FM 6/9/91.

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Genbel's Botha less exposure to gold

distributable income was derived principally from maiden contributions from Genbel's investments in Engen and TransAtlantic Holdings. Interest received more than offset the loss in income from shares sold and the drop in dividends from the gold portfolio.

Most of the shares sold, with a value of R310m, were investments acquired more than 10 years ago, so profits generated were not taxable. There was a net surplus on investment transactions of R277m.

MD Anton Botha notes that when Genbel was constituted in its present form in 1984, it had more than 50 holdings in the portfolio, with three-quarters of the value concentrated in precious metals sectors. Gold investments made up 62% of the portfolio. The gold exposure now represents less than 17% (and is concentrated in quality, low-cost and long-life producers capable of expanding production), in a long-term portfolio with only 17 major holdings. This is supported by Unisen, a short and medium-term investment company, and Randex, a mineral rights holding company.

International investments are in wholly owned Genbel Offshore Investments (GOI), whose major asset is the holding in TransAtlantic, consisting of 12,8m 8% conv preference shares with a market value at year-end of R274m. Income from GOI last year totalled R24m, though this was for a 16-month period; income this year will be lower.

Botha says changes to the investment portfolio can be expected to be predominantly the result of major investment transactions taking place mostly in Gencor. New investments are also likely to be concentrated in areas where the funds will ultimately be used to establish or expand large, capital-intensive industries.

Trading investments with a market value of R346m were transferred to Unisen, increasing its relative role and position in Genbel. Unisen reported a taxed profit of R43m, though much of this arose from selling shares

acquired from Genbel through the restructuring.

Randex, in response to the difficulties facing the gold mining industry, has started to dilute its participation in some deep, long-term Witwatersrand basin gold projects. Botha says Randex's activities are to be more restrained in the immediate future.

Looking at the current year, De Beer says Genbel foresees improved dividend income from non-gold investments, while Unisen, with its enlarged asset base, is in a better position to contribute meaningfully to dividend income. De Beer says shareholders can look forward to further growth in earnings and dividends in 1992. But the rate will obviously depend on whether he is right in forecasting that "global economic activity will pick up towards the end of 1991, with the probability of firmer commodity prices."

At 660c, the share is 8% below NAV, which is now about 720c. It is a quality investment, primarily in commodities and precious metals, and a good rand hedge.

Andrew McNulty

FM 6/9/91.

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provide a similar breakdown but rhodium must have contributed even more to its revenue. It reported an average rhodium price received of US\$4 601/oz, compared with Impala's surprisingly low \$3 700.

Platinum prices were much more in line, Impala reporting an average of \$424/oz (\$466), against Rustenburg's \$428 (\$485).

In addition to greater disclosure, chairman Brian Gilbertson has continued his revamp by bringing in a new accounting system which effectively understates earnings.

If the basis of accounting had not changed, attributable income would have been 54% up, instead of the reported 24%, to R311,8m (R250,5m). The new system is similar to that used by Rustenburg in accounting for the effects on tax of heavy capital expenditure programmes and charging money spent on maintaining production capacity directly against revenues.

"In effect, Impala is strengthening its balance sheet and squirreling cash away," comments an analyst. Given its major funding commitments and the gloomy outlook for platinum over the next year or two (see **Leaders**) the moves make a lot of sense.

Gilbertson, who was MD of Rustenburg before moving to Gencor, went for a policy of full disclosure in this traditionally secretive industry with the aim of getting Impala

However, last year's production was below forecast and this year's could be hit by labour unrest at some mines. Rhodium output of 66 000 oz is also forecast to rise because of improved recovery processes.

Key difference between the present Impala and the group as it stood just two years ago is the diversification that has taken place through the Barplats and Messina acquisitions and improvements in the balance sheet.

Earnings at both Rustenburg and Impala could be substantially down this year. While Impala still has some way to go to match industry leader Rustenburg, its current 24% discount to the Rustenburg share price seems excessive.

Brendan Ryan

BETTER DISCLOSURE

Year to June 30	1990	1991
Turnover (Rm)	2 090	2 269
Cost of Sales (Rm)	1 344	1 412
Platinum Production (Moz)	1,08	1,07
Pre-tax Profit (Rm)	738	843
Attributable Profit (Rm)	250	312
Earnings (c)	410	509
Dividends (c)	250	275

rated by the market.

The share has historically stood at a hefty discount to Rustenburg, despite several reasons why it should not. One of the most compelling is that while the two produce almost the same amounts of platinum annually — Impala 1,1m oz against an estimated 1,3m oz for Rustenburg — Rustenburg's issued capital is double Impala's.

As Gilbertson sadly comments, the policy has so far not succeeded — in fact, the gap has widened — but greater disclosure is giving analysts a better grip on the fundamentals of this business.

The immediate consequence is that a lot more confidence can be put on forecasts. And the outlook for the platinum companies this year is not good if price levels stay where they are for an extended period.

Impala's platinum price is 20% down on last year's average and rhodium around 31% down. That translates into a 19% drop in revenue unless production rises and/or the rand weakens further against the US dollar.

The rand is weakening and production is forecast to increase, as Impala is involved in an expansion to go from annual platinum production of 1,08m oz to 1,35m oz by 1995.

IMPALA PLATINUM ^{FM} 6/9/91. Spilling the beans (217)

Latest results continue the welcome trend towards the greater disclosure started last year and provide a valuable breakdown of income. Platinum sales of R1,16bn for the year to June (1990: R1,3bn) accounted for 51% of total revenue of R2,3bn (62% of total revenue of R2,1bn). However, rhodium's contribution shot up to R623m, or 27% (R255m, equivalent to 12%).

Competitor Rustenburg Platinum will not

PLATINUM

Clogging up the works 217

Demand forecasts are bullish, but the price has plunged

FM 6/9/91.



Platinum mines are having to face up to a nightmarish situation. Billions of rands are being ploughed into huge expansions of capacity — but the platinum price is going through the floor. This is thanks largely

to the activities of the industry's biggest customers, the car manufacturers

Are the SA platinum mines about to follow the example of the ferrochrome and vanadium producers and flood a market that has already gone into mild oversupply?

For most producers, the answer is "no". They point to forecast longer-term growth in demand and claim they can survive temporary setbacks on price because they are low-cost producers. Ring a bell? That's because that's exactly what the ferrochrome producers were claiming two years ago, before the bubble burst in their market.

The current low prices have seriously worried at least one industry leader, Impala Platinum (Implats) chairman Brian Gilbertson. "It becomes very difficult to believe in your demand projections when you see the price collapsing below your feet," he observes. "The platinum price has dropped to the point where, but for rhodium revenues, the platinum mines would be in the same position as marginal SA gold mines."

Cars use platinum and other platinum group metals (PGM) such as rhodium and palladium, in autocatalysts used to clean the pollutants in their exhaust emissions. This accounted for 1,52m oz or 41% of last year's demand from the Western world for platinum, which totalled 3,66m oz.

The other pillar of the business is jewellery demand, which last year accounted for 1,365m oz. Combined, the two made up 79% of world demand for platinum in 1990 according to the Johnson Matthey *Platinum 1991* report.

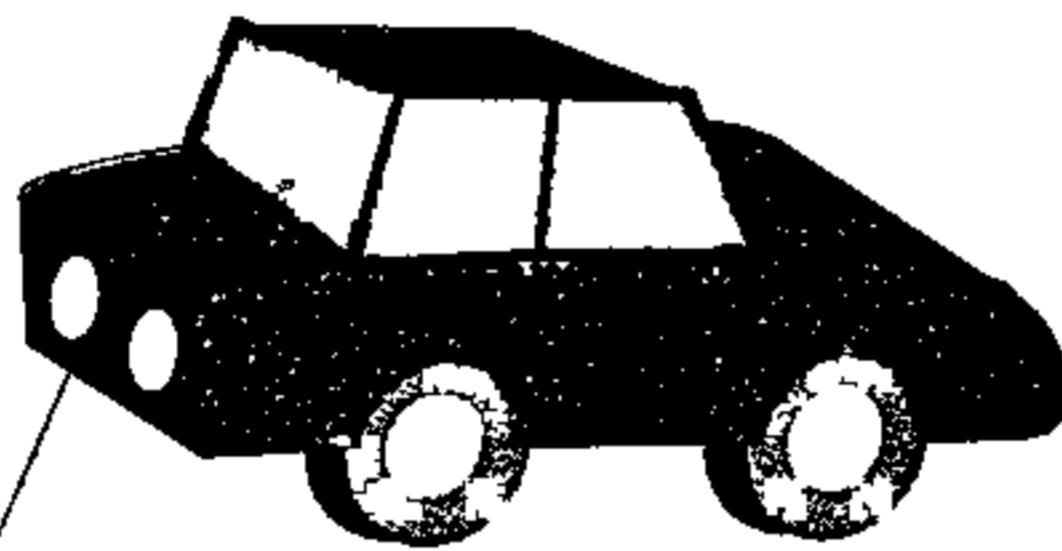
The world's car giants are apparently pursuing research programmes to reduce their dependence on platinum by substituting cheaper palladium. If successful, this could undermine one of the pillars of the projected long-term growth in the business.

The car companies also appear to be sabotaging the platinum price in the short term carefully leaked announcements by, among others, Ford and Nissan have helped depress the price of platinum by 46% from its high of US\$630/oz in 1987 to recent lows below \$340/oz.

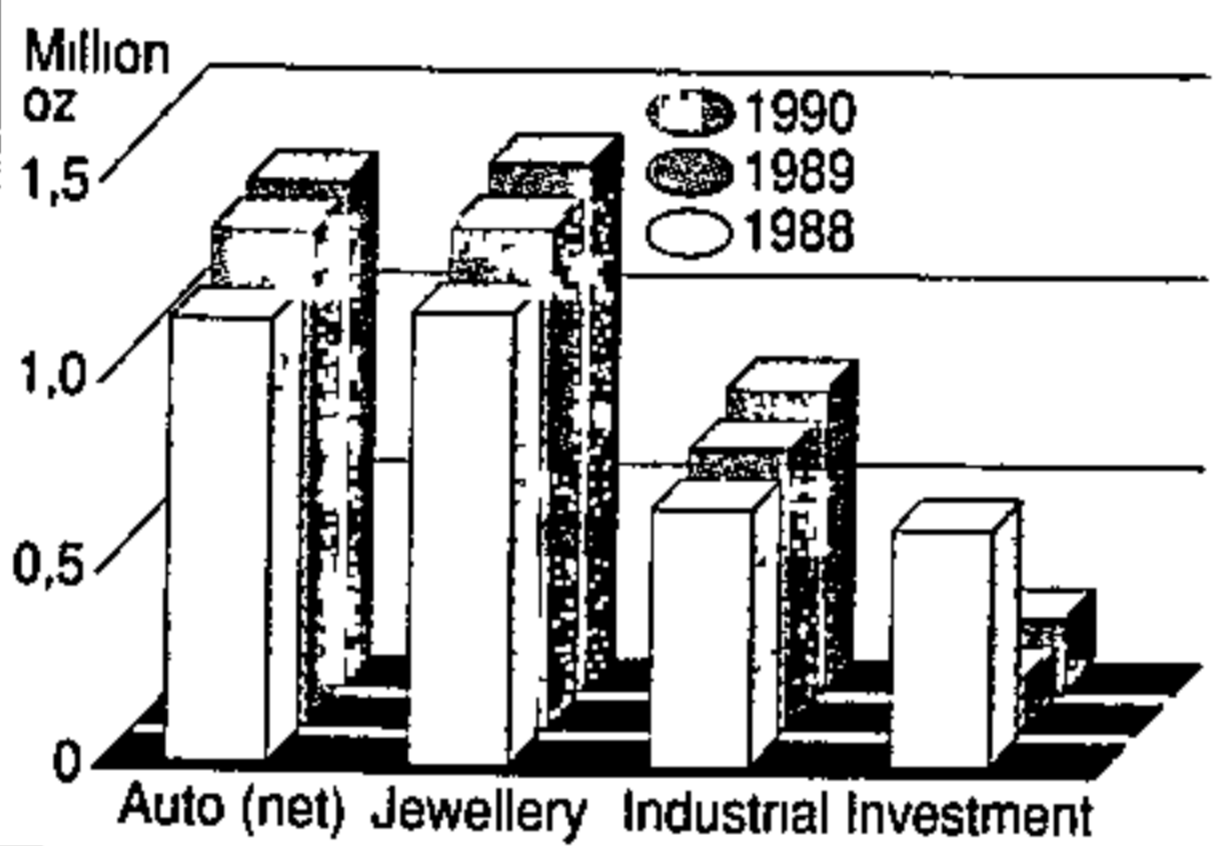
Platinum producers claim the implications of the palladium technology developments are being heavily exaggerated. While in-

tensely suspicious of recent market developments, they will not directly accuse the car companies of conspiring to knock down the platinum price — these are, after all, still their major clients.

The heavy expansions under way are being justified on the longer-term growth prospects for platinum, particularly from the car industry. Gilbertson says Implats based its expansion on a forecast that autocatalyst demand would increase to 2,2m oz by 1995,



Where the metal goes
Platinum demand

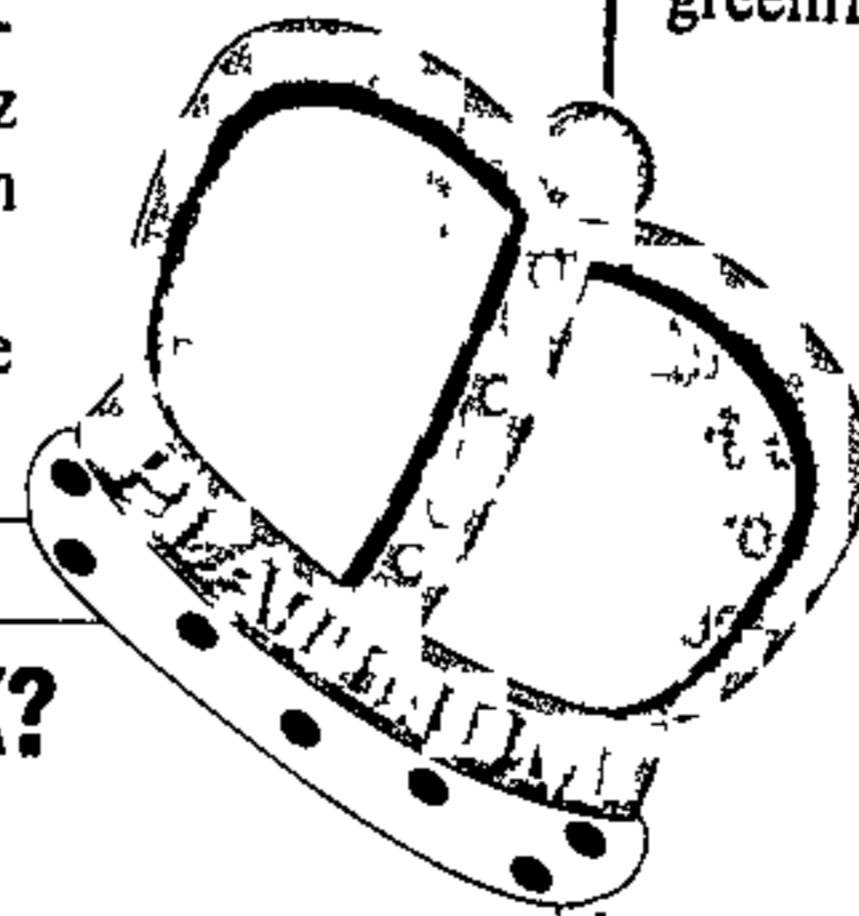


Source: JM

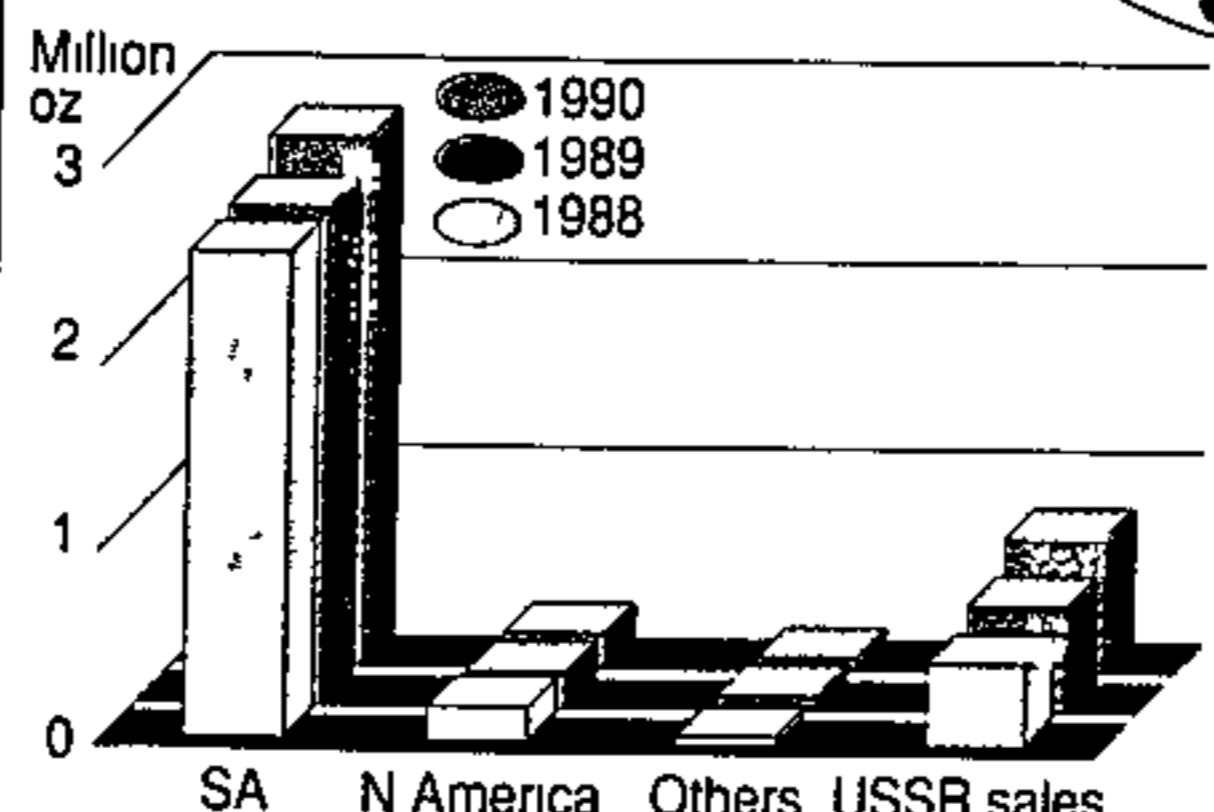
and total demand would reach 4,5m oz.

He now believes Implats has underestimated market growth by as much as 0,5m oz on auto industry demand, which makes the current price weakness all the more difficult to understand. Reasons put forward include the recession in the world's major industrialised economies, which has caused a temporary platinum surplus. Johnson Matthey estimated this at 70 000 oz for 1990 but Gilbertson puts it at 220 000 oz.

Recent plunges in the



SA rules ... OK?
Platinum supply



Source: JM

platinum price have been attributed to the already depressed market overreacting to the speculation on palladium catalyst technology. There have also been other bearish developments like the Russians organising a currency swap with Swiss banks, using an estimated 22 t of platinum as collateral. Gilbertson says the Russians have also become much more aggressive traders in the market and have set up a joint venture with Salomon Brothers in the US to supply North American customers.

While the companies acknowledge lower platinum and rhodium prices must hit earnings this year, most remain confident they can ride the tiger because of their low production costs — though Gilbertson is starting to sound uneasy.

He says platinum and rhodium prices are so low they do not justify any expansions of capacity in the industry. So what happens to Implats' own Barplat and Messina projects, where rights issues are pending to fund expansions? Gilbertson declines to be specific about their future, but says: "We are not prepared to go like lemmings over the cliff and will continue to review the situation."

He says that if Implats does cut back on expansion because of low prices, but the group's demand forecasts prove correct, then market developments could get "exciting".

He adds "End-users who do not have recourse to guaranteed supply arrangements with a primary producer might well find it difficult — and indeed expensive — to then source their requirements from the thinly traded spot market."

So far, the major producers — Rustenburg Platinum (Rusplat), Implats and Western Platinum (Wesplat) — all have brownfields expansions of their existing mines under way. Four separate new mines — greenfields projects — are also being developed. Gold Fields of SA's Northam Platinum, Implats' Messina Platinum, Barplat and JCI's Potgietersrus Platinum, which is opening up the Platreef mine.

The Rand Mines debacle has resulted in proposed production from the planned Kennedy's Vale-Crocodile River mines being chopped to 90 000 oz annually from the original first-phase plans of 185 000 oz and second-phase plans pushing this total to 525 000 oz. Messina's planned output has been trimmed to 60 000 oz from 75 000 oz, while early plans for this mine called for production of as much as 300 000 oz.

Despite these cuts, it appears about 1,3m oz of additional platinum will be supplied annually by SA mines by 1995, if all

Fm 6/9/91.

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Russell



Davison



Gilbertson

goes to plan Rusplat is expanding from about 1,3m oz to about 1,45m oz, Implats from 1,08m oz to 1,29m oz and Wesplat from 0,32m oz to 0,65m oz Messina will kick in with 60 000 oz, Northam with 250 000 oz, Barplat with 90 000 oz, Potgietersrus Platinum with about 150 000 oz and Lebowa Platinum's Atok mine with an extra 50 000 oz

SA supplied 2,78m oz of platinum in 1990 accounting for 74,5% of total world supply last year Rusplat MD Barry Davison estimated earlier this year that the SA mines could supply 84% of the world's platinum in 1995

To cope with this additional supply, plus whatever extra may come in by the year 2000, Davison estimates demand will have to increase by about 5% a year over the next decade He believes this will happen

Davison reckons car exhaust legislation in Western Europe, effective from 1993, means an additional 0,5m oz will be taken up annually by the mid-Nineties Northam Platinum starts producing from late 1992 and is now negotiating supply contracts Chairman Alan Wright says the volume of potential demand being shown in the negotiations is such that he remains completely confident on platinum's prospects

Davison says that even tighter standards could add another 0,15m oz to western Europe's demand while developments in eastern Europe, Russia and southeast Asia could add another 0,7m oz by the turn of the century Totting it all up, he reckons about 1,7m oz could be added to annual demand by the turn of the century, "assuming that autocat technology undergoes no major change"

That is an important qualification Despite what the platinum producers are saying, at least one analyst reckons there is something to the palladium developments Irish & Menell Rosenberg analyst David Russell says palladium seems to be emerging as a serious alternative to platinum

He points out that, contrary to comments from Johnson Matthey that palladium catalysts can only be used on small cars, Ford is testing them on 3,6l engines He says that so far there are nine models of Ford cars on the market using palladium catalysts and more than 600 000 trucks fitted with them He

points out that Johnson Matthey's 1991 report shows a 22% increase in North American palladium offtake — up by 35 000 oz — when car output fell 9%

Still, the SA producers maintain the impact of palladium catalysts will be minimal and the fundamentals for platinum remain sound

Rusplat marketing director Todd Bruce says the market is already turning, with rising platinum and rhodium orders from the US car manufacturers for fourth-quarter 1991 delivery while net imports of platinum into Japan for the period January to May this year are 30% up on the same period of last year

Gilbertson comments "We have seen no evidence of any replacement of platinum and rhodium by palladium We supply three of

the world's largest automobile companies and each has contracted to take escalating quantities of platinum from us and have also extended the duration of the long-term contracts"

Apart from falling earnings, the current weakness in the platinum market could hurt a number of companies set to hold rights issues during the next nine months They are Potgietersrus Platinum, Barplat and Messina

A lengthy price slump would also affect Northam The mine will produce its first metal next August — six months behind schedule — and the project is about 25% over capital budget

Wright says he has the cash on hand to complete the capital programme but will have to borrow funds to cover working capital He declines to say how much

The industry's two largest producers, Rusplat and Implats, are the best-placed to ride out the storm Rusplat has by far the stronger balance sheet, though Implats is improving Gilbertson maintains the group can fund its expansion commitments without having to call on shareholders

The two have gone for different structures, with Rusplat "unbundling" its various interests, while Implats has its 55% stake in Messina and 38% share of Barplat held in a group structure

Davison says Rusplat's approach gives investors a choice and removes share price discounts to assets But some analysts, as well as the *FM*, reckon a major reason could be to insulate Rusplat from its weaker sister platinum companies and protect JCI's flagship company should there be a serious crunch in the platinum market

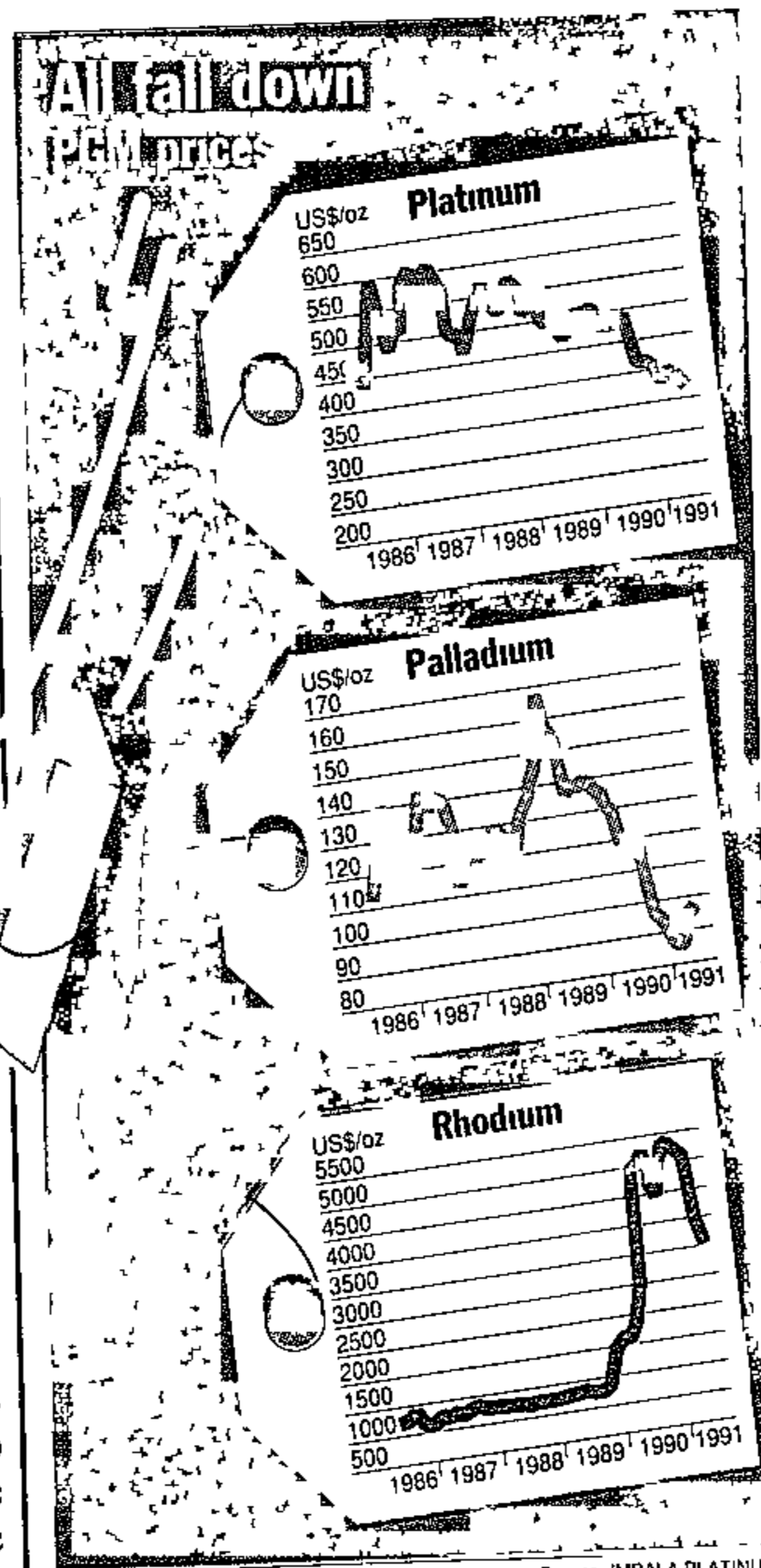
That possibility cannot be ruled out The industry's track record shows the volatility of the business and the present slump in the platinum price is extremely worrying The metal is again priced at a discount to gold after enjoying a premium since 1986 At its peak in 1987, the platinum price was \$170 above the gold price which the producers then claimed illustrated the sounder fundamentals underpinning platinum

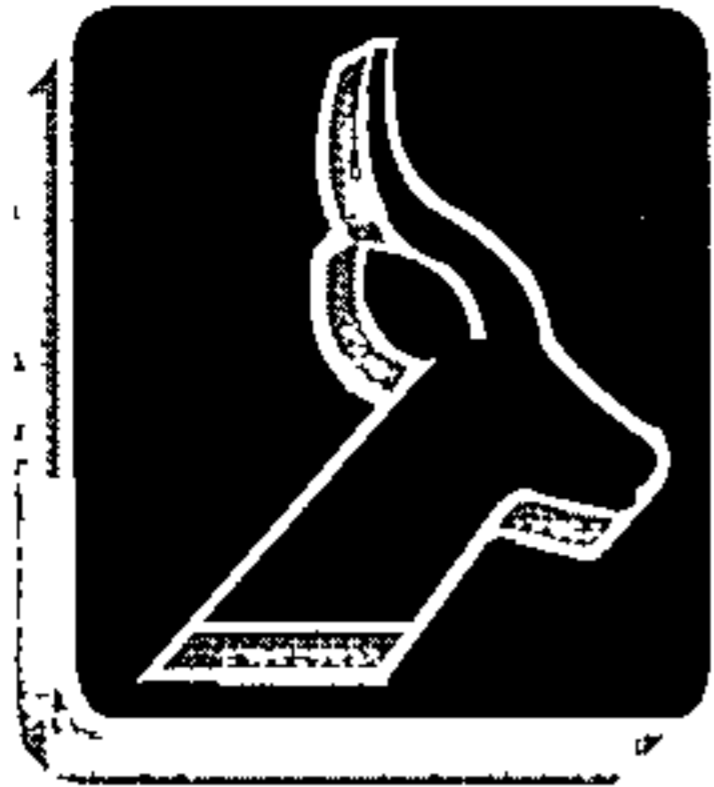
Some analysts are not happy with predictions like Davison's, that platinum demand can grow at 5% annually They point out that forecasts of growth in annual demand can be played like a fiddle, from rates of 2% to 7% annually, depending on which base year is chosen

Demand also lags moves in supply so, even if the two match up in 1995 and 2000, there is plenty of scope for long periods of oversupply which could hold the platinum price down and hammer the producers We may yet find out the hard way just which are the highest cost of SA's low-cost platinum mines

With that possibility looming, the safest shares for investors to be in are still Rusplat and Implats That's if you want to be in the shares at all over the next year or so

Brendan Ryan





Impala Platinum Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration Number 57/01979/06)

Excerpts from the chairman's review

1. Results for the 1991 financial year

The financial year ended 30 June 1991 saw a welcome improvement in the Group's financial results, though profits still fell short of the record level achieved in 1989. Revenue from the sales of platinum and by-products produced by Impala Platinum Limited ("Impala") rose by some 9% to R2,27 billion, and cost of sales rose by 5% to R1,41 billion. Accordingly, income from the supply of metals amounted to R857,3 million, a R111,2 million or 15% improvement on the previous year.

The Board has decided to change the basis of accounting for capital expenditures. Henceforth, general ongoing expenditures of a routine nature that are incurred to maintain the installed productive capacity of the mines will be expensed "above-the-line" as an "expenditure on current productive capacity". In addition, the reduction in taxation associated with major non-routine capital expenditures (incurred both to maintain installed productive capacity in the future and to increase that capacity) will be incorporated in the annual taxation charge in the income statement, so that the total tax charge for the period will relate largely to current income. Overall, these changes will result in a more conservative statement of Group income.

In accordance with the changed accounting convention, a charge of R95,2 million was made for expenditure on current productive capacity (R107,9 million in 1990). Income from other operations contributed R13,6 million (R42,8 million in 1990), and interest received exceeded interest paid by R67,6 million (R57,4 million in 1990). In consequence, Group income before taxation totalled R843,3 million, which was 14% higher than in the 1990 financial year.

The provision for lease, royalties and taxation totalled R556,6 million (R482,5 million in 1990), which amount includes a charge of R189,1 million (R29,3 million in 1990) arising from the new accounting policy. Net income from associated companies in the Lonrho Group contributed R30,0 million (R11,7 million in 1990). Consequently, after allowing for outside shareholders' interests, the Group attributable income was R311,8 million, or nearly 25% higher than the corresponding figure of R250,5 million in 1990.

(I note in passing the effect of the changed basis of accounting. Had the accounts been prepared on the previous basis, attributable income would have been R596,1 million, or 54% higher than the R387,7 million

achieved in the 1990 financial year.)

An amount of R130,2 million was raised as an extraordinary item as a provision against the underlying investment in Messina, so writing that investment down to the net asset value at the date of acquisition.

The Group cash position has been stronger than I had anticipated last year. Despite the heavy capital programme, cash balances have been positive throughout much of the year, as is reflected in the net interest earnings. At year end, the Group cash balance, net of all loans, was R79,9 million.

In line with these improved results, the Directors have decided to increase the total dividend for the 1991 financial year to 275 cents per share, compared to 250 cents in 1990 and in 1989. Accordingly, a final dividend of 195 cents per share has been declared, payable to members on 11 October 1991.

2. Sales

The increase in Impala's sales revenues was due entirely to the higher rhodium prices achieved, revenues from the sales of all other products were, with two negligible exceptions, lower than in the previous year.

The quantity of platinum sold rose by 3 700 ounces, but this increase was more than offset by the decrease of some \$42/ounce in the average price achieved. The quantity of rhodium sold was 4 800 ounces lower, but the price more than doubled, so that rhodium contributed nearly 30% of total revenue, compared to the 50% contributed by platinum. Nickel and palladium were the only two other metals to contribute significantly to total revenues.

Insofar as the 1992 financial year is concerned, we expect Impala's platinum sales to increase marginally over last year's sales. Rhodium too should show an increase as our drive to improve recoveries and reduce the lock-up of metal in the refineries starts to take effect.

The expansion plans that I announced last year, to reach an output of 1,35 million ounces during the 1991 financial year, were premised on the expectation that autocatalyst demand might increase to some 2,2 million ounces in the 1995 financial year, and that, given reasonable growth rates in the other markets for platinum, total demand (excluding investment products) might increase to around 4,5 million ounces. I am increasingly coming to the view that these estimates are conservative – perhaps

by as much as a half-million ounces – particularly insofar as automobile requirements are concerned. In view of the major decline in the prices of platinum group metals in the past few months, there is now a distinct possibility that newly mined supplies of metal will be insufficient to meet demand by 1995.

The depressed market circumstances are likely to lead to a sharp drop in the availability of recycled metal. Much more importantly, these circumstances present a particular challenge to the southern African producers, who are all engaged in long-lead time, capital intensive expansion programmes to enable them to meet the increased metal supplies requested by their clients for the mid-Nineties. The platinum price has now fallen to a level where, but for the rhodium revenues, the platinum mines would find themselves in financial straits similar to those of the marginal South African gold mines, indeed, even with rhodium at its present level, revenues are much lower than would normally justify the investment in new capacity.

Despite the confidence that I expressed above regarding the prospects of platinum group metals, prudence will lead the platinum producers to reconsider their capital programmes in the light of the current weak market conditions. For example, our acquisition of the Barplats Group will result in a large reduction in the production targets of its mines. The output of the Crocodile River Mine is now scheduled to reach 90 000 ounces only by 1996, and no other production – for example from the Kennedy's Vale Mine – is planned for the foreseeable future. This contrasts with widely quoted production estimates but a year ago of more than twice that figure. If the present price weakness persists, this cutback of future production by Barplats will prove to be but the first of others.

3. Operations

Due in large measure to the production problems experienced at the Wildebeestfontein North Mine, to which I referred in the half-year statement, the tonnage milled by Impala was actually some 700 000 tons lower than in 1990, whereas we had planned on an increase of 200 000 tons. Fortunately our efforts at grade control were more successful, so that the quantity of platinum recoverable from the ore milled increased marginally. Progress in overcoming the Wildebeestfontein North problems (mainly by increasing the quantity of UG2 ore mined) has been a little more rapid than I anticipated at mid-year, and the mine performed close to its production targets in May and June.

Due to the effects of the processing time and improvements in recoveries, the actual output of refined platinum from the refinery was only 15 000 ounces lower than in the previous year. The coming 1992 financial year should see output rise, but the extent of the increase will be affected by the eventual outcome of the current labour unrest, to which I refer below. The output of rhodium increased marginally thanks to certain process improvements that we have identified and have started to implement, and I am confident that we shall see a further increase in the coming year. The output of nickel was lower due to the larger proportion of UG2 ore processed.

The unit production costs were kept reasonably under control despite the problems at Wildebeestfontein North, and rose by 11% to R1 295/ounce of platinum refined. Our forecasts suggest that we will be hard pressed to improve on this rate of increase in the coming year in view of the inflationary pressures being experienced

Capital projects generally, and the Group expansion programmes in particular, proceeded according to schedule, though the actual expenditures have generally been lower than the forecasts that I made last year. Nevertheless, capital expenditures at the mines and refineries of Impala rose materially to R381,4 million (R154,5 million in 1990) and are currently planned to increase further – to some R440 million – in the 1992 financial year as the expansion programme gains momentum.

Good progress continues towards the development of the Deeps. A total of 20 boreholes have now been completed and the results suggest grades similar to those in the original lease area. In April, the Board approved the first Deeps shaft, No 15, which will eventually cost a little over R1 billion. It should reach full production in 1998 and have a life in excess of 25 years.

The sinking of No 14 shaft continued satisfactorily and the shaft has reached a depth of 620 metres.

Construction of the plant for the two new mills and flotation circuits to extract 150 000 ounces of platinum per annum from UG2 ore is progressing well. These facilities, together with the No 5 furnace, should be commissioned later this year. The Board recently approved a capital vote of R91,5 million for a further two mills and associated flotation equipment to add to this plant, in order to pursue further improvements in recovery. It is likely that the final two mills will be the largest ever used by the industry in southern Africa.

Capital expenditures at Messina Limited rose to R46,4 million (R17,8 million in 1990) as the project gathered momentum, an amount of R73 million is forecast for the 1992 financial year.

Since early in July 1991, our employees in Bophuthatswana have engaged in various forms of industrial action, including short strikes, working half-shifts and "go-slow" procedures. Production has been affected to some extent, but provided that normal conditions are restored in the near future, the effect will not be severe.

4 Prospects

The coming year will be a challenging one for all of our employees. Management attention will focus closely on improving the efficiencies and metal recoveries of our mines and refineries, and on implementing the major capital projects in which we are engaged. I am confident that we shall make good progress.

The recent price weakness exhibited by platinum and rhodium is of course a cause for great concern, and if this persists we shall not be able to maintain the financial performance of the 1991 financial year.

B P Gilbertson
Chairman

Johannesburg
21 August 1991

Minvest ends year flush after beating forecasts

8/12/91
6/9/91

MATTHEW CURTIN

(217)

MESSINA Investments (Minvest) has beaten the earnings forecast in its listing prospectus in the year ended June, but minority shareholders who opposed the deal setting up the company remain disgruntled.

Minvest posted after-tax income after the sale of its Nkomati Anthracite operation of R11,4m, worth 78c a share.

Chairman Tony Buchan said the company would meet forecast earnings in the current year if the closure of its Messina Copper mine was accomplished successfully. The mine has only two years of ore reserves left.

He said Minvest's sale of Nkomati was part of the "company's strategic decision to stop coal mining and concentrate on precious metal, base metal and diamond operations which we are good at".

Minvest finished the year with cash reserves of R12,5m of which R5,2m was spent on acquiring Bellsbank diamonds from Anglo SA Consolidated Diamond Investments after the year-end.

Some shareholders said yesterday that Minvest should have made more funds available for dividend payments and were still critical of the deal in which a management consortium bought the non-platinum interests of Messina Limited, an Impala Platinum subsidiary, for R12,5m.

Boost for Impala shares as mine reopens

IMPALA Platinum reopened its Bafokeng North platinum mine in Bophuthatswana yesterday after talks between management and employee representatives successfully defused tension at the mine.

The news boosted Impala's share price on the JSE but wiped out Wednesday's gains in platinum prices, which veered below the \$340 mark yesterday.

Platinum, which recently has seesawed between \$330 and \$350, was fixed in London at \$340,50 an ounce yesterday afternoon after closing at \$345 the day before.

Impala stock closed 2,6% or 125c higher

VERA VON LIERES
and MATTHEW CURTIN

at R49 a share, whereas market leader Rustenburg Platinum slipped 50c to R63

Bafokeng North was closed on Tuesday because threats and intimidation by workers underground were putting the safety of all employees at risk, Impala said.

A National Union of Mineworkers (NUM) spokesman said management claims of intimidation among workers were unsubstantiated.

To Page 2

Impala

He said workers' key demands were the recognition of the NUM, an end to racial discrimination and an average 25,6% wage increase. He said management had offered an increase of 12% and no progress had been made in addressing the other issues.

Management said attendance at the neighbouring Bafokeng South mine, Wildebeestfontein North and South mines, and the Minerals Process Plant was normal yesterday morning.

Impala MD Mike McMahon said tension and poor working performance at the Baf-

okeng North mine had led to its closure. Management was concerned at the possibility of violence.

Impala shut down its Wildebeestfontein South and North mines on August 22, saying it feared that employees' lives would be endangered after eight miners died in clashes. Management also thought workers would stage an underground sit-in, Impala said at the time.

Annual wage negotiations at the mine deadlocked on August 30. The talks will continue on Monday.

From Page 1

Soviet turmoil could benefit mining houses

By Neil Behrmann

(217)

LONDON — South African mining houses could benefit from the fragmentation of the Soviet Union

Metals dealers are concerned about potential chaos in the Soviet Union if the economy does not improve.

They say that instead of buying key metals from Russia and other republics within the USSR, consumers will try and ensure supplies from South Africa, Australia, North America and other producers

Gavin Sanderson, a director at Lambert Metals in London, says vanadium and chrome are examples

In the past 10 days some consumers have shifted buying from the Soviet Union to South Africa and have begun to build up stocks

"It all depends on capacity — and South Africa has the potential to produce more."

Metals dealers say a delegation from China has gone to South Africa to buy vanadium. Previously, China bought from the USSR and Armenia. Although Soviet exports of key

metals ranging from aluminium and nickel to platinum have surged in the past six months, there could be disruptions and shortages in coming years

Oscar Prager, a director of Ayrton and Partners, metals traders with long-standing experience with the Soviet Union, says, "Without firm authority to negotiate and distribute raw materials, there's a chance that commodity dealings will degenerate into chaos."

Arguments

With arguments between individual republics and the Soviet Union over ownership of and revenue from resources, there could be problems with export licences, transport, shipping and trade credits

Moreover, if shipments do not meet specifications, either in quantity or quality, Western buyers will not be sure where ultimate responsibility lies, he says

Commodity merchants are conditioned by decades of dealing with foreign trade organisations representing the full authority of the Soviet Union

Now they are worried about future dealings with growing

numbers of commodity export and import agencies that represent either the union, individual republics or the producers of raw materials.

Jim Lennon, a research manager at Commodities Research Unit in London, says that as a leading nickel producer, the Soviet Union used to sell its entire output through Raznoimport, a foreign trade organisation.

Now Norilsk nickel refineries, situated in Siberia, sell metal through Technoexport, a Moscow agency, while nickel plants in Monchegorsk, near Finland, are retaining the services of Raznoimport

Partly as the result of internal competition among selling agencies, Soviet nickel exports were almost 60 000 tons in the first half of the year, against 85 000 tons in the whole of 1990, he says

Not surprisingly, prices turned

Adjusting to rapidly changing developments in the Soviet Union, firms such as Wogan Resources, a London-based strategic metals firm, set up an office in Moscow. Others are forming joint ventures to cope with new demands from either independent republics or

producers

Meanwhile, dealers are cautiously waiting for signs of changing control of organisations

Brian Nathan, managing director of Ayrton Metals, the platinum group metals merchant, says "Platinum, palladium and rhodium mines are situated in Russia, so it doesn't pay the republic to unsettle the market."

Gold swops

This is certainly the fear of some banks whose loans to the Soviet Union are backed by gold and platinum collateral, say Swiss bullion dealers

Gold sales will remain under the auspices of Vneshekonbank, say officials of the USSR's Bank for Foreign Affairs

But bankers fret about whether control of gold inventories will shift to Russia and other republics within the Union

Gold and platinum prices have been sliding mainly because of worries that some banks would not extend their loans if the loans are not rolled over. Vneshekonbank will be forced to sell the surplus gold and platinum on the market.

Focus on Southern African minerals

8/9/71
Business Times Reporter

FOREIGN investment analysts and bankers will examine the development potential of Southern Africa's huge metal and mineral resources at an international conference in Harare

The conference, Southern African Metals and Steel, is the first of a series focusing on the region to be sponsored by the UK's authoritative Metal Bulletin

Government ministers, officials and industry specialists from South Africa, Zimbabwe, Botswana, Namibia and Mozambique will speak at the conference to be held from November 17 to 19

Partners

Metal Bulletin chairman Trevor Tarring says "With South Africa back on the international map and sanctions falling away the time is ripe for investment in the region"

Bankers, venture capitalists, and financial institutions will be looking for joint venture partners, he says

Metals to be discussed include copper, cobalt, nickel, zinc, ferrochrome, stainless steel and precious and platinum group metals

SA speakers will include Iscor deputy managing director Nols Olivier, Genmin mineral economics manager Francois Prins and Irish & Menell Rosenberg precious metals analyst David Russell

Many irons in the fire keep JCI hot

SITimes (Sun) 8/9/91 (217)

DIAGONAL STREET by Julie Walker

JOHNNIES chairman Pat Retief attributes the group's storm-weathering performance to its wide spread of investments. In the year to June 1991, the mining and investment company maintained earnings within a few percentage points of 1990's achievements.

Attributable earnings fell by 2,7% to R418-million. Equity-accounted earnings a share were 6% lighter at 383c. The dividend of 132c was the same as 1990's.

Mr Retief and executives presented the results in Johannesburg this week.

He says the group is concerned about the fall in the platinum price. But he says the contention of another platinum company chairman "that platinum mines at current metal prices look like marginal gold mines" does not apply to Rustenburg.

Platinum was the single-largest contributor, chipping in R196-million to equity earnings. This was 9% higher than the previous year's and 35% of the total.

Rhodium's sharp price rise in 1990 followed an announcement by Rusplats that the new refinery was having difficulty in recovering the awkward metal.

Mr Retief believes the rise was overdone. The price has declined as has that of platinum.

He says "The New York Metals Exchange (Nymex) determines the price of commodities. It deals in contracts of more than 100-million ounces of platinum a year whereas the physical market is 4-million ounces."

Mr Retief says the market appears to have overlooked



Weathering the storm PAT RETIEF, KEN MAXWELL and VAUGHAN BRAY. Picture COBUS BODENSTEIN

the impact of new auto-catalyst legislation in Europe that will raise platinum demand by 500 000 ounces a year.

The Soviet Union is believed to have supplied a million ounces of platinum in the past year compared with an average of 550 000 ounces and 700 000 ounces in 1990. Much of the metal is held as collateral for swaps. The supply has eased considerably in the recent weeks of turmoil.

Gold division chief Kennedy Maxwell hopes his mines will be able to contribute at least the same as 1991's R11,3-million to JCI's earnings.

Mr Retief says diamonds had a bad year. Although eq-

uity-accounted earnings slid by R2-million to R78,8-million, diamonds' contribution edged up to almost 14% of the total.

Coal had a good year, its contribution rising by 42% to R48,9-million. The results show a year's contribution from JCI's 40% interest in the Middelburg mine.

The only sour note from coal was Johnnies' R6,5-million share of a penalty incurred on the cancellation of a dragline for the colliery.

Mr Retief says the decision to cancel its purchase was a joint one between the partners in Middelburg.

Reading between the lines it looks as though JCI was against the decision, but Mr

Retief is too polite to say so. Analysts believe the dragline will be required in a year or two.

Mr Retief speaks of the group's coal achievements in the past decade. Ten years ago it had no exports, but has since built up something worthwhile.

Export tonnage is limited for all SA producers according to their quota of capacity at Richards Bay Coal Terminal.

Mr Retief says some mines are not using their full allocation and he hopes for joint ventures with them. JCI has valuable mineral rights to bring to such a party.

Ferrochrome producer CMI was a black spot. From

chipping in R35,5-million in 1990 it lost R11,3-million this year. The ferrochrome market could firm slightly towards the end of the year, but no miracles are expected.

Executive director Vaughan Bray gives a breakdown of earnings from the group's investments. SA Breweries contributed R95-million, Premier Group R48-million, Toyota R25-million and publishing R20-million.

Mr Retief told a questioner at the news conference that Johnnies' media investments were not for sale — unless somebody made an offer that could not be refused.

An extraordinary loss of R46-million was incurred on the disposal of engineering arm Lennings, which contributed R20-million in 1990.

Sundry contributions fell from R30-million to R8-million mainly because of a poor year at Otjhasi copper mine in Namibia.

Mr Bray says the group is undergeared and will be able to borrow if necessary to expand. Long- and short-term borrowings total barely R400-million on an asset base of at least R8-billion.

Details of two projects, South Deep and a mine at Potgietersrust, are due soon.

Mr Retief says that although the world should ease out of recession from early next year, the effect on JCI's 1992 earnings will be immaterial. It is difficult to forecast earnings with any confidence, he says.

THREE of Barlow Rand's major strategic investments of the past decade — Rand Mines, Middelburg Steel and Bibby — have either failed or underperformed. Remedial action has been undertaken but the question lingers: has SA's industrial leader become a corporate dinosaur or is the under-rating of its share simply a reflection of past errors?

Barlows is SA's leading industrial conglomerate and a significant contender on world export markets, ranking 89th in the Fortune 500 list of international companies. Its return on both assets and equity has exceeded that of other top industrial groups over the past five years, although differences in reporting methods hinder a meaningful comparison. Apart from the underperforming assets, it manages an impressive portfolio representing a significant portion of the SA economy.

Yet, while the group's share continues to trade at its historic premium to net asset value, its performance has lagged behind that of most other industrial blue chips. This, analysts say, is largely because investors are concerned that management lacks entrepreneurial drive and the ability to anticipate changes. Strategic investments and management decisions related to Rand Mines, Middelburg Steel and the UK-based J Bibby plc — which together accounted for 40% of bottom line earnings in 1990 and about 30% this year — are the basis of their concern.

Barlows' rating showed a slight improvement recently on news that it was finally diluting its exposure to the cyclical Middelburg and to Bibby and dismembering the wreckage of Rand Mines. The expected economic upturn has also helped to improve perceptions since the group's diverse spread of assets is intrinsically linked to economic trends.

Analysts are predicting a swing from a 12% decline in earnings this year to a 20% gain next year, attributing their faith to a cleaner corporate structure, a healthier economy and less exposure to cyclical commodity markets.

But Barlows' management, headed up by Warren Clewlow who replaced Mike Rosholt as executive chairman earlier this year, is not yet out of the rough.

Some analysts argue that it is per-

Barlows makes the market wonder if biggest is still best

LESLEY LAMBERT

10 May 1991

217

haps unfair, with the benefit of hindsight, to blame management for its investments in commodities which offered enormous potential in the past decade. But the extent to which management allowed the group to become exposed to such cyclical markets as the contribution of other divisions contracted must surely indicate a lack of foresight, other analysts argue. They also feel the delay in reacting to the inevitable downturn in commodity prices in 1989 displays inflexibility.

The slump last year of wholly owned subsidiary Middelburg cut deep into group profits. Its profits fell from R163m to R52m as world ferrochrome and stainless steel markets declined. The contribution of the mining and mineral beneficiation divisions to group profits declined from 39% to 26%.

Finally, a decision was taken this year to dilute Barlows' interest in Middelburg by floating off portions to shareholders, with the intention of eventually reducing the group's interest to 50%, and listing the company. But critics said Barlows should have acted earlier in anticipation of the downward trend. Barlows argued that dilution at the height of the market would have been at the shareholders' expense.

The group has also been under pressure to justify its investment in Rand Mines and Bibby.

Under Barlows management, Rand Mines has declined over 20 years from a flourishing mining house with a valuable portfolio of

assets into little more than a coal division.

With the exception of Witbank Collieries, other major divisions have failed, with the platinum operation Barplats costing R430m in debt and operating losses. The failures are attributed not only to weak commodity markets but also to poor management within Rand Mines and limited understanding, in a boardroom dominated by accountants, of some of the risks associated with mining. Bibby's value declined from 310p a

share, the price at which it was

bought in 1984, to a low of 106p, as the world economic decline took its toll. The group began to show signs of improvement last year, lifting its sterling after-tax profit by 27% and making several acquisitions. The share price has risen to 174p but the surge may be tempered this year by the persistent UK recession. In another effort to distance itself from underperforming assets, Barlows has decided to dilute its holding by not following a rights issue at 142p.

Unlike Bibby, Rand Mines offered little hope of resurgence and a ruthless rationalisation strategy was implemented by John Hall when he took over management from Clive Knobbs at the end of last year. Hall immediately set about selling or mothballing all unprofitable operations with the objective of stripping the group down to a coal division. Control of Barplats was sold to Implats and there was speculation that the group's chrome ore interests may be moved into Middelburg in a drive towards vertical integration and cost cutting.

Once again, critics were quick to remind investors that Barlows had delayed the inevitable at great cost. Barlows' top management is clearly battling to shake off perceptions that it is dominated by accountants whose ability to shape and manage a vision does not match their outstanding accounting skills.

During the lean years between 1980 and 1985 when earnings grew marginally and the dividend was pegged at 70c, investors expressed

concern at the holding company's apparent lack of drive, particularly since other industrial blue chips were making profits in an erratic economic climate. When conditions improved, Barlows moved into economy-beating mode, producing annual average compound growth of 34.7% between 1986 and 1989. Performance deteriorated again in 1990, in line with that of most other companies, as the impact of declining world markets and a poor domestic economy took effect.

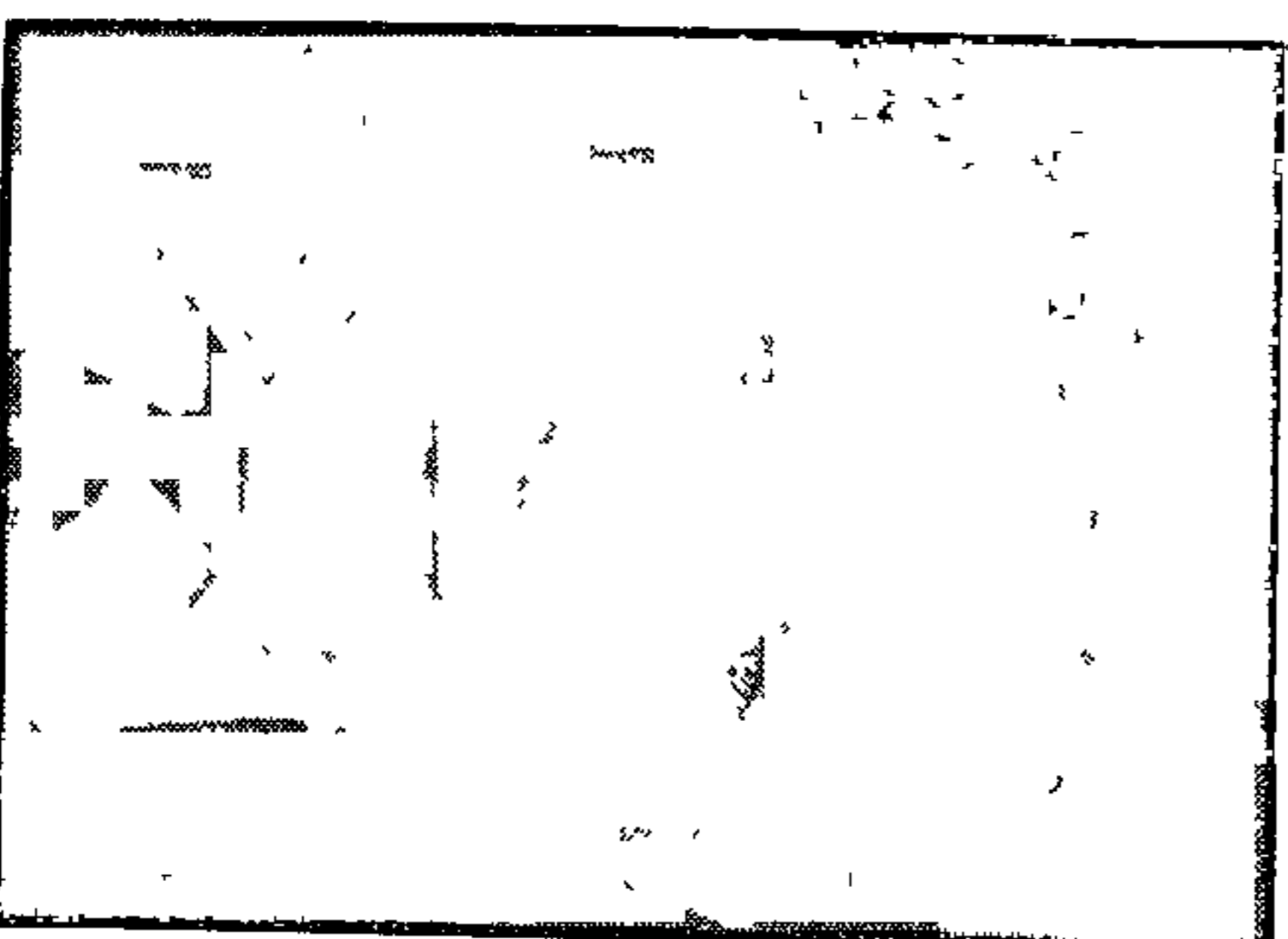
Analysts argue that the high degree of decentralisation in Barlows' corporate structure, coupled with the size of its subsidiaries and a relatively high level of group debt, limits the holding company's ability to shape a master strategy and develop an identity in the marketplace. This implies that its role is merely to manage a portfolio of assets.

If its role is simply that of a portfolio manager, Barlows should provide more proof that it is adding value. If it is not, it should consider breaking the group up into five or six smaller groups or simply sell off Rand Mines, after it has taken out Witcoils, and unbundle C G Smith, some analysts say.

The fact that Barlows' share price continues to trade at a premium to net asset value, in spite of its underperformance, suggests that shareholders believe it does add value at the centre. And there is a view that one of the main reasons for unbundling Barlows — to reduce its over-exposure to cyclical operations — may be achieved once Rand Mines has been restructured and the Middelburg holding diluted.

Barlows dismisses the idea of unbundling on the basis that its size is crucial to international success. Safio research has confirmed that SA conglomerates have been most successful on foreign markets. But has Barlows used its size to the same effect as Rembrandt or Liberty Life? Its investment in Bibby suggests not, although 30% of its earnings came from foreign operations and exports.

Some analysts believe Barlows will have to have a rights issue of about R1bn this year to finance group debt and recapitalise Middelburg ahead of a listing. Although Old Mutual, Barlows major shareholder, has declined to comment, sources close to the financial institution say a rights issue would give it leverage over future investment decisions.



□ CLEWLOW

Platinum mine to be mothballed ⁽²¹⁷⁾

B/D am 9/9/91.

PAUL ASH

IMPALA Platinum (Implats) has stopped underground operations at its Crocodile River platinum mine as a prelude to mothballing the ill-starred platinum operation.

High working costs, low platinum prices and government's reluctance to grant tax concessions have put paid to plans to bring the mine to production.

A company spokesman said in a statement yesterday underground mining at Crocodile River had stopped and opencast mining would be wound down over the next few months to fulfil contractual obligations.

"The current layout is not suited to low-cost operations," Implats chairman Brian Gilbertson said yesterday.

Implats had planned a R300m rights offer, which had now been deferred indefinitely, to fund construction of the mine's No 1 vertical shaft which, Gilbertson said, had to be completed in order to reduce working costs.

Had the government granted tax concessions by relaxing its ring-fencing requirements, Implats could have floated a lower rights issue which would have been more acceptable to the shareholders, he said.

Workers at the mine were told on Friday that Crocodile River would be closing and

some 1 300 jobs would be lost.

Impala's decision to wind down operations is yet another blow to the mine which has been described as the costliest mistake yet made in SA mining. More than R1-billion has been sunk into the mine which has yet to show a profit.

Crocodile River was started by Loucas Pouroulis's Lefkochrysol in 1987 as a low-cost mine using mechanised mining methods and untried metallurgical processes to process the UG2 ore. Designed to produce 360 000 tons of ore a month at full production, the mine had a market value of more than R1bn when it was listed.

After Pouroulis had failed to meet development targets, Rand Mines bought the mine in 1988 and lowered the production target to 160 000 tons a month. Despite scaling down the use of trackless mining, high working costs and smelting problems continued to hamper production.

Implats took over the mine only after Rand Mines had taken on its debts, and immediately announced it would phase out trackless mining and mothball Crocodile River's smelter and Rand Mines's precious

□ To Page 2

Mothballed ^{B/D am 9/9/91.}

metals refinery in Brakpan. Production was to be scaled down to less than 100 000 tons a month in 1992.

The spokesman said that to fulfil commitments, revenue from platinum group metals (PGMs) in the refining pipeline would be used to fund the continuation of the shaft-sinking operation.

Gilbertson said Implats would not sell the mine, which would be mothballed until the market improved.

He said Implats was facing the dilemma that although demand for platinum was expected to have increased dramatically by 1995, the price was too low now to justify investment in a three or four-year programme.

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□ From Page 1

The Crocodile River venture was still "satisfactory" from the group's perspective, he added.

Frankel Kruger analyst Kevin Kartun said the closure would not really affect the market. At full production, which the mine was expected to have achieved in 1996, it would have produced only 90 000 ounces of platinum a year. Implats's current production is 1,1-million ounces a year.

He said the move had been unexpected as analysts felt the project would go ahead despite the uncertainties in the world platinum market.

Implats had recently presented analysts with projections for the future of Crocodile River.

Weak platinum price forces mine shutdown

Star 9/9/91.

By Jabulani Sikhakhane

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Barely a month after announcing a rescue package by Impala, mining operations at Barplats' Crocodile River platinum mine, near Brits, are to be halted.

In addition, the R300 million rights issue planned for October has been postponed indefinitely.

Barplats chairman Michael MacMahon, who is also managing director of Impala, said yesterday that current conditions in platinum group metal (PGM) markets and the failure of Impala's application for the lifting of ring-fencing had necessitated a review of the proposed mining plan.

Uneconomic

The existing mining layout and current low metal prices had made underground stoping operations at Crocodile River uneconomic, he said.

Platinum prices have weakened sharply this year, falling from an afternoon fix of \$410,50 an ounce in early January to a fix of \$342 an ounce last Friday.

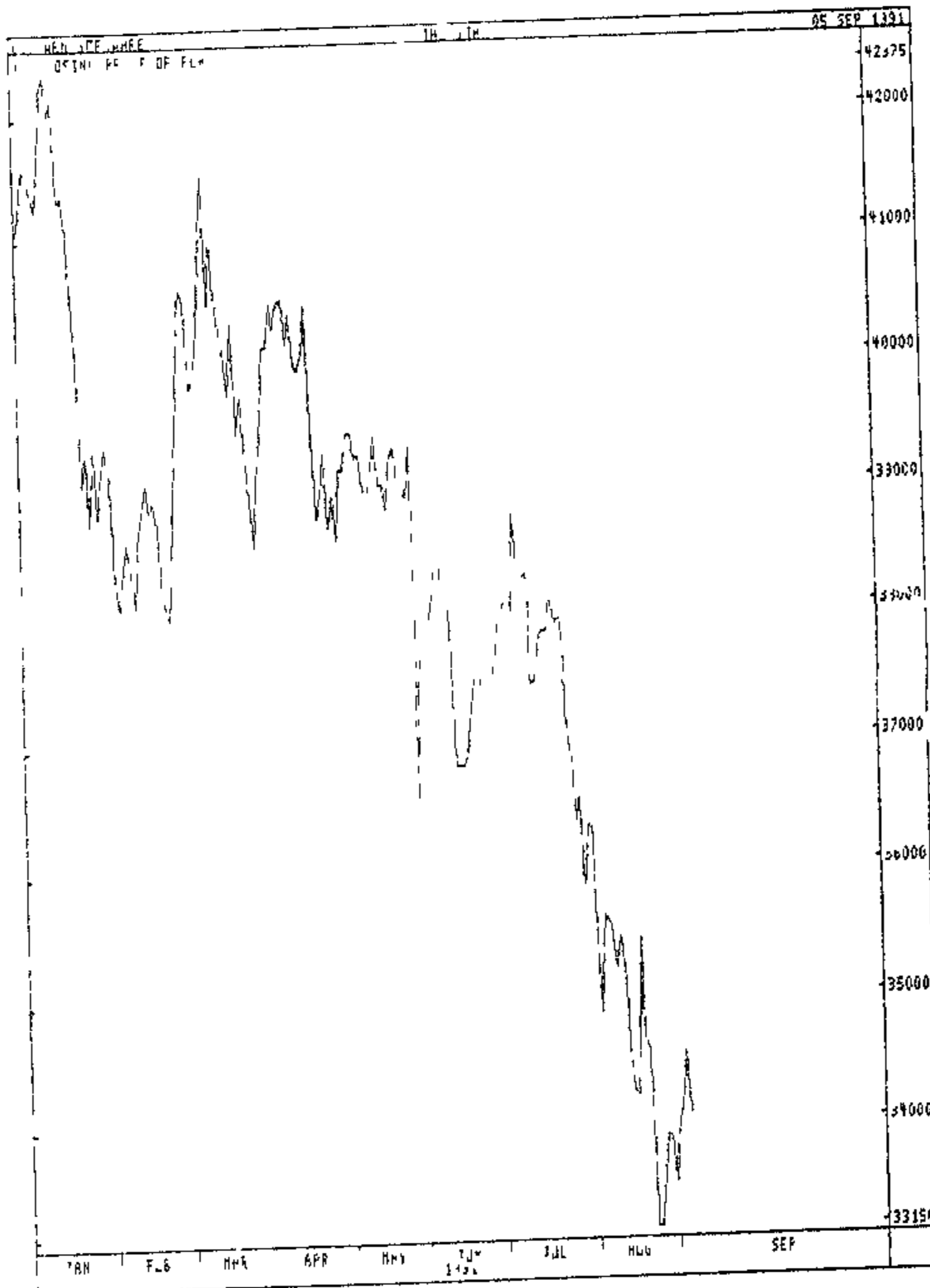
Announcing the Barplats deal last month, Mr MacMahon cautioned that despite the positive impact of the rescue package, there were still some risks involved.

Paramount among these was the dependency of the Crocodile River project on the rhodium price.

Rhodium

The dollar rhodium price has fallen sharply from over \$5 000 an ounce at the beginning of this year to well below \$4 000 an ounce.

Analysts have warned that the rhodium price could still fall further, especially since Rustenburg Platinum is sorting out previous refining problems and the Soviet Union is likely to



Platinum price movement from January to present

sell more rhodium to raise foreign exchange.

Rhodium is heavily dependant on the autocatalyst market, which accounts for 80 percent of consumption.

With car manufacturers worldwide reporting large losses and experiencing falling sales, they are expected to reduce their stockpiles.

Stoping operations will be curtailed immediately to prevent operational losses.

Opencast mining operations will be wound down over a period of months, in line with contractual commitments.

Revenue from platinum group metals already in the process pipeline will be used to fund the continuation of the sinking of the No 1 Vertical

Shaft, a process which will be subject to monthly reviews.

The shaft was due for commissioning in November 1993.

Mr MacMahon said because of these decisions the proposed rights issue of up to R300 million had been deferred indefinitely.

The proceeds from the rights issue would have been used to finance the switch-over from trackless to conventional mining.

Analysts said recently that had the Receiver of Revenue allowed Impala to offset capital expenditure against its current taxable profits, the after-tax amount would have reduced heavily to about R100 million from the R300 million.

Last month Impala and Barplats announced that Impala would take over management control of developing Barplats' Crocodile River platinum mine and the mothballed Kennedy Vale mine in the Eastern Transvaal.

Impala was to provide valuable ore from minerals adjacent to the Crocodile River mine and technical and marketing skills in exchange for an effective 38 percent holding.

Proportion

A new mining plan was also announced, which scaled down the targeted level of production from 24 000 tons to 130 000 tons a month.

This equalled 90 000 ounces of platinum, with a high proportion of rhodium, a year — a target which would have been reached by 1996.

Other plans included mothballing of Barplats' smelter and precious and base metals refineries.

Mr MacMahon said at the time that Kennedy's Vale, although mothballed, had important long-term potential for both shareholders of Impala and Barplats.

Impala has mineral rights adjacent to Kennedy's Vale.

Operations

Some 1 300 jobs will be lost, but management said it would try to place as many as possible of those affected in other operations.

The effects of the decisions had been discussed with employees and employee representative organisations, management said.

Launched by Lucas Pouroulis' Golden Dumps in 1987 and acquired by Rand Mines in 1988, the Crocodile River and Kennedy's Vale mines have absorbed over R1 billion in capital expenditure to date.

Star 9/9/91

Platinum mine to shut

By Jabulani Sikhakhane

Trouble-plagued Barplats' Crocodile River platinum mine near Brits is to stop mining operations, barely a month after announcing a rescue deal by Impala Platinum, which is controlled by Gencor.

The planned rights issue to raise R300 million has also been postponed indefinitely, Barplats chairman and managing director of Impala, Michael MacMahon, said in a statement last night.

Mr MacMahon said the decision had been necessitated by current lower platinum metal-group prices and the

failure of Impala's application to the Receiver of Revenue to allow Impala to offset capital expenditure on the Crocodile River mine against its taxable profits.

The decision will result in a loss of 1 300 jobs, but management has said it would try to place as many as possible of the affected employees at other operations.

Barplats (formerly Lekochrysos), launched by entrepreneur Lucas Pouroulis in 1987 and taken over by Rand Mines in 1988, has absorbed more than R1 billion without making any profit.

● Weak platinum price forces shutdown — Page 14

NCE

Platinum fights to regain lost ground

B/D ay 10/9/91
LONDON — The recent price rally in platinum could erase its discount to gold, although there might not be much further upside potential, traders have said.

Platinum was fixed at \$348.25 an ounce yesterday morning, up nearly \$5 from Friday and compared with a fixing on Thursday morning of \$338.50

By comparison, gold's fix of \$350.10/oz was less than \$3 above its Thursday levels.

Output

Traders said there were technical and fundamental factors behind platinum's price rally.

They said there were short-coverings on news of production cutbacks.

Over the weekend, the Barplats group said it would stop mining operations at its Crocodile River mine

Planned output had been 90 000 ounces a year from 1996

"Sentiment is better now than it was a week ago," one trader said

"However, it is far too early to say if the market has turned . . . the next target

is parity with gold"

A year ago platinum stood \$90 above gold, but at one stage in its subsequent decline ran nearly \$25 below

Even if platinum recovers its ascendancy over gold, traders and analysts do not see any significant premium developing, as little has changed on broad fundamentals

The market is likely to be in surplus for some years

Last week Rustenburg Platinum, the world's largest producer, said it had no plans to shelve previously announced expansion plans

"Secondary supply, largely originating from the recycling of used automobile catalyst converters, is increasing," analysts David Williamson and Associates said in their latest review

They said the Soviet Union was estimated to have sold over 20 tons of metal in order to generate badly needed foreign exchange

Also, they said, Japanese investor confidence had collapsed

Technically, support was likely around \$340/oz, with an upside objective near \$355, analysts said — Reuter

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Plunging Barplats shares lose 50%

MATTHEW CURTIN

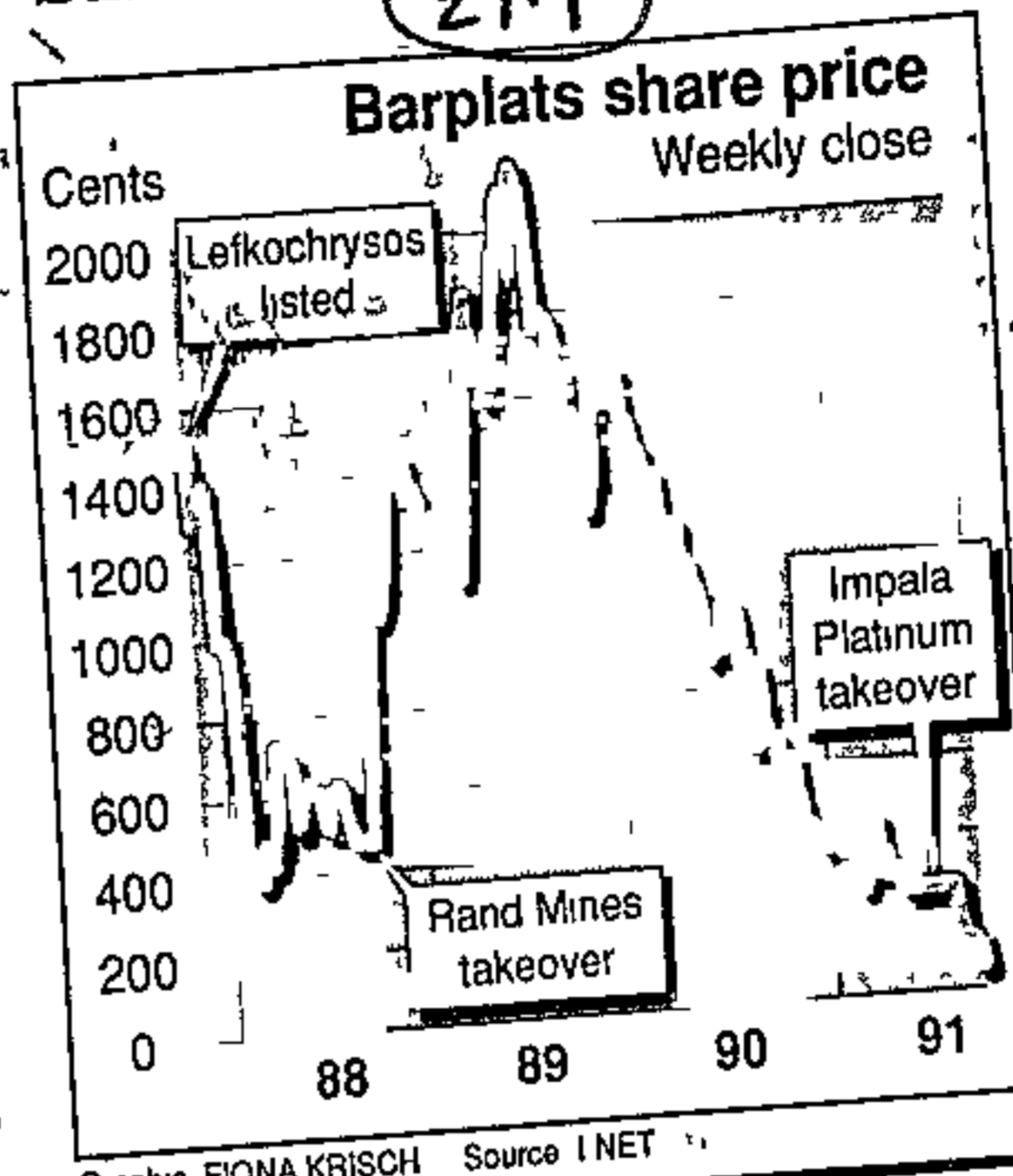
SHARES in the Barplats platinum operation crashed by more than 50% on the JSE yesterday to close at new lows. The plunge in the share price followed yesterday's announcement by controlling company Impala Platinum (Implats) that it intended to mothball the operation.

Barplats stock finished the day at 55c, down 61c from Friday's close of 116c. Shares traded as high as 775c last year.

Analysts said yesterday the slide in the shares meant the Barplats bubble had finally burst. *Blow 10/9/91.*

In the months after Rand Mines bought the mine from mining entrepreneur Loucas Pouroulis in September 1988, shares

To Page 2



Barplats

Blow 10/9/91
soared and peaked at R24, pushing the mine's market value to more than R1.5bn. Yesterday Barplats' market value was just R55m despite the fact that between Pouroulis and Rand Mines, more than R1bn has been spent on the platinum operation.

Shares in Barplats Mining (Barmine), the mine's operating company, sank 55% from 40c to close at 18c yesterday.

Analysts said they were surprised by the timing, if not the decision to shut down the mine. Implats warned when it took control of Barplats a month ago that if monthly production targets were not met, it would stop mining until the mine's vertical shaft was completed.

Davis Borkum Hare analyst Alex Wagner said Implats had lost nothing in deciding to mothball the mine.

"The biggest strategic factor in Implats' acquisition of Barplats was the opening up of Genmin's other mineral rights," he said.

Simpson McKie analyst Rodney Yaldwyn noted that with shafts sunk at Crocodile River and Kennedy's Vale, Implats

(217) From Page 1
would be able to sit back and wait for market conditions to improve, before re-assessing the two mines with their extended ore reserves. If it decided to restart mining, there would be a short lead time before production started because the infrastructure was in place.

He said with the current market confusion and depressed platinum and rhodium prices, Implats did not need the small additional output from Crocodile River when it was already committed to developing the Deeps prospect and the Messina platinum mine. Platinum prices are hovering near six-year lows while rhodium prices have fallen \$2 000 back to mid-1990 levels of about \$2 800 an ounce. Crocodile River's production target was 90 000oz of platinum a year by 1996, less than 10% of Implats production capacity.

Wagner said Rand Mines, which had retained a 43% stake in Barplats, had lost the asset which would have supported the R330m of Barplats debt it had taken on as part of the deal with Implats.

COMPANIES

Final dividend only from Prieska

SHAREHOLDERS in Anglovaal's defunct Prieska copper mine would receive only a final dividend payout when all the mine's closure requirements had been met, chairman David Crowe said in the mine's 1991 annual report. *6/0cm 10/9/91*

He said of the R13,6m provided for the rehabilitation of the mine property at Copperton in the Northern Cape, R4,3m had been paid to the Prieska Copper Mines Nature Conservation Trust. Almost R9m had been spent on rehabilitating the area in line with statutory regulations.

Crowe said further rehabilitation costs were expected as anti-pollution measures related to Prieska's slimes dams had not been finalised. *(2/7)*

He said the company's accumulated re-

MATTHEW CURTIN

serves, which stood at R13m at year-end June 1991, proceeds from the sale of its remaining assets, and the balance of funds which the company had already set aside, should cover outstanding closure costs.

Mining of underground and surface material at Prieska stopped in January as operating losses brought on by falling base metal prices prompted management to halt operations before ore reserves were exhausted. Prieska turned in an operating loss of R1m in 1991, but maintained its pre-tax profit at R1,3m.

The amount of ore milled fell by half to 885 000 tons year-on-year, against a 1987 figure of 2,8-million tons.

No Prieska distribution yet

A final distribution to shareholders of Prieska Copper Mine will only be considered when all the mine's closure requirements have been met, says chairman DJ Crowe in his annual review.

"Of the R13,6 million already provided for, R4,3 million has been paid to the Prieska Copper Mines' Nature Conservation Trust, which has assumed responsibility for ongoing statutory obligations, and R8,9 million has been spent on obligations attended to thus far," he says.

Mining operations ceased at the end of January because of declining metal prices and limited ore reserves.

Operating losses for the year were R1 million, but non-mining income was R2,3 million.

Initial closure costs were R7,6 million and transfer from non-distributable reserves was R5,1 million, which contributed to distributable profit of R6,4 million — equivalent to 12c a share — Sapa.

(217)

Barplats workers bitter, despondent over future

Star 10/9/91

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Staff Reporter

Bitterness and fear of a bleak future were the first reactions of some of the estimated 1300 employees after they heard they would lose their jobs when the Barplats Crocodile River Platinum mine near Brits shuts down at the end of the month.

Barplats chairman Michael MacMahon said at the weekend that sharply lower platinum prices made it uneconomical to keep the mine operating.

The employees yesterday said they were bitter at being informed of the

closure only on Friday. They said three weeks notice was not sufficient time to find another job.

They were sceptical that the mine management would find them jobs, despite an undertaking to do so.

Barplats general manager Gert Ackerman said feelers had been put out to other mining groups regarding the possibility of employing the retrenched workers.

Alson Madlala (31) an assistant industrial relations officer, and father of two said he was pessimistic that he would find another job.

He said he had already approached three companies who had all turned him down.

Chris Mabolloane (33), a supervisor and father of two, and a Lesotho citizen, said the chances of him finding another job were slim.

He said he thought he had survived the storm after the Harmony Gold Fields mine closed down last year. Now it was certain he would not survive the second round.

Jacob Dikomang (56), an underground team leader, said chances were almost nil of him ever finding another job.

IDC in major minerals plan

Bibay 11/9/91
LESLY LAMBERT

THE Industrial Development Corporation (IDC) is seeking partners to help it set up a major beneficiation and export project

If it succeeds, it will be able to go ahead with a pilot project to produce alumina, magnesia and potash from phlogopite, a waste product dumped at the copper mines near Phalaborwa. (217)

The project could recover and beneficiate enough of the three minerals to satisfy local demand and export excess production, says IDC senior GM Malcolm Macdonald.

SA currently imports 350 000 tons a year of alumina, a basic component used in the production of aluminium. This satisfies the country's sole aluminium producer, Alusaf, which produces 17 000 tons of aluminium a year, according to the IDC.

If Alusaf, a joint subsidiary of Gencor, Swiss-owned Alusuisse-Lonza Holding and the IDC, goes ahead with plans to expand its production to 430 000 tons a year, local demand for alumina would increase to 860 000 tons a year.

The phlogopite project could produce enough potash and magnesia, a high priced mineral used in chemical feedstocks, for SA and export markets.

Platinum loses its allure

THE DECISION to stop production at the Crocodile River platinum mine and mothball the entire operation, with the loss of 1 300 jobs, has caused a wave of jitters about South Africa's reliance on its mines as pillars of the economy.

Nerves have already been set on edge by the collapse of world gold prices, on which South Africa has long depended as an economic mainstay.

The tumble in bullion prices from a peak of \$875 an ounce in 1981 to current levels of about \$350 threatens to toss about 18 gold mines into the red — with job losses running into tens of thousands.

The latest casualty is Anglovaal's Loraine gold mines, where production cutbacks will hit about 900 jobs.

Chamber of Mines vice-president J J Geldenhuys has warned that most mines in the Free State will be running at a loss if the gold price shows no quick improvement.

Now comes the announcement from Impala Platinum that the Barplats mine at Crocodile River near Brits is to be cocooned.

Does it mean new cracks have begun to appear in the cornerstones of the economy?

The South African obsession with secrecy has always ensured a cloak of mystery around the precise value of the export income generated by platinum. But it is well known that it takes a key slot on balance of trade tables.

South Africa accounted for 2,8 million ounces of a world-

wide supply of 3,7 million ounces of platinum last year, and its earnings from the metal were about \$1 320 million.

True, the closure of Crocodile River mine is viewed as a special case — joining the annals of mining folklore as just one more venture that took speculators by storm when started but which collapsed at the moment of truth.

Investors were promised that a treasure chest was being prised open when Greek entrepreneur Loucas Pourouhis started it all four years ago.

The miracles were elusive, as Rand Mines found out after it took over in 1988. They looked almost within grasp for a fleeting moment in mid-1989 when the share price zoomed above R24. They had vanished, with shares all the way down to R2, by the time Impala Platinum stepped in with what looked like a rescue operation at mid-year.

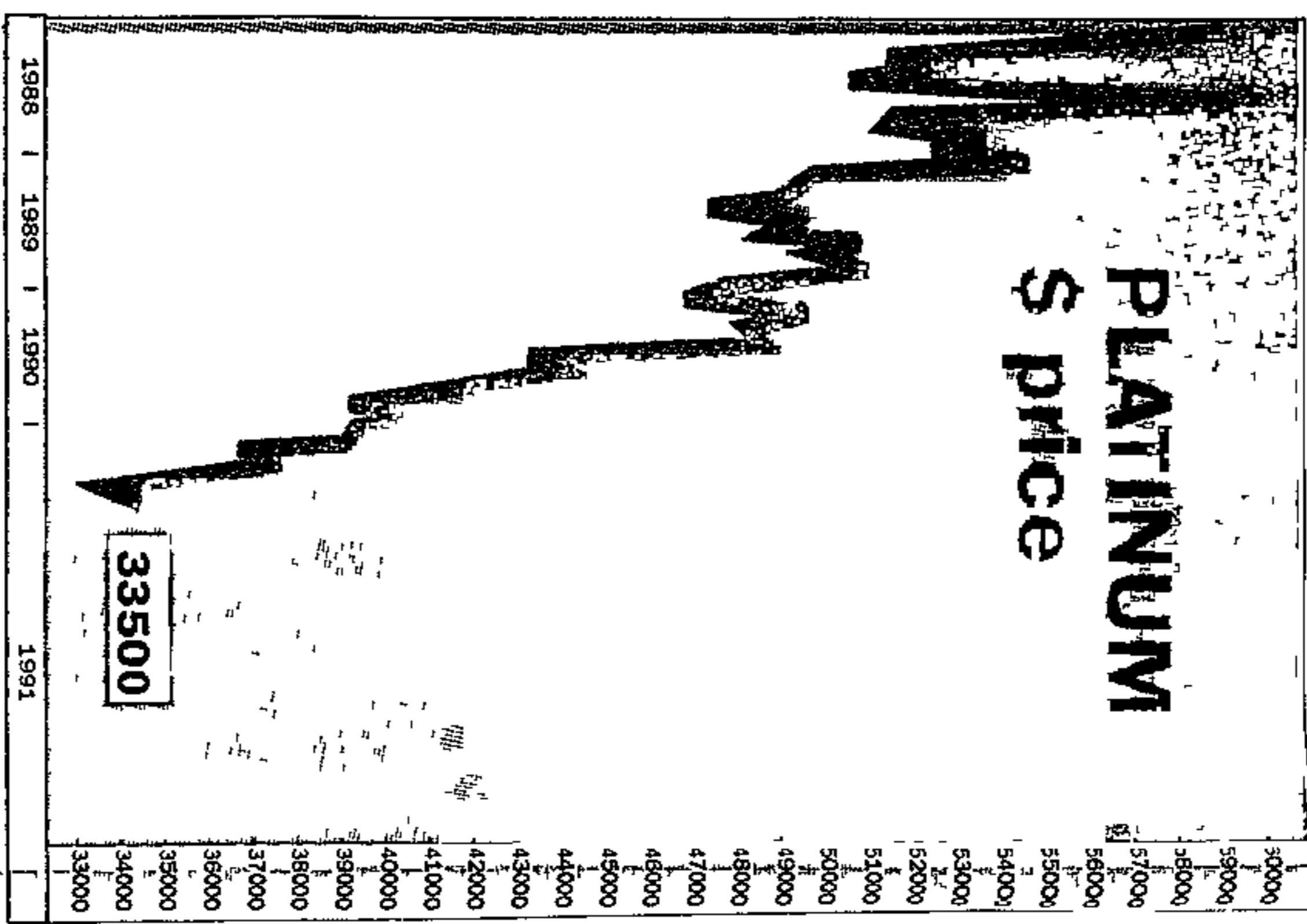
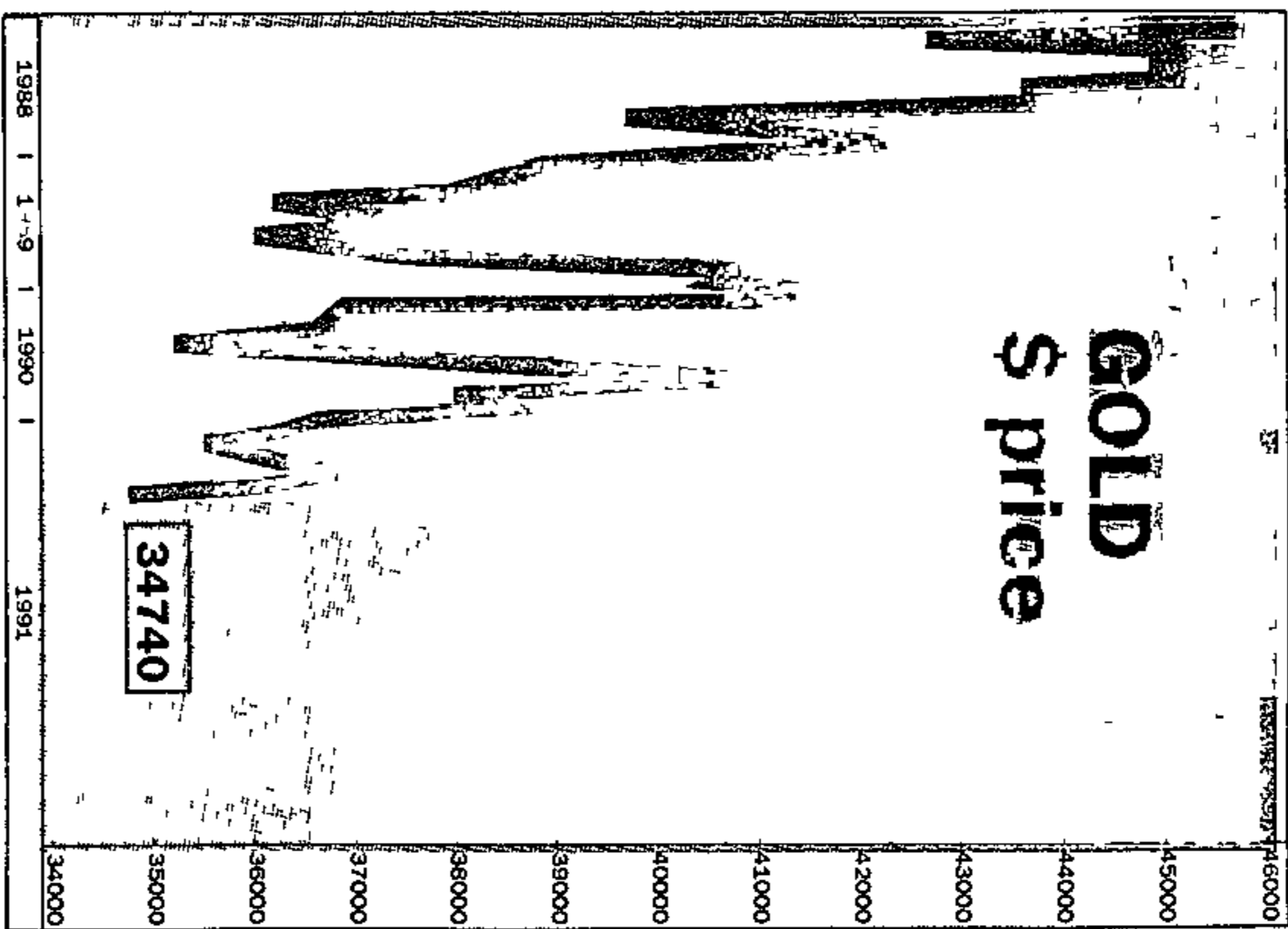
The decision by Impala to put the venture into mothballs confirmed that it, too, has despaired of the hunt.

Crocodile River was relatively small fry among the platinum grants. Nevertheless, concern about low world prices — the root cause of the mothballing — is symptomatic of the worries haunting the industry. Platinum prices have slipped from more than \$600 an ounce

Spur 12/9/91
217

The South African economy has already been badly hit by the fall in the gold price. The mothballing of the Crocodile River mine near Brits is symptomatic of added tensions caused by the dramatic decline of platinum prices on world markets too, reports MICHAEL CHESTER.

In 1987 to an average \$472 last year, and down to below \$350 on current deals — an even steeper decline than gold. A few years ago, a major international upheaval could all too easily be relied upon to persuade



investors to buy all the precious metal they could lay their hands on. But not even the Gulf War caused more than a hiccup on gold or platinum markets. Instead, prices are now in-

fluenced by more complex patterns in global economic scenarios and supply-and-demand trends. Last year South African producers shrugged off whispers that the world market was heading for oversupply problems. In fact, Rustenburg confirmed that it planned to press ahead with schemes for yet higher production, and Impala announced that it intended to

increase production by 25 percent over the next five years.

For the platinum producers, one of the crucial factors is demand from overseas motor manufacturers in countries enforcing stricter anti-pollution laws, and insisting that vehicles be fitted with auto-catalysts — exhaust devices that have relied on platinum.

What disturbs producers is the vulnerability of the world market to rumour. Prices have taken a knock every time news has broken on claims that someone has found a new way to make auto-catalysts with less reliance on platinum.

Both Ford and Nissan caused wobbles on the platinum market with leaks that suggested they had found radical new ways to cut down the platinum content in auto-catalysts, making more use of its far cheaper sister metal, palladium.

Platinum producers, suspicious of motives to talk down prices, have written off the claims as exaggerated.

South African suppliers have also become nervous about reports that the Soviet Union, forced to find more cash for its reform programmes, may be reaching into its platinum reserves to offer collateral to Swiss banks for new loans.

There was also a sharp drop in demand from investors last year.

Longer term, however, producers believe they will overcome such temporary hiccups. Aside from the auto-catalyst market, also to be considered is demand for platinum from jewelers and for industrial use.

Even so, there is a lot of uneasiness in the big platinum companies. Impala chairman Brian Gilbertson said recently "It becomes very difficult to believe in your demand projections when you see the price collapsing below your feet."

Without revenues from the rarer and far more expensive metal, rhodium, that luckier producers also find, on current prices, platinum mines would be facing the same battles as many marginal gold mines, he added.

But the big platinum companies don't scare easily. Rustenburg Platinum's managing director has estimated that by 1995 the local share of the world market will have grown from 75 to 84 percent.

However, the longer-term confidence does little to settle the nerves of many economists tracking the knocks being suffered as platinum and gold prices struggle along in the slow lane.

Ron Haywood, deputy director-general of the SA Chamber of Business, believes trends add still more emphasis to the urgency of moves to expand the entire manufacturing sector to strengthen South Africa's economic foundations — especially with expansions of the export base to keep foreign exchange earnings on an upward curve. □

BARPLATS FM 13/9/91

Pulling the plug 217

Impala Platinum (Implats)'s decision to close Barplats barely a month after announcing the acquisition of the mine has taken many by surprise. It also resulted in a collapse of the share price. After tumbling to 50c on Monday from 116c on Friday, some analysts are now referring to Barplats as a "platinum exploration" share, but the company's fundamentals should command a better rating than that.

It has more than 200 Mt of ore reserves, the Crocodile River Mine orebody has been thoroughly examined and the company's assets include completed milling, smelting and refining plants. At current price levels, around 65c, Barplats could be considered an attractive recovery stock if the claims being made by industry leaders Rustenburg Platinum (Rusplat) and Implats on the future of the platinum market prove correct.

The major losers in the Barplats debacle are the 1 300 mine employees who will now be retrenched, Rand Mines, which was forced to take on all the debt, and the Barplats and Barmine minority shareholders who were denied a cash offer when Implats struck the takeover deal with Rand Mines. And the economy has suffered because of the waste of scarce resources on this project through huge cost overruns resulting largely from a series of management mistakes.

If anyone can be said to have gained from this R1,2bn mess it is Implats, in particular, and the established platinum producers in general. Rand Mines' failure over Barplats underlines the establishment's point that the platinum game is a tough nut to crack.

Removal of 90 000 oz of annual platinum supply could be a key psychological development in the present heavily depressed market, where the price stubbornly refuses to acknowledge the platinum producers' bullish forecasts on demand (*Leaders* September 6).

Supply contracts had been negotiated for Barplats' forecast production, but the customers will now have to find their metal supplies elsewhere. Implats chairman Brian Gilbertson says clauses in the contracts meant Barplats had no obligation to deliver the full amount of metal. He adds that Implats cannot make up the shortfall because its present and forecast production is all committed through its own contracts.

When Implats published details of the takeover a month ago, it was stated that the mine was viable, but Gilbertson had laid down strict monthly technical targets and would not hesitate to close down the operation if they were not met. These targets were met, but Gilbertson has pulled the plug anyway, citing low platinum and rhodium prices and the government's refusal to grant tax

breaks by removing the ringfence.

That is surprising, considering that platinum and rhodium prices now are pretty much what they were a month ago — the real plunge in prices came in early June following the Nissan announcement on its palladium autocatalyst programme.

Gilbertson says Barplats' main problem is its high production costs caused by the present underground mining layout. An essential project for the mine is to complete the No 1 Vertical shaft. Once this is in place, Barplats' mining cost structure would be in line with those of the other producers.

"At \$400/oz for platinum and \$4 000/oz for rhodium, the present Barplats operation was viable," he says. "At a platinum price of around \$340/oz and a rhodium price below \$3 000/oz it is not." He adds he had no confidence that the proposed rights issue would succeed under present conditions and was not prepared to let Barplats start incurring debt again.

Gilbertson says there is no question of breaking up the company and selling assets. Policy is to sit and wait for the improvement in market conditions which, he says, must come. More than R20m will still flow through to the company from sales of metal still in the refining pipeline. This will be used to meet retrenchment costs and keep the sinking of the No 1 shaft going for a limited period.

Gilbertson declines to specify what conditions will trigger the re-opening of the mine, saying only that he will need very definite signs of a market improvement and the mine will not be re-opened soon. *Brendan Ryan*

PLATINUM fm 13/9/91

More bullish 217

The platinum price gained nearly \$10/oz after the announcement that Barplats was closing down, and raised hopes among some producers that the market was starting to react to their bullish forecasts on supply and demand conditions.

Closure of Barplats removes 90 000 oz from the 1,3m oz, which was expected to be added to annual platinum supply by 1995 from the SA producers, and which has caused worries about flooding a market already in oversupply. Impala Platinum chairman Brian Gilbertson says the Barplats production is needed by the market, because it had already been sold through contracts and its removal must tighten market conditions.

Rustenburg Platinum (Rusplat) MD Barry Davison, who is currently in Japan, reinforces the positive views being expressed



Rusplat's Davison expansions are based on concrete demand.

FM 13/9/91 217
by producers. He says "Rusplat does not believe the most likely supply scenario over the next five to 10 years is one in which the SA producers will flood the market with platinum."

"Rusplat's expansions and, we believe, those of the existing producers, are not based on academic extrapolations of arbitrary demand growth rates, but result from concrete demand by fabricators, motor companies, jewellers and others for increased levels of supply to meet the demand being placed on them over the next few years by their customers."

Davison estimates imports of platinum to Japan could rise to 66 t in 1991, which would be the second-highest level ever.

"Our sources indicate general industrial demand in Japan is likely to increase by some 20% over 1990, while Japanese jewellery demand for platinum is likely to increase from the record 37,5 t in 1990, to at least 40 t and possibly as much as 42 t in 1991 as platinum jewellery continues to increase market share."

"Platinum jewellery inventory levels in the manufacturing, wholesale and retail sectors in Japan appear to have been reduced to low levels during this year of continued growth. Johnson Matthey (JM)'s world-wide sales of platinum in August rose to an all-time record, despite August being a traditionally quiet holiday month in North America and Europe."

On autocatalyst demand, Davison rejects analyst comments (*FM* September 6) that

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KNIGHTS FM 13/9/91

The Simmer gambit (217)

Thanks to normal minority shareholder apathy, last week's annual meeting went off without a question being asked — which is surprising, given the moves and counter-moves under way to determine its future.

Among latest developments are that former Impala Platinum MD Don Ireland has been appointed independent evaluator to determine the volume and grades of dump material owned by Simmer & Jack and Waverley, which are being offered to Knights. He will also assess the proposals being made to the Knights board.

Further, Knights chairman Antony Lee confirms notice has been given to cancel the management contract over the company held by Process & Mining Consultants (PMC). The contract, which PMC acquired when Consolidated Mining Corp (CMC) sold its 23% stake to a syndicate fronted by Swiss-based businessman Walton Imrie in June, has a one-year notice period. PMC also holds Simmer's management contract.

Lee says he warned against cancelling the contract but the board voted to end it. He says the plan is for Knights to review management and administration requirements during the notice period.

Some directors felt Knights was paying too much in management fees and that outside technical services were not required because the plant is running smoothly under GM Woekie Kotze — who is also a director. There appears to be serious disagreement

between Knights' large shareholders over the proposal to get into bed with Simmer and Waverley. While Imrie's syndicate is the nominally controlling shareholder, the spread of other holdings is such that control appears fluid.

Old Mutual holds 7%. Other institutions like Sanlam, Board of Executors, Standard Bank Nominees and First National Nominees together hold another 12,8%. The Mia family has 7% through Wit GM, investment company Mincorp has 5,8%.

"Nobody can steamroll anything through because it can be blocked if it's not in the company's best interests," say sources.

The concern felt by some large shareholders is that Knights could be talked into a deal over Simmer and Waverley not in its best interests, because of vested interests alleged to be on both sides of this proposed deal. The nominee shareholdings make it impossible to identify who may have a finger in both pies.

Attorney Monty Koppel, who played a key role in Simmer's recent negotiations with Ergo, represents both Imrie and Durrant, the foreign company which controls Simmer.

Simmer is keen to get rid of its dumps as fast as possible, because it wants to develop the underlying property, which it owns. Knights' latest annual report shows it needs more dump material, but some shareholders are adamant payment should be on a royalty per ton basis, in no circumstances should it buy material outright, as it did to acquire the Wolhuter dump.

At end-March, Knights had 20,6 Mt sand and slimes reserves at an average grade of 0,61 g/t, equivalent to six years' reserves. It excluded another 19 Mt because the grade is unpayable at current gold prices, while there is also a dispute over ownership.

Chris Mumby, PMC MD and Simmer chairman, says Waverley has 2 Mt high-grade slimes — 1,5 g/t *in situ* — and about 20 Mt sand in the Nourse dump at about 0,76 g/t. However, the remaining Simmer material is low-grade, consisting of about 30 Mt of slime at 0,4 g/t. Simmer's higher-grade material has been tied up by Ergo, which acquired 17,5 Mt at 0,49 g/t.

The Simmer material is borderline at current gold prices. Knights director Winston Roux says the company is negotiating to get other high-grade dumps but it is too early to provide details.

CMC and Knights ex-MD Glenn Laing continues to promote his own plans for taking over Simmer and setting up his own dump retreatment scheme on the East Rand, which could include Knights. But Lee says Laing has yet to approach Knights with any proposals. "Laing is going around saying the deal has been done but that is simply not the case. Nothing can happen for at least two months until Ireland completes his studies."

The only change made so far by Imrie, who did not attend the annual meeting, was to deny re-election of CMC directors Roy Flowerday and Henne Buitendag. He intends appointing two new directors but Lee remains chairman for now.

Brendan Ryan

MAINTAINED DIVIDEND

Year to June 30	1990	1991
Pre-tax profit (Rm)	452,0	445,2
Attributable earnings (Rm)	429,6	418,0
Equity-acc earnings (Rm)	612,9	523,1
Attributable earnings (c)	291	283
Dividends (c)	132	132
Net worth (c)	6 010	6 100

in attributable income to 2,7%, and the maintained final dividend — both of which were widely expected by the market

Platinum's contribution to JCI's equity accounted earnings rose to R196,2m for the year to end-June — equivalent to 34,7% of total equity earnings of R565,2m — from R180,1m or 29,9% of the R601,6m the group earned the previous financial year

Despite depressed platinum and rhodium prices, platinum's contribution to JCI could rise again in the current financial year. Rustenburg Platinum (Rusplat)'s final dividend of 225c a share (previous final 185c) falls into JCI's 1992 financial year and that dividend alone means an extra R16,4m in attributable earnings to JCI — provided Rusplat maintains its interim

Indications are that Rusplat may maintain its interim payout. JCI and Rusplat chairman Pat Retief disagree with comments by Impala Platinum chairman Brian

Gilbertson that, were it not for high rhodium prices, SA's platinum mines would be in the same position as marginal gold mines

"That may be the case for other mines but it does not apply to our group," Retief says. "Every ounce of platinum we produce we sell, and every ounce to come from our expansions has also been sold in terms of supply contracts we have negotiated. We have to sell at the market price which is currently very low, but we have confidence in the future of the industry and have no intention of cancelling any of our expansion projects."

A major swing factor in JCI's earnings was ferrochrome producer CMI, which converted a R35,5m contribution to profit in 1990, into a R11,3m loss for the 1991 financial year. CMI is now producing a small profit so, it's hoped, there should be no loss accruing to JCI in the current financial year. There will be no fireworks either, with flat conditions in ferrochrome likely to last at least another 18 months.

After CMI, engineering group Lennings was the biggest bugbear. The house has now disposed of Lennings, taking an extraordinary loss of R46,1m in the process. Lennings' contribution to earnings dropped to R700 000, from R20,1m in the previous financial year.

During 1990, JCI moved to recapitalise the embattled Western Areas gold mine, and hived off its interests in the South Deep gold

JCI FM 13/9/91

Platinum powered (217)

Considering that platinum is the largest single contributor to JCI's earnings, the share price has held up well in the face of the platinum market's weakness, as well as other problem areas for the group, such as CMI and Lennings.

Reasons are the spread of the house's interests, which enabled JCI to hold the drop

project into a separate company, South Deep Exploration (Soudex). This remains one of JCI's key future projects, but in the face of current low gold prices the house is conserving its cash as far as possible.

JCI has decided to limit development of the Soudex twin ramp system, and to mine the reef in the proposed shaft pillar area in such a way that after four years Soudex will still retain a "significant portion" of the R168m cash it held at June 30.

With the gold market under severe pressure, the diamond industry going through a consolidation phase and the SA economy in recession, coal is now one of JCI's few growth sectors. Coal earnings rose to R48,9m (8,7% of total earnings) from R34,5m (5,7%), thanks to JCI's 40% stake in the Middelburg mine. But the house has other coal projects coming on stream. The ATC opencast joint venture with Total Exploration, to be commissioned next year, will have an eventual production capacity of 2,4 Mt.

JCI is tightly constrained by its limited export entitlement through the Richards Bay Coal Terminal (RBCT) but, despite this, Retief is optimistic that the house can export another 2 Mt to 3 Mt/year through joint ventures with other coal groups within five years. "We have attractive coal deposits and we are looking at joint ventures with companies which do not have the coal to meet

their RBCT entitlements," he says.

However, for the current financial year, analysts are looking for pretty much a repeat of the 1991 performance from JCI with, at best, some modest growth in earnings and an increase in the total dividend to around 142c.

Brendan Ryan

Long-term gains overlooked in a tight economy

IN AN overburdened economy, research is among the first things to be thrown overboard — despite being vital in keeping a country technologically afloat in the long term.

This trend is not unique to SA

The German coal mining industry was recently forced by economic circumstances to cut back on research spending.

Where R&D continues, the worldwide tendency is to demand short-term commercial returns.

On the local scene, the gold mining industry has come under financial pressure over the past three years — during which the industry's co-operative research budget has been slashed from R73m to R23m

This fund is primarily focused on safety and health research, which is undertaken on behalf of its members by the Chamber of Mines Research Organisation (Comro).

At the same time, the industry has introduced a change in research policy

Instead of undertaking research for chamber members only, Comro — as the industry's central research arm — has become an operation, accepting re-

search commissions from non-members as well

Although co-operative research has been reduced, individual mining houses have taken over the costs of a number of projects that were close to commercial viability before the cut-back.

Comro research adviser and GM Dr John Stewart says. "Research is ongoing in the gold mining industry

"Our mines are unique — nowhere else in the world is gold mined at such depths, in mines of such size and employing as many people

Lead

"Because of this, we lead the world in fields such as rock mechanics and human heat stress.

"We have developed computer programs for analysing rock stress and designing mine cooling systems, among others, which are exported all over the world."

Other research concerns the use of hydropower in a variety of mining applications, the development of rapid-yielding props, a gold analyser which can determine the gold content of ore from a reading off the rock face and systems for monitoring and locating seismic

events

"We are tending to focus more on specific applications

"The effect has been to shorten the time scale and horizons of our work"

This tendency will have a limited effect on the coal mining industry — which traditionally relies for much of its R&D on ground-work carried out overseas which is adapted for local conditions.

But the local gold mining industry has been losing ground against cheaper products in world gold markets

Research into more efficient gold extraction, as well as into the development of technologies to increase demand for gold are essential to protect foreign exchange earnings.

"R&D for the mining industry must be balanced and comprehensive

"It needs to deliver solutions for present problems and ensure a harvest of solutions in the longer term.

"SA faces economic and social priorities, and the need to meet them has forced cut-backs on research spending.

"But if we don't invest in R&D today we won't be able to meet the priorities of tomorrow," Stewart says.

B/Day

13/9/91

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Future of Barplats workers discussed

VERA VON LIERES

THE NUM and management at the Barplats Crocodile River platinum mine met yesterday to discuss the future of the 1 300 workers whose jobs will go when the mine is mothballed soon.

Barplats has stopped underground mining, but some work is continuing at the mine.

NUM acting general secretary Marcel Golding said everything possible was being done to ensure the company offered proper and fair re-

trenchments, and that jobs were found in other companies for the work force.

Further meetings were planned. Impala Platinum (Implats), which announced the mothballing plan at the weekend, blamed high working costs, low platinum prices and government's reluctance to grant tax concessions for putting paid to plans to bring the Barplats platinum operation to production.

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Rossing to sack 700

By Neil Behrmann

LONDON — Rossing Uranium's production will tumble this year and the mine will be forced to lay off around 700 workers.

RTZ, the major shareholder of Rossing, disclosed recently that production, which had already slid to 3,250 tons in 1991 from 4,100 tons in 1990, would fall to only 2,500 tons next year.

"The uranium market is sick," said RTZ chairman Sir Derek Birkin. "Rossing sells its uranium on contract at prices above the free market quote of \$8,75 a pound.

Competitive

But the market is terribly competitive and prices in real inflation-adjusted terms are at their worst ever, said Robert Wilson, RTZ's chief executive.

RTZ holds 46.5 percent of the shares in Rossing Uranium.

Other major shareholders are Gencor, the IDC and the Namibian

government.

The depressed uranium market and contraction of Rossing would have a severe impact on the Namibian economy, said the directors, who were clearly unhappy about coming redundancies.

In 1990 Rossing injected R350 million into the Namibian economy in salaries and taxes.

Income tax

In 1989 mine sales accounted for 26 percent of Namibia's merchandise exports and contributed 10.7 percent of total GDP.

RTZ economists estimate that in the past four years, Rossing paid 35 percent of all income tax collected from the business sector.

There are huge stockpiles of industrial minerals such as titanium and zircon, but employees at Richards Bay have better prospects

Production of the development, in which RTZ has a 50 percent stake, remains on target.

as uranium slides

totalled \$879 million, down from £1.1 billion in 1989.

"As the world's biggest biggest raw-materials producer, RTZ cannot escape the consequences, if its customers are in the throes of recession," said Mr Wilson.

"There is no point in wringing our hands about circumstances beyond our control.

"While we can do little to avoid declining sales volumes and falling prices, we have intensified efforts to contain costs and improve efficiency."

In the first half of this year the giant mining

group, with interests in the US, Australia, Europe and South Africa laid off 7,000 workers, or 10 percent of its labour force.

There would be further cuts in the second half, Mr Wilson said.

North American operations, notably the US copper mine, experienced the worst fall.

Compared with the first half of 1990, lead prices are down by 29 percent, zinc by 26 percent, silver by 22 percent, copper and aluminium by 7 percent and gold by 5 percent.

"Precious metals are going nowhere," said Mr

Wilson "Just look at the market."

Base metals had better prospects.

"But it is unlikely that there will be any early recovery in prices.

Reached nadir

"The recession in North America and the UK may have reached its nadir."

However, while some indicators seem promising, there are as yet few signs of recovery in the group's businesses.

"Elsewhere, in Japan and Germany, the rate of economic growth could continue to ease," said Mr Wilson.

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Oversupply threatens long-term prospects of vanadium industry

MATTHEW CURTIN

IN 1830 a Swedish chemist discovered what turned out then to be a rare silvery metal in an iron ore deposit in southern Sweden. Probably a romantic at heart and pleased with identifying a new element, the chemist named it after a Norse goddess of fertility and wealth, Vanadis.

Since its discovery, there has been little romance or fertility associated with vanadium. The metal was first used in the production of dyeing materials, and is now used primarily as an alloying metal in steel manufacture.

However, what the vanadium industry has lacked in romance, was made up by the promise of hyper-profits in 1988 and 1989. Prices for vanadium pentoxide and the alloy ferrovanadium soared by as much as five times in the two years. These high prices followed several years of growing international demand for special steels which made vanadium production increasingly lucrative.

As ordinary steel crumbles in sub-zero temperatures, vanadium was a vital ingredient in the thousands of kilometres of oil and gas pipelines built in Siberia and Alaska in the '70s and '80s. But the quantity of the metal used as an alloy is minute, as little as 0.04% of vanadium pentoxide is used to strengthen steel.

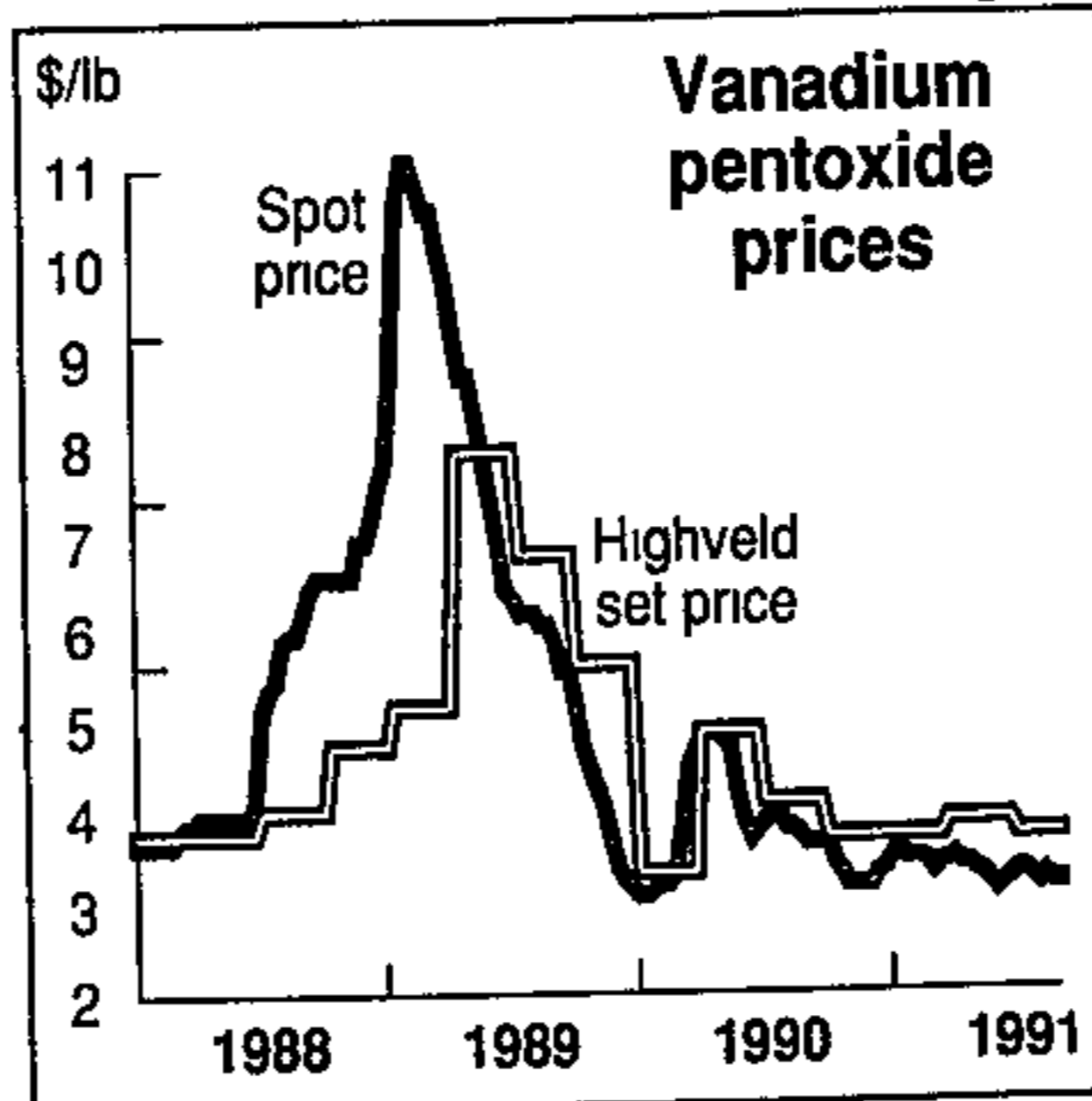
Today, the party is over.

Prices are back at mid-'80s levels, and even Highveld Steel and Vanadium, supplier of almost half current world demand for vanadium pentoxide, is feeling the pinch of tightening margins. Highveld is selling its vanadium pentoxide at \$2.95/lb, compared with metal market spot prices of near \$2.50/lb, down from \$11/lb at the end of 1989.

A further damper is that vanadium pentoxide productive capacity worldwide — and in SA in particular — has grown substantially in recent years, spurred by the high prices.

Until 1988 Highveld's local competitors were two small players Vametco, formerly owned by US company Union Carbide and nearing the exhaustion of its ore reserves, and Transvaal Alloys. Between the two, they have about 10% of current world capacity.

However, theoretical capacity was increased by an extra 27-million pounds, or 18% of current world capacity, thrust on to the market by the Rand Mines' Vansa Vanadium



Graphic: FIONA KRISCH Source: I-NET

and Usko's Rhombus Vanadium (Rhovan) joint venture launched in 1988.

Local producers now have the capacity to supply all but 5% of international demand for vanadium pentoxide in 1991, says analyst at stockbroking firm Irish & Menell Rosenberg, Dave Russell. Yet SA is likely to supply only about 68% of world demand this year.

From Highveld's point of view, that reflects a decision to run its operations well below capacity. Twice this year it closed its Vantra plant, which has a capacity of 17-million pounds a year.

For Vansa and Usko, it highlights the difficulty of running economic operations.

Highveld MD Trevor Jones says the key to success in the vanadium business is efficiency. At its operation near Witbank, the ore is rich and Highveld's waste-factor is only 7%.

In contrast Vansa and Usko reserves are more difficult and more costly to mine, while the ore is more difficult to treat. Analysts say Rhovan's waste-factor is 30%.

As prices tumbled in 1990, both companies battled to solve teething problems in their production processes and working costs rapidly overtook revenue. Rand Mines mothballed Vansa in November last year. Usko has never met targets, and its vanadium operation is on the market, available as a job lot with Rhovan.

The shakeout might have been expected to bolster prices, but Jones says market perceptions dictate prices and can last for years. Analysts blame the 88/89 price spike on panic

buying by Japanese steel manufacturers, aided by speculation by commodities traders, who then built up unnecessarily large stockpiles, prompting the fierce price backswing. Erratic sales strategies of Chinese producers, always ready to undercut market prices to earn foreign exchange, have reduced prices further.

Russell says "At present there is enough vanadium pentoxide supply to last well into the next century, and SA alone can meet all the Western world's needs."

However, worse than low prices and oversupply, analysts say the industry's long-term prospects have been irreparably damaged.

While there is a plentiful supply of vanadium it has only highly specialised uses, Russell says. The problem is that no major new uses have been developed or even forecast for the metal.

The worldwide recession hit demand for most steels, pipelines, supertankers and bridges. The high and volatile prices encouraged customers to look for substitutes. These include more advanced cold rolling processes to toughen steel without using vanadium, and substituting rare metals niobium and molybdenum for vanadium pentoxide where possible. Prices may well fall well below current levels without new demand.

Russell says Highveld's efforts at stabilising supply and prices are frequently undermined by Chinese sales of vanadium. He says recent sales of vanadium slag to China returned to the market as pentoxide at lower prices than the Chinese first paid for it.

Jones says the oversupply problem is not new and is he unconcerned about threats to vanadium use. What is new, is the extent of the oversupply. There is a limit to which Highveld can withdraw from the market to balance the demand/supply equation. Highveld alone among SA producers can guarantee volume and quality of supply.

In the short-term, analysts say Highveld is concerned that worldwide production capacity is on the rise again. Precious Metals Australia is planning to establish an £8m a year operation. Vansa is about to restart, now run as Vanadium Technologies by a team from ferrochrome producer Chromecorp Technology.

Vantech director John Vorster is confident the operation can be profitable. "If your production costs are not the lowest in the world, you should not be in the business."

Violence, closures cut Impala's output of platinum by 4%

MINE closures, wage disputes and strike-related violence in July, August and September lowered annual platinum production almost 4% at Impala Platinum, the world's second biggest producer

Interrupted production has not had much impact on the sinking platinum price, but the price of the metal could begin to rise if labour problems persist.

The anticipated loss in supply from Impala, which accounts for nearly 40% of world production, led to small, short-term gains in the world platinum price

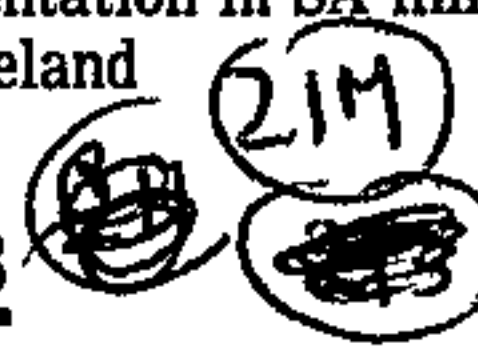
But they were not strong enough to counter the negative influences that have pushed the metal to its current level of \$348/oz, down 45% from a high of \$630/oz in 1987.

Impala's five platinum operations, all in Bophuthatswana, have suffered strikes and related violence since early July

Clashes, allegedly between miners supporting the strikes and those opposing them, resulted in eight deaths on August 16 and a temporary closure of three mines.

Analysts say the battle is likely to last a long time because it is deeper than the surface wage dispute and does not really involve Impala

They say the trouble involves the National Union of Mineworkers (NUM), which is fighting with the Bophuthatswana government for representation in SA mining companies' operations in the homeland

8/Day
17/9/91 No deals 

"The NUM is using Impala as the playing field in its fight with the government. Impala is caught in the crossfire and isn't sure how to handle it," says Bruce Williamson, an analyst for brokers JD Anderson

Impala says that, while it is doing its best to resolve the wage dispute, it cannot resolve the union dispute

"We can't make deals with the Bophuthatswana government and the NUM. All we can do is try to facilitate discussions between the two and hope that our employees are more concerned about their personal welfare than they are about politics," says Impala human resources manager Deon Groenewald. 17/9/91

The NUM says the clashes have occurred because Impala is refusing its workers NUM representation, which, the union claims, the majority want

"As a union that represents workers in SA, we have a responsibility to Impala workers who are coming under severe pressure from SA management," says spokesman Jerry Majatladi

But the homeland government says under no circumstances can a foreign union operate in its country.

"Impala is on Bop soil and so they have to comply with our rules," says Bophuthatswana Manpower Secretary Herbert Moloantoa. "The politicisation of the labour scene cannot be tolerated here" — AP-DJ

Genmin team
visits Lusaka

MATTHEW CURTIN

A GENMIN geological and negotiating team arrived in Lusaka yesterday to investigate mining opportunities in Zambia.

The team, led by Kihross gold mine GM Bruce Lutman, will spend five days following up a brief visit to the city a few weeks ago by Genmin executives who were hosted by Zambian business leaders and President Kenneth Kaunda.

A group spokesman said yesterday the team would spend much of its time at Ndola, in the copperbelt.

The team would look at possible geological sites and areas where SA mining expertise could make a contribution to existing mining operations.

Genmin was not planning to invest in Zambian mines.

The visit would be used to evaluate the potential of an involvement in Zambia.

Barlows moves further from mining interests

8/day 17/9/91
YESTERDAY'S announced sale of Middelburg Steel and Alloys by Barlow Rand represents a further distancing of itself by the group from the mining related interests that once made it one of the biggest mining conglomerates in the country.

The sale of MS & A, Winterveld mine, Henry Gould mine and Millsell mine for R1,075bn follows the recent sale of Vansa Vanadium's vanadium assets to Vanadium Technology for R17m and the transfer of control of its platinum interests, Barplats, to Impala Platinum

Barlow Rand chairman Warren Clewlow said last night the sale was unique in that both parties benefited greatly from the deal

Barlows received much more than it had put into MS & A and the Columbus partners now had a springboard for their project

"It was flattering that MS & A was what they needed, but they paid for

217
ANDREW GILL

it," he said "I very much doubt they would have been interested in buying if it had just been to run MS & A"

He said the Columbus project was a bold move by the consortium but it was beyond Barlow's ability Barlow's was not interested in getting involved in the project because of its cyclical nature and because the group preferred to be a dominant player "in its own patch"

He would not be drawn on what the group intended to do with the R1,075bn it had received in the deal However, considering the group's move away from cyclical markets, he would be cautious about mining and mineral investments

"It's not something we're selling because we've got something else to buy tomorrow."

In a statement, Barlows said the group accepted the offer because it believed the deal was in the best in-

terests of shareholders and exceeded the benefits a listing would bring

"For Barlows, the deal resolves the dilemma of having such a large, cyclical investment so close to the centre," it said

"At the same time, it strengthens the group, makes resources available that it can invest in growth projects in other divisions and facilitates the pursuit of concentrating on less cyclical markets where it is a leader and has a depth of skill and expertise."

The cyclical mineral-related markets that Barlows is still exposed to are coal (Witbank Collieries) and four gold mines, one of them mothballed, and a limited exposure to platinum

Its interests in gold have been lessened by the sale of holdings in non-core gold mines while platinum exposure was limited in the deal which saw Impala Platinum take control of Barplats, whose Crocodile River Mine was mothballed earlier this month

Big demand seen for platinum

8 Day 17/9/91 (211)
MATTHEW CURTIN

ADVANCES in fuel cell technology would absorb 1-million ounces of platinum by the year 2000, and more than double that amount by 2010, Alan Wright, chairman of Gold Fields's developing Northam platinum mine, said in his annual review.

Wright said improved demand looked set to underpin the platinum market in the medium to long term.

Current forecasts put platinum demand in 1991 at 4.1-million ounces. Northam was scheduled to sell its first platinum in August next year. The company had concluded contracts with Gerald Metals and Mitsubishi to act as selling agents.

Wright said negotiations over metal contracts were at an advanced stage.

With improved economic growth forecasts for most OECD countries from the end of the year, increased industrial production and car sales would support the platinum market in the medium term.

In the long term, demand would be boosted not only by fuel cell demand — platinum is used to coat electrodes in the cells — but by the implementation of increasingly strict emission control standards in the US and EC which would lead to strong growth of platinum's car-catalyst market.

However, in the short term, the prevailing lack of confidence in platinum and poor fundamental conditions might continue to keep the

price under pressure. Wright noted that platinum prices fell from an August high of \$504 an ounce to a low in May this year of \$365, and that prices had fallen further.

Platinum prices firmed yesterday in what analysts said was a correction spurred by perceptions on futures markets that the metal had been oversold. Prices had slumped despite producers' insistence that demand was strong, and prospects of more labour unrest at the world's largest platinum mines, Rustenburg Platinum and Impala Platinum, meant supply might be interrupted.

Platinum was fixed yesterday afternoon in London at \$350, up from Friday's fix of \$347.25.

Wright attributed weak prices to recurrent announcements of technological breakthroughs which purported to reduce or replace platinum and platinum group metals (PGM) as the key components of car catalysts.

Weak demand was exacerbated by poor car sales in Western countries. This was cause for concern, given that car catalysts accounted for 40% of platinum supply.

There had also been supply-side shocks, including significant increases in shipments from the Soviet Union of PGMs, expanding mine supply and the prospect of the US selling part of its strategic stockpile.

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Charter on acquisition trail

Finance Staff Star 18/9/91

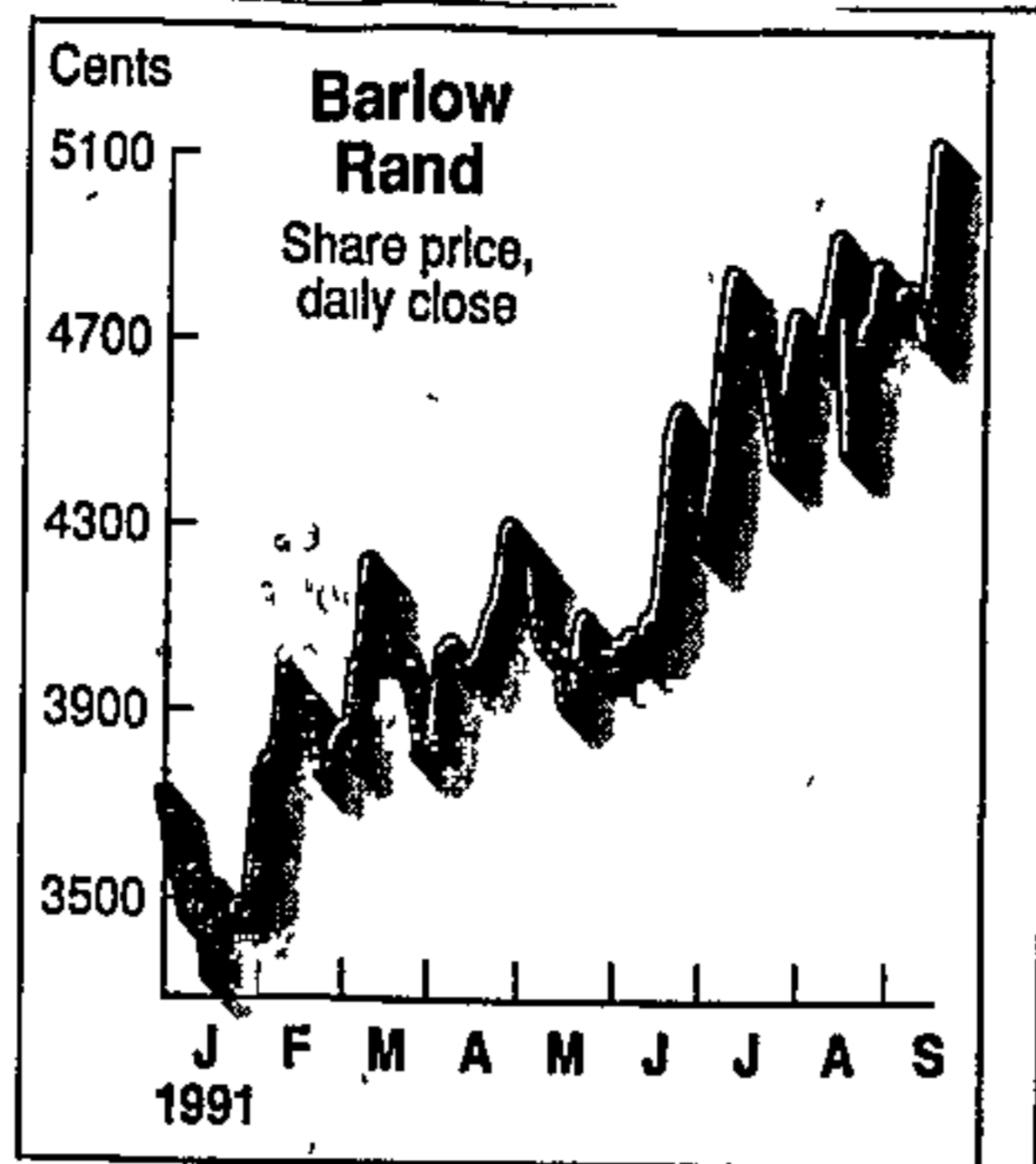
Charter Consolidated is seeking acquisitions which could double its existing businesses, says chief executive Jeffrey Herbert.

He told analysts in Johannesburg last night that Charter had the necessary funding capacity.

At end-March it had R645 million in cash and unutilised borrowing facilities of R1,5 billion.

Mr Herbert said the major avenues for growth were further penetration into existing markets, extending existing businesses through acquisitions and major acquisitions to complement existing activities.

Because of the changed focus of group business, Charter has applied to the JSE to move its listing from mining finance to industrial holdings.



Graphic FIONA KRISCH Source I-NET

Steel deal boosts Diagonal Street

MATTHEW CURTIN (217)

VANSA Vanadium and Samancor led a surge in the share prices of mining groups and companies party to Monday's R1,1bn deal which saw Barlow Rand sell its stainless steel and ferrochrome producer Middelburg Steel & Alloys (MS & A).

Vansa, Rand Mines' vanadium operation which sold its vanadium assets for R17m last month and this week parted with its chrome subsidiaries to Samancor, has been reduced to a cash shell. Shares rocketed 47% or 35c to close the day at 110c, up from 75c on Monday. *6/day 18/9/91*

Samancor stock climbed 425c to finish the day 15% higher at R32,25 against the previous day's close of R28

Highveld Steel & Vanadium showed more modest gains, with shares improving nearly 4% or 60c to R16,25.

Barlows' shares rose nearly 6% to R51,25, taking the group's market value close to the R10bn mark.

Anglo American stock firmed 75c to finish at R118,25, while Gencor shares remained unchanged at R13 in light trading

The market's enthusiastic reception for the deal bore out Samancor chairman Brian Gilbertson's statement on Monday that the transaction was a "win, win, win situation" for all the parties involved.

However, some analysts said Barlow Rand had come off less well from the deal. They noted the R1,1bn payment was equivalent to the sum invested for no return by Rand Mines in its ill-fated Barplats platinum venture. Rand Mines also took on

□ To Page 2

Steel deal *6/day 18/9/91*

R430m of debt as part of the deal in which Impala Platinum took control of Barplats

Barlow Rand had also sold MS & A at the bottom of the current trough in the stainless steel and ferrochrome markets

Barlow Rand has said the main reason for selling the company was to reduce its exposure to cyclical commodities markets. Analysts said Barlow Rand chairman Warren Clewlow told stockbrokers at a briefing yesterday morning that had the Columbus project gone ahead as originally planned, it would have put pressure on the group to invest heavily in MS & A to stay competitive. That would have been at odds with the group's new strategy.

MS & A turned in a R17m loss in Barlow Rand's interim results in March, contributing to the group's 14% drop in earnings

That followed a R160m drop in the company's profits in 1989/90 from R322m to R68m, helping the group to a 15% fall in year-on-year earnings. Falling stainless steel and ferrochrome demand, and tumbling ferrochrome prices, knocked profits.

However, in the mid-1980s, MS & A was the force behind Barlow Rand's rapid earnings growth. In 1988 attributable earnings jumped 39%, with MS & A lifting its profits by 37%. This performance contrasts with Barlow's other forays into mining and mineral beneficiation in the '80s. Through Rand Mines, its investments in new gold mine Barbrook, vanadium and platinum came to naught, with operations since mothballed and/or sold.

● See Page 8

● Comment Page 12

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Northam in the money

next August

By Derek Tommey

(2/11)

Shareholders in Northam Platinum, the Gold Fields group's new platinum mine, should start seeing a return for the R1,2 billion they have invested in the mine by about August next year.

Northam, which has been a developing mine since 1987, should start trial milling with waste rock in November, says the chairman, Mr AJ Wright.

Thereafter ore will be milled at an initial rate of 35 000 tons a month increasing to 70 000 tons a month by June 1992.

The first previous metals should be available for sale in August next year.

Northam, which has so far cost just under R1 billion, will require another R330 million in capital expenditure this year. But the total capital cost of the project to the self-financing stage is expected to be met out of current cash resources.

Sampling of the Merensky Reef from 5 level produced 9,5 grams a ton equal to 950 cm.g/t./

Mr Wright says that in the short term, the prevailing lack of confidence in platinum and the poor fundamentals may keep the price under pressure. However, increased industrial production and car sales are expected to support the platinum market from the end of this year.

Gerald Metals and Mitsubishi have been contracted to act as selling agents for Northam.

Assore slashes its dividend

Finance Staff *Star 19/9/91*

Associated Ore and Metal Corporation (Assore) has cut its total dividend for the year to end-June by 45 percent to 550c, with a final of 350c

This follows a drop in earnings a share of nearly 59 percent to 1139c from 2747c.

The directors say the sharp drop in earnings was due main-

ly to the lower dividends received from the group company Associate Manganese (Ass-mang), whose profits were affected by weak world markets

The group benefited from higher manganese prices early in the year but the market for ferrochrome remained weak throughout. No improvement is expected in the first half of the current year.

(217)

COMPANIES

Plumbridge sings praises of investment in mining

Monday 19/9/91 (217)

THE opportunities for profitable investment in the SA mining and beneficiation industries were as good as anywhere else in the world, Gold Fields chairman Robin Plumbridge said yesterday

He said new investors would find an industry whose competitive edge had been honed by years of operating under sanctions

The coal and platinum sectors had made their mark as major international players, and operations producing high performance steel products would start to dominate overseas markets as the local beneficiation of low-value raw materials placed growing leverage in the hands of SA

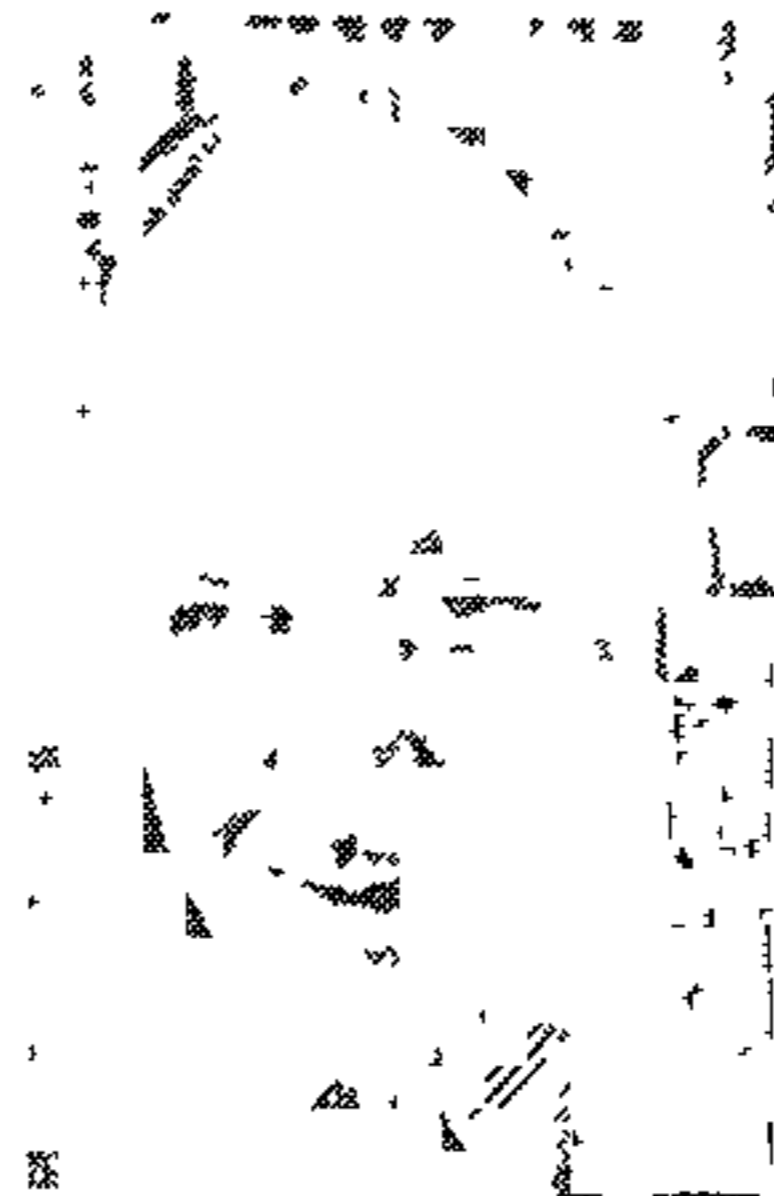
MATTHEW CURTIN

companies and their foreign partners

This process was likely to provide major strategic investment opportunities for foreign companies which had been prevented from investing in SA by "the ill-considered sanctions campaigns of the past"

In a report on mining in SA, Plumbridge said that the sector possessed the world's largest reservoir of technical expertise on deep level mining and probably the most broadly based know-how in the metallurgical field

"These attributes, however, are not sufficient to sustain the viability of the industry and the exper-



● PLUMBRIDGE

iences of the past few years have forced the industry to take stock of its ability to operate productively and cost efficiently"

Plumbridge said the productivity of the SA labour force was relatively low,

and so costs were high. The industry was also committed, by custom and regulation, to work practices which would not be condoned by international competitors

The SA mining industry was in a state of transition, on the way to being "a leaner, better managed, and internationally competitive industry"

It would become more aggressive in the development of new mineral resources and the current trend away from gold and diamonds would continue

He said it was wrong to think that secondary industry in SA was no longer dependent on the mines and could compete internationally even if it had to import its raw materials

JCI to develop Platreef despite low metal prices

JOHANNESBURG Consolidated Investment (JCI) would go ahead with its R400m rights issue to develop its Platreef platinum mine despite low platinum prices, a spokesman said yesterday

The new company responsible for the operation, Potgietersrust Platinums (PP Rust), would raise the R400m sum through an offer of 120-million shares of 2,5c each to Rustenburg Platinum and Lebowa Platinum (Leplat), its current shareholders, at a subscription price of R3,33 a share

However, the spokesman said Leplat was deferring its planned rights issue to finance expansion at its Atok mine

Equity finance was needed to pay for a portion of the necessary capital expenditure, but the company had adequate cash flow and borrowing facilities in the short term

PP Rust would require a total of R600m to bring the mine to an initial production rate of 200 000 tons a month, R50m less than when JCI first announced in July that the rights issue was going ahead. The outstanding R200m would be financed by subsequent borrowings

As part of the listing, JCI is effec-

B/Daw/19/9/91 (217)
MATTHEW CURTIN

tively unbundling its platinum interests so that all three operations will now stand alone. Leplat is renouncing its entitlement to PP Rust shares, while Rustenburg is distributing its shares in Leplat and PP Rust to its shareholders

Analysts have said the move improves the marketability of all three stocks, as investors were now able to invest in the group's platinum interests with greater precision. Cash-flush platinum market leader Rustenburg, debt-laden and expanding Leplat, or developing mine PP Rust

Contractors

Despite the volatile platinum market and weak prices, the market has so far greeted the plans for the Platreef development with enthusiasm

First envisaged as an underground operation which would have cost R1,3bn, the Platreef development was revised earlier this year as an opencast operation, possibly the largest of its kind in the world, hence the huge reduction in the mine's capital cost

The opencast operation and the use of outside contractors will make PP

Rust one of the world's lowest cost platinum mines

JCI has said high concentrator recoveries of at least 80% would contribute to low unit costs

Production is scheduled to start in 1993, and the mine has shallow ore reserves of 90-million tons. Deeper reserves amount to an extra 167-million tons

Meanwhile, mining analysts said yesterday recent moves by SA platinum producers to trim output had restored a level of confidence to the market

This had enabled the platinum price to recover to \$355 an ounce, thereby regaining and maintaining its premium over gold

Another factor which had revived interest in the metal was the improved outlook for the US economy, which economists believed was pulling out of recession. The 1991 slump in US and EC car sales had dented sentiment as the motor industry accounts for 40% of platinum demand

Davis Borkum Hare analyst Alex Wagner said the market was taking a two- to three-year view of platinum's prospects, encouraged by producers' insistence that underlying demand for platinum group metals was strong

Bold Rusplat pushings ahead with new mine

Spec 19/9/91

By Derek Tommey

(217)

The drop in the platinum price is not deterring Rustenburg Platinum Holdings and Lebowa Platinum Mines from going ahead with their new platinum mine near Potgietersrus in which they have a joint stake

The directors of the two companies announced last night that notwithstanding the current level of platinum group metals they had resolved to proceed with the development of the PP Rust mine

This means they are also going ahead with their plan to raise R400 million for the

project, which has repercussions for Lebowa and Rusplats shareholders.

No doubt their confidence reflects the fact that the PP Rust mine, for a number of reasons, is likely to be one of the lowest-cost platinum producers in the world

One of the reasons is that it will be an open-cast mine, not requiring any expensive shafts, and is able to be brought to production fairly soon. It should be in full production by mid-1993

Another is that the mine is to be worked by contractors, which should reduce overheads

A third reason is that its ore is to be treated by Rustenburg,

which eliminates the need for an expensive treatment plant

Because of these factors the cost of the mine will be comparatively low. It is now estimated that total expenditure will be about R600 million in escalated costs, which is R50 million less than estimated at the end of July

Capital cost

This low capital cost, together with its 6 g/t head grade and a production rate of 200 000 tons a month, should ensure satisfactory profits

However, more about PP Rust's earnings will become known when the pre-listing statement is issued around October 11

PP Rust intends raising the R400 million by way of a rights offer of 120 million ordinary shares of 2,5c to its two shareholders at R3,30 a share

Lebowa is passing on its rights to its shareholders in the ratio of 55 PP Rust shares for every 100 Lebowa shares held

Rusplats is taking up its rights in PP Rust. It will then, subject to the approval of shareholders, distribute as a "dividend in specie" 25,1 million shares in Lebowa on the basis of 20 ordinary Lebowa shares for every 100 Rusplats shares held, and 72,7 million "rights to be is-

sued fully paid PP Rust shares" on the basis of 58 PP Rust shares for every 100 Rusplats shares held

In July, Lebowa said it would be raising additional capital for its Atok expansion. But it now believes the company's cash flow and its borrowing facilities will be sufficient to enable the rights issue to be deferred

The PP Rust rights issue will not affect the earnings of Lebowa Plat's current operations and will have only a very slight effect on Rusplats' profits, say the directors

Shareholders of Lebowa and PP Rust registered on October 4 will qualify for the respective rights issue and the dividend in specie

Some shareholders have expressed surprise at Rusplats' decision to pass on its PP Rust shares as a dividend in specie to its shareholders. But analysts say this move is definitely in the interest of its shareholders.

If Rusplats had retained its PP Rust shares, it is doubtful whether the share market would have acknowledged them in the Rusplat share price, no matter what price PP Rust stood at

But Rusplat shareholders will now have the capital benefits of holding both Rusplat and PP Rust shares

Gold price picks up

By Derek Tommey

Last week's cut in the American discount rate from 5,5 percent to 5 percent and a weaker dollar helped the gold price regain lost ground this week

Since the close of trading last Friday the gold price has risen almost \$4 and in New York last night closed at \$348,60. This was in spite of a

strengthening of the dollar in US trading.

Several American economists claim that the gold price is a function of US interest rates as these determine the cost of holding the metal.

Bullion dealers admit that a downward movement in US rates could increase US investor interest in gold and lead to a firmer gold price

Minorco's cash pile grows

By Derek Tommey (214)

Star 20/9/91

Minorco shareholders should be fairly happy with the preliminary profit figures for the year to June

Operating profits have held up well, despite the slump in metals prices, and the final dividend has been increased.

Although the company has invested \$1 billion in the past two years, its already handsome cash holdings have grown again - paving the way for further major acquisitions

Minorco bought a number of companies in the year to June, as it moved away from being an investment to an operating company

This resulted in group

sales soaring from \$28,9 million in 1989-90 to \$771,0 million and gross operating earnings rising from \$4,7 million to \$110,2 million

A sharp increase in selling, administrative and other expenses, and a slight decline in financial income, were the main factors in reducing pre-tax earnings from \$260,4 million to \$243,8 million

Taxed earnings were \$215,0 million (\$232,9 million) and attributable earnings \$193,5 million (\$229,3 million) - equal to \$1,14 (\$1,35) a share

The final dividend has been raised to 34 US cents (32c), making a total of 51c (48c) for the year

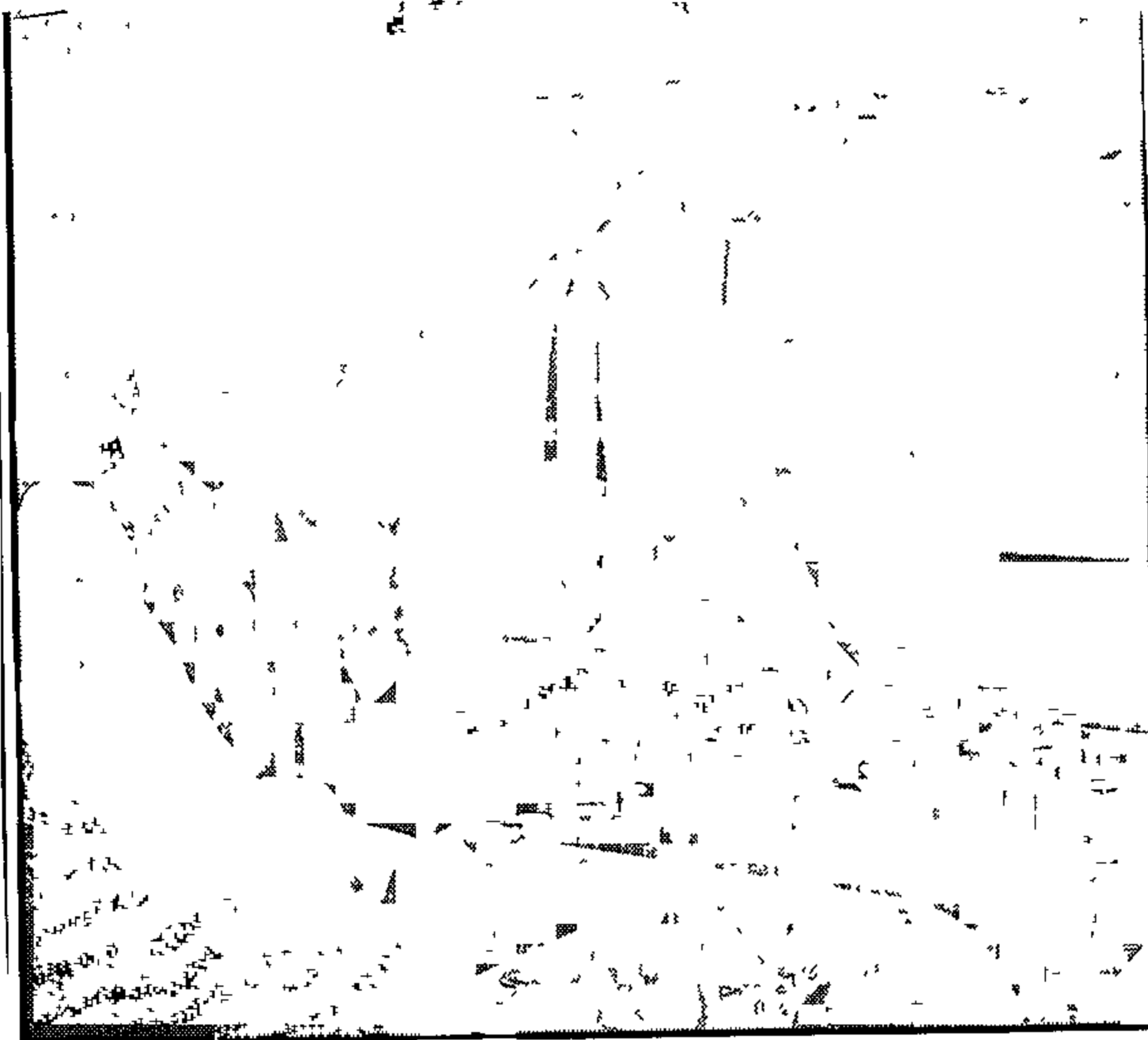
Cash and short-term

investments increased during the year by \$125,7 million to \$1 889 billion.

Chairman Julian Ogilvie Thompson says that Minorco has made significant progress to becoming an operating company in the natural-resources business.

"The year's results were a creditable performance against the background of a combination of lower interest rates, gold and base metal prices

"While the countries in which Minorco has interests have almost all been affected by recessionary conditions, Minorco's financial strength, and spread of interests have largely mitigated the impact on our results."



VIVIANE FRANCOIS and TERRY ASHWORTH Time running out fast Picture: COBUS BODENSTEIN

Chemists seek work for a redundant laboratory

S/Times (Bus) 22/9/91

A HANDFUL of experienced chemists intends to salvage a living from the closed Barplats refinery in Brakpan

Led by Terry Ashworth and Viviane Francois, the chemists have been at the refinery since it opened four years ago

The refinery for base and precious metals and a laboratory were set up when Loucas Pouroulis launched the Lefkochrysos mine near Brits in 1987

After a year, control of Lefko changed. The major holding was bought by Barplats, which was sinking a mine at Kennedy's Vale near Steelpoort in the Eastern Transvaal. The refinery could treat production of both mines

Two years passed and Barplats announced the closure of Kennedy's Vale just as the refinery was fully operational. In June this year, control and management of struggling Barplats passed from Rand Mines to Impala Platinum Holdings, part of Gencor

Impala has a refinery at nearby Springs. Even before Impala announced the closure of the Brits mine — renamed Crocodile River by Barplats — the R80-million Barplats refinery was doomed

Mrs Francois is determined to make a commercial enterprise from the laboratories she runs

But a clock is ticking against her — the final re-

By JULIE WALKER

turns from platinum group metal residues from the refinery now being treated in Germany will be returned and all the work completed only a few weeks hence

The few staff members remaining will then be told to go for good unless enough business can be got and an agreement reached with the owner

Technically, the owner of the refinery is Barplats and its directors have a responsibility to shareholders to get the best return on assets

If a rental agreement were struck between the chemists and Barplats, the refinery could earn money

Pressing

The refinery has been mothballed, but maintenance will probably continue

Mrs Francois outlines some of the problems she and the chemists face in touting for business

Most pressing is the short time available in which to market the principle and make known their skills in new fields. They could also face restrictions on certain analysis because of the potential conflict of interest. Finally, the recession means that customers are not seeking additional costs

The Brakpan team will not do any work for Impala, which has its own laboratories, as does Gencor

But there could be a mar-

ket for an independent laboratory, particularly on the environmental side

Mrs Francois believes that many companies who fear their effluent and other emissions exceed statutory ceilings are reluctant to have their waste tested at Government-sponsored laboratories, such as Mintek or CSIR, for fear of being reported

Another potential is health tests. It is unprofessional for a company to test its own employees. There is also a case to be made for testing in a separate place to eliminate possible contamination

Dr Ashworth will act as consultant to the chemists if the venture gets under way

He believes the team has enough experience to consult on many matters linked to the environment and the cleaning of effluent

But, as Mrs Francois points out, working capital is needed to get the business going — something hard to come by when the chemists have no claim on the assets or premises

Always present is the threat of R3-million worth of equipment being sold to other laboratories both in and out of the Gencor group

If the commercial venture fails, some of the most experienced platinum chemists in the world will be looking for jobs

Genmin puts seal on worldwide mining deal with French group

GENMIN, the Gencor group's mining arm, and French mining group Bureau de Recherches Geologiques et Minieres (BRGM) yesterday signed a wide-ranging agreement which will see the organizations participate in joint mining and exploration ventures worldwide.

The two companies have just been awarded the rights to mine gold at Montagne Tortue in French Guyana in South America.

Genmin chairman Brian Gilbertson and BRGM chairman Maurice Allegre signed the agreement yesterday evening shortly before the deal was officially announced by French Trade and Industry Minister Dominique Strauss-Kahn, at the end of his week-long visit to SA.

Genmin mineral resources CE John Raubenheimer said the Guyanese prospect was "extremely exciting" and could see the establishment of a large opencast, low-cost gold mine.

A geological team was currently investigating the site and exploration would start before the end of the year.

Gilbertson said Genmin and BRGM, whose activities include geological survey

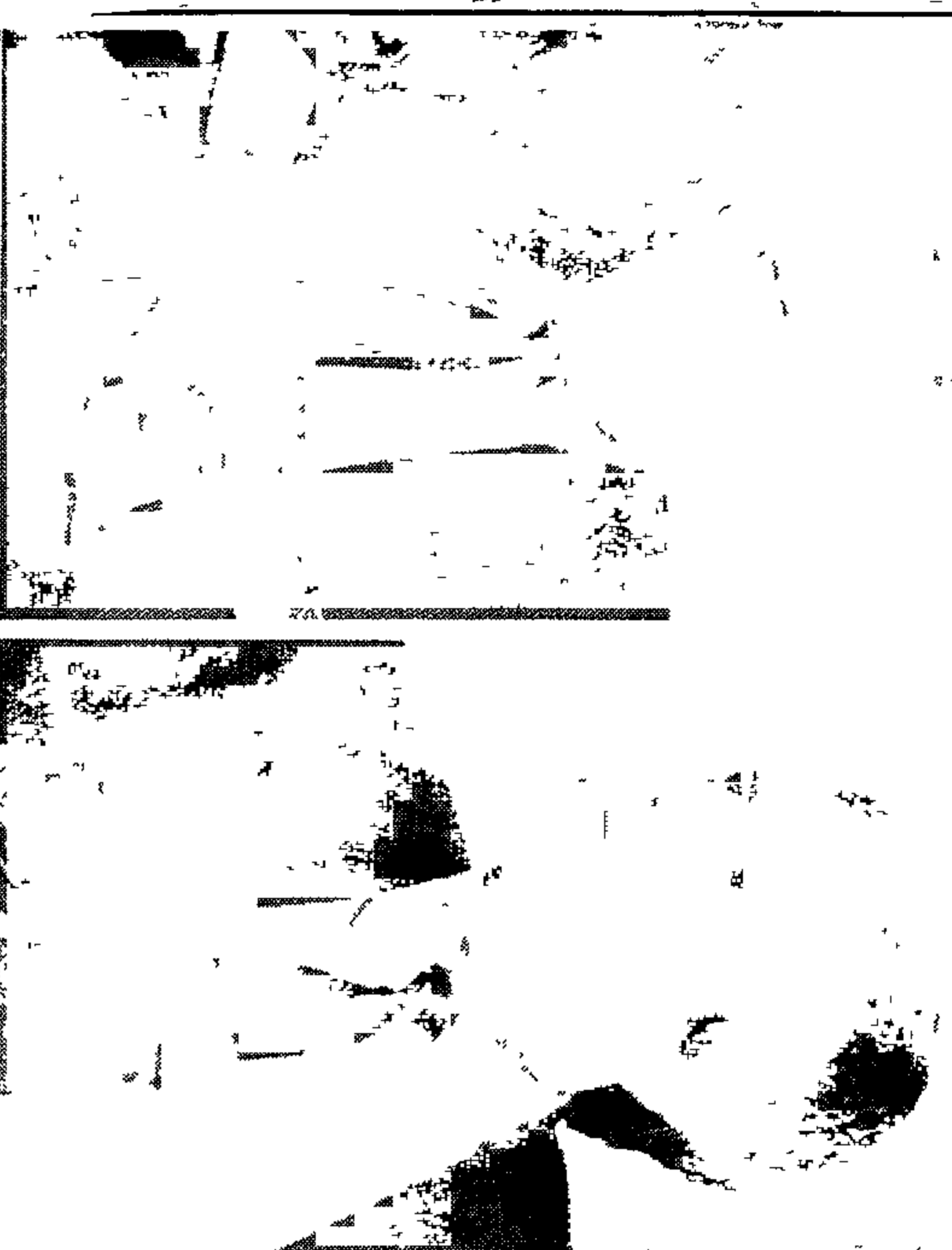
work financed by the French government and commercial and industrial operations involving the provision of mining services, were well-suited partners.

Genmin would benefit from BRGM's mining experience and links to the French government, helpful for investigating mining in Francophone Africa and overseas. Genmin has taken a 10% or R5m stake in BRGM's French gold mining operation, Salsigne. Genmin will provide mining and metallurgical advice.

Expertise

Allegre said with dwindling mining opportunities in France, BRGM was keen to expand its overseas operations Co-operation with a SA mining house, given the country's wealth of mining expertise, was a natural choice.

Both parties would be able to announce more details of joint ventures later in the year, and he said yesterday's agreement was the start of what would be a long-standing relationship.



BRGM chairman Maurice Allegre, left, and Genmin chairman Brian Gilbertson at yesterday's signing of an agreement on joint mining and exploration ventures. Picture GATHERINE ROSS

BUSINESS

Exploration struggles to show its worth in shares

B10ay 26/9/91
MATTHEW CURTIN

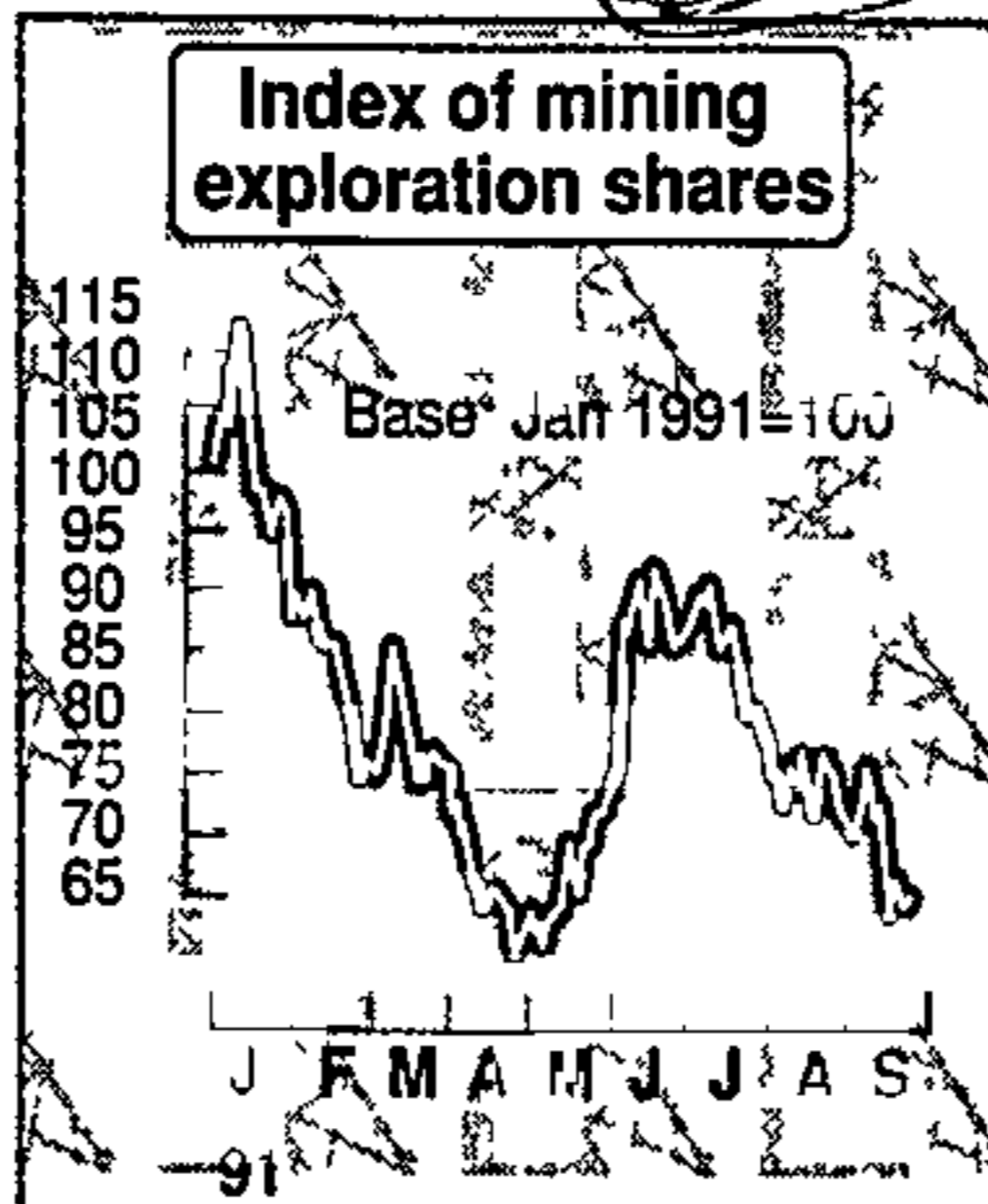
THE value of shares in the main exploration companies listed on the JSE dropped from R900m to R300m in two years, underperforming the rest of the market by a considerable margin, Simpson McKie analyst Peter Bahnemann said in a recent report on the sector.

Bahnemann said many exploration companies were listed on the strength of mineral rights held in deep-level gold exploration targets within the Witwatersrand Basin. Low gold prices put the viability of new deep-level mines in doubt, knocking share prices also dulled by unsatisfactory drilling results.

He noted that some companies were reducing their dependence on gold by investigating platinum, base metal, coal and heavy mineral sands deposits.

Barnato Exploration (Barnex) chairman Kennedy Maxwell said in his annual review this week that although the Witwatersrand was still one of the most attractive areas in the world for the discovery of gold deposits, the persistent low gold price had made Barnex review its asset portfolio.

He said that after a decade of competitive exploration, the past year had seen a significant decline in the overall level of gold prospecting. Barnex's evaluation drilling in the Doornrivier Prospect, south of Wel-



kom, was complete and results indicated a mining operation was not economic at current gold prices.

He said Barnex had moved towards taking part in ventures involving gold exploration at shallower depths.

However, Bahnemann said the poor performance of the sector had more deep-rooted causes.

Exploration shares, by the very nature of the risks involved in the business, were extremely sensitive to rumour, perceived expectations and general economic conditions.

The slump in share prices coincided with political uncertainty in SA following government reforms, the weak gold price and local and worldwide recession.

Another reason for the poor per-

formance of the sector was that it had been added to the JSE only recently. Investors, inexperienced in exploration stock, pushed prices to unrealistic levels in the share boom before the 1987 stock market crash. They forgot the exploration business was a long-term, high-risk business and that shares should therefore trade at discounts.

When shares fell, disillusionment set in and the companies' stock traded at levels which did not reflect their cash assets or the potential of their mineral rights.

Barnex's current market value is R17m, against current assets at its June year-end of R57m, and R8m worth of expenditure in the year on joint venture projects worth R29m.

Bahnemann said another reason for the market's poor view of the sector was that it had not generated worthwhile rewards for investors. New listings of Rhombus Vanadium by Rhombus Exploration, South Murchison and Southplats by South Witwatersrand Exploration, and Freddev's passing of its stake in South Deep Exploration to shareholders had been unsuccessful in as much as all these shares were barely able to maintain their issue price if they had not fallen below it.

He said it was unfortunate that exploration shares were at the bottom of investors' shopping list because "new ventures and new mining projects are the lifeblood of the economy and the stock market".

Minorities to sue over Barplats

B1 Day 25/9/91

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MATTHEW CURTIN

MINORITY shareholders in the ill-starred Barplats platinum operation are planning to take former owner Rand Mines to court in a claim for substantial damages

They allege the mining house is guilty of incompetence and negligence in the development of Barplats's Crocodile River and Kennedy's Vale mines

They say their interests have been further prejudiced by the deal in which Impala Platinum (Implats) took control of Barplats last month. Windhoek attorney Andreas Vaatz, who is spearheading the campaign, said yesterday he was still mystified by Rand Mines's ability to sink more than R1bn into a platinum venture which had been effectively abandoned as unworkable by its new owners

In a report issued to minorities, Vaatz said "It now appears that as a last act of showing its lack of foresight and management skills, Rand Mines has sold our companies to an undertaker"

Implats announced two weeks after acquiring Barplats that it was stopping underground production as a prelude to mothballing the Crocodile River mine. Implats had already mothballed the mine's smelter and refinery, and Rand Mines mothballed the Kennedy's Vale mine last year

Vaatz questioned whether Rand Mines directors had "fulfilled their fiduciary duty" to all shareholders to keep them informed about the mine and the company. Vaatz said his family had lost more than R150 000 by investing in Barplats

The report said minorities understood the risks of investing in a mining company controlled by a mining house like Rand Mines, such as a collapse in commodity prices and dis-

ruption caused by labour disputes. However, "one risk one is not expected to share in is the risk of incompetent and negligent if not reckless management decisions"

Minorities were entitled to hold the mining house responsible for ensuing losses, and a thorough independent investigation was necessary to establish whether negligence, recklessness or fraud was involved.

Rather than vote in favour of the scheme of arrangement concerning Implats's takeover of Barplats, minorities should consider asking for a court order insisting on a better deal from the companies

Barplats planned to issue 20-million new shares in favour of shareholders in Barplats Mining (Barmine), the operating company for the Crocodile River mine, 60-million shares in favour of Rand Mines for taking on R343m of Barplats debt, and 85-million shares to Implats in return for mineral rights

The report said Barplats and Barmine shareholders had been left out in the cold, their shareholdings diluted from an effective 47% in the two companies to just 15% in the newly constituted Barplats. The arrangement knocked the net asset value of Barplats shares from 975c to 221c a share, and Barmine shareholders would suffer similarly

Given that in its last financial statements Barplats had fixed assets worth R1bn, and current liabilities only R20m in excess of current assets, minorities might do better through the liquidation of the companies

There are about 7 000 minority shareholders in Barplats and Barmine, and Vaatz has suggested each should contribute R50 to finance the campaign

Barplats to resume production

IMPALA Platinum (Implats)

plans to restart underground production at Barplats's Crocodile River platinum mine in the March quarter of 1993 after commissioning of the mine's new vertical shaft.

Production will start at a rate of 20 000 tons a month and build up to 130 000 tons in 1997, a year later than originally planned.

Implats announced last month, shortly after taking over Barplats from Rand Mines, that it would stop underground operations in September as a prelude to mothballing the mine, although development work would continue.

In a technical advisers' report on Barplats's Crocodile River and Kennedy's Vale operations, Steve Kearney, Implats consulting engineer, development and projects, said that at this stage it was

MATTHEW CURTIN

planned to continue with the sinking of the 538m vertical shaft until commissioning in 1993. The shaft would produce 100 000 tons a month at full capacity.

Implats GM Mike Wortley said yesterday the shaft was being sunk so Barplats could mine underground material economically.

Implats spokesmen were not available yesterday to comment on how the revised mining programme would be financed. Implats said its original plans for Crocodile River would need an investment of R300m.

Under management by Loucas Pouroulis's Lefkoehrysos and Rand Mines, Crocodile River mine was worked with trackless mining methods, a strategy which proved inefficient and expensive because of the difficult underground condi-

tions at the mine.

Implats has phased out trackless mining, and replaced the system with plans for two vertical shafts, and a rock-hoisting shaft scheduled for commissioning in the June quarter in 1993. Kearney said work would start in October 1993 on a decline shaft to be sunk in the eastern area of the mine to bring monthly production to the full 130 000 tons. That equated to platinum production of 90 000oz a year and rhodium production of 12 000oz.

Kearney said opencast operations would go on until March next year by which time reserves would be depleted.

He said the Kennedy's Vale operation had been placed on a care and maintenance basis. The project was being re-evaluated. Crocodile River's concentrator

and smelter would be mothballed in March next year. The concentrator was being redesigned and would be re-commissioned in mid-1993, he said.

Problems at the smelter meant Barplats would send concentrate from the Crocodile River mine to Implats smelter for toll refining.

Kearney said Barplats's base metals and precious metals refineries at Brakpan had suffered from relatively high lock-up of precious metals and high costs because of low throughput and technical problems. To improve recoveries and reduce working costs, Implats would treat base metals at its Springs refinery, while precious metals would be toll-refined overseas. Barplats refineries had been mothballed pending an investigation into their longer-term use

Mint aims to win export markets

S/ Times (bus) 29/9/91

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By DIRK TIEMANN

THE SOUTH African Mint hopes to mint coins for South America and the Middle and Far East.

But it will do so only after it has produced enough new coins to replace the old series in SA. The replacement should be completed by 1994.

General manager Neels Dannhauser says inquiries are pouring in, the biggest demand being for blanks — unstamped coins.

The mint will run into stiff competition with three European blank producers. South Korea is a major minter of blanks, having gained 40% of

the world market in a few years.

SA mints 2-billion coins a year to meet growth in demand and replace the old ones.

Mr Dannhauser says the mint is making profits because of cheaper metals in the new coins.

It lost on most of the old coins. The old solid nickel 5c piece cost 17c to make. Only the R1 and 50c coins were profitable.

The new coins, ranging from 1c to 50c, have a steel core and are either copper or bronze plated. The "white" coins, including the R1 and

R2 pieces, have nickel-plated copper cores.

Mint managing director Hennie Bester, who will retire soon, says "Now you can understand why we have to make decent profits. When the new coins are phased out in 10 or 20 years' time, they won't fetch more than R80 a ton as scrap."

"That means we have to build up reserves."

The decision to stop using nickel and copper was taken in 1988 when prices of these metals went through the roof. Although metal prices have eased, they are still far above pre-1987 levels.

Mr Dannhauser says nickel cost the mint R9 000 a ton in 1987. Six months later the

price was R52 000. The present price is about R22 000 a ton.

The last large nickel order was for 2 000 tons in 1990 to produce the old coin range.

Foreign-currency savings on nickel will be much more than R100 million a year. Nickel blanks were imported from Germany and Canada because technology was not available to cast nickel in SA.

Now that the higher value coins are merely electrolytically plated with nickel, this need falls away.

Split

Mr Dannhauser says "Using steel as a base for our coins largely eliminates our exposure to nickel and copper price fluctuations on the London Metal Exchange. Steel prices have risen below the rate of inflation and are subject to less fluctuation."

SA is self-sufficient in coin production. The mines supply the copper ingots and nickel is provided by Johnson Matthey. Iscor supplies the Mint sheet metal from which it stamps blanks and mints coins.

Most other mints do not handle the raw materials and mint coins from blanks produced elsewhere.

Mr Bester says most of the profits from the nickel coins that the mint is withdrawing go to the Treasury.

Proceeds are split pro rata according to how much was put in. The mint wishes to withdraw 18 tons of old coins a day.

Union Tin wanted

UNION TIN warned its shareholders that negotiations were under way a week ago, writes JULIE WALKER.

Chairman Geoffrey Ashmead says it is inappropriate to comment, but the share price has jumped by a third to 40c since the middle of the month. *5/11/91 (Bus)*

The consortium controlling the property won a battle with previous controller Gold Fields of SA — through Vogelstruisbult — in 1989. The price hit 300c that year. *29/9/91*

Fate has not been kind to the consortium. It wanted Union Tin for its tin and platinum. The tin mine was closed by the former management

and had to be reopened. The tin price collapsed and even dump reclamation became unprofitable — not only at Union *(217)*

The consortium also believes that Union sits on a platinum resource. Gold Fields tried to persuade the members otherwise. Because of the loss of tin income, there has not been enough money to fund an exploration programme.

Union Tin claims that the GF Dust and Water Control and Surface Restoration fund owes it R342,432 and has included it in the balance sheet. Gold Fields disputes the claim.

COMPANIES

Cash balance boosts Powertech

A HEALTHY cash balance and income from associate companies enabled Powertech to partly offset flat trading conditions and report slight growth in interim earnings *BIDON 30/9/91*.

Although turnover fell to R605m (R620m) in the six months to June, the group's strong cash flow of R38m (borrowings of R48m last year) realised R1,5m in interest received, buoying earnings to R20,5m (R20m)

Earnings were reinforced by a R560 000 contribution from associated companies and a R2m reduction in outside shareholders' earnings

In line with group policy, no interim dividend was declared

Executive chairman Peter Watt said all operations contributed to earnings, with improved performances recorded by Lascor Lighting, Willard Batteries and Lite-master through expanded product and customer base and effective expense control

The effects of the declining economy, a persistently weak gold price, and reduced

MARC HASENFUSS

pre-VAT spending on capital investment had some impact on the contributions from Brown-Boveri Technologie and Aberdare Cables, he said.

The strong balance sheet positioned Powertech to move rapidly on any opportunities and several possible acquisitions were being investigated, Watt said.

Certain group operations would invest significantly in modern plant to enhance productivity and improve capacity

Export opportunities were being actively pursued, especially in Africa, he said

Trading conditions for Powertech are likely to remain unchanged for the rest of the year, but further political developments could lay the base for the start of the economic recovery during 1992.

Although the share has declined from its June high of 425c, Friday's price of 380c is still well above its 170c low recorded in November last year.

Crocodile River deal not finalised *(217)* Rusplat *BIDON 30/9/91*

TALKS between Rustenburg Platinum (Rusplat) and Impala Platinum (Implats) over Implats' possible acquisition of mineral rights owned by Rusplat near the Crocodile River mine had progressed but had not been settled yet, Rusplat MD Barry Davison said on Friday.

Implats said at its takeover of the Crocodile River mine from Rand Mines last month that it was intent on acquiring the pockets of mineral rights owned by Rusplat within the proposed mining lease area. Implats said it needed to get hold of these rights to continue exploration in the western part of the lease area and negotiations were under way

Government stripped Rusplat of more extensive mineral rights in the area near Brits in 1987 and awarded them to Loucas

MATTHEW CURTIN

Pourouhis's Salene Mining, the holding company for the Crocodile River mine, then called Lefkochrysos. The move facilitated the development of the platinum mine which Rand Mines bought at the end of 1988

Davison said in his annual review of Lebowa Platinum's (Leplat) 1991 results last week that lower dollar prices for platinum group metals would not be offset by expected increases in production volumes in the coming year. Leplat's profits for the current year were unlikely to match 1991 levels

Leplat shares continued to fall on Friday as platinum stock fell across the board against a sudden drop in platinum prices which ended at \$348,75 in London on Friday.

Leplat stock fell to near three-year lows at 290c, 10c down on the day. Implats led the falls on the platinum board as it and market leader Rusplat shed 240c to R47,85 and 225c to R60,00c respectively

Davison said despite the first surplus in platinum supply since 1984 in 1990 further growth in demand was expected by the end of this year. However, with market uncertainty in the short term fuelled by Soviet metal sales, it was impossible to predict where prices would go

He said as a general statement it was improbable that platinum prices would show any real improvement until US and international economic activity picked up. There were signs that the US motor industry and economy in general were pulling out of recession.

Svfrets to launch Trustee EXECUTIVE SUIT

MINING — OTHER

1991

OCT. — DEC.

Barplats's dwindling cash resources temper plans

B10ay
1/10/91

MATTHEW CURTIN

(217)

DWINDLING cash resources at Barplats meant the mine's new owners, Impala Platinum (Implats), had only months to decide whether to close down the mine completely or continue with development work as a prelude to restarting operations, MD Mike McMahon said yesterday.

McMahon said: "It would require a significant turnaround in market conditions before Barplats's major shareholders could recommend a rights issue or be willing to take on more debt to finance development work at the Crocodile River mine."

He was responding to a report in Business Day last week which said production would restart at the mine in 1993, after completion of development of the mine's vertical shaft.

McMahon said plans to restart production depended entirely on market conditions.

Financing

He was not confident they would change before Barplats's funds ran so low that development work could go on no longer.

Consequently, plans to restart production outlined in a technical report issued last week were "hypothetical" at this stage.

Current shaft sinking work would go on only as long as Barplats could finance it from platinum group metals still caught in the processing pipeline and from cash resources.

He said it made sense to exploit Barplats's existing funds as far as possible so that when the platinum market recovered, the mine would be in the best position possible to restart operations.

Meanwhile, management was reviewing the mine's position on a monthly basis.

Usko finally rids itself of vanadium interests

B/D ay 4/10/91

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MATTHEW GURTIN

USKO has ended its two-year flirtation with the vanadium business by selling its vanadium assets to Rhombus Vanadium (Rhovan) for the nominal sum of R1.

Usko sank more than R60m into developing the plant, mothballed last week, which never met production targets.

Usko will also pay Rhovan R19m plus interest by March next year as part of the premature cancellation of Rhovan's 20-year contract to supply Usko with magnetite concentrate for the production of vanadium pentoxide.

The deal is worth an overall 24,5c a share for Rhovan.

A Rhovan spokesman said yesterday Rhovan, which is a subsidiary of Rhombus Exploration (Rhoex), had expected the move for several months.

Usko had ended its agreements with Rhovan primarily because of the "severe financial difficulties Usko currently finds itself in".

The group has already sold its steel assets and steel trading business.

The spokesman said negotiations which would determine Rhovan's future operations were underway.

The Rhovan spokesman said that, in the meantime, Usko's vanadium plant had

been mothballed and production at Rhovan's mine near Brits had been suspended.

The Rhovan/Usko liaison began in 1989 when Rhovan was contracted to supply Usko a guaranteed minimum of 250 000 tons of magnetite concentrate a year.

Usko undertook to pay penalties if it could not fulfil planned production.

Usko's closure and disposal of its assets mark the second shake-up this year in the SA vanadium sector which accounts for nearly 70% of world vanadium pentoxide production.

Prices

Rand Mines Vansa Vanadium, mothballed late last year, was sold in August to directors of Chromecorp Technology for R17m.

Usko has a current capacity of 7-million pounds of vanadium pentoxide a year, and the advent of its and Vansa's new capacity was a major factor in depressing prices in 1990 which at one stage reached \$11,00/lb.

Vansa, now called Vantech Technologies, is expected to come back on stream next year.



Johannesburg Consolidated Investment Company, Limited

(Incorporated in the Republic of South Africa) Registration No. 01/00129/06

The past financial year was characterised by developments, both international and local, that resulted in unfavourable trading conditions for Johnnies Internationally, the protracted Gulf crisis undoubtedly contributed to the slowing in world economic growth, as did the strains of political and economic realignment in Eastern Europe, and our export-oriented interests suffered in consequence. Locally, the authorities have persisted, correctly in my view, in the application of tight monetary policies throughout the downward phase of the business cycle, with the object of reducing domestic inflation to a level more in line with the inflation rates of South Africa's principal trading partners. Thus far, however, this policy has merely intensified recessionary conditions without any noticeable effect on inflation. Furthermore, widespread factional violence in South Africa, though no doubt chiefly political in origin, has had an adverse effect on every aspect of our society, including business confidence and the economic climate in general.

Against this background, Johnnies' results for the past financial year are considered to be satisfactory. Earnings attributable to shareholders were R418 million, compared with R430 million for the previous financial year, and equity-accounted earnings declined by 6,1% to R565 million, exclusive of the extraordinary loss of R42 million which arose mainly in respect of the sale of Lennings. The total dividends for the year were maintained at 132 cents per share. It is fair to say, I think, that the nature and spread of Johnnies' major strategic investments have insulated the Group from the worst effects of the unfavourable trading conditions noted above.

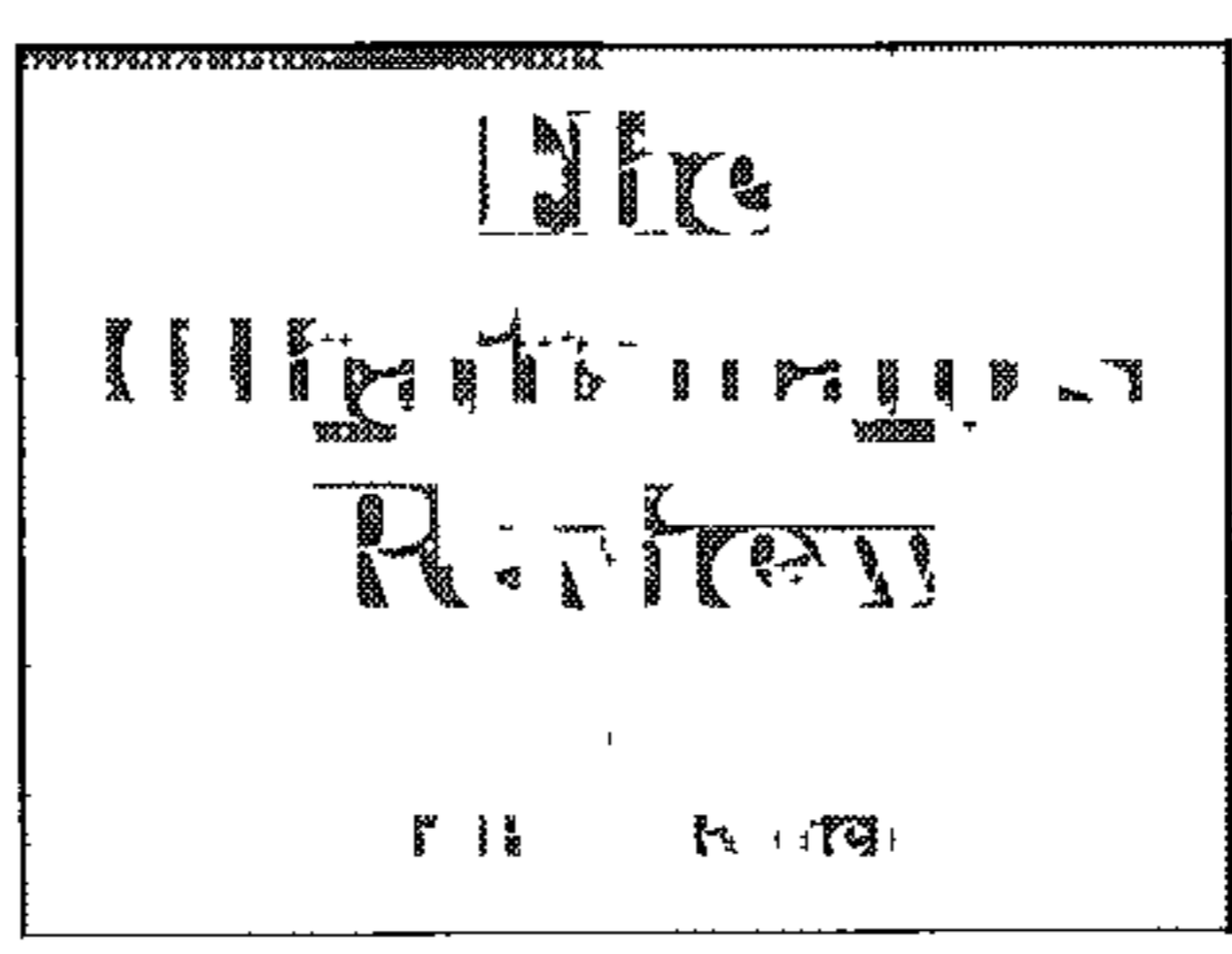
Chief among these investments is Rustenburg Platinum Holdings, whose earnings grew by 9,6% to R604 million. Although the platinum price suffered a net decline over the year, the average price received for rhodium was considerably higher and gross sales revenues rose by 16,4%. The expansion of production at Rustenburg Platinum Mines is proceeding to plan. Potgietersrust Platminums, jointly owned by Rustenburg Platinum Holdings and Lebowa Platinum Mines, is to develop a mine on the Platreef near Potgietersrus. The capital cost of this venture is estimated at about R600 million in escalated terms, of which R400

million will be funded by equity and the balance by loans. The equity component will be raised by way of a rights issue to Rustenburg Platinum Holdings and Lebowa Platinum Mines, both of which will pass on their rights to their respective shareholders - Rustenburg by way of a dividend *in specie*, Lebowa by way of a renunciation - thus enabling Potgietersrust Platminums to be independently listed. Rustenburg will also distribute its 21,5% interest in Lebowa to its own shareholders as a dividend *in specie*. The massive nature of the Platreef deposit lends itself to open-cast operations, and consequently the working costs of the new mine will be among the lowest in the industry.

Johnnies' dividend income from its gold mining investments once again declined sharply, from R18,9 million to R11,3 million, owing to the disappointing performance of the gold price and to the adoption of a more conservative dividend policy by Randfontein Estates. Although in recent months there was a moderate recovery in the dollar price of the metal, which was enhanced by the depreciation of the rand against the dollar, this recovery has not been sustained and the outlook for the gold price remains unsettled. One beneficial side-effect of the low gold price is that it forced the gold-mining industry to examine rigorously all aspects of its operations. It is gratifying to note that the remedial actions taken at Western Areas have returned the company to profitability.

South Deep Exploration Company was floated in November 1990 in order to raise funds for the further evaluation of the South Deep Project Area. This major deposit, which is estimated to contain some 116 million tonnes of ore at an *in situ* grade of 9,0 grammes per ton, is thought to be the world's largest unexploited gold orebody and, as such, has considerable potential significance for the Group. It is likely to be quite some time, however, before any decision can be taken to embark upon full-scale mining of the South Deep Project Area, in view of the depressed state of the gold price and the huge capital cost that mining operations would entail.

The Group's diamond interests continue to account for a substantial portion of its income. The diamond trade was affected by the general economic slow-down and, specifically, by the Gulf crisis and by



developments in the Soviet Union. The performance of the South African economy, however, continues to give cause for concern. All of our business interests are being adversely affected in varying degree by persistent cost inflation, and the progress of our industrial interests, which are dependent upon domestic markets, is being hampered by recessionary conditions.

The weakness of the South African economy is disturbing not only because of its direct and immediate effect upon our business interests but also, and more fundamentally, because of its pervasively adverse influence on socio-political conditions within the country as a whole. At a time when it should be mobilising itself for sustained economic growth in order to raise the general level of employment and standard of living, our society remains mired in economic stagnation, political confusion and social unrest.

South Africa has clearly reached a critical stage in its development. If economic decline and the erosion of law and order are to be arrested and reversed, the principal actors on the political stage must move rapidly towards the negotiation of a new and fully democratic constitution.

Progress to date in this direction has been slow. Before the disclosures regarding the use of government funds to finance Inkatha, it appeared that the main, though by no means the only, obstacle to negotiations was the ANC's inability to evolve from a liberation movement into a fully-fledged political party with a coherent and credible economic programme. No less serious an obstacle, however, are the perceptions that have arisen from the recently revealed existence of some form of relationship between the National Party and Inkatha. It is imperative that the country's political leaders should transcend these obstacles, recognising that none of their parties is beyond reproach, that there is no lasting benefit in partisan recrimination, and that there is no rational alternative to constructive dialogue.

Growth and redistribution

Gross inequality pervades South African society: inequality of income and ownership, of educational opportunities, of access to housing, health care and the basic amenities of life. Clearly, if this problem cannot be overcome, the country faces a bleak future. The only course of action that holds out any prospect of success is rapid and sustained expansion of the South African economy at the maximum rate of which it is capable in the context of the prevailing world economic conditions upon which it so heavily depends. This self-evident proposition commands general assent, but, among the key actors in our society, there are crucially important differences of opinion as to the means by which the goal should be sought.

The ANC, so far as one can judge from numerous and frequently inconsistent reports, appears to believe that the socio-economic crisis can be resolved only by a substantial measure of state-directed redistribution of investment: the objects of this process would be to increase investment to levels deemed acceptable, and to direct funds to economic sectors targeted for expansion. Implementation of this strategy would necessitate large-scale state intervention in the economy because it is alleged that the private sector could be relied upon neither to invest on an adequate scale nor to achieve a socially appropriate allocation of investment. The dissolution of so-called conglomerates is thought to be essential in order to bring bank lending and the funds of major corporations under state control.

On the other hand, it has long been apparent to

the business community, and has more recently become apparent to the reformed National Party, that the relative stagnation of the economy during the past decade or so has been due not to any intrinsic defect of the free market mechanism but rather to the wastefulness, patronage and bureaucratic inefficiency inherent in the now legally defunct apartheid system, compounded in recent years by the effect of economic sanctions, a weak gold price and the reluctance of businessmen to undertake investment in an increasingly turbulent environment. Leading South African businesses, including Johnnies, have always condemned apartheid as an unjust and unviable philosophy that was wholly inimical to the concepts of liberal democracy, free enterprise and social justice.

That the weight of international experience is overwhelmingly in favour of the free enterprise ethic, and against the interventionism espoused by the ANC and other South African liberation movements, is surely beyond dispute. Authoritative studies by the World Bank have shown conclusively that the societies that have achieved the highest rates of growth in per capita income, and a concomitant reduction in the incidence of poverty, are characterised by fully democratic political institutions and market-oriented economic structures.

Given such institutions and structures and an expanding global economy, there is little doubt that South Africa has the potential to raise average living standards while reducing the disparity of incomes. Essential to the task of national regeneration is a liberal and pragmatic governance that rewards enterprise and productivity; that encourages investment, including the high and sustained levels of foreign investment necessary for maximum growth, and that recognises that the long term interests of greater social justice are best served by greater efficiency.

Realising our country's potential to achieve greater social justice through higher, market-oriented growth will depend critically upon how successful future governments prove to be in striking a balance between the competing claims of equity and efficiency that is both socially acceptable and economically viable. Sound growth takes time, and in South Africa the problem is aggravated by the dual nature of its economy. The first-world sector of the economy is urban, multiracial and relatively prosperous, the third-world sector is essentially black, rural and impoverished. There is a danger that the scale of migration from the relatively backward to the relatively advanced sector of the economy will jeopardise the latter's ability to act as an engine of growth capable of generating a progressively broadening improvement in the quality of life that, given sufficient time, will benefit the population as a whole. To enable the rural population to become more productive agriculturally, policies of land reform, coupled with the necessary technical and marketing assistance, would therefore seem to have an important role to play in enhancing the prospects for stable growth.

Education

Another of the preconditions for sustained growth is, of course, the availability of a balanced variety of skills in the working population. Investment in education is just as important as investment in tangible productive assets: indeed, the two are complementary. It is evident that the country's educational system is totally unsuited to the needs of a growing economy and must be reorganised as a matter of urgency. The deficiencies of the present system arise from the fact that South Africa's expenditure on education, although comparable as a proportion of gross national product

with that of relatively advanced countries, has been significantly misdirected in two respects. Firstly, the education system places too much emphasis on a general, academic training, with the result that the proportion of technically and commercially qualified graduates falls far short of requirements. Secondly, education policy has failed, deliberately, to deal even-handedly with the essentially identical needs of the country's various racial groups. The justified resentment aroused by such discrimination has inevitably led to widespread disruption of the education process in black communities, with serious consequences not only for those immediately affected but also for our society as a whole. A crucial question facing South Africa is how to allocate educational spending in the most equitable and efficient manner.

The government's contemplated Educational Renewal Strategy, though flawed in certain fundamental respects, is at least a step towards a thorough and long overdue reform of the educational system at the primary and secondary levels. It correctly proposes that the curriculum should lay more emphasis on subjects that will lead, at both secondary and tertiary levels, to a greater output of commercial and technical skills. Furthermore, it sensibly recognises that effective investment in education presupposes satisfactory incentives to the teaching profession, particularly those members of the profession qualified in mathematics and the sciences.

The private sector continues to make a constructive contribution to education. This contribution has been given sharper focus by the recent formation of the Private Sector Initiative, a co-operative venture of business, labour, education and community organisations dedicated to increasing the quality and social relevance of the educational system. Twelve of the country's leading corporations have undertaken to make available a total of R500 million for this purpose over a period of five years. The magnitude of the undertaking is testimony to the strength of their commitment to building a better future for all. I am happy to say that Johnnies, as one of the founder members of the venture, will be contributing R25 million of this total. The funds raised will be administered by a Trust, which will include not only educationists but also other stakeholders in the education process.

Johnnies has been very active over the years in helping the disadvantaged to acquire a better education. We have provided in-house education and training courses for our employees. We have established bridging courses from secondary to tertiary level and have provided numerous bursaries. Donations have been made to many educational institutions and have been used to good effect - for example, in the financing of the non-racial Barnato Hall residence at the University of the Witwatersrand and the Phuthing school north of Johannesburg. We have also set up our Group Educational and Development Unit, which assists in the upgrading of teaching skills and facilities in schools serving those neighbourhoods in which we operate. Such activities will continue, in parallel with our involvement with the Private Sector Initiative.

Meanwhile, the crisis in education grows more acute. Under-utilised schools formerly reserved for Whites are being closed and large numbers of qualified teachers retrenched, while schools serving Black communities are overcrowded with pupils but understaffed with competent teachers. Because education is integral to society, South Africa's education crisis inevitably reflects the crisis in South Africa itself. In education, just as in the political sphere, there is general agreement as to the need for reform, but there is too

little evidence of an urgent, concerted effort to achieve reform. This is a matter of great concern. Though huge, the tasks that lie ahead are not insurmountable - but we must lose no more time in tackling them.

Outlook for the current year

The difficult trading conditions experienced by the Group last year will probably persist during most of the current financial year. Although there are indications of a gradual recovery in the world economy, this recovery is unlikely to gather sufficient momentum to be of appreciable benefit to our major, export-oriented interests this year. Indeed, it seems probable that international markets, particularly those for gold and platinum, will remain unsettled for some time. Furthermore, the short-term outlook for the South African economy is not encouraging. The authorities appear determined, with good reason, to keep a tight rein on the economy until domestic inflation is reduced to an acceptable level. Though unlikely to worsen, current recessionary conditions are therefore likely to continue in the immediate future, aggravated by political uncertainty, and in such an environment our major industrial interests will find it difficult to make significant progress.

In view of these circumstances, it would be imprudent at this early stage to venture a forecast of the Group's earnings for the current financial year.

Directorate and staff

Mr R.B. Sutherland joined the board with effect from 1 November 1990, and on the same date Mr G.P. Wanblad was appointed as alternate to Dr H. Scott-Russell. Mr J.A. Holmes and Mr D.M. MacGillivray resigned from the board with effect from 30 June 1991, on which date Mr A.B. McKerron and Mr T.L. Pretorius were appointed as directors.

On behalf of the Board, I wish to express our appreciation of the valuable services rendered by Mr J.A. Holmes and Mr D.M. MacGillivray during their association with Johnnies.

Finally, I should like to express my thanks to the employees of the Johnnies Group for their efforts on its behalf throughout a difficult year. Johnnies' principal strength is the people who work for it, and I have every confidence that they will continue to do their best to promote the interests and continuing success of the Group in the challenging times that lie ahead.

P. F. Retief

Chairman

Johannesburg
6 September 1991

Copies of the 1991 annual report are available from the transfer secretaries, Consolidated Share Registrars Limited, 1st Floor, Edura, 40 Commissioner Street, Johannesburg 2001 (P.O. Box 61051, Marshalltown 2107)

BARPLATS FM 4/10/91

Minorities' distress (217)

Circulars sent to Barplats and Barmine shareholders last week have further provoked minority shareholders. Some of them are claiming that aspects of the documents appear misleading, while one group is threatening to sue Rand Mines on grounds of management incompetence.

After the initial shock of Barplats' sudden closure just a month after Impala Platinum (Implats) took control, a suspicion is hardening among some investors that Implats did the deal with the motive of gaining control and then shutting the mine down, regardless of market conditions.

The *FM* (Fox, March 8) suggested this motivation for Rustenburg Platinum's initial interest, when Rand Mines started hawking Barplats around. The idea was rejected in some quarters at the time, because paying money for an asset to close it down did not seem to make sense. As it turned out, Implats acquired control without having to lay out any cash at all.

Any such ulterior motives on the part of Implats are denied by its MD Mike McMahon, who is now also chairman of Barplats.

"We are not that Machiavellian, or US-business practice orientated, in our ap-

continue →



Impala's McMahon .
not so Machiavellian

FINANCIAL MAIL • OCTOBER • 4 • 1991 • 75

FOX FM 4/10/91 (217)

proach, that we would announce one thing and mean another," he says "Yes, we wanted that maverick mine and its metal production under our control, but we did the deal believing in Plan A, which was that we could get an acceptable rate of return out of running the mine.

"We were forced into Plan B, which was to close it, because of market developments. It is not fair to simply compare the platinum and rhodium prices when the deal was announced with the similar levels ruling at the time we decided to shut the mine. The deal with Rand Mines was struck nearly two months before it was officially announced when platinum and rhodium prices were higher.

"Other factors that changed were government's refusal to lift the ringfence on tax and the more pessimistic view that has come into force on how long platinum and rhodium prices could stay depressed," says McMahon.

Windhoek attorney Andreas Vaatz, who is trying to get a minority shareholders' crusade going against Rand Mines, claims "It was naive of Rand Mines to think that Impala would be wholly committed to building up this new mine, given the background of adverse market conditions affecting it and other existing producers."

Vaatz is claiming that, in terms of Section 252 of the Companies Act, members can act against Rand Mines on the grounds of management's actions being unfair and prejudicial to the interests of minorities.

Rand Mines chairman Dammy Watt disagrees and says the house has taken legal opinion on the matter. He says Vaatz should have waited for the September 23 circular to shareholders before starting his campaign and that he has nothing to add to what was

FM 4/10/91 (217)

said in that circular in reply to Vaatz's comments.

Vaatz, presumably, can take the issues up personally with him at the shareholders' meeting in Johannesburg on October 16, which he intends to attend. His family lost R150 000 on Barplats shares. Vaatz is campaigning for minorities to be paid out at least the net asset value of their shares. This is stated in the circular at 314,55c for a Barmine share at May 21. Current Barmine share price is 35c.

He says no legal action has, as yet, been started against Rand Mines because he's waiting to see what comes out of the October 16 meeting.

The circular also appears to have confused some shareholders, because it includes the offer to Barmine shareholders to acquire Barplats shares at 571c, compared with the present market price of 90c. This follows Rand Mines' agreement to take on all Barplats' debt, which was converted into shares at 571c a share and which has been extended to minorities as a matter of fairness.

No minority could sensibly accept that offer — assuming that they fully understand it. Some investors feel that an explanatory note should have been included to fully clarify the situation.

Some confusion also resulted from the technical advisers' report. This stated that commissioning of the Main Shaft was scheduled for the first quarter of 1991, after which production will build up to 100 000 t/month. In reality, of course, the mine is being closed and sinking will only continue for as long as funds are available from the sale of metal now in the pipeline. The position is being reviewed monthly.

McMahon points out the technical advisers' report should be seen as a separate document, making recommendations dependent on the company's ability to fund them. Barplats obviously cannot fund them at present. Still, it would have done no harm to point that out in the technical advisers' section.

Brendan Ryan

JSE and London listings for PP Rust

POTGIETERSRUST Platinums (PP Rust) is to list on the JSE on October 31 and on the International Stock Exchange in London on November 4, Johannesburg Consolidated Investment (JCI) announced today

This follows an earlier announcement that PP Rust was to raise about R400m in a rights offer to its equal shareholders Rustenburg Platinum (Rusplat) and Lebowa Platinum to finance the R600m development of the PP Rust open cast platinum mine. The JSE has granted a listing for 120,3-million shares of 2,5c each, at a subscription price of R3,33 a share.

JCI says mining will start at Sandsloot on the Platreef in mid-1993 at a production

MARCIA KLEIN

rate of 200 000 tons a month, increasing to 300 000 tons after about nine years when the Overysel pit is started.

Initial capital requirements for a 200 000 tons a month operation are R600m, including capex, the cost of acquiring the Platreef project from Rusplat, working capital and interest charges.

The projected internal rate of return of the proposed open pit mine — based on the low August platinum price base — is 15% a year in real terms. PP Rust could begin to pay dividends in 1995.

BID 7/10/91

Platinum industry faces challenging times

THE next five to 10 years promise to be challenging for the platinum industry with significant additional quantities of the metal available to the market, according to a review in Lebowa Platinum's annual report

The report says the demand potential exists to absorb the new supplies

It adds that the increasingly competitive industry could do much to secure its own future by addressing clear opportunities for market development and promotion

The level of demand at any time would depend not only on progress made in developing new technologies

and on spread of existing markets but also on economic activity

The review is confident about long-term prospects for platinum, especially in autocatalyst growth. With legislation becoming stricter around the world metal loadings will increase, as will use of autocatalysts

Jewellery demand has grown to 13% of offtake from 9% in 1987, justifying Rusplat's and Leplat's long-term view of the need to invest in market development

It said 1990 was a significant year in the development of the phosphoric

acid fuel cell industry, with the establishment of three plants designed to mass produce fuel cells

International consultancy Arthur D Little predicts that cells could account for platinum demand of between 440 000 and 580 000 ounces a year by 2000

Short-term financial prospects for Leplat, however, are less optimistic

It was unlikely that the expected increase in production volumes at Leplat would offset the negative impact of lower prices, Leplat chairman Brian Davison said

As a result, last year's profits are unlikely to be matched

B/Dau

7/10/91

ANDREW GILL

(214)

look Lindstrom

Leplat shares take a pounding

B/day 8/10/91 (217)
MATTHEW CURTIN

LEBOWA Platinum (Leplat) shares plunged 27% on the JSE yesterday to their lowest level since the beginning of 1988. Leplat stock ended the day 90c down at 240c.

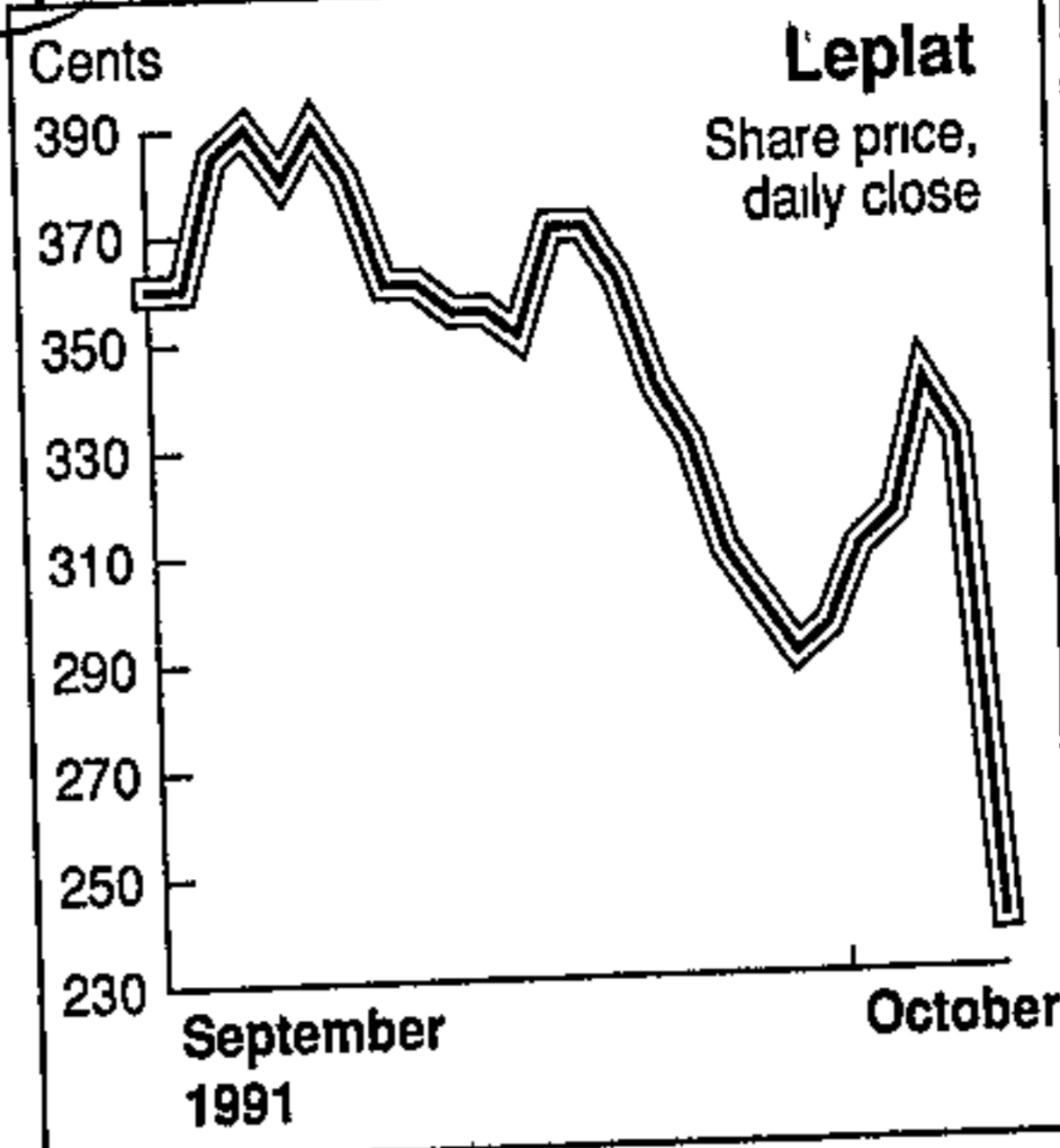
In contrast, the market gave a warm reception to nil paid letters in Potgietersrust Platinums (PP Rust) which closed 30c up at 180c on their opening price of 150c.

Frankel Kruger analyst Kevin Kartun said market reaction to the run-up to the full listing of PP Rust suggested that Leplat shareholders had invested in the stock largely because of its 50% stake in the Platreef project.

Investors had bailed out of Leplat in favour of either Rustenburg Platinum (Rusplats) or PP Rust.

He said Leplat remained the least attractive of the three platinum shares as the company was short of cash, had postponed a rights issue to finance expansion plans and so would take on more debt, while operations at its Atok mine had been dogged by labour unrest.

Irish Menell Rosenberg analyst Dave Russell said the market had under-rated



Graphic: FIONA KRISCH Source: I NET

Leplat Its Atok mine was an established operation, backed up by Rusplats, with an expanding production target of 100 000 ounces of platinum a year.

PP Rust is JCI's new platinum company. Shares will be listed on October 31 as its development of the R600m Platreef project goes ahead. It will offer 120-million shares offered at 333c a piece, and R200m of borrowings.

Minorities take Barmine to court

THE attorney campaigning on behalf of minority shareholders in the Barplats Mines (Barmine) platinum operation for a better deal from former owner Rand Mines is to take the mining house to court on October 22.

Windhoek lawyer Andreas Vaatz said yesterday minorities would seek a court ruling in terms of the Companies Act as to whether minority shareholders had been prejudiced by the deal in which Impala Platinum (Implat) took over Barmine from Rand Mines. *B Day 9/10/91*

Section 252 of the Act afforded protection to minorities and Vaatz said he could hardly visualise a better case in which the court could compel majority shareholders to buy back minorities' shares.

In the current arrangement, which shareholders have to ratify on October 16, minority shareholders' interests are diluted and their shares will be worth a small

MATTHEW CURTIN

fraction of the price when Rand Mines took over Barmine from Loucas Pouroulis.

(217) Vaatz said it was vital for minorities to vote against the scheme at the meeting, as those who did not could not expect any redress if a court ruled in their favour.

Minorities have also questioned whether Rand Mines kept them adequately informed of all relevant aspects of Barmine's Crocodile River mine and the company as a whole. The mine's new owner, Implat, has mothballed the mine indefinitely and shut down the mine's smelter and metals refineries.

In terms of Section 257 of the Act, minorities have said a court should compel disclosure or insist on a probe on whether Rand Mines was guilty of negligence or incompetence in running Barmine.

Vermaas got life savings

PRETORIA — A Pretoria entrepreneur said he invested his life savings with Albert Vermaas because of the assurance that there were no risks involved, the Pretoria Supreme Court heard yesterday.

G J van Tonder, of the company Gerdor Wonings, said he had invested R1m in October 1988 — shortly before Vermaas's investment scheme collapsed.

Van Tonder became interested in the scheme through a Sanlam agent, who told him that he could earn 25% interest in an investment scheme based on "back to back short-term investments" that carried no risks.

Despite assurances that

Sash will keep protesting

B Day 9/10/91
THE Black Sash will continue to protest against the banning of the organisation in Bophuthatswana, says spokesman Barbara Klugman.

Speaking shortly after the release of the 16 detainees yesterday, Klugman said such action was necessary, given the level of repression in Bophuthatswana, and its inability to enter into the spirit of negotiations which existed in the rest of SA.

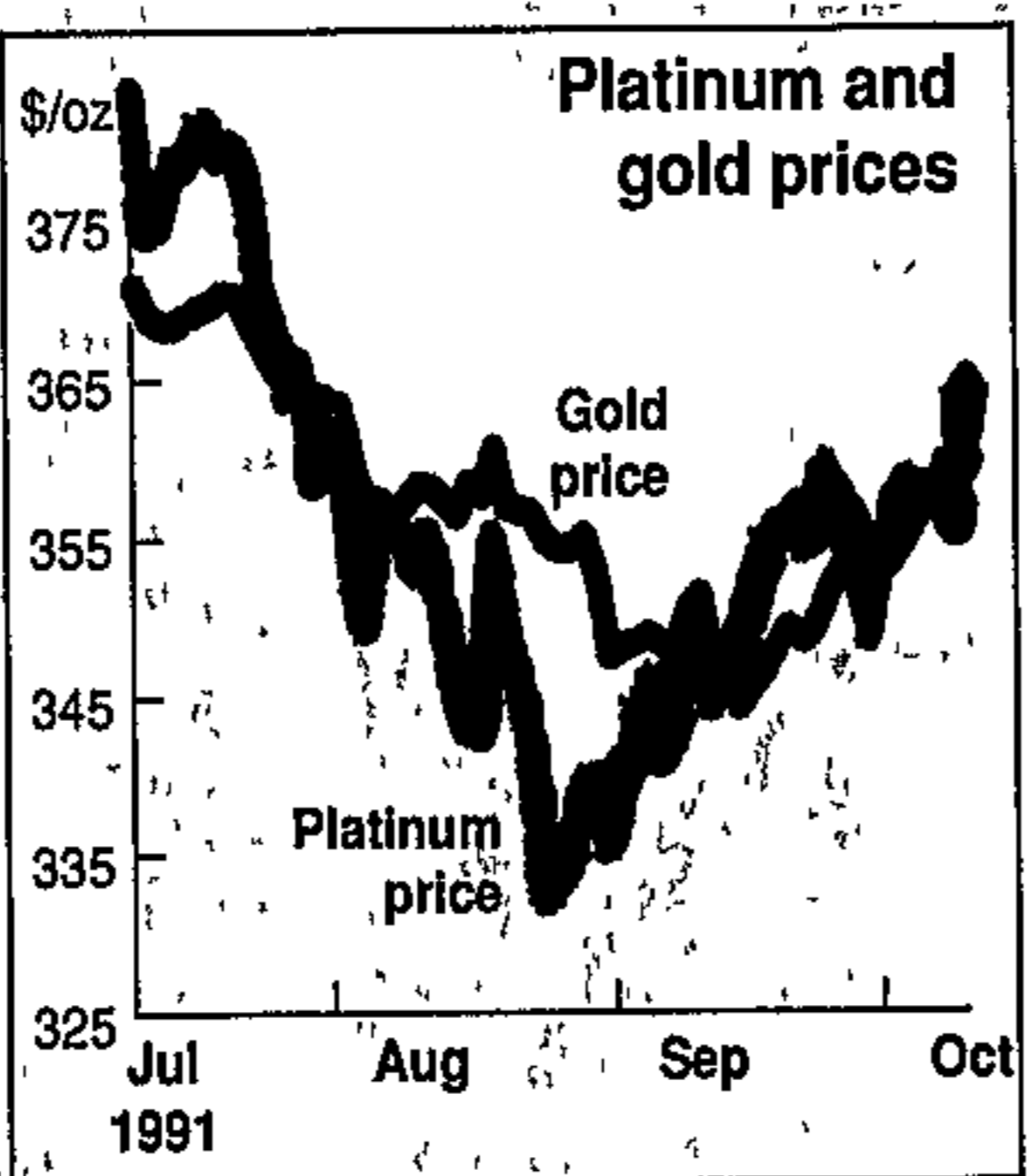
The detainees were released after paying R200 admissions of guilt for attending an illegal gathering. The other charges were dropped.

The two American and two German foreign observers, as well as the chairman of the Mafikeng Anti-Repression Forum, Laura Taylor, were released without being charged.

They were arrested in Mmabatho after a human rights demonstration on Saturday, on charges of creating a public disturbance, attending an illegal gathering and furthering the aims of the Black Sash.

Bophuthatswana President Lucas Mangope said demonstrations were not permitted in terms of legislation due to the "massive damage" caused to property and buildings by demonstrators in the past.

He added it was a fact that detractors wanted to make the country ungovernable. — Sapa.



Graphic: FIONA KRISCH Source: INET

Platinum set to climb higher 214

ANDREW GILL

PLATINUM prices soared higher early yesterday as the metal found technical support on world markets, giving the gold price a healthy lift in the process.

An early \$9 jump in platinum was capped as New York opened for trade, but it consolidated well above Wednesday's below-\$360 closing levels. Analysts said it was possible for further climbs until resistance was met at \$370.

In New York it was trading at \$365 from Wednesday's \$356. Trade buying and a rumoured sharp drop in Soviet platinum reserves gave the initial impetus to the rise in Europe. *B/day 11/10/91*

Gold's \$2 rise was helped by Soviet economist Grigory Yavlinsky's comments that Soviet reserves would total 240 tons by January 1992.

The official figure is set to be released within the next few days. However, some analysts believe it will be higher than the estimated 240 tons.

It skirted near the psychological \$360 level for most of the day but failed to breach it.

Oil prices climbed on Wednesday and yesterday as US crude oil inventories were reported lower and analysts warned prices were set for further increases. Prices jumped to their highest post-Gulf war levels, with November delivery closing at \$23.16 on Wednesday. It held just above \$23 late yesterday.

A continued ban on Iraqi exports, slow recoveries in Kuwaiti output levels and the expected decline in Soviet output were cited as reasons for oil's increases.

F M 11/10/91 (217) ~~218~~

INDUSTRIAL SELECTIONS

Capital gains

Activities: Investment company holding listed and unlisted shares of companies engaged in manufacturing and beneficiation of minerals

Control: Held by Industrial Development Corp from which almost all investments are acquired

Chairman: P J van Rooy

Capital structure: 273,8m ords Market capitalisation R753m

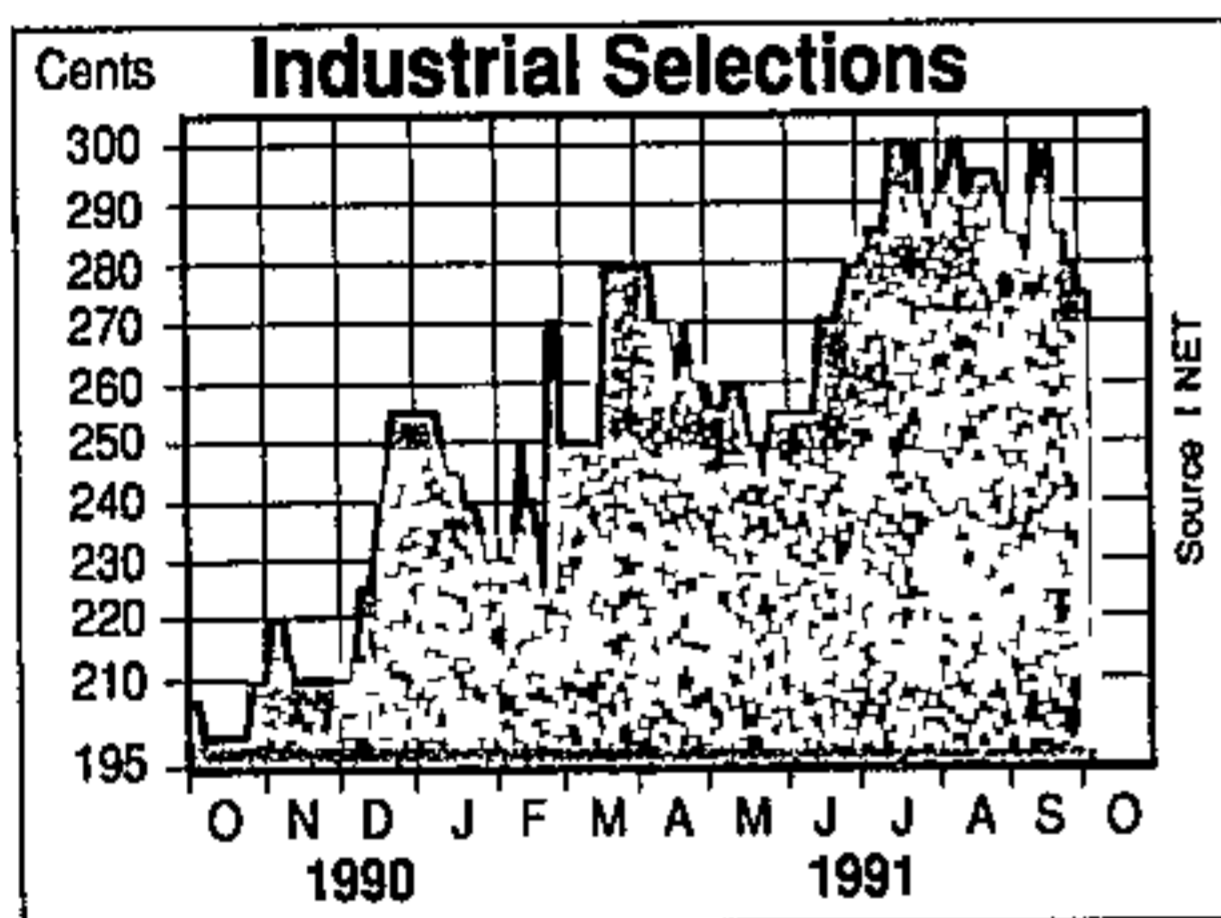
Share market: Price 275c Yields 4,2% on dividend, 5,1% on earnings, p e ratio, 19,8, cover, 1,2 12-month high, 300c, low, 200c

Trading volume last quarter, 2,8m shares

Year to June 30	'88	'89	'90	'91
Taxed income (Rm)	29,1	36,9	42,8	38,0
Earnings (c)	10,64	13,49	15,61	13,88
Dividends (c)	8	10	11,5	11,5
Net worth (c)	148	273	309	291

Though the 1991 dividend was maintained at 11,5c, shareholders have enjoyed good capital appreciation, with the share having risen by about a half over the past 12 months

A couple of years ago, the share was trading at a fairly wide discount to NAV as calculated on market valuations of listed investments and directors valuations of unlisted holdings. The gap has now been largely eliminated, as the share stands about 5,5%



below the year-end NAV of 291c

Adjustment of the NAV for present prices of listed investments results in a lower figure

DATES TO REMEMBER

- Last day to register for dividends: Friday Oct 18: Burlington 2,5c, Elcentre 21c, Elgro 10,5c; Pals 1,5c, Sappi 80c, Tafelberg 1,5c, TPN 2c, Voltex 4,75c
 - Meetings: Monday Oct 14: Randex
 - Tuesday Oct 15: GFSA, Grinaker; Grintek; Primrose GM (Ord & S), Siltek.
 - Wednesday Oct 16: Barmine (S); Barplats (S); Bloch (Bisho); Panprop (Sandton); SFW (Stellenbosch)
 - Thursday Oct 17: Genbel; Sappi (S); Wooltru (Cape Town).
 - Friday Oct 18: Afcom, Bidcorp, Bidvest, CMI; Dabi; I & J (Cape Town)
- All meetings are in Johannesburg unless otherwise stated
S = Special meeting

of 270c, which is below the price of 285c. At current prices, listed investments are worth some R587m, of which about 86% relates to only three shares — CG Smith (33,3%), Impala Platinum (24,2%), and Sappi (28,2%). Other listed investments are Bankorp (1,7%), CG Smith Foods (4,8%), Gubb & Inggs (0,5%), Palabora (4,2%) and Sasol (3,2%)

Unlisted investments were valued by the directors at R126,9m at year-end, based on a 10% dividend yield formula. Important holdings among these include 2,5m shares in Industrial Finance Corp (IFC), as well as 243 shares each in Richbay Mine Holdings (Pty) and Richbay Smelter Holdings (Pty). Half of IFC's investment portfolio is attributable to Indsel, it holds shares in CG Smith and Sentrachem, now worth a total R86,7m, and 10,5m shares in Alusaf (Pty)

During the year, the company sold several of its smaller listed holdings. These comprised 200 000 AECI, 100 000 Barlow Rand, 1,2m Federale Volks, 165 000 Federale Volks conv prefs and 323 950 Tongaat-Hulett. The balance sheet shows a cash balance of R31m. Since year-end, however, the proceeds from the sales, with available cash, was used to buy a further 216 shares each in the two Richards Bay companies

Richards Bay Minerals is involved in a major expansion. This, and the likelihood of a listing for Alusaf, should help to add value to the portfolio over time. Indsel's share looks fully priced for now but should remain a good investment given the quality of the major holdings

Andrew McNulty

F M 11/10/91. NATIONAL SELECTIONS (217)

Closing the gap (218)

Activities: Investment company holding listed and unlisted shares of companies engaged in manufacturing and beneficiation of minerals

Control: Held by Industrial Development Corp, from which almost all investments are acquired

Chairman: P J van Rooy

Capital structure: 230,2m ords Market capitalisation R656m

Share market: Price 285c Yields 4,9% on dividend, 5,8% on earnings, p e ratio, 17,3, cover, 1,2 12-month high, 320c, low, 215c

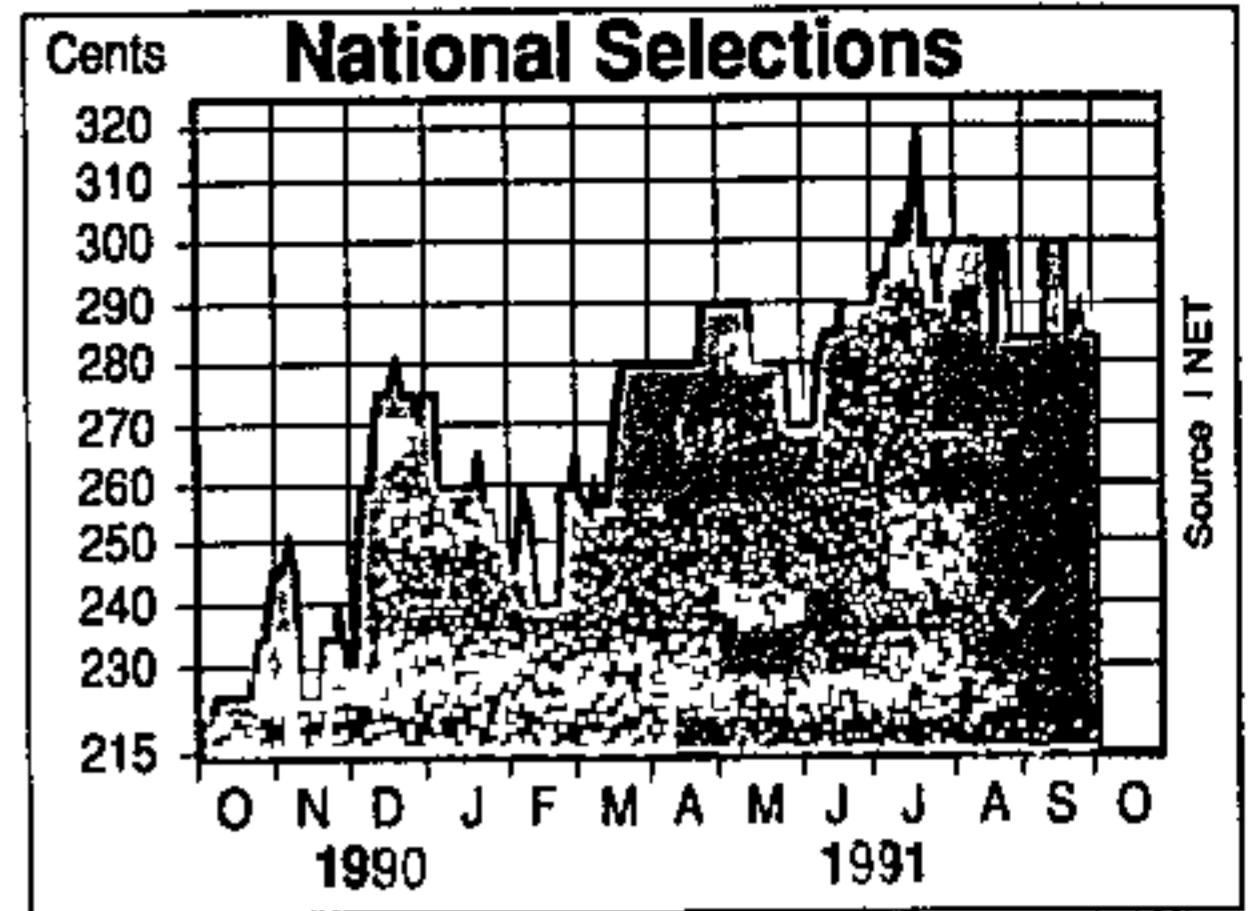
Trading volume last quarter, 5,1m shares

Year to June 30	'88	'89	'90	'91
Taxed profit (Rm)	27,5	37,5	43,1	37,9
Earnings (c)	11,95	16,28	18,74	16,47
Dividends (c)	9,0	12,0	14,0	14,0
Net worth (c)	160	289	336	304

Natsel is in much the same position as Indsel (see above). The value of its portfolio is concentrated in a few core, good quality holdings and the share price has performed well over the past year

The 285c price is now 5,5% below the year-end NAV of 291c. When NAV is adjusted for the current value of listed investments, the NAV drops to 282c. Total market value of the listed shares is about R493m, of which four shares account for just over 90%

F M 11/10/91 (217) ~~218~~



These are CG Smith (24,8%), Impala Platinum (28,8%), Palabora (12,3%) and Sappi (24,2%). Other listed holdings are Bankorp (25%), CG Smith Foods (4%) and Sasol (3,8%)

Important unlisted holdings include 243 shares each in Richbay Mine Holdings (Pty) and Richbay Smelter Holdings (Pty), as well as 2,5m shares, or a 50% stake, in Industrial Finance Corp, whose portfolio has shares in CG Smith and Sentrachem, as well as 10,5m shares in the unlisted Alusaf Directors' valuation of unlisted shares was R140,8m

During the year, Natsel sold 100 000 Barlow Rand and 153 141 Tongaat-Hulett, helping lift the cash balance to R25,5m. Since year-end, the company bought from the IDC a further 182 shares in the two Richards Bay Minerals companies. Value attached to these holdings as well as Alusaf will undoubtedly help to boost the worth of the share over the long term

As a greater proportion of Natsel's portfolio is in mining companies than is Indsel's, the former's share may be a weaker performer in the short term. However, it should prove a rewarding long-term hold

Andrew McNulty

DEFINITIONS

Shareholders' interest: Total shareholders' funds expressed as a ratio of capital employed

Pre-interest profit: Pre-tax profit plus net interest paid

Gross cash flow: Profit after tax and redeemable preference dividends, but before minorities, plus depreciation and deferred tax

Interest and leasing cover: Pre-interest profit plus financial lease charges expressed as a multiple of net interest and financial lease payments

Capital commitments: Contracted and authorised capital expenditure commitments

Cover: Earnings attributable to ordinary shares divided by ordinary dividends paid

Total shareholders' funds: The total of ordinary, minority and redeemable preference shares plus all capital convertible into equity, less intangibles and adjusted for the market and/or directors' valuation of investments

Platinum and gold put on some weight

Star 11/10/91

By Derek Tommey

217 (217)

The platinum price jumped more than \$10 in London yesterday to reach \$367 an ounce, its highest price for 11 weeks. At this level it is \$35,50, or 10,7 percent, above its low of \$331,50 reached on August 26.

The gold price also firmed yesterday, being fixed almost \$2 higher at \$359,50.

The improvement in the price of both metals appears to be linked to a statement by a Soviet economist that the Soviet Union has only 240 tons of gold in its reserves.

This is 7,7 million ounces and equal to less than five months' South African gold production.

The announcement has given rise to speculation that Russia has sold almost all its available gold and platinum.

As a result there is a belief that the heavy Russian selling, which has depressed the price of both commodities in the past few months, is about to end.

It is known that much larger quantities of gold than usual have been sold in the markets in recent months.

This has given rise to the view that because the market has been able to absorb the gold without the price breaking, any reduction in supply must lead to a significant rise in the metal's price.

Metal prices depend on erratic Soviet marketing

217 (100)

Day 14/10/91.

MATTHEW CURTIN

PRICES for the base and precious metals upon which the profitability of the SA mining industry depends have at best remained static this year, while most have slumped

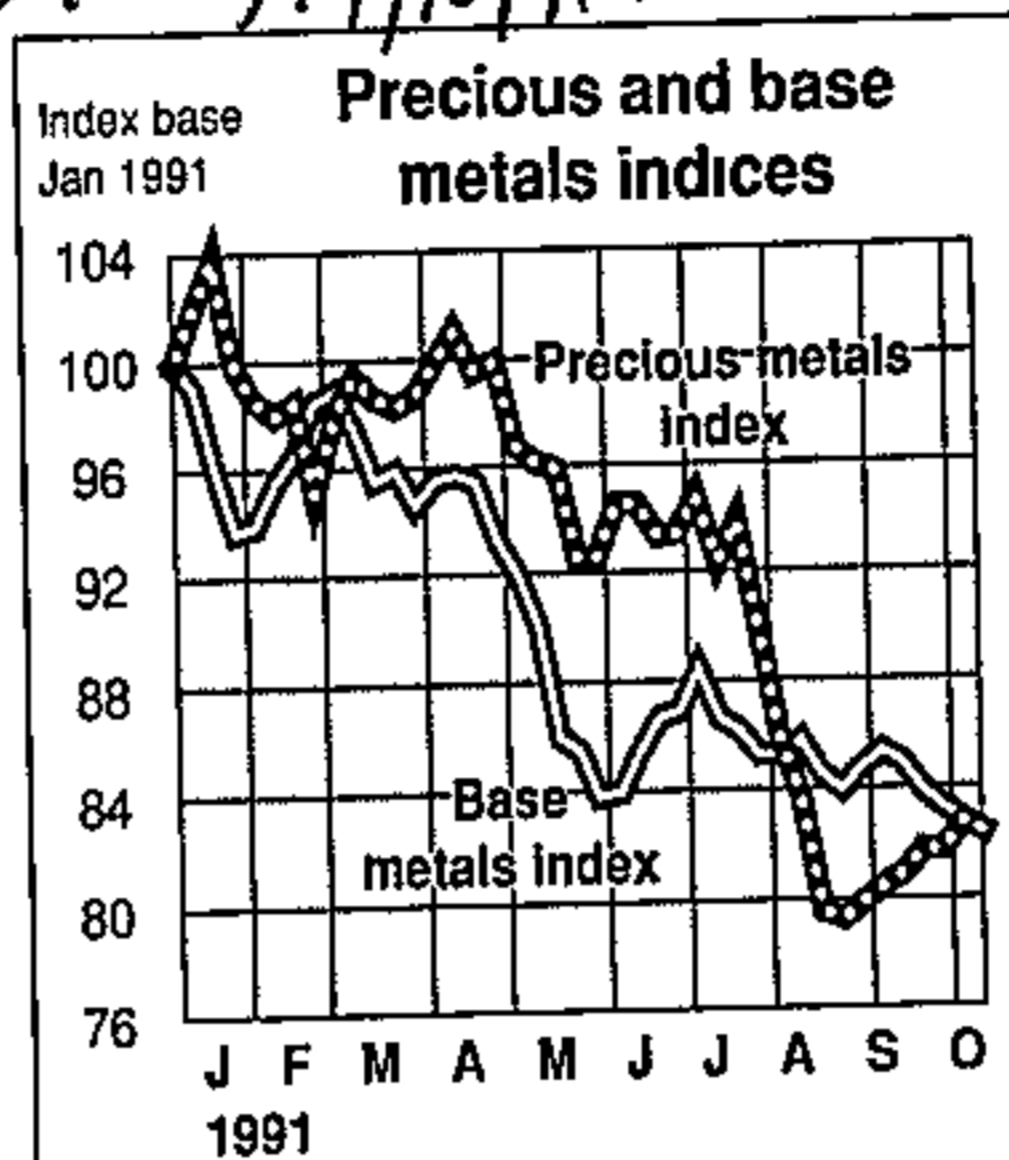
Reports now suggest that the prospects for any recovery in metal prices in the short to medium term are not bright, largely due to the disruption of world metal markets caused by the disintegration of the Soviet economy

The Soviet Union is the world's largest or second-largest producer of gold, platinum, palladium and of all major refined metals, except tin. The same goes for minor metals chromium, vanadium, manganese, titanium and mercury

In the first nine months this year, base and precious metal prices have tumbled 16% in dollar terms on average. I-Net's all metal index has fallen 17% since January

The depreciation in the rand has helped SA producers which, while receiving dollars for their production, have to pay costs in rands. However, the rand has fallen only 11% in value against the US currency so far in 1991

SA is the world's leading producer of gold, platinum, rhodium, ferrochrome, vanadium and antimony, and southern Africa's only producer of tin, and there are plans afoot to



Graphic: FIONA KRISCH Source: I-NET

boost SA's production of aluminium and stainless steel

A key factor in the volatility and weakness of the gold price has been the sale of Soviet gold reserves and the threat of more sales to come. Reserves, which at one stage were thought to be in the order of several thousand tons, were put at 240 tons by a senior Kremlin official last month. Analysts at once cast doubts on the figure, suggesting it was a ploy to win more Western aid on the basis of dwindling gold reserves

Platinum and rhodium prices have also been dented by the deposit of hundreds of thousands of ounces of Soviet metal in Switzerland, ostensibly as collateral for loans

London-based metal brokers Rudolf Wolff, in its base metals outlook for 1992 published last week, said

high stock levels and oversupply were likely to keep aluminium, copper, nickel, tin and zinc prices weak in the short term, with only modest gains expected later next year

The report said the aluminium market was experiencing substantial oversupply, brought about by a surge in Russian shipments and record production rates. Changing conditions in the Soviet Union would be extremely influential in determining the supply/demand balance for nickel

The Economist said last week that recession in Britain and the US was one reason that metal prices had fallen, but increases in Soviet exports were also to blame. The report said Soviet nickel exports in the first half of 1991 were 50% higher than for the whole of 1990. Nickel prices had fallen from \$11 000 a ton in 1989 to current levels of \$7 500 a ton

The Economist said that as long as Soviet production of metals was a closed book in the hands of communist bureaucrats, the West could conveniently accept its effect on markets was slight, as the Soviet Union took care not to disrupt markets and knock its hard currency earnings. Now a sketchy account of declining and inefficient Soviet production was emerging

Soviet exports were set to become even more erratic. The problem was guessing when the "ex-Soviet Union's export surge will come to an abrupt halt"

Firmer platinum price predicted

B/Dan 15/10/91

(137) (217)

MATTHEW CURTIN

IMF promises of economic assistance for the ailing Soviet economy and September quarter figures for US car sales, expected today, could bolster platinum and rhodium prices. Platinum prices might move beyond the \$385 mark by the end of the year, a market source said yesterday.

However, others argued that the fundamental conditions affecting the market had not improved. Prices would be volatile, but platinum oversupply and the threat of new production coming on stream would curb any significant price rises.

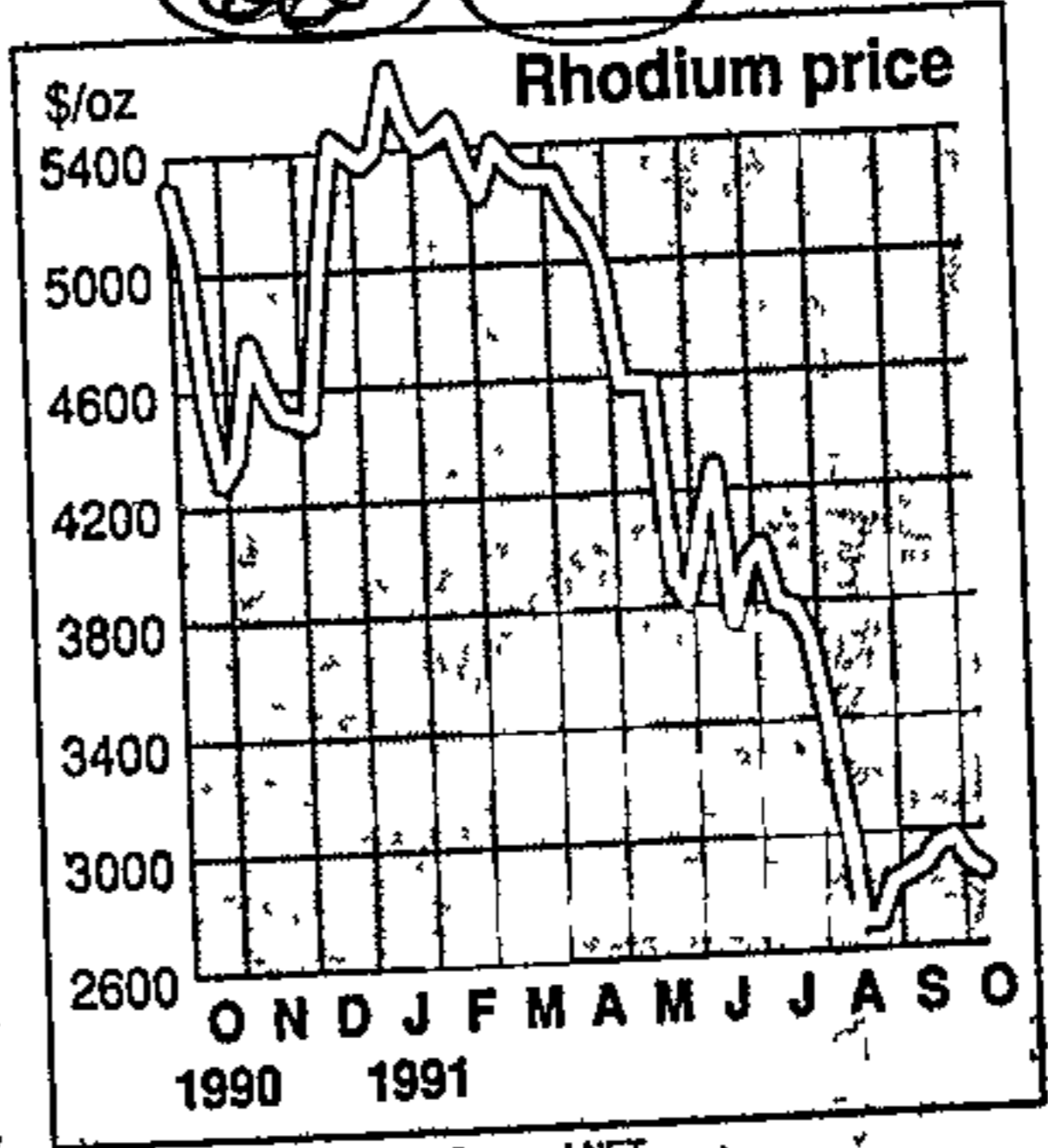
Platinum was fixed in London yesterday afternoon at \$370,35/oz, up more than \$1 from the morning fix of \$369

Pressure

Rhodium prices are near the \$2 900 mark, having steadied since tumbling more than 50% from record highs at the end of last year of more than \$5 000/oz.

Better prices saw platinum shares perk up on the JSE yesterday, with Rustenburg Platinum leading the recovery with a 175c gain to close at R66. Impala Platinum put on 50c to close at R53.

One analyst said that if the Soviet Union received substantial amounts of aid, it would relieve the pressure which had prompted it to sell and deposit large amounts of precious metals to win foreign exchange. The hundreds of thousands of ounces of platinum and rhodium deposited with Swiss banks might trickle back to the



Graphic: FIONA KRISCH Source: I-NET

Soviet Union as it tried to rebuild reserves.

More than 40% of platinum demand and about 85% of rhodium demand is accounted for by the motor industry which needs the metal for catalytic converters, which help eliminate noxious exhaust gases.

He said any indication that the slump in the US motor industry was over would sustain metal prices.

Car sales were a good indication of the strength of Western economies, and there were already signs that EC car sales were improving, with good figures from Germany and Italy.

As economic recovery set in, platinum prices would rise as high as \$385 by the end of the year, he predicted. More stable and higher prices would help SA producers, who had predicted a dire six months in the run-up to their 1992 interim results.

PP Rust will be lowest-cost platinum producer ⁽²¹⁷⁾ JCI

Blom 17/10/91
MATTHEW CURTIN

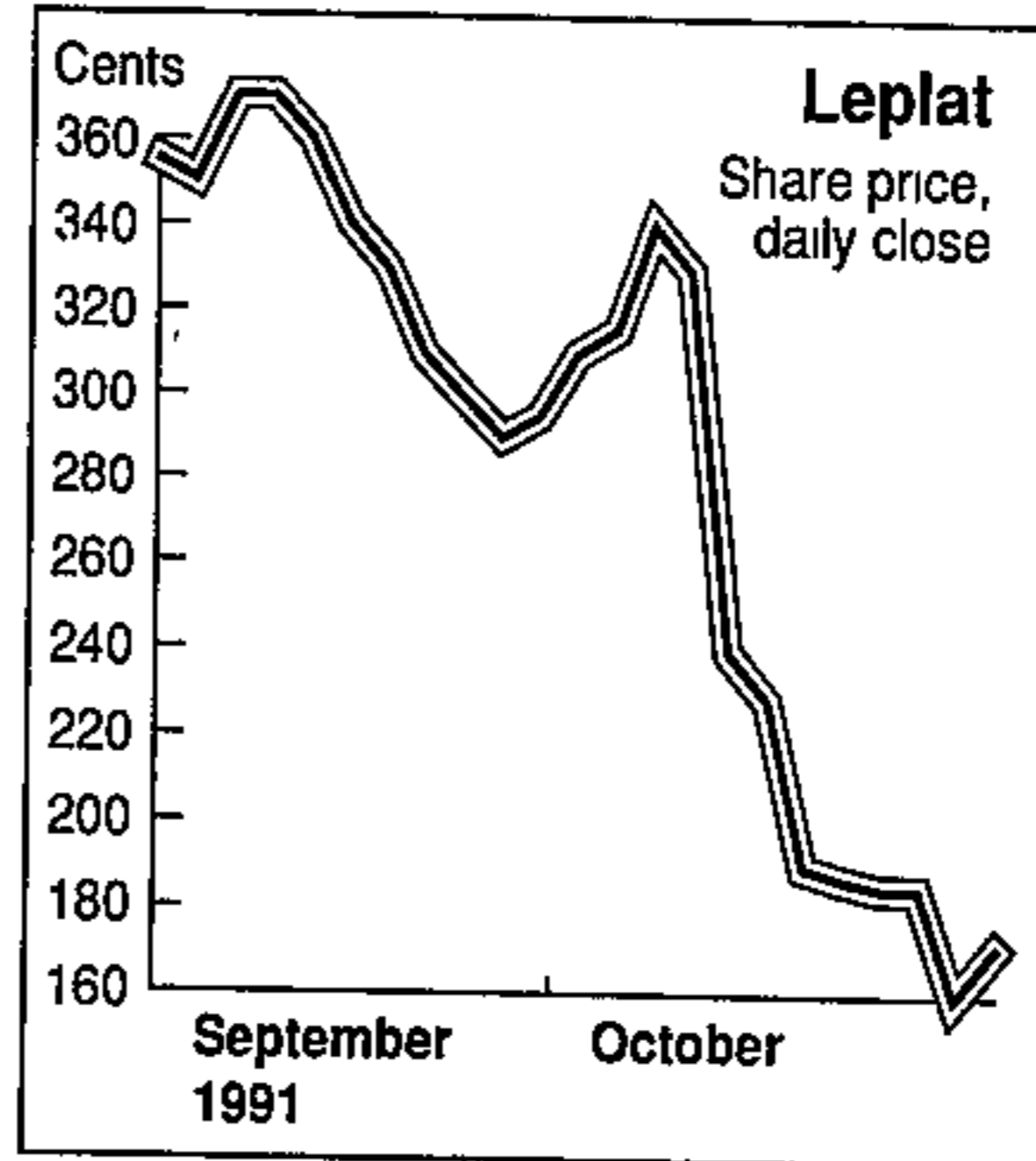
JCI's latest addition to its platinum division, Potgietersrust Platinums (P P Rust), will ensure investors a maximum rate of return in comparison with other platinum producers, as the mine is set to be the lowest on cost in the country, JCI claims.

JCI has projected a 15% annual real rate of return for the company even if current depressed platinum prices are sustained during the mine's life. That compares with rates of return from existing producers of under 6% a year on average.

At a pre-listing launch of P P Rust yesterday, JCI chairman Pat Retief said the mine was an "outstanding project even with current depressed precious and base metal prices". He said prices, near five-year lows, did not reflect fundamental market conditions, and by the time the mine reached full production, they would better reflect the underlying strength of the market.

In an effective unbundling of the group's platinum operations, P P Rust will be listed on the JSE and London Stock Exchange next month. Rustenburg Platinum (Rusplats) and Lebowa Platinum (Leplat) have renounced their rights in the company — they are currently joint stake-holders.

Rusplats MD Barry Davison said yesterday



Graphic: FIONA KRISCH Source: I NET

day Leplat was not in a position to take on its share of the financing of the project. Rusplats could have financed the R600m mine by itself, but in taking over P P Rust, Leplat shareholders' interests would have been diluted. Hence the decision to separate all three companies.

Leplat shares rallied 12c to 172c on the JSE yesterday after plunging to record lows on Tuesday as, say analysts, investors switched to JCI and Rusplats stock or P P Rust's nil paid letters. The nil paid letters fell nearly 8% to 175c.

Genmin closes mine after strike

GENMIN closed its Bophuthatswana-based Wildebeestfontein North platinum mine indefinitely yesterday as 16 000 mineworkers went on strike at two of the company's mines. (217) (40)

The company said the 16 000 workers — 95% of the workforce — at Wildebeestfontein North and Wildebeestfontein South were involved in industrial action

Yesterday there was no production at the two mines, which account for 50% of Impala's platinum output in Bophuthatswana

Impala's three other operations in the homeland, the Mineral Processes plant, Bafokeng North mine and Bafokeng South mine, had not been affected by the strike

Genmin said the industrial action began on Tuesday afternoon with an underground sit-in by 7 000 Wildebeestfontein North mineworkers who prevented some supervisors from leaving the underground

THEO RAWANA

areas. "After consultations with employee representatives and several appeals by management, employees began to come to surface at 9pm on Tuesday," management said

The company said worker representatives told management the industrial action was linked to the dismissal of an employee last week

NUM spokesman Jerry Majatladi could not be reached for comment at the time of going to press

The decision to close Wildebeestfontein North was taken because the industrial action had created unsafe working conditions and resulted in loss of production.

Employees at Wildebeestfontein South returned to work yesterday after discussions between employee representatives, Genmin said

BIDAY 17/10/91

Impala may close mine shafts permanently

Bl Day 18/10/91
IMPALA Platinum is considering closing down one or more shafts permanently at its Wildebeestfontein North mine in Bophuthatswana, as the combination of labour unrest and weak platinum prices have threatened the mine's profitability.

Chairman Brian Gilbertson said yesterday recent disruptions had been "extremely costly", with a serious deterioration in the efficiency of operations.

Mine owner Genmin announced the closure until further notice of the mine on Wednesday following a strike which began with an under-

217
**MATTHEW CURTIN
and THEO RAWANA**

ground sit-in at Wildebeestfontein North mine on Tuesday and built up to a stayaway by 16 000 workers at the mine and at Wildebeestfontein South.

Impala shares closed 25c down yesterday at R53,50 on the JSE against the trend of generally stronger platinum board.

The NUM said yesterday it suspected Impala intended to close the Wildebeestfontein North mine permanently, using this week's strike as an excuse.

NUM media spokesman Jerry Majatladi said that worker representatives held talks with Impala yesterday afternoon, but management would not move on its stand to close the mine.

"They said they were prepared to close it for 14 days, but we doubt their sincerity. We suspect that they intend to close the mine permanently and dismiss the 7 000 workers who went on strike," Majatladi said.

Gilbertson said this week's disruption in which striking workers prevented colleagues from returning to the surface was of grave concern.

FM 18/10/91

RHOMBUS VANADIUM 214

Considering options

Having kept its side of the bargain, Rhombus Vanadium (Rhovan) now finds itself all dressed up with nowhere to go after Usko's collapse and the mothballing of its vanadium pentoxide plant

Rhovan has bought the plant from Usko for R1 and received R19m damages from the steel group for its action in reneging on the contract between the two. Rhovan, strictly speaking, should have been entitled to up to R35m but embattled Usko was apparently unable to pay this so negotiations settled at the lower figure

Rhovan MD Rob Still says that after meeting borrowing commitments Rhovan will have about R12m in the bank. It owns an efficient vanadium mine and Usko's troubled vanadium pentoxide (V205) plant, which has a book value of R44m but never came close to production targets

Rhovan is looking at options for the mine. Still won't provide details but it appears one is to attract foreign investors into backing construction of a new V205 plant at the Ba-Mogopa mine near Brits

That has drawn Rhovan into the propaganda war being waged by prospective vanadium producer Precious Metals Australia (PMA), which is trying to develop a mine at Windimurra in Western Australia and has already crossed swords with market leader Highveld Steel & Vanadium

Irish & Menell Rosenberg analyst Dave Russell's report last week says Rhovan believes it may have swayed interested investors in PMA to look rather more closely at Rhovan's existing operations

Still declines to comment but Russell estimates a new V205 plant at Ba-Mogopa would cost R35m-R45m compared with about R150m for a plant at Windimurra with only two-thirds the capacity

A new V205 plant at Ba-Mogopa must involve a rights issue to help fund it but current market conditions are not favourable for Rhovan to raise equity finance. The vanadium market remains bombed out and, while Rhovan's share price has tripled in the past two months, it's still sitting at just 30c

Still stresses Rhovan's greatest advantage is that production costs to the magnetite concentration stage are "orders of magnitude" lower than those of its SA competitors — Vametco, Vantech (formerly Vansa), Assmang's Transvaal Alloys and Highveld

Still says Rhovan has studied Usko's experience with the V205 plant and feels it could be fixed and restarted, but Rhovan is not prepared to do this unless the leached magnetite pellets, which form the main by-product of the process, can be sold

These pellets can be used as feedstock for the production of sponge iron in place of scrap metal. Russell comments that from Rhovan's point of view they must be used because they contain high concentrations of sodium. They cannot simply be dumped be-

continue →

FM 18/10/91 217

cause of the pollution danger

Other options for Rhovan are to sell ore and/or concentrate to competitors, the most obvious one being nearby Vametco. Russell estimates it costs Vametco R65/t to supply concentrates to its roaster, Rhovan could supply all it needs for around R38/t

Both Highveld and Trans-Alloys must truck or rail ore to their plants. Russell says Rhovan could supply both more cheaply

However, Russell concludes "Despite claimed strategic competitive advantages for its ore and concentrator, the company is in a difficult situation. Competitors are also aware of their strong negotiating position on any possible joint ventures"

It's hardly a fair situation for one of the few projects, started by an independent mining entrepreneur, which actually delivered the goods. Rhovan's only failing was a small capital cost overrun, for which the major shareholder penalised itself by diluting its stake

Brendan Ryan

DIAGONAL STREET

by Julie Walker

LEBOWA PLATINUM MINES



Confidence in Leplats rises

S/Times (Bus) 20/10/91.

ASSURANCES from JCI director Vaughan Bray that 1.6-million Lebowa Plats shares have been placed in strong hands have arrested the diving Leplats share price

Uncertainty about Leplats led to a steep decline in the share price from 510c in July to 160c. About R1 a share can be attributed to the passing on of rights in PPRust. Leplats is now 205c

The nervousness arose because of the distribution as dividend by Rustenburg Platinum Holdings of its shares in Leplats. Holders of 100 Rusplat are to receive 20 Leplats and 58 Potgietersrust Platinums in a mini-unbundling of the JCI-managed flagship mine.

JCI also manages Leplats, a mine on the eastern limb of the Bushveld Complex. Leplats and Rusplats each hold 50% of PPRust, the first mine to be established on the Platreef and which is raising R400-million in equity

Originally, Leplats was formed out of the Atok section of Rusplats. The company made an undertaking to the Lebowan Government to establish a 100 000 ton-a-month mine at Maandagshoek

But the potential offered at PPRust was greater than at Maandagshoek. Agreement was reached that a 200 000 tpm mine should be built at PPRust

Leplats members can sub-

scribe for 50 PPRust shares for every 100 Leplat held at a price of 333c

Rusplats is to take up its entitlement to shares in the open-cast mine and distribute them as a dividend

The offers are not being made to American and Canadian shareholders because the companies concerned are not registered with the SEC (Securities Exchange Commission)

The rights have been sold for the benefit of members of Rusplat there

More important is the fact that even though Rusplats' distribution of Leplats and PPRust shares is as a dividend, Americans cannot accept them. The Leplats shares numbered 1.6-million and they were auctioned through tender bids from qualifying institutions. SA has bought them at 175c, and Mr Bray says they are in strong hands

But the threat of an institution picking up 1.6-million Leplats shares at too high a price and offloading them was enough to depress the share price so much

Leplats chairman Barry Davison says production will double next year

The shares look cheap and the price added 5c to 180c in early trade on Thursday

PPRust nil-paid letters have traded between 150c and 225c. The price gained 15c to 190c after Wednesday's presentation to investment analysts in Johannesburg

Mr Davison is also PPRust chairman. He appealed to the audience not to refer to PPRust as a new platinum mine. It had been announced a year ago. Any talk of new platinum mines could have a negative effect on market sentiment

He does not believe the current low prices reflect a true position of platinum. He expects the price to rise in line with forecast higher demand for autocatalysts, jewellery and fuel cells

PPRust will reach full production of 200 000 tpm by mid-1993. The estimated cost to reach that stage is R600-million — less than half the amount that would have been spent if an underground operation had been chosen

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Operational Tactics

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of products, services or mines. **YOUR MOST**

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Genbel 'geared for upturn'

B/Bay 21/11/91

Business Day Reporter

THE Genbel investments portfolio, consisting primarily of SA mining and resource-based stocks, is well geared towards an economic recovery. 2/10/91

Speaking after the Genbel annual meeting in Johannesburg last week chairman Tom de Beer said there had been no changes in the Genbel portfolio since the June year-end

"The portfolio consists of 17 investments with a market value of R3,2bn which is almost unchanged from the year-end. This reflects the fact that although certain industrial sectors of the stock market have risen quite sharply in recent months, the cyclical stocks in which we are primarily invested have not appreciated that much."

De Beer said defensive stocks, such as beer and

food stocks which are protected against the recession to a great extent, tend to outperform in value during economic downturns and can now be considered fully valued whereas cyclical stocks could be expected to outperform in the next upswing in the world economy. (217)

Genbel's portfolio was geared towards cyclical stocks which tended to outperform in periods of economic boom.

"We anticipate that Genbel's portfolio with its clear bias towards resources and mining stocks will start to perform again as the economy recovers."

Genbel's top five investments by market value are Genbeheer, Impala, Engen, Transatlantic and Oryx.

B/Daw 25/10/91
B/pas

Chrome 'could rival gold's earning power'

GERALD REILLY

(217)

PRETORIA — The beneficiation of SA's raw minerals was vital against a background of a wasting mining industry and declining gold production Mintek president Aidan Edwards said yesterday.

Speaking at a mineral research symposium at Pretoria University Edwards said the lack of mineral related ventures in the past 15 years had led to the decline in economic growth and national affluence.

He stressed there was no merit in earning small amounts through the export of crude minerals and concentrates when mining was a wasting resource.

Edwards said if SA was to produce 10% of the world's stainless steel and was able to export one 10th in final stage sophisticated products "we could earn as much revenue from the chromium industry as we currently earn from gold".

The extent of industrial growth would hinge on the rate at which industry would be able to add value to the mineral products currently exported.

In First World countries high levels of technical sophistication were being reached and smoke stack or heavy engineering industries were being transferred to less developed countries.

SA was in a position to benefit from the large scale transfer of industrial operations.

Because of its well developed infrastructure SA should become the prime hunting ground for organisations interested in establishing or transferring enterprises.

SA was also equipped to be a springboard into southern African countries.

FM 25/10/91

Activities: Platinum mine in Eastern Transvaal
Control: JCI 20%, Rustenburg Platinum 21,5%

Chairman: B E Davison (217)
Capital structure: 120m ords Market capitalisation. R258m.

Share market: Price. 215c. Yields 4,0% earnings; p:e ratio, 25,3 12-month high, 510c; low, 185c. Trading volume last quarter, 2,8m shares.

Year to June 30	'88	'89	'90	'91
Turnover (Rm) ..	52	69	78	112
Pre-tax profit (Rm)	21,7	30,5	22,8	14,9
Earnings (c)	17,2	19,7	15,5	8,5
Dividends (c) ...	6,9	7,5	7,5	—

early November because of probable further selling pressure. Analysts say a number of institutional investors are likely to get rid of their Leplat shares once these have been passed through to them by Rustenburg Platinum (Rusplat). However, director Vaughan Bray said last week that a parcel of about 1,6m shares had been placed in safe hands.

As part of JCI's new "unbundled" structure for its platinum division, Rusplat is handing out its 25m Leplat to its own shareholders on the basis of 20-for-100. Idea is to give investors a free choice in which JCI platinum operations they want to hold shares. It appears some major institutions are not interested in holding on to Leplat.

However, some analysts feel the drop in price has been overdone and the share offers value at current prices, despite problems at Atok mine — a relatively high-cost producer and, therefore, more at risk in current volatile platinum market conditions.

Key factor this year is work force stability and productivity, after the setbacks caused by large-scale industrial unrest last year. Virtually the entire work force was fired and replaced by contract labour. That affected the planned production build-up, though chairman Barry Davison says the expansion from 70 000 t/month milled to 100 000 t remains on track for the last quarter of calendar 1992.

In addition to offering shareholders rights in Potplat at 333c a share, Leplat had planned to call for extra money to fund expansion. It has not done so, because Davison reckons the company can complete this work through a combination of borrowings and internal cash resources.

The main provisos are that there are no further major setbacks to platinum and rhodium prices and that the mine meets revised production targets. Davison says that, after a

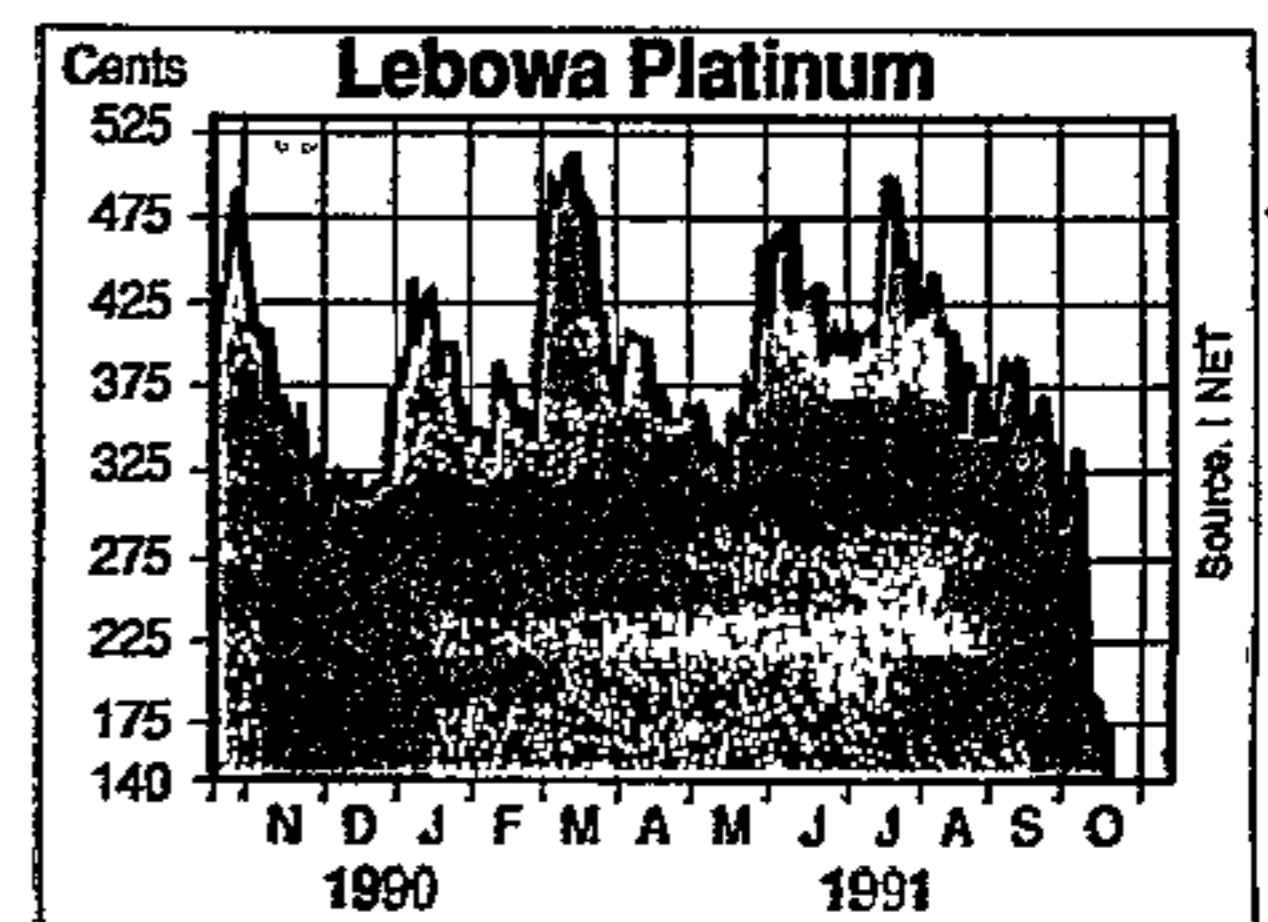
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LEBOWA PLATINUM (217)

Weakness overdone (217)

The market has not been kind to Lebowa Platinum (Leplat) and the share price has collapsed, dropping 80c to 160c, though by this week, it had recovered to 215c. Shareholders interested only in Leplat's 50% stake in Potgietersrust Platinum (Potplat) sold out once they secured their take-up rights.

Price weakness could continue at least into



FM 25/10/91 (217) tough time, labour productivity is improving.

He says serious difficulties on either score would force Leplat to hold the rights issue. Leplat also faces legal action from two companies over base mineral rights on a portion of the farm Umkoanesstand, which it is mining. Davison declines to add anything to the comment in his chairman's statement that "our legal advisers continue to advise vigorous opposition of these claims."

Davison forecasts a further drop in profit this year. That's another reason for the market to be wary of the share, but, at current levels, Leplat seems oversold.

Brendan Ryan

Sishen on way to peak production

S/Times (Bus) *217* *216*

27/10/91

By DON ROBERTSON

A NEW contract with Japanese steel mills and additional exports to Europe will take Iscor's Sishen iron-ore mine to peak capacity.

Iscor hopes to increase exports of iron ore by a million tons a year in the next 12 months.

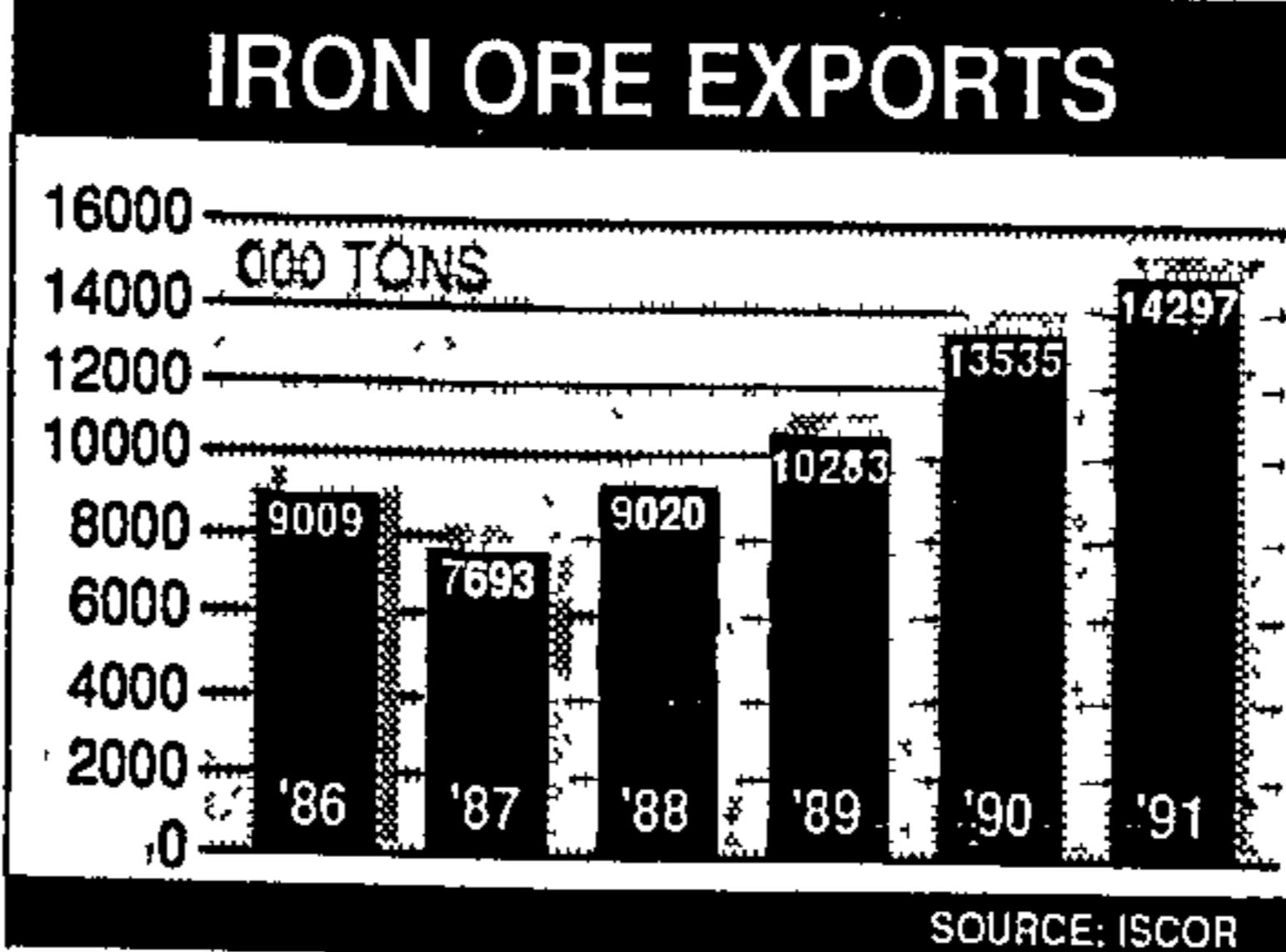
This should lift the mine's output to 22-million tons from 18-million.

Iscor managing director Willem van Wyk says, however, that the 20-million tons sold to six steel mills over the next five years will not represent a major increase in tonnages taken by Japan.

Similar

But it should increase exports to last year's target of 15,5-million tons compared with an achieved 14,2-million. The rest of the ore will be used by Iscor.

A similar contract with Japanese mills, negotiated in 1974 for the export of 7-million tons annually for 12 years was not completed. Since 1988, between 3,8-million and 4,5-million tons have been shipped each year to make up the balance.



Because of a decline in the steel industry, all 7-million tons were not taken each year.

Mr Van Wyk says: "The new contract really brings us back to where we were with the Japanese steel mills. "Had the contract not been signed, we would have been in a spot of bother."

Although the contract was signed on September 23, shipments began in April.

Exports of this size will generate foreign currency of between R700-million and R800-million a year and should contribute handsomely to Iscor profits.

In the year to June, foreign earnings from steel and iron ore exports amounted to nearly R3-billion. Iscor is unable to give a breakdown of

the iron-ore exports to profits.

The additional tonnages to be mined will not require a large increase in capital or staff, says Mr Van Wyk.

The mine has a staff complement of 3 500. Another 1 500 people are employed by Transnet to operate the trains and for loading facilities at Saldanha Bay.

Marginal

The rail line, built by Iscor between Sishen and Saldanha, was taken over by Transnet in 1987 because of a sharp fall in iron-ore exports. The amount owing was R840-million, but after an improvement in sales, the money has been repaid.

Mr Van Wyk believes de-

mand for iron ore will remain at present levels for some time. Should demand increase, Iscor would be able to supply additional tonnages at minimal cost.

The Sishen deposit has proven reserves of between 800-million and a billion tons.

The marginal increase in tonnages destined for Japan will also help the shipping venture between Iscor (40%) and Safmarine (60%).

Safore operates a 170 000-ton vessel and will soon take delivery of a 171 800-ton ship being built in Romania.

These ships, plus other charters, will help move iron ore from SA to Japan.

Strategy indaba

BUSINESS and government representatives will examine environmental problems at the Southern African international conference at Somerset West tomorrow and on Tuesday.

The meeting will plan strategy for next year's UN earth summit in Brazil.

Speakers will include Sir Laurens van der Post, Eskom chairman John Maree and Anglo American chairman Gavin Reilly.

SCN

16 000 on strike at Impala Platinum mines

8 10 ay 29/10/91
A STRIKE by about 16 000 mineworkers brought Impala Platinum's Wildebeestfontein North and Bafokeng North mines to a standstill yesterday, halting more than half of the group's platinum production

Labour unrest knocked production at Impala's two other mines and affected its mineral processing plant. Impala produced 1,1-million oz of platinum in the year to end-June 1991, more than 25% of world mine production

The acute industrial unrest which has hit production for more than three months has forced Impala to buy metal to meet its

THEO RAWANA and
MATTHEW CURTIN

supply contracts

Impala shares fell 25c to R54 on the JSE yesterday, against a trend of a firmer platinum board

Despite market speculation that interruptions to Impala's platinum production would bolster weak platinum prices, the metal veered back below the \$360-mark yesterday, finally closing in London at \$359,50, down \$4,50 from Friday

Mine owners Genmin said yesterday

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several buildings and vehicles were set alight at the Bafokeng South hostel and Bafokeng North GM Robby Drummond was in hospital after being assaulted early in the morning

Production at Wildebeestfontein South, Bafokeng South and the mineral processing plant had been affected as a result of high absenteeism in unrest which began early yesterday, Genmin said in a statement

The situation was tense at Impala Platinum's hostel with widespread intimidation among the workforce

To Page 2

Impala

8 10 ay 29/10/91
Management cancelled a meeting with worker representatives scheduled for the yesterday afternoon, saying it would be held today in all probability, NUM media spokesman Jerry Majatladi said.

Majatladi said mine security police had used teargas and arrested about 70 people and taken them off mine premises.

Genmin spokesman Laing Geldenhuys said about 16 000 employees were involved in the strike, but Majatladi said the figure was between 15 000 and 20 000 because

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 From Page 1
three other plants were involved besides the original two.

Geldenhuys said the latest labour unrest was in reaction to the dismissal — as disciplinary action — of 76 Wildebeestfontein employees as a sequel to labour action at the mines on October 15.

Majatladi said miners were demanding the recognition of the NUM, an end to racial discrimination and an average 25,6% wage increase.

Value of coal exports 'to rise'

B10^{cm} 31/10/91

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MATTHEW CURTIN

THE rand value of coal exports will improve by 15% in 1991 to R4,6bn as the value of SA's non-gold exports continues to creep up on the value of gold exports, the Minerals Bureau has predicted in its 1990 review of SA's mining industry.

Gold earnings in 1991 were put at R20bn, a 5% year-on-year increase after a 0,7% fall in gold production to 600 tons by the end of the year.

The bureau said the value of non-gold exports would increase by 9% to R12bn. About three-quarters of SA mineral production is exported.

With world economic growth staying at depressed levels, knocking demand for minerals, average dollar export prices of most commodities were not expected to rise significantly by the end of the year. The bureau said "This could, however, be offset in large measure by the expected decline in the value of the rand."

In the report issued this week, the bureau said the international supply and demand situation for steam coal would be tight overall in 1991. Thanks to higher oil prices in the wake of the Gulf crisis, SA's export tonnage would rise 1% overall, while dollar prices would increase by 15%.

In contrast, precious metals would "perform poorly" overall this year, with lower revenue from diamond sales expected as well.

The bureau included figures for the first time on the size and value of platinum production and sales, for Bophuthatswana as well.

Production of platinum group metals (PGMs) — platinum, palladium and rhodium — rose from 4,6-million ounces in 1989 to 4,9-million ounces in 1990. The value of sales rose from R4,6bn to R5,1bn, due mainly to substantially higher rhodium prices,

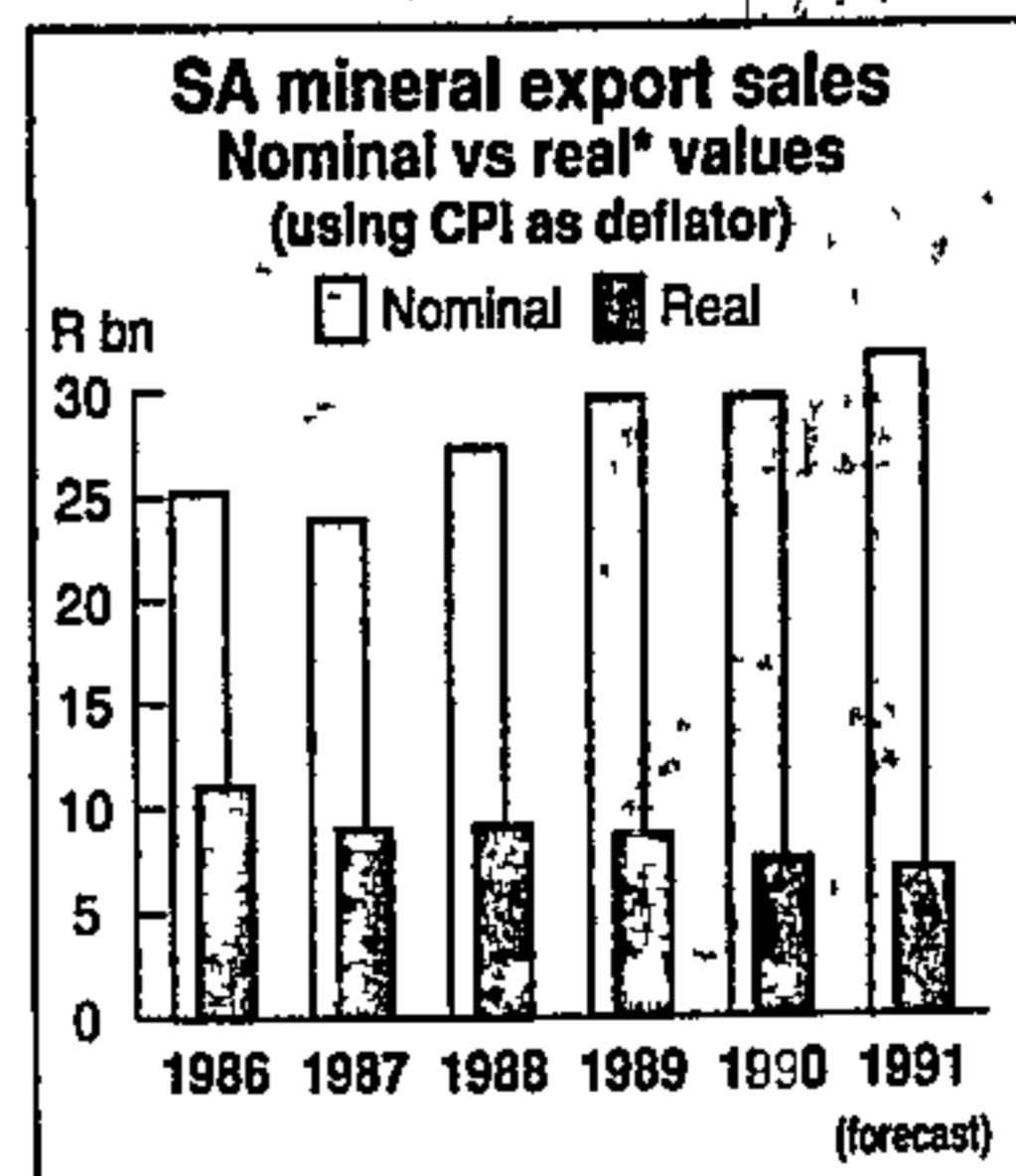
which offset lower platinum prices.

Of SA's mineral production, only that of coal, PGMs and iron ore increased in 1990 alongside an overall rise in prices for the commodities. Iron ore exports rose 17% in tonnage and by 41% in value to R780m.

The bureau said 1990 was one of the most critical that SA's mineral industry had experienced in its 100-year history. World demand for most of SA's minerals fell during the year, although domestic sales improved. The total value of mineral sales amounted to R38m, of which exports contributed 78% or R30m.

Notwithstanding the effect of lower dollar prices, a stable rand, and adverse economic conditions at home and abroad, the mineral industry contributed nearly 11% of GDP in 1990 and half of the value of total exports. The industry employed 697 000 workers in 1990, with earnings of R10bn.

SA's mineral exports also contributed two-thirds of the country's foreign exchange earnings.



PP Rust takes the centre stage in strong debut performance

SHARES in SA's newest platinum mine, JCI-owned Potgietersrust Platinums (P P Rust), made a strong debut performance on the JSE yesterday

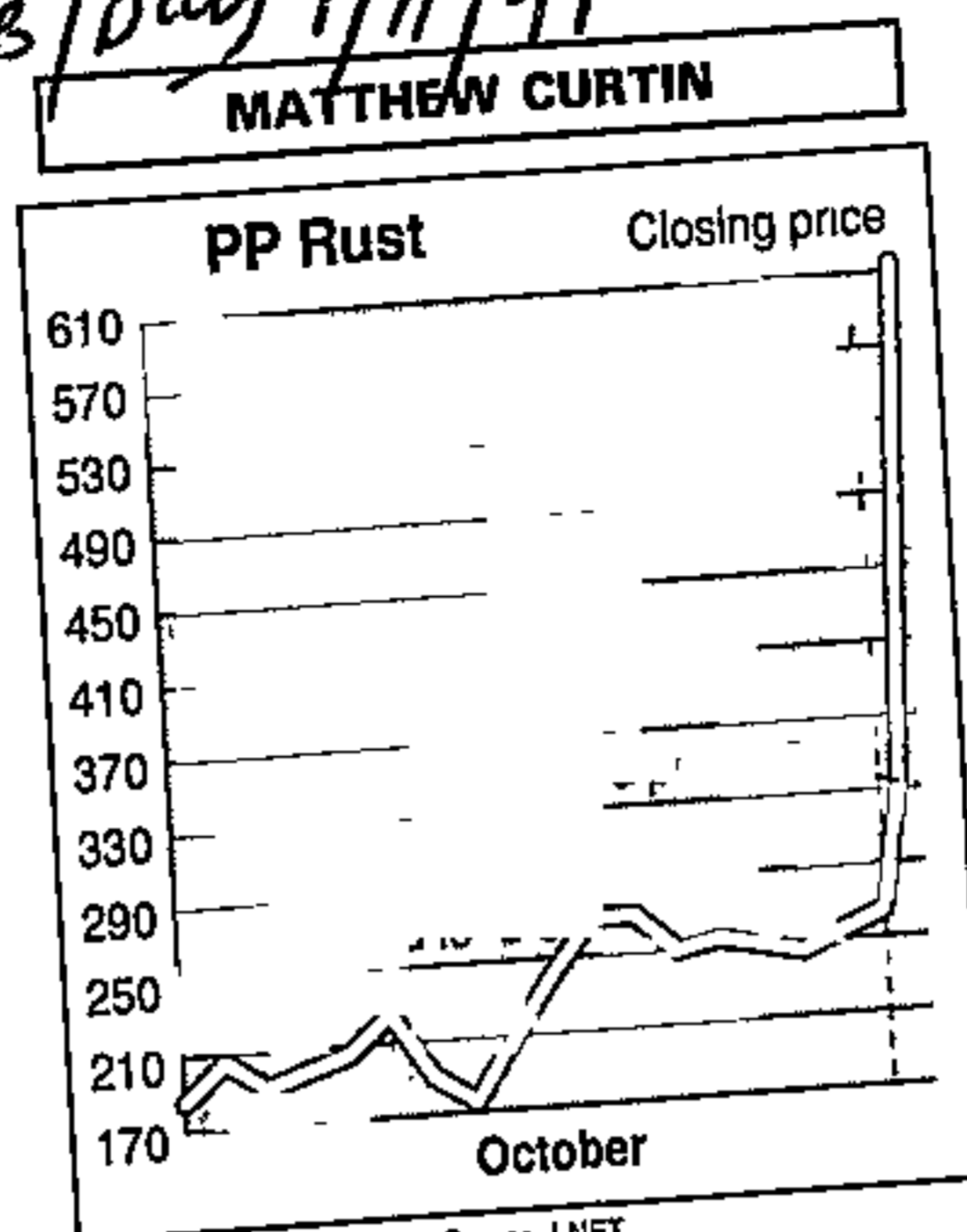
In moderate trading, the shares ranged from 600c to 625c, at a premium to the 333c issue price plus Wednesday's 265c price for P P Rust's nil paid letters.

Against that level of 598c, the stock closed at 610c

Fergusson Brothers analyst Philip Marillier said yesterday that the shares' opening was in line with market expectations

He said the shares were perhaps overpriced. Although P P Rust had been listed at a time when confidence in the platinum sector was low, the project's prospects were good in contrast with disappointing performances elsewhere in the sector

Frankel Max Pollak Vinderine analyst Kevin Kartun said P P Rust was the "glamour share" in the sector, but market leader Rustenburg



Platinum remained the best buy

JCI's other platinum operation, Lebowa Platinum (Leplat), is yet to shrug off the effects of labour unrest and production problems and is behind production targets at its Atok mine. The company has chosen to finance its expansion programme by adding to already substantial debts. Impala Platinum (Implats) has

suffered several months of labour unrest on its Bophuthatswana mines, which has seen the discount of its shares to those of Rustenburg Platinum widen in recent weeks. Implats has also mothballed its recently acquired Crocodile River mine.

Marillier said P P Rust would be a popular share, likely to trade above the 600c mark for some time.

Alex Wagner, analyst at Davis Borkum Hare, sponsoring brokers for the listing, in a recent report valued P P Rust at 976c a share. He said using long-term conservative commodity price forecasts and average working costs of R120 a ton, the mine's real rate of return would range from 15% to 21%, against 6% from existing platinum producers.

Marillier said yesterday such a forecast could be over-optimistic depending on the outlook for platinum group metal (PGM) prices.

Kartun said inevitable teething problems in the early development of the mine could push up capital and working costs.

(211)

R44-m loss forces Vansa Vanadium to pass dividend

Finance Staff *Star 4/11/91*

Vansa Vanadium, which has reported a loss of R43,8 million after extraordinary items, is not paying dividends for the year to September. *(21M)*

Turnover fell 35 percent, largely due to the end to production of vanadium pentoxide last November.

Other factors were the oversupply in chrome and fierce competition for export business combined with low ferrochrome prices.

These kept chrome prices under pressure, impacting on profitability, the directors say.

Operating profit and investment income fell R9,35 million to R5,9 million. After amortisation of R3,7 million and an interest payment of R1,8 million (R252 000), pre-tax profit was R379 000 (R12,25 million).

A tax reversal of R2,6 million helped turn this into a taxed profit of R2,9 million (R9,2 million), on which earnings of 6,4c a share were realised.

But after the extraordinary items, the group showed a loss

of R43,8 million.

The extraordinary items include a R62,4 million write-off of assets and other costs associated with the sale of the vanadium business, a surplus of R14,3 million from the sale of Winterveld and a R1,3 million surplus from the sale of Barplats shares.

Vansa sold Winterveld Chrome Mines to Samancor for R50 million. The vanadium business was sold to Vanadium Technologies for R17,3 million, of which R16,2 million was received after year-end.

Genmin making study of Zambian mining

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~~217~~

By Derek Tommey ^{Star} 6/11/91

Genmin, with substantial interests in gold, platinum, manganese and coal, is investigating the Zambian mining industry and its prospects, says finance director Philip Rademeyer

He said yesterday the group had received an invitation in August from a close aide to then-President Kenneth Kuanda to have a look at Zambia's mining industry.

This was followed by a one-day visit to Zambia by senior officials, including chairman Brian Gilbertson, and a subsequent visit by a project team

This team is now back in South Africa and preparing its report

Mr Rademeyer said Genmin's next step would be to get in touch with Frederick Chiluba, the new president, to see whether he still wanted the report

Mr Rademeyer emphasised that Genmin was not asked to look specifically at Zambia

Consolidated Copper Mines (ZCCM), the giant copper producer, which is the economy's prime mover, but at the mining industry as a whole

However, mining analysts said yesterday that any report on Zambia's mining industry must deal with the problems facing ZCCM

They said Zambia's prosperity depended on making the mining industry in general and ZCCM in particular prosperous

Senior mining officials in Lusaka say the future of the min-

ing industry will depend on the new government's ability to attract foreign capital, reports Sapa-Reuter

They say that ZCCM's operations have been affected by lack of investment and a lack of funds for spares

"We cannot get it right if we stay as we are," says a senior official.

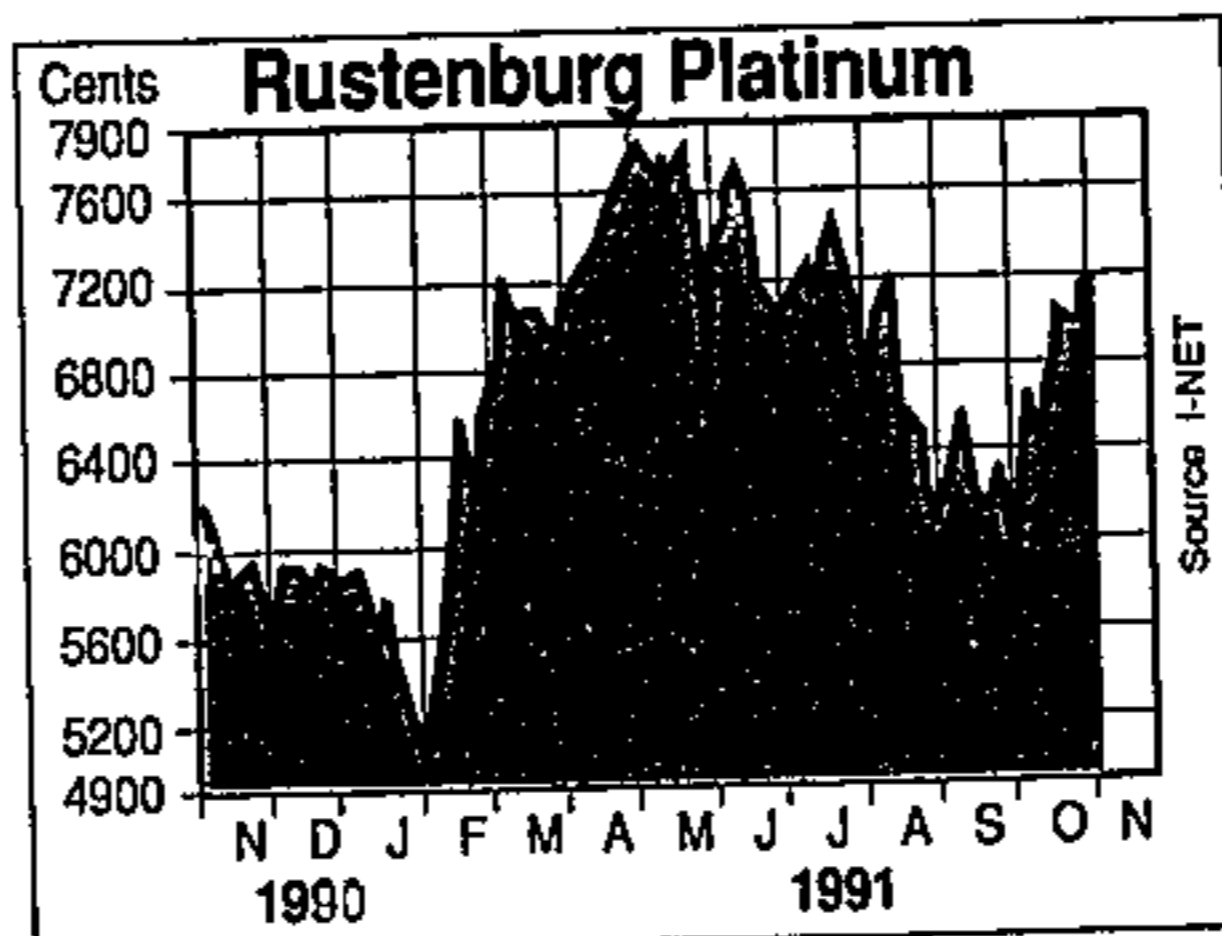
"There has been a deliberate policy in the past to keep out foreign investors"

According to Zambian sources, the new government, which was elected on Sunday, has indicated it will split ZCCM, commonly referred to as a "state within a state", into smaller units and encourage privatisation.

One of the first moves of the new government on Monday was to send paramilitary forces to seal ZCCM's Lusaka headquarters.

ZCCM, 51 percent state-owned, took over the successful copper mines then being operated by Anglo American and the RTZ group when Zambia attained independence.

FM 8/11/91 (217)



control standards tighten.

Then there is growing demand from jewelry as well as fuel cell technology, which is now on the brink of widespread commercial application with the opening of the first three fuel cell factories in Japan and the US

All in all, platinum appears to have a great future, but it won't help this year's results, on which Retief makes no specific forecast.

Rhodium and platinum prices remain well below the average levels received in financial 1991. Barring dramatic recoveries in the latter part of the year, earnings must drop. The continuing debate over whether the US economy is actually recovering or is in a double-dip recession is not encouraging.

Rustenburg has the strongest balance sheet of the platinum producers and is the best placed to cope with current tough times. Investors who believe in the long-term future of platinum should buy on weakness from current levels around R70.

Brendan Ryan

RUSTENBURG PLATINUM (217)

Generous helpings

FM 8/11/91

Activities: World's largest producer of platinum group metals

Control: JCI 32,6%, Anglo American Corp 23,9%

Chairman: P F Retief, MD B E Davison

Capital structure: 125m ords Market capitalisation R8,75bn

Share market: Price, R70 Yields 5,0% on dividend, 6,9% on earnings, p e ratio, 14,5, cover, 1,4 12-month high, R78, low, R50,25c Trading volume last quarter, 2,4m shares

Year to June 30	'88	'89	'90	'91
Turnover (Rm)	2 367	2 931	2 943	3 425
Pre-tax profit (Rm)	1 108	1 584	1 465	1 520
Earnings (c)	306,9	475,4	440,0	482,0
Dividends (c)	220	300	310	350

Platinum market conditions remain volatile but Rustenburg shareholders can hardly complain about their treatment over the past year they got a 13% rise in cash dividends and entitlements to interests in Potgietersrust Platnums (PP Rust) and Lebowa Platinum (Leplat) through a free dividend in specie

That came after controlling mining house JCI decided to restructure by unbundling Rustenburg's interests.

Rustenburg, PP Rust and Leplat are now independent companies with the controlling stakes held directly by JCI and Anglo American

In terms of the distribution, a holder of 100 Rustenburg receives 20 Leplat, now worth about R43, and 58 PP Rust shares, worth about R356. He can either cash in his

new chips and take an extra monetary dividend or hang on in the hope of growth

That's the key issue facing platinum share investors, even though the price has improved somewhat in recent weeks and regained a slight premium over gold. Platinum's weakness in the face of developments such as the strikes at Impala is still at odds with the bullish comments from the industry.

Rustenburg chairman Pat Retief comments "I remain confident of the prospects for platinum and its associated metals and believe that the JCI group of platinum producers is the best placed in the industry, not only to exploit the opportunities that will present themselves in the future, but also to cope with any other developments that might be in store for the platinum industry."

The metal is in oversupply but major producers disagree about the size of the surplus. Retief estimates a 70 000 oz surplus for 1990; Impala chairman Brian Gilbertson puts it at about 220 000 oz.

The price this year has been hammered by a number of factors, including higher Soviet sales and a currency swap organised by the Soviet Union with Swiss banks.

Retief says in the first half of the year the Soviets exported almost 1m oz of platinum to Switzerland and Japan. "Though the bulk of Soviet shipments are not being sold, the lending of this metal by the Soviets and their counterparts has significantly increased liquidity in the physical market."

The price has also been affected by further announcements from the motor industry on developments in autocatalyst technology aimed at replacing platinum with cheaper palladium. Retief points out the developments so far have had no significant effect on physical demand for platinum which, he says, will retain its dominant role in autocatalyst technology "for the foreseeable future."

While supplies will continue to grow through expansions by SA producers, Retief says this growth will be less than expected. He says Messina, Barplats, Lonrho and PP Rust will produce about 300 000 oz a year less than planned.

On the demand side, he believes developments in the new regional car markets of the Soviet Union/Eastern Europe, South-East Asia, Mexico and Turkey could lead to extra autocatalyst demand of between 600 000 oz-900 000 oz annually by the year 2 000. That is on top of expected greater demand from Europe and North America as emission con-

ANGLOVAAL

FM 8/11/91

21M

Lifting liquidity for a sunny future?

Activities: Financial, industrial and mining group

Control: Hersov and Menell families, through Anglovaal Holdings

Chairman: B E Hersov, Deputy chairman: C S Menell

Capital structure: 17,8m ords, 42,7m "N" ords Market capitalisation R4,11bn

Share market: Price R70. Yields 1,3% on dividend, 6,7% on earnings, p/e ratio, 14,9, cover, 5,1 12-month high, R70, low, R44

Trading volume last quarter, 1,9m shares

Year to June 30	'88	'89	'90	'91
Investments				
Book value (Rm)	338	652	758	1 082
Market value (Rm)	1 188	1 603	1 685	2 420
Performance				
Trading income (Rm)	404	475	588	811
Investment income (Rm)	57	66	48	39
Earnings (c)	340	427	530	470
Dividends (c)	65	76	92	92
Net worth (R)	32	42	47	50

Had Anglovaal not spread investments beyond mining over the years, earnings would have slumped severely in 1991. Income from both gold mining and base metals and minerals dropped sharply, though most of the fall in gold occurred the previous year.

Earnings from gold fell by R2,2m, or 17,5%, those from base metals and minerals by R25m, or 33,8%. Attributable earnings were nonetheless higher, for two main reasons: subsidiary Anglovaal Industries (AVI) again produced solid growth (FM October 25), with earnings up 13%, and the large cash balance held since the May 1990 rights offer pushed interest and other income up.

Group earnings were up by 18% but EPS fell by 11% because of the one-third increase in issued shares. This reduced compound growth in EPS over the past five years to 17% from 28% at the end of the 1990 year.

There were few really large acquisitions or investments, though the group remained active. Among the more significant, the new financial services division, AVF Group, acquired 35% of Board of Executors for R57,2m, settled by the issue of AVF shares. The cash option provided by Anglovaal resulted in the house increasing its stake in AVF from 45% to 59%. In the metals and



Anglovaal's Hersov ... not neglecting the future

minerals sector, Anglovaal acquired 100% of Weedons Minerals (Pty) — now called Rhino Andalusite Mines (Pty) — a leading world producer of high-grade andalusite.

There were several deals in AVI, including, since year-end, the disposal of National Brands' 16,2% of Cadbury Schweppes for R177,1m, giving rise to a capital profit of R153,7m. News of this was accompanied by announcement of rights offers by AVI, Consol and Irvin & Johnson, to raise a total R785,7m. These issues were fully subscribed, Anglovaal investing roughly R233m to take up its entitlement in AVI's.

This eliminated net debt in AVI, which accounted for most of the total R731,7m borrowings held by Anglovaal at June 30 (other than R200,6m loan stock). These borrowings were matched by deposits and cash of R1,33bn, so the house retains substantial liquidity at the centre. Funding capacity is presumably being built up ahead of a decision on whether to develop a large new gold mine in the northern Free State — a topic on which chairman Basil Hersov remains disappointingly taciturn.

He confines himself to saying that the major exploration programme for gold through Sun Prospecting & Mining (Pty) continues. In the southern sector, drilling to delineate further certain ore body boundaries and reef/grade continuity should be completed in the first half of 1992. Results will then be evaluated. In the northern sector, drilling has been completed.

Total spending on the Sun area by year-end was a hefty R242m, including cost of acquiring mineral rights. Development of a deep-level gold mine would potentially be

highly rewarding, but could mean waiting eight years for dividends, so Anglovaal will have to be very sure of its evaluation.

Proceeds from the 1990 rights issue could be deployed in the project. Yet borehole results have still not been disclosed.

Spending on exploration remains high. Expenditure by the group and its partners last year totalled R96m, including R19m on acquisition of mineral rights. This year's outlay will be about R87m, of which R13m will be on mineral rights. That compares with R114m spent on exploration by the much larger Gencor in the year to end-August — so nobody can accuse Anglovaal of neglecting investment in its future.

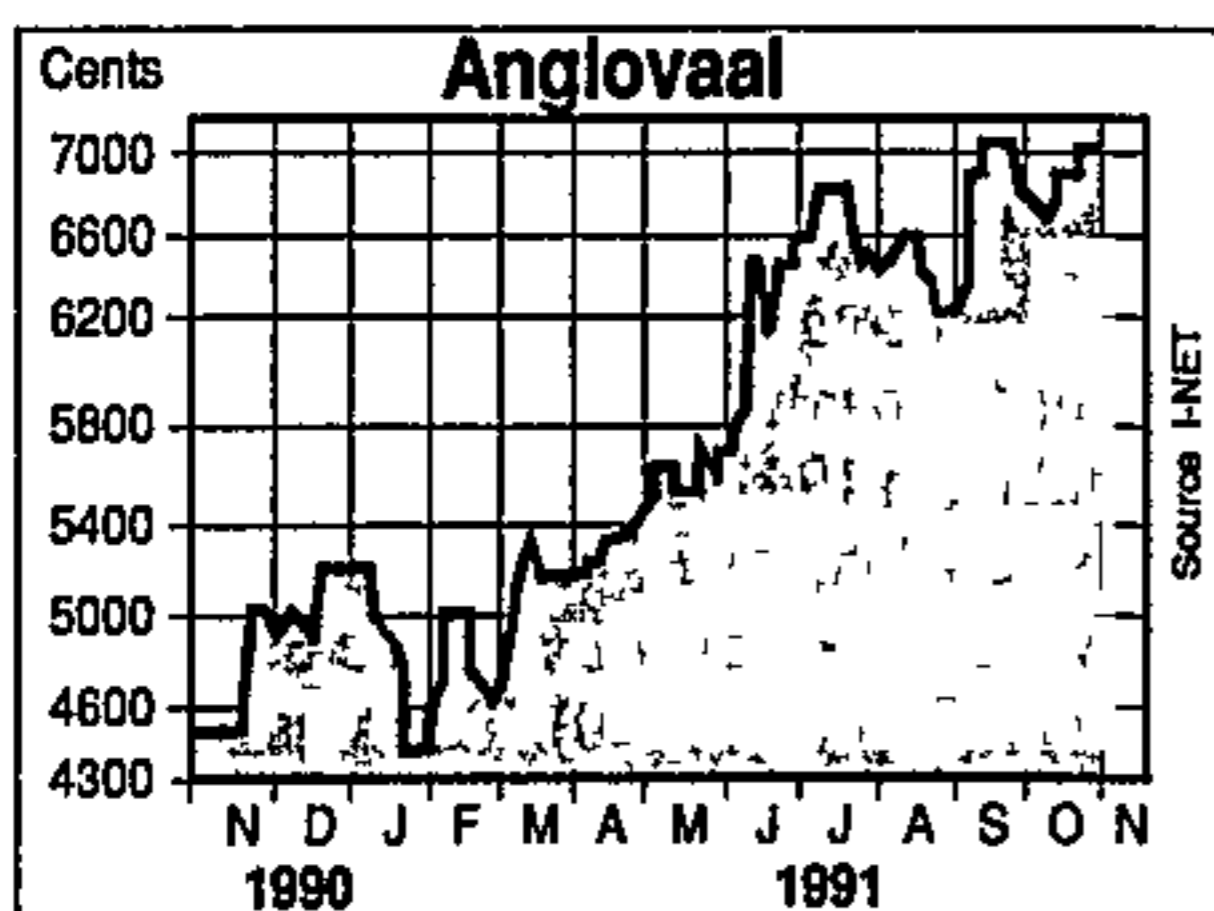
Margins continued to be squeezed on the group's existing four gold mines, even though the R/kg cost of gold production was well contained. Their combined distributable profit was R117m — 27% down. The average gold price of R32 181/kg (including hedging profits of an average R795/kg) was 1,9% below the previous year's. Hersov says the group plans to continue operating in the forward markets "when deemed prudent."

Hersov notes that if group mines are to keep increases in R/kg costs substantially below the national inflation rate to maintain the already low profitability in current terms — let alone real terms — then "retrenchment of employees is now more of a probability than a possibility."

For Associated Manganese, major contributor in the base metals and minerals division, profits may have bottomed, as results were roughly held in the six months to June. But there is no evidence of sustainable upturns in the markets for the products of Assmang or its wholly owned subsidiary Fer-alloys. Until there is such evidence, and until completion of estimates of necessary medium-term capital spending, Hersov says

DIVISIONAL EARNINGS

	Rm 1990	%	Rm 1991	%
Gold mining	12,6	5	10,4	4
Base metals and minerals	73,9	31	48,9	17
Construction/electronics	17,1	7	13,2	5
Engineering/textiles	34,3	15	32,9	12
Branded consumer goods	26,3	11	30,0	11
Fishing/frozen foods	24,4	10	28,6	10
Packaging/rubber	30,6	13	45,7	16
Interest and other	19,0	8	70,5	25
	238,2	100	280,2	100



Continued

COMPANIES FM 8/11/91 (217)

dividend policy will remain conservative

From next year, on the other hand, Anglovaal should enjoy rising cash flow from the Vanetia diamond mine, which De Beers is developing in the northern Transvaal. The main plant will start producing from the second half of 1992, reaching full output of over 4m ct a year early in 1993.

Hersov believes conditions will remain demanding in the initial months of this financial year, with growth in consumer spending weakening, but the second half should see the start of a cyclical recovery. This should have three components — improved export volumes and prices, further easing of sanctions and an improvement in the capital account of the balance of payments.

With AVI budgeting for further earnings growth, helped by proceeds from its rights issue, Hersov expects group earnings to be similar to last year's. That implies another pegged dividend — though last year's unchanged 92c was on the increased capital — giving a historical and prospective yield of 1,3%, well below the average 3,1% for the mining house sector. The share looks expensive but is still likely to be deemed fair value by investors, in view of the record.

Andrew McNulty

RAND MINES

FM 8/11/91

21M

245

The cost of clearing the decks

It's not often that extraordinary charges are three times a company's disclosed net profit, but R735m is the net cost of writing off Rand Mines' disastrous investments in Barplats and Barbrook. The result is that a 7% increase in "normal" EPS is not enough to prevent dividends from being slashed by almost half.

Incidentally, chairman Dammy Watt is being ingenuous when he says this distribution is "marginally higher" than he forecast at half-time. What he actually said then was that "total dividends could be cut by as much as 50%".

The company no longer discloses the source of earnings, but, given the current structure, it can be assumed that virtually all

and it's difficult to see where any could come from — the share could offer medium-term recovery potential

Michael Coulson

PAYMENT CRUNCH

Year to September 30	1990	1991
Turnover (Rbn)	1,7	1,8
Operating profit (Rm)	410	410
Investment income (Rm)	89	99
Net profit (Rm)	223	250
EPS (c)	1 569	1 679
Dividend (c)	560	300

the operating profit is derived from coal and the investment income from gold mines.

Vansa, which has now disposed of both its vanadium and chrome interests, has become relatively insignificant, though the R50m it will receive for the sale of its chrome interests will be a useful contribution towards running down Rand Mines' debt.

Rand Mines expects to eliminate its R87m debt early in the new financial year — though this presumably does not include borrowings in the now 70%-owned Witbank Colliery (whose own preliminary report a fortnight ago did not give any balance sheet details), Barplats and elsewhere.

Long-term borrowings in the preliminary group balance sheet are R832m.

Rand Mines is now largely an intermediary between Witbank Colliery and Barlow Rand. It holds about 4,85 Witbank shares for each of its own, and this investment alone is worth R63 per Rand Mines at Witbank's current R13. Income from other investments in the year just ended was worth just under R6 a share, but this will have been reduced by disposals, and only when the annual report is published will it be possible to evaluate what is left.

Even so, Rand Mines' own current distribution is virtually covered by its dividends from Witbank. Watt says the group can now embark upon a period of consolidation leading to sound profits in the years ahead. If there are no further nasty shocks in store —

Keys forecasts lag in Gencor's recovery

By Neil Behrmann

LONDON — It would take 12 to 18 months before Gencor's earnings rose to higher levels, chairman Derek Keys told brokers, bankers and heads of institutions at a presentation in London

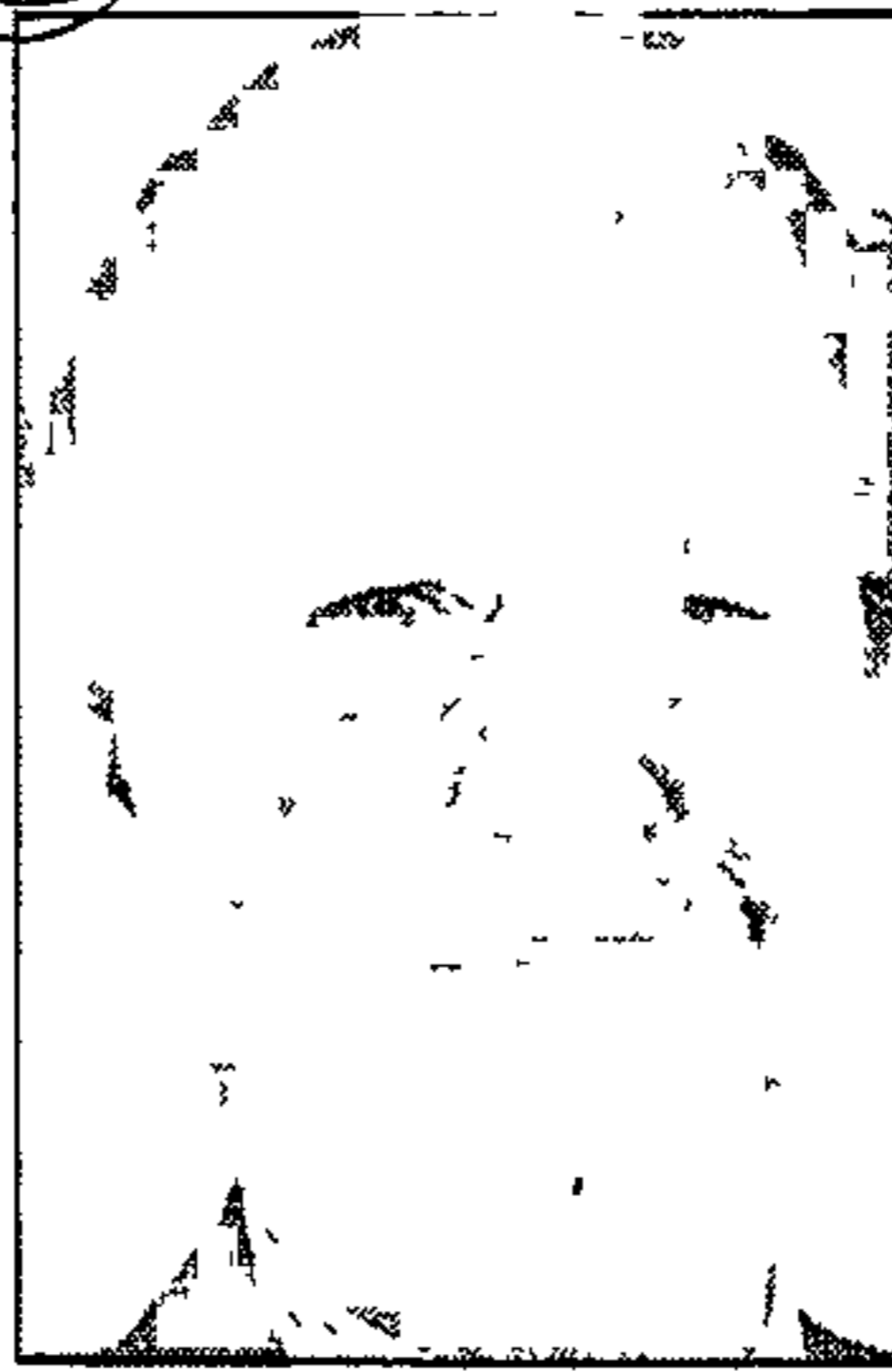
As with other mining groups, Gencor's bugbear is the depression in world commodity prices

Mr Keys said Gencor's earnings tended to follow the commodity cycle after a time lag. The drop in profits reflected the downturn in metals, minerals and paper prices during the past two years

Gencor's profits would recover more swiftly only if there was a sharp upturn in commodity prices in coming months.

In contrast to Gary Maude, Gengold's managing director, Mr Keys believes the gold mines should hedge production by selling forward

This statement led to a complaint from Julian Baring, who manages a James Capel gold fund



Derek Keys in favour of hedging

Mr Baring believes in the disproven thesis that producers' forward selling is to blame for gold's disappointing performance

Best policy

Mr Keys said mines, particularly marginal ones, were enti-

led to maximise profits by locking in favourable prices

This certainly would have been the best policy in the past two years

Earnings a share fell only five percent to 119,5c. But excluding non-recurring items, the real decline was 20 percent to 100c

The dividend was raised eight percent to 43c because the underlying value of group businesses was increasing

Gencor was growing at such a fast rate that the percentage of international investments was declining

There were definitely no plans to merge with Lonrho, despite overtures from Lonrho chairman Tiny Rowland last year, Mr Keys said

Engen chief executive Rob Angel said the company was examining opportunities in Africa

The high level of attendance at the presentation illustrates the growing interest in South African corporations

Nibble at troubled Rand Mines could pay punters

PUNTERS might take a chance on Rand Mines shares at R70 or so.

With some kind of change in the offing, the value of the holding in Wit Colls alone covers the price of Rand Mines shares.

A rough calculation of the value of its listed assets shows that its 7,9-million Wit Colls shares are worth R70,20 a Rand Mines share. Rand Mines shares are R70,25 after this week's well-dressed results.

The value of Rand Mines' holdings in RM Props and Barplats chips in about R15 a share. With a few rands worth in gold mines and mineral rights, Rand Mines starts to look undervalued.

Results for the year to September show Rand Mines' operating profit of R410-million — exactly the same as last year's. But this year's includes an abnormal item of R68-million not explained in the comments.

Rand Mines financial spokesman Mike Wilkins says the abnormal item will be explained fully in the annual report. He cannot say anything about it now, saying that abnormal items are reported above the line.

(Abnormal refers to income from the normal course of business, but of abnormal magnitude, whereas extraordinary items are one-offs and go below the line.)

Rand Mines also had plenty of extraordinary losses — it wrote off R735-million on the reduction in market value of Barplats and the total cost of investments in Barbrook.

In the year to September, turnover climbed 5% to R1,775-billion on higher coal receipts.

Interest paid rose on higher borrowings after Rand Mines assumed debt of

R343-million previously incurred by Barplats and an unspecified amount by Barbrook.

Since the yearend, Vansa has sold Winterveld Chrome Mines for R50-million and Rand Mines its Henry Gould chrome mine and various mineral rights also for R50-million. Rand Mines aims to be debt free early in the current year.

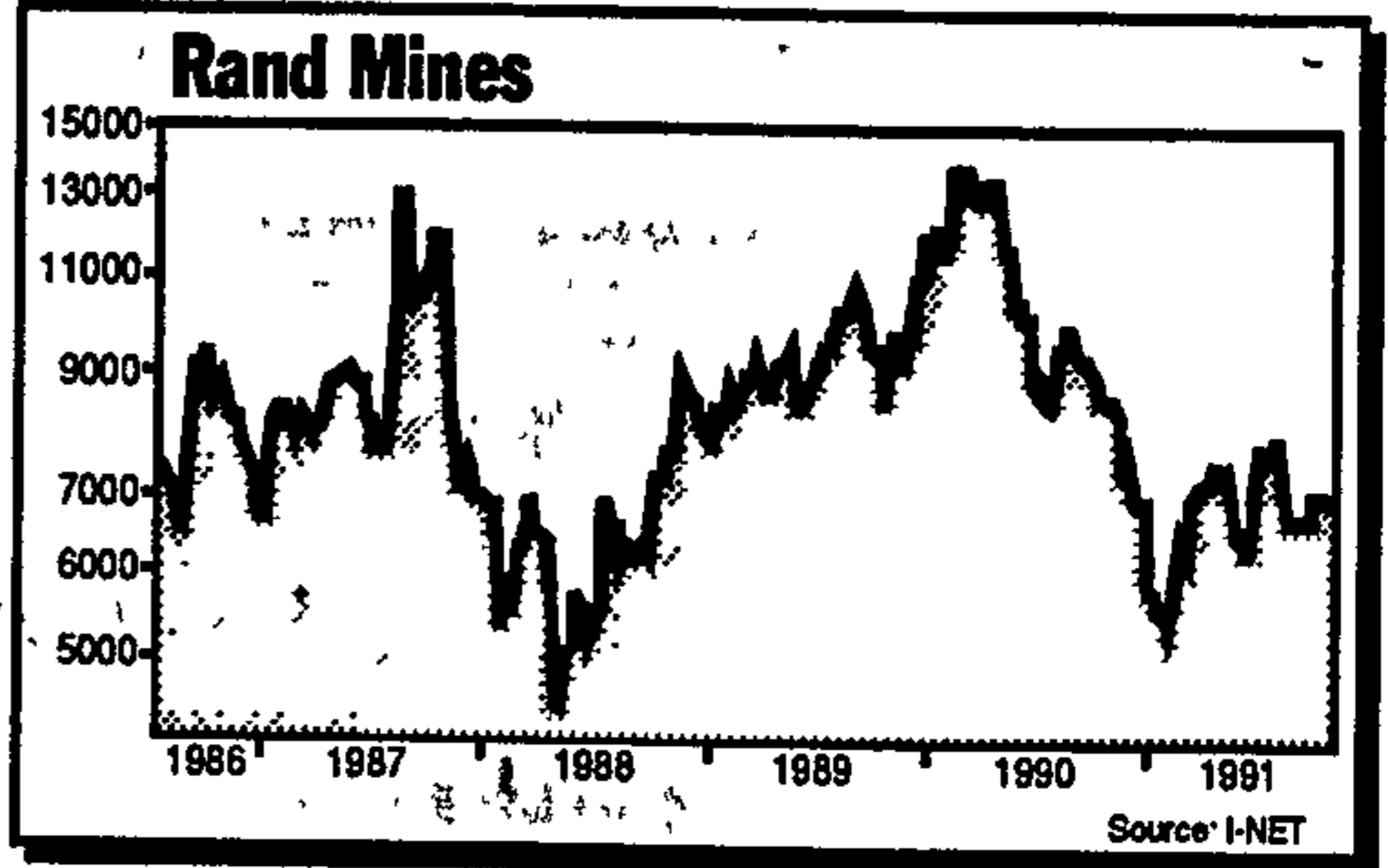
One analyst says Winterveld was a giveaway at R50-million. Recently, the Lavino chrome mine — half the size of Winterveld — changed hands for \$76-million. Winterveld supplies JCI's Consolidated Metallurgical Industries ferrochrome operations. JCI was also a potential buyer.

The stock market takes a long time to forgive companies that blot their copybook. Aside from the bungles at Barplats, now under the control of Impala Platinum, Rand Mines has also closed Vansa, mothballed Barbrook and battled at ERPM where a glimmer of light is showing — years overdue. Production at Harmony gold mine has been reduced.

But if there is a change of control, it

is likely to be at a price closer to the asset than market value. Minorities are in the mood to kick up a fuss if their investments are further hammered by a cheap deal.

Most likely are a takeout of the minorities, or the sale of the controlling stake by Barlows. It has already sold its other mining and mineral investments. Barlows' results are due on Tuesday.

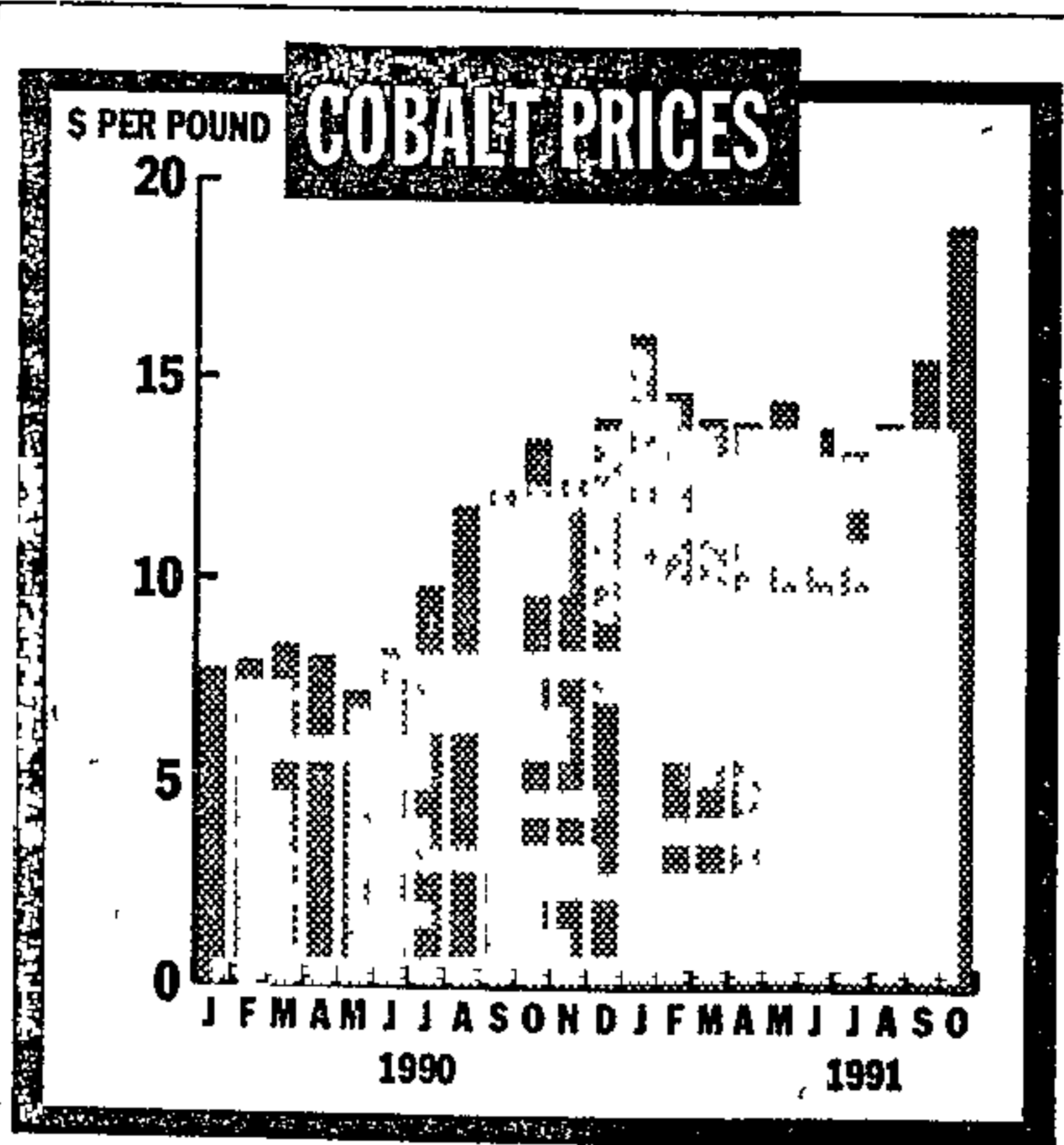


Issy will act

BARPLATS members who are in a quandary about what to do at the shareholders' meeting on November 20 are invited to send open proxies to Issy Goldberg, chairman of the Shareholders Association of SA.

Mr Goldberg says he will attend the meeting and vote in the best interests of members. He believes there is more to be gained through reasonable representation to those in control at Barlows and Rand Mines than by opting for legal action which could be costly and fruitless.

Proxies can be sent to Mr Goldberg, Box 3778, Cape Town 8000



Zaire crisis boosts SA cobalt miners

S/Times (BUS) 10/11/91

By IAN ROBINSON

COBALT prices are exploding as a result of the civil strife in Zaire — and will benefit South Africa's platinum producers

Cobalt users face a crisis because Zaire dominates world production

It accounted for half the Western world production of nearly 21 000 tons in 1990

The crisis sent prices from an average of \$15.50 a pound in September to \$25.27 in ear-

ly November

Prices rise even higher than in the last supply crisis in the late 1970s because stocks are much lower than then

Stocks are believed to be limited to a few hundred tons in "strong" merchant hands

Cobalt expert Kris Hansen of Sherritt Metal Marketing Company, Toronto, believes the position is more serious than in the late 1970s when strife in Zaire forced prices up to \$30 and \$40 a pound

Cobalt is used mostly in alloys for aerospace technology and other specialised applications

Feeds

Users' biggest fear is that there will be a complete break in production after the exodus of expatriates and foreign troops from Zaire. This could result in a 5 000-ton shortfall in supplies this year

Higher prices will benefit SA's cobalt producers — Rustenburg Platinum and Im-

pala Platinum — which extract it as a by-product of platinum.

Impala marketing manager Pieter Mulder says SA cobalt output is small but strategically important.

Cobalt's major use in SA is in the production of tungsten carbide drill bits which are essential to the mines. Domestic production avoids the import of cobalt from Zaire

SA's annual cobalt production is 150 to 250 tons of contained metal. Rustenburg accounts for about two-thirds in the form of cobalt sulphate, with a cobalt content of 21%. Impala produces cobalt metal in the form of powder.

Impala sells most of its cobalt on the domestic market to drill bit and paint manufacturers. Cobalt salts are used as paint driers. Rustenburg's cobalt sulphate is not suitable for drill bits and it exports most of its output through agent Johnson Matthey

Other smaller applications in SA include aluminium anodising as a trace supplement in animal feeds and in ceramics

Both producers base their prices on free-market quotations for cobalt cathodes published by Reuters and the London Metal Bulletin

~~208~~ 217

Strikes hit mines as leaders held

By Mike Siluma

Production ground to a halt at Genmin's Impala platinum mining complex in Bophuthatswana yesterday when between 30 000 and 40 000 workers downed tools in protest against the arrest of at least 25 worker leaders by homeland police.

At the same time about 150 workers staged a sit-in at mine owners Genmin's head office in Johannesburg, demanding that management act to secure the release of those held.

Genmin spokesman said mines where production had ceased were Bafokeng South, which employs 11 800 workers, and Wildebeestfontein North and South, with staff complements of 11 100 and 8 700.

In addition, only 40 percent of Bafokeng North's 11 600 employees had reported for work. The mineral processing plant was unaffected.

But National Union of Mine-workers secretary-general Marcel Golding said more than 40 000 workers were on strike, including those employed at the mining complex's mineral processing facility.

Information in the union's possession was that some of those held had been assaulted in detention and that many shaft stewards had gone into hiding to avoid being arrested.

Mr Golding said an additional factor in the strike was management's use of Bophuthatswana's "repressive" labour legislation as an excuse not to deal with the NUM, which, he said, had the majority support among Impala employees.

On demands that management should do something to secure the release of those arrested, a Genmin spokesman said it was a police matter.

Barmine, Implats deal likely to be opposed

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8/000 12/11/91
MATTHEW CURTIN

A LARGE number of minority shareholders in Barplats Investments (Barplats) and Barplats Mining (Barmine) are expected to vote against the proposed deal in which Impala Platinum (Implats) takes control of the platinum operation at a shareholders' meeting on November 20.

Minority shareholders have complained that their interests are prejudiced by the deal. Minority shareholdings will be reduced from an effective 47% in the two companies to just 15% in the newly constituted Barplats. The arrangement stands to knock Barplats net asset value from 975c to 221c a share.

However, Implats MD Mike McMahon said yesterday the deal, in which Implats receives a 38% controlling stake in the new Barplats in exchange for the recapitalisation of Barmine's debt, would go ahead regardless of the outcome of the meeting. The implementation of the takeover deal was not dependent on shareholders voting in favour of the arrangement.

Windhoek attorney Andreas Vaatz, who is leading the minority shareholders' campaign against the deal, said yesterday minorities' objections to the Implats takeover on current terms seemed justified.

He said Barmine owned mineral rights worth R2,3bn, but Implats would pay only R87m for mineral rights in acquiring control of the platinum operation.

"This is why a substantial number of minority shareholders think that they are justified in opposing the takeover deal and are fighting for their own interest," he said.

Vaatz is also seeking a court ruling to establish whether a judicial inquiry should be held into the running of Barmine. He has claimed that, in terms of the Companies Act, Rand Mines is guilty of negligence in the running of Barmine, and failed to keep shareholders adequately informed of the company's performance.

Vaatz adds that only those minorities who vote against the Implats deal will be entitled to any redress from the courts.

Shareholders' Association of SA chairman Issy Goldberg said in a report at the weekend that Barplats shareholders could send him their open proxies and he would vote in their best interests on November 20. He said more was to be gained by reasonable presentation to Rand Mines directors than through legal action.

Vaatz said Implats bought its 38% stake in Barplats by paying with Genmin mineral rights, through the issue of 84-million shares, which bordered Barmine's Crocodile River and Kennedy's Vale mining properties. Barmine's new reserves at Crocodile River amounted to 5,85-million tons at a grade slightly below that of the main property which included reserves of 175-million tons.

In the deal not only would Implats win a 38% share of Barmine's mineral rights, but also the partially developed mine, processing plants, smelter and refineries plus a 38% share of the extra R87m worth of Genmin mineral rights.

Barlows' 7% decline better expectations

Bl Day 12/11/91

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BARLOW RAND, SA's biggest industrial conglomerate, has reported a 7% decline in earnings to 430,9c (462,4c) a share for the year to end-September, bettering expectations of a 12% fall in earnings

The performance comes on the back of a stronger showing than forecast for Middelburg Steel & Alloys (MS & A) and Rand Mines. Deputy chairman Derek Cooper said MS & A came in with a "small profit". None of the group's unlisted operations had shown losses for the year.

The showing, and an announcement that the group would offer its unchanged final dividend of 119c to shareholders as either cash or shares, prompted a 40c share price rise to R52.

In terms of the share offer, shareholders may take 2,48 shares for every 100 held, translating to R48 each, which, even deducting the final dividend from the current market price, represents a 5% discount. Cooper said majority shareholders had already indicated a willingness to accept the offer.

Operational turnover climbed 10% to just less than R32bn (R29,1bn). Operating profit before interest rose 4% to R2,6bn (R2,5bn). Interest charges rose 15% to R674m (R586m) reducing cover slightly to 3,8 times.

Contributions from equity accounted associated companies were bolstered 33% to R56m (R42m), although outside shareholders accounted for R799m (R716m), leaving attributable profits to ordinary shareholders down 6% at R806m (R855m).

Below-the-line extraordinary items absorbed a significantly higher R433m (R115m) related primarily to the write-off of Barplats Investments to market val-

BRENT VON MELVILLE

ue The profit on the sale of MS & A was also incorporated into extraordinary items, meaning total below-the-line write-offs amounted to about R600m.

Barlows did not disclose the loss incurred on its trading venture in Zaire, hit by riots and upheaval. Sources put it at about R20m. Barlows chairman Warren Clewlow said it was a setback in that the group was only "just getting going" in Zaire. However, this would not deter Barlows from moving further into African markets.

In mining and mineral beneficiation, Rand Mines showed a 12% improvement before extraordinary items, while Pretoria Portland Cement increased its contribution 7% with bottom-line earnings at R114m (R106m). Cooper said MS & A produced a "small profit" with a strong performance from the stainless steel division.

Firm demand for consumer products and a marked slowdown for capital goods saw Technology Systems International push earnings up 20% and Reunert post a marginal improvement to R74,6m in attributable earnings. Cooper

said reduced Armscor orders at Reunert would be offset by the move into other markets. The recent R76m acquisition of African Cables was a step in that direction.

A good performance from Tiger Food on the back of recent acquisitions helped boost Tiger Oats's earnings 13%, while ICS showed a 24% rise. CG Smith Food recorded a 14% rise despite declining world sugar markets. CG Smith's earnings were up 9%.

Barlows' international arm J Bibby improved its earnings moderately. Cooper said the group was in a position to spend about £100m this year.

Total capex for the group would probably exceed last year's R1,4bn.

EXECUTIVE SUITE



UN-backed talks lead to consensus on copper forum

Bl Day 12/11/91 (217)
GENEVA — Copper-producing and importing countries agreed to meet in January to set up an international body to improve co-operation and inter-governmental consultations

The agreement came at the end of a two-day meeting organised by the UN Conference on Trade and Development (Unctad) which has co-ordinated efforts to form the body, keenly sought by the US

Unctad officials said the meeting was told the new body, to be called the International Copper Study Group, already had formal support of countries accounting for just over 37% of world trade in the strategic metal.

The group, to be autonomous from Unctad and to have its own secretariat and headquarters, will be barred by its statutes from any form of intervention in the market

Unctad officials said notice of adherence was expected from Zambia, a major producer, and this would push coverage of the group to over 42% of world trade

Japan, by far the world's top importer with over 12.5% of overall trade, told the meeting it would be ready to join if the body's legal status could be slightly adapted to fit its domestic legislation

Unctad officials said other delegations indicated wording of the statutes could be altered, once the group was formally created, to meet the Japanese requirements.

Other countries — including Canada, France and Italy, who together had originally expressed some hesitancy and account for some 14% of trade — had reported that they had begun domestic procedures necessary to join it, the officials said.

Establishment of the group, which will have no power to trade or contract itself, has long been sought by the US and Chile, both key players in the market, and was agreed in outline at a UN conference on copper in 1988.

Decision

Several developing countries and then-Communist states wanted it to be set up under the auspices of Unctad, itself a forum for contacts between developing and developed countries, but accepted US insistence that it should be independent

At this week's discussions, representatives of 29 countries and the EC agreed to call another meeting on January 23 and 24 next year to take a formal decision to set up the group.

It would come into operation once countries representing 60% of world trade in copper — widely used in modern telecommunications — had accepted its terms of reference

But it was also agreed that if that figure was not achieved by the middle of 1990, countries favouring creation of the group could set it up themselves.

A US representative told the meeting difficulties in the market reinforced the need to improve transparency by creating a forum to exchange of information.

Unctad said countries that had already officially declared they would be part of the group were the US, Finland, Chile, Greece, China, Poland, Norway, Peru, Portugal, Belgium, Luxembourg, Spain and the Netherlands

Germany had indicated it was also planning to join, but Britain, Ireland and Denmark — who account for little more than 3% of the international market — had said they would stay out, according to Unctad. — Reuter

Over-supply forecast hits platinum

By Sven Lunsche

Star 15/11/91
(217)

The platinum price fell by almost \$6 an ounce yesterday after platinum refiners and marketers Johnson Matthey predicted a surplus of 210 000 ounces on world markets this year

Platinum closed at \$358,50 in London yesterday, compared with a close of \$364 on Wednesday

In its Platinum Interim Review, Johnson Matthey says platinum sales are expected to rise by at least five percent this year to a record 3,88 million ounces

Demand is largely driven by autocatalysts, which are expected to take up 1,535 million ounces this year, despite the worst US car sales since 1982

However, supplies of the metal to the market were also set to rise, mainly due to higher Soviet sales, and could total as much as 4,09 million ounces, the report's author Jeremy Coombes said at a London briefing yesterday.

This leaves a surplus of 210 000 ounces this year, which would be 175 000 ounces ahead of the surplus last year

Uncertainty

Mr Coombes said Soviet sales remained the major uncertainty in the platinum market

In addition to its market sales, which were heading for a record 930 000 ounces this year, the Soviets had deposited as much as 750 000 ounces with Swiss banks, mainly for swops.

"There is a fear in the market that the Soviets will not be able to repurchase the metal and that its swop partners will be forced to sell platinum to the market"

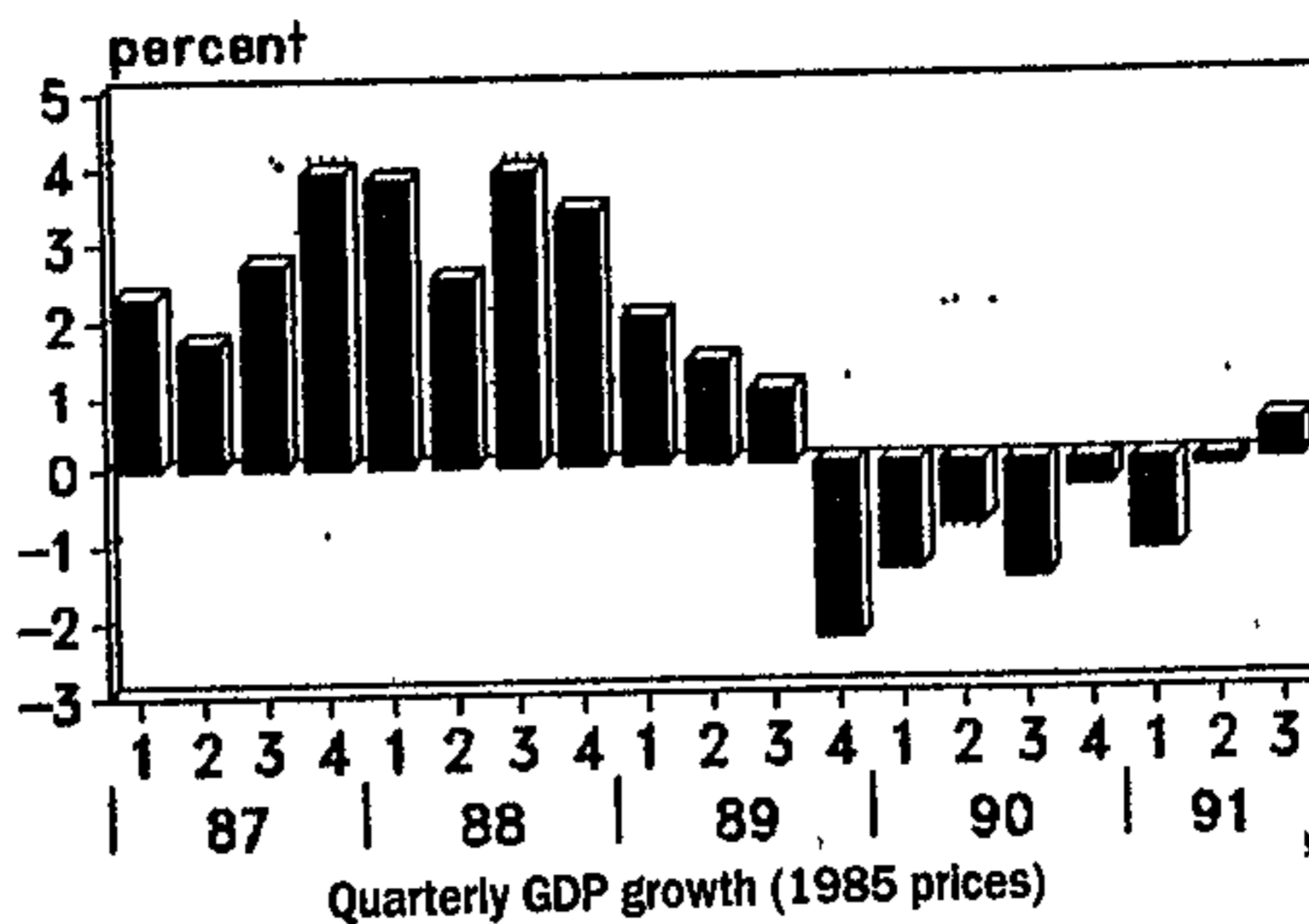
However, there was some evidence that the Soviet Union was buying back some of the platinum group metals

On South African supplies, he said they could rise by 140 000 ounces to 2,9 million ounces this year

"This is lower than expected because of problems at Impala's mines and the cessation of mining by Barplats at Crocodile River."

He forecast that the platinum price, which has declined so far this year from \$424 in January to \$331 in August, would trade in a price range of \$350 to \$390 in the next six months

"The low platinum price and its near parity with gold has promoted substantial investor buying in recent months after a sleepy first half," Mr Coombes said



Economy showing signs of improvement

By Sven Lunsche

Star 15/11/91

The South African economy, after declining for the past seven quarters, showed a surprising 0,5 percent rise in the third quarter of this year

The Central Statistical Service (CSS) reported yesterday real gross domestic product (GDP) had increased by 0,5 percent at market prices after falling by a revised 0,4 percent in the second quarter and 1,4 percent in the first three months of this year

According to CSS, the slight improvement was largely attributable to an increase in the GDP of primary sectors, with agriculture gaining six percent and mining adding 0,5 percent

Non-primary

GDP in the non-primary sector, however, declined by 0,2 percent after falling by 0,8 percent in the second quarter and 2,1 percent in the first quarter

Particularly telling was the 1,4 percent fall in output of the manufacturing sector in the third quarter

Economists were surprised at the slight rise in GDP, which comes at a time when evidence suggests that the recession worsened in mid-1991.

Economist Dave Mohr says in Old Mutual's latest Economic Monitor "A recent spate of poor company results and other anecdotal evidence suggest that in many respects the recession may indeed have deepened during the second and third quarters of 1991, especially as far as fixed investment and private consumer spending is concerned"

Estimates

This view is supported by recent estimates by the SA Chamber of Commerce of a five percent drop in Christmas retail sales this year, compared with the November/December months last year

The Bureau for Economic Research (BER) at Stellenbosch University only last month estimated that the third quarter GDP would decline by 0,5 percent, as gross domestic expenditure fell by 4,2 percent and fixed investment decreased by 5,8 percent

For 1991 as a whole the BER predicted that the economy would shrink by 0,6 percent, but recover to a positive growth rate of 1,9 percent next year

The bureau suggested that the new upswing would begin during the fourth quarter of this year

While consumers are likely to remain under pressure over the next few months, amid little relief on monetary policy by the Reserve Bank, other sectors, however, are already providing some stimulus to the economy

The foreign sector, in particular, has shown strong growth over the past few months, with export volumes and revenues rising in real terms

This could improve further when the economic performance of SA's trading partners picks up early next year and the continued dismantling of sanctions opens new markets for exporters.

Fixed investment

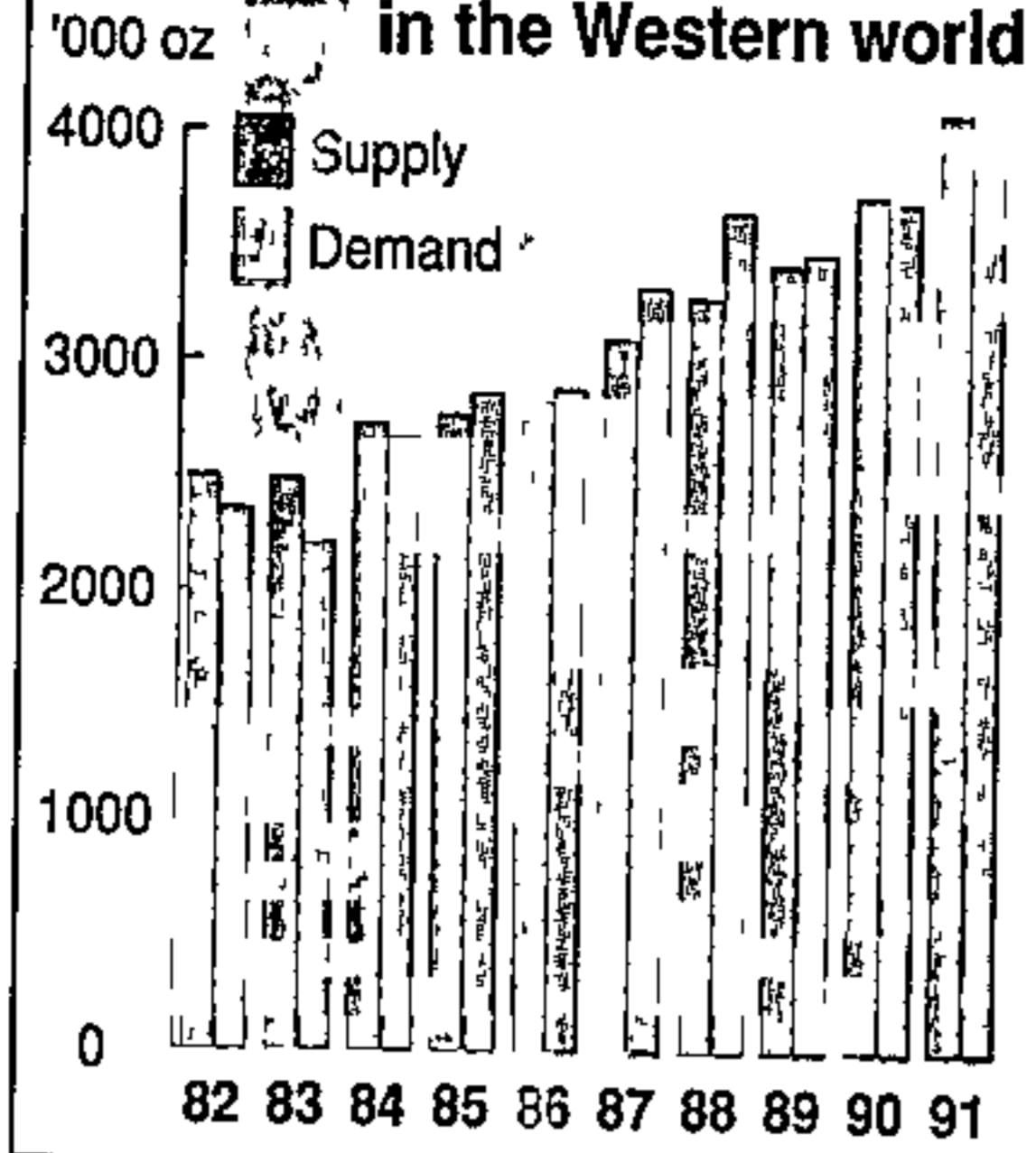
Old Mutual's Dave Mohr lists a number of other factors which are expected to bring about an upswing next year

- A somewhat higher level of spending on fixed investment projects by the private sector
- A lower rate of inventory depletion, which was largely responsible for the large drop in the first quarter GDP.
- A further expansion in overall public sector expenditure, especially on social services and social infrastructure

He reiterates, however, that that the consumer is unlikely to receive any meaningful relief during the year, either from lower interest rates or a reduced tax burden.

Surplus shakes platinum price

Platinum supply and demand in the Western world



Graphic FIONA KRISCH Source JOHNSON MATTHEY

MATTHEW CURTIN

NEWS that the 1991 platinum surplus looked set to hit an eight-year high of 210 000oz — up from last year's 35 000oz — sent shivers through metal markets around the world yesterday.

Johnson Matthey predicted in its 1991 interim platinum review that while platinum demand would rise 5% to a record 3.9-million ounces, platinum supply would rise nearly 10% to 4.1-million ounces by the end of the year *Biday 15/11/91.*

Platinum was fixed at \$358.50/oz in London yesterday afternoon, \$2 below the morning fix, and \$5.50 below Wednesday's afternoon fix. In Zurich, it lost \$6.00 to \$359.00 and in London it fell \$5.50 to \$359.50.

Market sentiment was also knocked by the return to full production of Impala

□ To Page 2

Platinum *Biday 15/11/91.*

Platinum's troubled Bophuthatswana mines, hit by a two-day strike which cut production by 90% earlier this week

However, Johnson Matthey analyst Jeremy Coombes yesterday said the fundamental conditions affecting the platinum market in the 1990s were likely to improve

Demand for platinum group metal (PGM) catalytic converters, installed in cars to cut noxious exhaust fumes, was likely to grow 850 000oz from net consumption of 1.5-million ounces in 1991 to 2.4-million ounces in 1995

Launching the review in Johannesburg yesterday, Coombes said higher Soviet sales of platinum were the main reason for increased supply of the metal in 1991 "But there does not seem to be much left in the Kremlin vaults," he said

Soviet sales were heading for a record 930 000oz in 1991 if the rate of supply in the first eight months of this year continued

Coombes said it seemed the Soviet government had decided to exploit its platinum reserves to raise cash and service its \$65bn debt. Much of the Soviet platinum

and rhodium supply — which the union was committed to buying back at a later date — had reached Switzerland and Japan as collateral for loans and as swaps

However, the fact that the Soviet Union had not been active in the spot market suggested it had little metal for sale. It was possible that selling mechanisms could have been disrupted by a threatened Russian breakaway from the union

Coombes said platinum prices were unlikely to break out of a \$350 to \$390 range in the next six months. Markets remained jittery over the uncertainty of Impala production, Soviet sales and variable investor demand

Western demand for platinum would have increased 1-million ounces since 1985 and was better than expected for this year. Lower platinum prices had encouraged investment and jewellery demand

Although supplies had accelerated overall, labour unrest at Impala had knocked its production, forcing it to buy and borrow metal to meet its contracts, and low prices had curbed plans to expand SA production

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□ From Page 1

Cautious Minorco still on acquisition drive

217

15/11/91

MATTHEW CURTIN

MINORCO, Anglo American's European-based natural resources group, will reap the rewards of its current restructuring programme and acquisition drive only in two to three years

Despite that and a tough year ahead forecast for the group, Minorco is no less committed to its acquisition programme aimed at buying high quality, low cost natural resource assets, says Chairman Julian Ogilvie Thompson

He said yesterday that US interest rates and metal prices had fallen since the publication of his annual review last month.

Then he predicted that unless prevailing world economic conditions including declining interest rates and poor gold and base metal prices changed for the better, the group's results would be adversely affected

Minorco's earnings a share fell from \$1.35 to \$1.14 before extraordinary items in the 1991 financial year

Addressing shareholders at Minorco's AGM in Luxembourg yesterday, Ogilvie Thompson said the group's results without doubt would be hit by these current economic trends, underlining the caution with which Minorco had to proceed in the 1992 financial year.

He said: "The very nature of mining is a long-term affair; the establishment of a world class business does not happen over night and therefore it is difficult to rate Minorco's success in the short term"

The group's ability to manage its oper-

ations competently and profitably would be demonstrated only when measures currently being put into effect to cut costs and improve production started showing results "two or three years down the road"

However, Minorco was still bent on expanding its natural resource asset-base "despite market sentiment that the group's acquisition programme is not progressing as quickly or dramatically as the market would like"

Ogilvie Thompson said the group's US gold mining subsidiary Independence Mining had processed exploration results which showed significant increases in proven and probable reserves

The challenge was now to transform these discoveries "into ounces of produced gold".

He said changes in Eastern Europe made the area a prime site for commercial and industrial development opportunities, but foreign investment would have to be sustained by political and economic stability

Germany's reunification provided those essential ingredients and influenced Minorco's purchase of Elbekies, one of Europe's largest sand and gravel operations

The rebuilding of eastern Germany and the re-establishment of Berlin as the country's capital boded well for Elbekies' future

Recognition at the heart of Implats dispute

By DREW FORREST

21/11/91

15/11-21/11/91

21/11

IMPALA PLATINUM has lost two weeks' production since July this year as a result of repeated labour dissidence at the Bophuthatswana-based operation, Genmin revealed this week.

At the time of writing, this week's strike — involving 35 000 workers at the four mines — appeared to be winding down. Genmin reported that 80 percent of black employees had reported for work at Bafokeng North and Wildebeest North and South, although the stayaway remained total at Bafokeng South.

But the pattern of unrest is bound to continue. The underlying issue is the recognition of the National Union of Mineworkers, which management

says Bophuthatswana labour law prevents it from granting.

Other demands flow from a Bop crackdown on the NUM and previous unrest. Workers are calling for the reinstatement of 255 strikers dismissed on October 14 and not reinstated on appeal. They are also protesting against the detention of 14 workers last week under Bophuthatswana's Internal Security Act.

At a press conference this week, the NUM said it had organised 30 000 of the 42 000 Impala workers and had won de facto recognition through a workers' committee controlled by its members.

There are clear signs that the Congress of South African Trade

Unions is using Implats as a battering ram to break Bop's resistance to South African unions. The trouble at the mining operation erupted shortly after the breakdown of talks between Cosatu and a Bop Cabinet committee.

Cosatu regional secretary Donisie Khumalo has warned that the federation aims to make the legislation unworkable by intensifying its organising drive in the homeland.

Genmin is among a group of large companies — also including South African Breweries and ABECI — known to have been holding talks with the Bop authorities on the newly promulgated Industrial Relations Act, which tightens clamps on foreign unions and Bop companies dealing

with them. The Act has yet to be implemented.

On the recognition issue, Genmin's Tom Ferreira said the company believed the NUM should take the first step by applying to the Bop government for a dispensation. As the appeals procedure had been exhausted, Impala regarded the disputed dismissals as a closed issue, he said.

Eighty-two workers at Gengold's Buffelstfontein gold mine were arrested "for their participation in (last week's) general strike", the NUM has said in a statement.

Sapa reports that the miners appeared in the Klerksdorp Magistrate's Court this week on charges of intimidation.

Businessman tells of Soviet platinum, gold deals

star 16/11/91

(214)

AN ATTEMPT was recently made to provide JCI with platinum mining rights in Siberia which would have cornered the world market for the company, Sandton businessman Colin Gibbins claimed this week.

The platinum mining contract was intended to form part of a multi-billion roubles-for-dollars deal and would have given the South African conglomerate virtual control of the world's platinum market.

Mr Gibbins has also provided the names of people, all of them with top Government, military or intelligence Service connections, involved in a 3000-ton Russian gold deal which fell through — due, he claims, to Government

pressure

Two men originally involved in the gold deal were Kurt Isernhinke, an import-export businessman who has connections in top Government circles, reaching into the President's Council, and Keith Edelston, who has connections with international bankers and the CIA

Mr Isernhinke has admitted he later tried to sell hardware which had military uses, including highly explosive red mercury, to Mr Gibbins but denied his claims that this was done to try to "set him up".

Mr Gibbins said the gold deal fell through because the South African Government feared it would harm their under-the-counter gold sales. It is believed they sent a Captain Mendo

Rebello da Silva to Zurich to short-circuit the deal.

Mr Gibbins provided the Saturday Star with faxed copies of correspondence from Russian contacts in Switzerland who wished to set up the platinum deal.

JCI has confirmed that they met Mr Gibbins, but an insider said they had dismissed his claims as "not being in touch with the real world"

Speaking from a house in Johannesburg's northern suburbs, Mr Gibbins said his Russian contacts had been approved by the National Intelligence Service

According to a wealthy business associate of Mr Gibbins, JCI is now negotiating directly with the Soviets in an attempt to set up the platinum deal

and to cut out Mr Gibbins as the middleman.

South African Government officials had indicated they were opposed to the deal going through because it undermined the country's traditional role as the West's major platinum supplier.

The faxed document sent through by Mr Gibbins' Russian contacts on Monday speaks about the Siberian Norsylsk mining complex and says the deal is still open

The JCI source confirmed that they were negotiating for platinum mining rights in Norsylsk, Siberia

The document also refers to the possibility of building an aluminium plant and of exploiting oil.

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with respect

McMahon

corrects report

By Day 18/11/91
(217)

BUSINESS DAY reported last week that Impala Platinum (Implats) MD Mike McMahon said the transaction in which Implats took over Barplats Investments' (Barplat) platinum operation would go ahead regardless of the outcome of a shareholders' meeting on November 20.

McMahon said at the weekend this was not a true reflection of what he had said.

In fact, the transaction — involving the acquisition of Genmin mineral rights and the issue of Barplat shares to give Implats an effective 38% interest in the Barplat group — would go ahead regardless of the outcome of the meeting regarding the scheme of arrangement — where it is proposed that Barplats Mines (Barmine) becomes a 100% subsidiary of Barplat

Business Day regrets any misunderstanding which may have been caused

Platinum mining firms face slump

217

B/day 18/11/91

MATTHEW CURTIN

SA's platinum mining companies are in for a tough financial year with no prospect of a revival in metal prices by year-end.

Although longer-term prospects for the sector are healthier, platinum producers face falling rhodium revenue. The metal, which was stronger last year, more than compensated for weak platinum prices in 1990.

Johnson Matthey predicted last week that platinum prices would rise to a maximum of \$390 an ounce in the next six months

That contrasts with average 1990/1991 platinum prices received by Rustenburg Platinum (Rusplat) and Impala Platinum (Implats) of \$428 and \$424 respectively

Soaring rhodium prices in the past financial year — rhodium prices received by Rusplat more than trebled from an average of \$1 500 to \$4 600 — enabled both platinum companies to shrug off the weak platinum prices. In Implats's case, rhodium sales fell by 4 000 ounces in the year, but revenue jumped from R255m to R623m.

Rusplat and Implats reported earnings' growth of 10% and 25% in 1991.

However, rhodium prices have fallen from \$5 850 in January to below \$2 500 in recent weeks.

The slide in prices confirms forecasts by both companies that they would be hard pressed to match this year's earnings in 1992. Rusplat chairman Barry Davison said if current metal prices prevailed they would have a significant effect on earnings, while Implats chairman Brian Gilbertson said the group would not be able to maintain its 1991 financial performance.

However, a Rusplat spokesman said at the weekend "The likelihood of a platinum surplus for 1991 has no impact on the group's view of the longer-term prospects for the platinum industry and neither will it have any impact on our expansion plans"

In its 1991 interim review, Johnson

Matthey said the rhodium market had been less frantic this year as demand had fallen by 30 000 ounces to 361 000 ounces. Car companies had not been increasing stocks while other industrial consumers had cut orders marginally.

Rhodium is one of three key platinum group metals (PGMs), along with platinum and palladium, used in catalytic converters for reducing noxious gases in car exhaust fumes.

Johnson Matthey predicted that the motor industry would reduce rhodium consumption overall this year. However, the fall masked an increase in rhodium used in the converters as manufacturers dug into the 45 000 ounces of reserves built up in 1990.

Buying on the spot market had dried up this year, helping to push down rhodium prices which at one stage last year hit the \$7 000 mark.

Despite the slump in car sales in North America, rhodium consumption was maintained as new models employed platinum-rhodium, or palladium-rhodium three-way catalysts in place of older designs incorporating platinum-palladium oxidation catalysts

Demand in the EC would increase along with platinum as new clean air legislation came into force from 1993.

Johnson Matthey said the Nissan announcement of the development of a palladium-only catalyst in May had taken its toll on platinum and rhodium prices

Yet Nissan later admitted the new model had not been tested on an engine and it was likely to be used only on small cars in Japan from 1994 at the earliest.

"There have been indications that it may contain as much as ten times the standard weight of PGMs. If this is so, there will be no economic advantage in switching to a palladium-only system," Matthey said

Mining to halt at Crocodile River

(217)

B/day 18/11/91

MATTHEW CURTIN

ALL mining operations at the ill-starred Crocodile River platinum mine will come to a halt at the end of November, Implats Platinum (Implats) has announced.

An Implats spokesman said the development of the mine's new vertical shaft would stop at the end of the month, and the mine would be placed on a care-and-maintenance basis from the start of next year.

Pipeline

Falling platinum and rhodium prices have put paid to Implats hopes of bringing the mine to full production. Had metal prices improved, development work would have continued to bring the mine to full production in 1997, after a R300m rights issue, which has already been delayed indefinitely.

The spokesman said Implats, the mine's new owners, and former owner Rand Mines, would finance the costs of the care-and-maintenance programme.

The mine's remaining cash re-

serves and revenues from metal still in the refining pipeline were adequate to cover current costs and liabilities.

The decision to stop development work at Crocodile River means that operations at Barplats Mines (Barmine) have all come to a standstill. The company's other mine at Kennedy's Vale was mothballed late last year, and Implats has announced the mothballing of Crocodile River's concentrator and smelter, as well as Barmine's precious and base metals refineries.

Shareholders in the platinum operation meet on Wednesday to vote whether to accept the details of Implats take-over of Barplats Investments (Barplat) from Rand Mines, with many disgruntled minority shareholders expected to oppose the scheme of arrangement which will see their interests diluted as Barmine becomes a wholly owned subsidiary of Barplat.

COMPANIES

Highs for indices

BRENT VON MELVILLE (217)

SA's commodity export price indices reached their highest levels in three months during October, largely on the strength of prices achieved for gold, platinum group metals, silver and copper.

The gains cushioned the effect of the fall in the nickel price, which recorded its lowest level for 1991 at \$7 400 an ounce.

The indices (including gold) rose in current rand terms to 227,81 in October from September's 223,43, and in real rands, to 76,83 from September's 75,74. Excluding gold the CEPI rose in real terms to 92,89 from September's 92,37. *8/Day 19/11/91.*

Zinc price climb 'will not last'

MATTHEW CURTIN

ZINC prices on the London Metal Exchange have shot up by 12% in the past month, with a \$74,5 hike on Friday taking the metal to a five-month high of \$1 109 a ton

However, the price rise is likely to be only a short-term blip, providing the smallest of boosts to profits at SA's main zinc producers, Gold Fields SA's Black Mountain mine and zinc refinery, Zincor. Black Mountain also mines lead, copper and tin

Gold Fields coal and base metals division GM John Hopwood said yesterday with zinc supply likely to exceed demand in 1992 and stock levels expected to increase, the price rise was unlikely to be sustained. *Bl Day 19/11/91*

Zinc prices fell back to \$1 093 in London yesterday afternoon

Hopwood said the price rise reflected a change in market sentiment fuelled by

news that Canadian company Cominco, one of the leading producers, was cutting production at one of its smelters.

Hopwood said the market anticipated more producers would follow suit, hence the spurt in prices

However, the fundamental conditions affecting the market were unchanged, as reflected in speeches at a recent Lead Zinc Study Group conference in Vienna

He said Gold Fields would barely be affected by the price increase. The group had a 55% stake in Black Mountain, which produced 50 000 tons of 50% zinc concentrate a year, but derived most of its revenue from lead sales Zinc was both an input and output cost at Zincor, which as a refinery bought concentrate and made profits dependent on its ability to refine the material as efficiently as possible.

METALS CONFERENCE

Platinum price hits capex programmes

B/D (A) 20/11/91

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MATTHEW CURTIN

THE expectations of new platinum projects worldwide have exceeded reality, but SA's position as the world's leading platinum producer is entrenched due to the technical advantages of its platinum deposits, says Irish Menell & Rosenberg analyst David Russell.

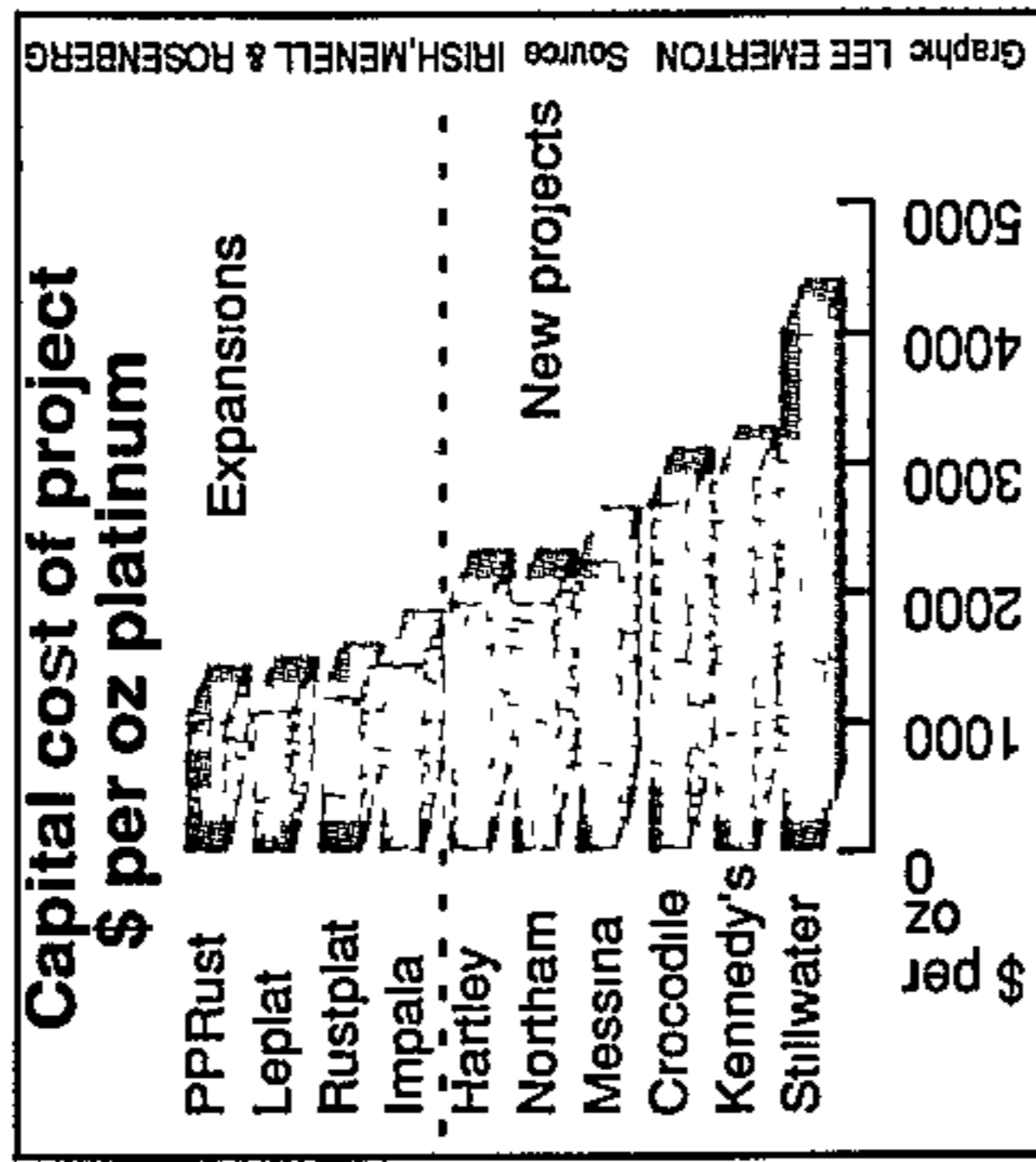
Addressing the Metals Bulletin Southern African Metals and Steel Opportunities Conference in Harare yesterday, Russell said weak platinum group metal prices had resulted in many producers reconsidering their capital programmes for expansion.

"The scale of projects as initially envisaged rarely reaches expectations and this has been a major stumbling block for proposed platinum ventures, indicating the complexity of platinum mining," he said.

Planned annual output from Rand Mines Kennedy's Vale and Crocodile River mines was 300 000 and 250 000 ounces respectively, while Impala Platinum's (Implats) Messina aimed at 300 000 ounces and JCI's Potgietersrust Platnums (P P Rust) at 190 000 ounces. Kennedy's mines had been closed last year, and production targets at Messina and P P Rust went down to 60 000 and 170 000 ounces.

Russell said that outside SA platinum ventures "come and go with monotonous regularity". Exploration projects in Canada, Greenland, Australia and Zimbabwe waxed and waned with the fortunes of platinum.

In SA, producers enjoyed the strategic advantages from the make-up of platinum ore bodies. The high platinum to palladium ratio favoured SA producers, as palladium prices



were a quarter of platinum prices. In contrast, high-grade American and Soviet deposits were palladium rich, while grades in Zimbabwe were low.

By-product revenue from other platinum group metals and base metals were another boon. At P P Rust, estimates showed nickel and copper revenue would cut gross production costs from R118 to R13 a ton, making the mine the world's lowest-cost platinum producer.

Russell said platinum mining was expensive, noting the cost of sinking shafts at Gold Fields of SA's Northern mine was \$16 250 a metre.

"This scale of expenditure is not for the risk averse or financially weak companies. In the case of Zimbabwe even government incentives to attract foreign investment may not be sufficient to attract hard currency investment if the local currency is depreciating rapidly," he said.

'African dilemma' curbs investment

B/D (A) 20/11/91

MATTHEW CURTIN

SOUTHERN Africa is a prime area for investment because of its competitive transport and power costs, ample manpower and mineral resources.

Yet such investment has proved elusive because of the "African dilemma", Genmin mineral economics manager François Prins told the conference.

The solution to the dilemma was for the region to make a giant leap by developing its huge hydro-electric potential to provide the cheap power to mine, upgrade and add value to southern Africa's mineral resources. That would provide the economic backbone for the region and see it take off as a "world growth centre", he said.

The progress towards a southern African commonwealth heralded by the Southern African Development Co-ordination Conference (SADCC) needed to be cemented by including countries further north. Prins said the African dilemma was a product of the region's general political instability compounded by economic problems and the spectre of the AIDS epidemic, which had put off investment.

The distance of southern Africa from major markets and from the coast plus the lack of infrastructure were extra problems which meant massive investments were vital to develop the region.

Southern Africa had most of the world's reserves of platinum group metals, chrome ore, and cobalt, and a major share of gold, diamonds, manganese, bauxite, vanadium, phosphates, copper and titanium minerals. Prins said: "The cost development of power, labour and transport as seen by the SA producer has shown a general increase for labour, a mixed bag for transport, and constant cost for electricity, placing SA producers in a favourable position."

Majority approves Barmine scheme

(217)
B | 10 am 21 || 91
MATTHEW CURTIN

ONLY one third of minority shareholders in the luckless Barplats Mining (Barmine) voted against the scheme of arrangement which, successfully passed at the scheme meeting yesterday, will see the platinum mining company delisted and become a wholly owned subsidiary of Barplats Investments (Barplat).

Former owner Rand Mines and new owner Impala Platinum (Implats) rejected calls from disgruntled shareholders for a cash or share offer to be made to minorities

Shareholders' Association of SA chairman Issy Goldberg said minority shareholders should be offered shares in Rand Mines and Implats to "alleviate the suffering"

Shares in Barmine, which hit a R24 high in 1988, closed at 35c on the JSE, up 2c on the day

Rand Mines chairman Dammy Watt said. "Rand Mines is not unaware of the distress expressed by minority shareholders. We believe that in assuming Barmine's debt we have done as much as possible to put the company in survival mode"

Implats MD and Barplat chairman Mike McMahon told shareholders that Implats had decided the maximum exposure it could afford to have in taking over the platinum operation was its 38% stake in Barplat. That was why the decision not to make an offer to minorities was a condition precedent to the deal.

Needing a 75% vote in favour by scheme members to be passed, the proposal won the support of 91,4% of Barmine shareholders as institutional investors Sanlam and Old Mutual and most minorities put their weight behind the new company structure.

Nearly 50 minority shareholders attended the three and a half hour long meeting at Corner House, many of whom protested vehemently that their interests were being prejudiced

by the scheme

In the old company structure minorities had a 28% stake in Barmine, 72% owned by Barplat in which minorities had a 24% stake. Rand Mines had a 64% interest in Barplat. On December 6, Barmine will be delisted, becoming a wholly-owned subsidiary of Barplat, in which Implats has a 38% stake and minorities a 16% stake. Rand Mines interests will be diluted to 43%.

Shareholders will receive 35 Barplat shares for every 100 Barmine shares held.

McMahon told shareholders in approving the scheme shareholders would save the cash-strapped companies R10m in transaction costs, simplify the corporate structure and improve the tradeability of the stock

Addressing the deal as a whole, McMahon said Implats had dramatically improved the prospects of Barmine, which had been burdened with R340m of debt and "was going nowhere very fast"

With the addition of Genmin mineral rights to Barmine, the introduction of Implats mining and metallurgical expertise, and Rand Mines capitalisation of the company's debt which enabled Barmine to escape crippling interest payments, the company's future was brighter

However, the 24% plunge in platinum group metal prices since May meant the Crocodile River mine had to be mothballed, or risk accumulating debts once more

Rand Mines sank more than R1bn into Crocodile River after taking it over from Loucas Pouroulis in 1989, but high working costs dogged the mine's performance

All work at the mine will stop in March next year

Barplat and Barmine shareholders approved the overall transaction at meetings last night

Platinum shines as gold fails to make headway

MERVYN HARRIS

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PLATINUM overshadowed gold on bullion markets yesterday with gold failing to make much fresh headway as global stockmarkets stabilised to give reassurance to jittery investors.

The rise of platinum to \$369.50 from Tuesday's close of \$366.50 came on continued speculation that Japan was importing more of the metal than was previously considered, and talk that the Russian Republic would soon release information on its level of stocks.

In Zurich platinum finished \$3.50 higher at \$369.50. *Monday 21/11/91*

Analysts said that when official data on Soviet gold reserves was released recently, the figure was much lower than estimated in the West and the same could apply to platinum.

Gold firmed \$0.35 to close in London at \$363.15 yesterday as the metal inversely tracked the performance of Wall Street and acted as a form of hedge after recent share losses.

On the Hong Kong market gold ended at \$362.55 compared with a previous close of \$360.35, and New York's Tuesday finish at \$363.75, which analysts see as an important resistance level. The upside target is seen in the \$373.50 area.

Tuesday's sharp downturn on Wall Street created another nervous trading session on Diagonal Street with attention focused on London, which in turn was waiting to see how Wall Street would perform.

The JSE overall index closed 10 points lower at 3 447 with gold shares again defying the easier trend as the all gold index gained 27 points to 1 140. The industrial index swung from the previous close of 4 195 to touch a low of 4 167 in early trading, then bounced back to 4 190 before easing to close 23 points down at 4 172.

While there was no selling pressure, buyers remained wary with institutions remaining on the sidelines and nibbling at selected shares on a downward trend.

"Everybody is looking over their shoulder to see what is happening on other markets as they wait for a lead," a dealer said.

Shareholders ratify Implats Barplats deal

Finance Staff

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Barmine and Barplats shareholders have ratified the deal between Impala Platinum and Barplats, under which Impala acquires a 38 percent interest in Barplats in exchange for mineral rights acquired from Genmin.

Barmine minorities yesterday also approved a scheme of arrangement which will see Barmine become a wholly owned subsidiary of Barplats.

The scheme will be presented to the courts next month for approval.

In the takeover by Barplats, Barmine shareholders will receive 35 Barplats shares for every 100 Barmine shares held, and Barmine's listing will be terminated.

Rand Mines, the former controlling company of Barplats, continues to hold a 45 percent stake in Barplats.

Rand Mines chairman Dammy Watt said at the meeting. "We believe that, by assuming Barmine's debt of R343,5 million, we have done as much as anyone could be expected to do to place this company in a survival mode."

Barmine shareholders agreed to a reduction of R235,8 million in the stated capital to bring it to R458,5 million, divided into 112 million ordinary shares.

This will be achieved through the cancellation of 57,6 million shares and transferring the R235,8 million to a special reserve account.

The amount will be applied in granting to Barplats the same number of Barmine ordinary shares as those cancelled.

Shareholders in Barplats agreed to increase the company's share capital to R9 million through the division into 900 000 shares of 1c each by creating 725 million new ordinary shares.

Rooiberg in survival bid

By IAN ROBINSON

ROOIBERG — South Africa's only operating tin mine and smelter is struggling to survive

It has incurred sporadic losses since 1986 because of the collapse of the international tin price

Rooiberg ran up a working loss of R4,9-million in the last financial year to December 31

Tin prices on the London Metal Exchange (LME) have slumped from more than £8 000 a ton in 1985 to £5 525.

Reserves

Gold Fields of SA general manager, coal, base metal and platinum, John Hopwood, says the company hopes to keep the mine going because closure would be a drastic step

It would be difficult to justify reopening the mine if tin prices recovered because of limited proven ore reserves and the costs associated with resumed mining

The mine's losses have been reduced to a manageable level through two major

rationalisation programmes — in 1986 and 1990 — which reduced staff numbers from more than 2 000 to about 750

But further major problems, such as a decline in grades, strikes or a fall in the tin price, could force the mine's closure

Production is about 90 tons a month, below Iscor's monthly consumption of 110 tons for its tinplate line at its Vanderbijlpark works.

Iscor, by far the largest tin user in SA, closed its own mine — Uis in Namibia — in November last year because of low tin prices

A spokesman says Iscor is negotiating with Rooiberg for the supply of about 20 tons a month. The rest of Iscor's demand is bought on the international market

Iscor is not worried about the possible closure of Rooiberg because it does not foresee supply problems on the world market

to the 1990 level.

tals are, however, unlikely to through the Russian Republic

Lydplat lifts dividend

STAR 25/11/91

Finance Staff

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Platinum investment group Lydenburg Platinum (Lydplat), a subsidiary of Old Mutual, has increased dividends by 10,8 percent to 205c (185c) for the year to October

Earnings rose 12 percent from 231c to 258c, excluding a special dividend of 6 124 800 Potgietersrust Platinum (PPRUST) and 2 112 000 Leplat-shares received from Rustenburg amounting to R27,4 million

Lydplat derives a major source of its income from Rustenburg Platinum (Rusplats) and other platinum investments

The total market value of its investments was R854 million at year end from R751 million last year

Mossgas 'flares' first well

Mossgas's first production well on the FA gas field was completed last week with the first gas being flared on the production platform

The platform stands in 105m of water, 85km south of Mossel Bay

In a statement on Friday Mossgas said the well would be capped until late in the first quarter of 1992 when on-spec gas from two production wells would be piped to the onshore

plant approximately 11km west of Mossel Bay

Drilling on the second production well is due to commence at the weekend and will take approximately 81 days to complete.

The gas from the just completed well, which has been drilled to a depth of more than 3 000 metres below the seabed, is of an excellent quality and contains no impurities the statement said — Sapa

Medi-clinic profits up 32%

In spite of the prevailing economic climate, Medi-Clinic has reported a profit increase of over 32 percent for the six months to September.

The group said distributable profits were R12,95 million compared with R9,78 million during the same period last year.

Earnings a share were 7,6c

compared with 5,8c, while an interim dividend of 2c (1,5c) was declared.

The group said that in spite of the stringent economic climate, admissions remained at a satisfactory level

The board said that negotiations to sell part of the Mitchell's Plain Medical Centre are at an advanced stage — Sapa

STAR 25/11/91

Soviet exports knock weak uranium prices

MATTHEW CURTIN ~~217~~ (217)

FREE market uranium prices crashed last week to their lowest levels since the mid-70s. Soviet uranium exports to the US have mushroomed in the past year, knocking already depressed prices, and have provoked US producers to petition for anti-dumping penalties to be imposed on the Soviet material. *B 10 am 25/11/91*

Sustained low prices will affect long-term contract prices, currently more than double free market levels. Most uranium is sold on a 10-year contract basis, and is produced in SA by the gold and uranium divisions of Anglo American, Anglovaal, Genmin and JCI, plus Namibia's Rossing Uranium mine.

SA Nuclear Fuel Corporation spokesman Charles Scorer said at the weekend that the spot market was in disarray. Uranium was quoted at between \$7 and \$7,25 a pound. Prices for imports from Russia were lower, with other material offered at slightly higher prices.

Prices were below production costs worldwide, and market observers were not sure what would happen to prices if penalties were imposed on Soviet imports.

Uranium spot prices approached the \$10 mark earlier this year, but have generally been weaker than 1990 peaks of \$11,50 and well below record prices of more than \$40/lb in the late '70s.

A spokesman for one of SA's uranium producers, who declined to be named, said long-term contract prices would be pushed down by sustained spot-price weakness, but his company would not be affected. He said low prices were not sustainable in the next three to five years. Uranium consumption exceeded production, and a shortfall was likely to absorb existing stockpiles, auguring well for stronger prices.

A coalition of US uranium producers filed an anti-dumping petition at the beginning of November. They noted that Soviet imports of natural and enriched uranium to the US increased 12 times between 1989 and 1990, and the Soviet Union increased its market share from 0,8% to more than 17%.

Uranium Producers of America president Michael Murphy said "Everybody is concerned with the plight of the Soviet people. However, the industry is itself in serious straits caused by the devastating programme of Soviet dumping and simply must do something about it."

Scorer said the Soviet Union and the republics were selling uranium at commercially unjustifiable prices in a bid to earn badly needed foreign exchange.

Ferrochrome looking good

By Day 26/11/91

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MATTHEW CURTIN

THE future for the SA ferrochrome industry is so bright in the long term that it will have to wear shades.

Despite a fall in the rate of growth of ferrochrome exports, a sharp increase in SA's installed ferrochrome production capacity, and the slump in ferrochrome prices, the industry's future is healthy due to the good outlook for stainless steel demand, says Minerals Bureau mineral commodities director Phillip Schreuder

Schreuder said in a recent paper on the local ferrochrome industry that 90% of annual ferrochrome production was exported, and had increased by nearly 12% a year since the mid-1970s to more than 920 000 tons in 1990.

Production capacity had risen from 220 000 tons in 1975 to 1,07-million tons this year, an average annual increase of 11%, taking SA's share of world production capacity to 36%.

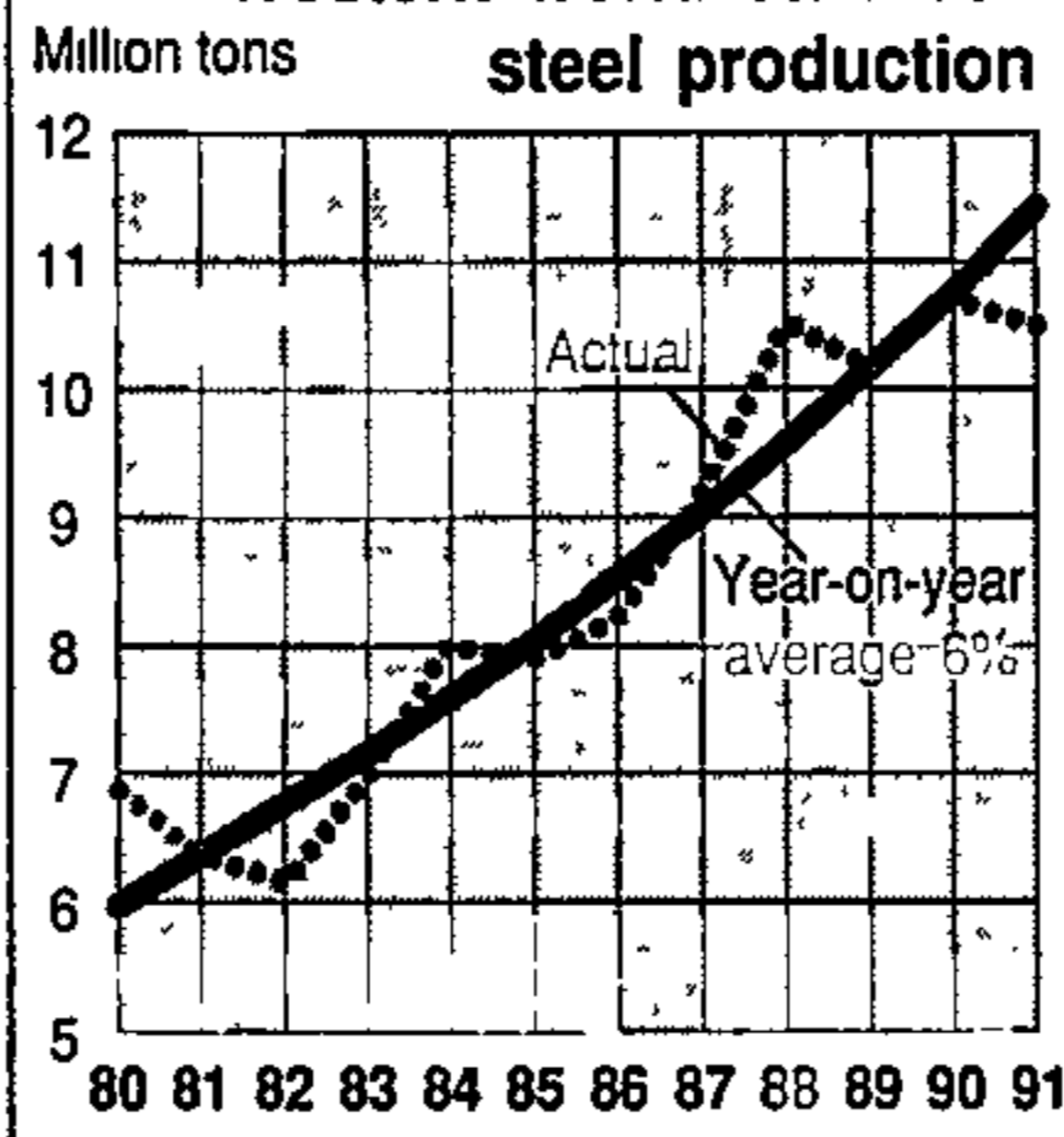
He noted that ferrochrome spot prices had fallen from "the abnormal and spectacular" \$1,00/lb in 1988/89 to current levels of \$0,46/lb, while SA's delivered cost of ferrochrome, although among the lowest worldwide, had escalated in recent years to average \$0,48/lb.

That compared with European, North American and Japanese production costs of between \$0,55 and \$0,75/lb, with Brazil losing its competitive edge as higher power and charcoal costs pushed up production costs to about \$0,62/lb.

"It is clear that there is very little ferrochrome capacity around the world that is payable at current spot prices," Schreuder said.

However, he noted that 80% of ferroch-

Western world stainless steel production



Graphic: FIONA KRISCH Source: MINERALS BUREAU

rome was used in the production of stainless steel, with the result that demand for the ferroalloy closed tracked demand for stainless steel.

Chrome and nickel are the key ingredients in the manufacture of stainless steel, imparting the qualities which make it more expensive but more durable than carbon steels.

"The reason for the anticipated strong growth (in stainless steel consumption which would continue to grow at the rate of 6% a year, the average for the 1980s) can be found in stainless's progressive invasion of the carbon steel market", he said.

The ratio of world stainless versus carbon steel production had grown from 0,9% in 1980 to 1,39% in 1990, equal to a 4-million ton increase in stainless steel production

Japan was leading the way in such substitution as the better strength, corrosion

resistance and lower mass of stainless steel, with its associated longer lifespan and lower maintenance costs, favoured its use in the construction industry

Japan was the first country with a stainless steel building code and the US, Europe and SA were likely to follow suit

Schreuder said stainless steel was proving to be the best material for building railway trucks and passenger coaches SA's fleet of Richards Bay dedicated coal wagons were made of stainless steel

They were lighter because the metal's superior strength meant truck walls could be made thinner while the truck could carry a heavier load As there was no corrosive reaction between the stainless steel and iron ore or coal, the trucks "tipped clean", with a minimum of cleaning to be done or wastage suffered.

He said shuttle vehicles for the Euro-tunnel trains travelling under the Channel from France to Britain had been designed in stainless steel, thanks to the metal's ability to stand up to possible fires — stainless steel can absorb 2,5 times as much energy as carbon steel.

He said "environmental housekeeping" favoured the use of stainless steel too, as stainless steel car exhaust systems and scrubber systems in power stations and smelters were proving to be the most efficient in meeting clean air requirements Japan used 25 000 tons of stainless steel car exhausts in 1989 against 6 400 tons in 1983.

Other growth areas for the metal were offshore rig platforms with oil and gas projects worldwide expected to consume 23 000km of pipeline by 1995, much of it for use under salt water conditions, requiring anti-corrosive alloys.

Rhovan project could scupper Australians

8 (Day) 26/11/91
MATTHEW CURTIN

PLANS at Rhombus Vanadium (Rhovan) to get a new vanadium pentoxide operation off the ground in SA, after the failure of Usko's vanadium division, may have scuppered the chances of a rival Australian project.

Rhovan MD Rob Still said yesterday that if the international financial community decided to back a new vanadium project, "it will not be Australian".

Earlier this year Precious Metals Australia (PMA) said it would go ahead with a new R150m vanadium mine at Windimurra in Western Australia. This was described by Highveld Steel and Vanadium chairman Lesley Boyd as "a bum decision".

It has been reported that Rhovan is investigating the construction of a new low-cost vanadium pentoxide plant at its vanadium mine at Ba-Mogopa, near Brits. The plant would be relatively cheap to build because of Rhovan's existing infrastructure.

Rhovan has announced it is looking at a range of op-

tions for its mine and the troubled vanadium pentoxide plant it acquired from Usko for R1 last month. Usko also paid R19m in penalties to Rhovan for its failure to meet contractual commitments to take concentrate from Rhovan for Usko's vanadium plant, which never met production targets.

Still would not elaborate on Rhovan's evaluation of these options, except to say that there had been progress.

However, he said: "If we were to go ahead with our plans, we have the international backing. We have just not made a final decision."

Rhovan had inevitably been drawn into the debate over the relative merits of new vanadium projects in SA and Australia, as "we are obviously in competition" with PMA.

Still said while PMA might have the theoretical edge in refining techniques, Rhovan had superior proven ore deposits in place. Boyd has said that the high

cost of starting up a mine at Windimurra, the poor quality of the ore deposit and the thin margins in the industry meant PMA's project could go the same way as other failed vanadium schemes, such as the Windowie project in Australia, Usko and Rand Mines' Vansa Vanadium.

Still said chances that the depressed vanadium market, blighted by oversupply, unfavourable market perceptions and low prices, was unlikely to improve in the next few years.

In these circumstances, a producer had to have the lowest production costs to justify going ahead with a new project. He said he was confident Rhovan would achieve that goal, unlike PMA and its unproven new technology.

EXECUTIVE SUIT

MR. STONE'S NECKTIE OFTEN REFLECTS THE WAY HE FEELS



Manganese demand in SA set to rise

(217)

C.F. 28/11/94

Own Correspondent

POLEMAN would be the main manganese source with about 20,700 tons in 1993 and 20,000 tons in the 2000 forecast. In 1990, the Soviet Union produced 2,600,000 tons of manganese, but in 1990 it produced 2,700,000 tons. The International Statistical Yearbook of 1990

In a report published in 1990, the International Statistical Yearbook of 1990 estimated that during the 1990s, the rate of increase in the Soviet Union will be about 1% per annum. The report also noted that the high level of manganese production in 1990 is due to a combination of factors.

The report also noted that in the 1990s, the rate of increase in production is expected to be about 1% per annum. This is due to the fact that the 1990 level of production is expected to be about 1% higher than the 1980 level, and the rate of increase is expected to be about 1% per annum.

ROEHLER would be the main manganese source with about 20,700 tons in 1993 and 20,000 tons in the 2000 forecast.

The Soviet Union produced 2,600,000 tons of manganese in 1990, but in 1990 it produced 2,700,000 tons.

Put SA with about 20,000 tons of manganese in 1990, and about 20,000 tons in 2000.

ROEHLER would be the main manganese source with about 20,700 tons in 1993 and 20,000 tons in the 2000 forecast.

SA main supplier. Same rate and volume as in 1990. The rate of increase in production is expected to be about 1% per annum.

However, POLEMAN would be the main manganese source in 1990, and the rate of increase is expected to be about 1% per annum.

Weak prices hit Implats expansion

B (bay) 28/11/91
WEAK platinum group metal prices continue to squeeze expansion plans at Impala Platinum (Implats), with the news that only essential work is being undertaken on the group's R1bn development of the Deeps prospect next to its mines in Bophuthatswana

Implats is renegotiating a multimillion-rand contract with construction firm Stocks Civils, which is involved in the building of the first Deeps mine shaft

Stocks Civils MD Wyn Mundell said yesterday discussions were under way with a

(217)
MATTHEW CURTIN

view to "postponing or cancelling the contract"

Stocks was constructing the headgear and foundations for the new No 15 shaft at Implats's Wildebeestfontein North mine. The cost of the shaft project is R1bn and Implats plans to spend R440m on capital programmes throughout the group in the current financial year

Mundell said the project was about half-

□ To Page 2

Implats B (bay) 28/11/91

complete, but weak platinum prices had apparently prompted Implats to investigate ending the contract

Implats MD Mike McMahon said yesterday the group was continually examining its capital expenditure programmes, and at the moment only "critical programmes" were being undertaken. Non-essential work on the Deeps would be postponed but would not affect the completion of the project, which was on schedule

However, McMahon said "Make no mistake, current market conditions are affecting our plans"

Although platinum prices have improved in the past week to pass the \$370 mark for the first time in more than a month, they are still well down from the average platinum price received by Implats in 1990/91 of \$424 an ounce

Chairman Brian Gilbertson said in

(217) From Page 1
August that without revenue from rhodium, platinum mines would be in the same position as marginal gold mines

Rhodium prices are now at their lowest since May last year, at \$2 350 an ounce, compared with more than \$5 000 for much of the early part of 1991, and an average of \$3 715 received by Implats in 1990/91

Low prices have made Implats shelve plans to revive the Crocodile River mine it acquired from Rand Mines in August, while it has cut the original production capacity of developing mine Messina from 300 000oz to 60 000oz of platinum a year

Market leader Rustenburg Platinum has said low prices will not affect its expansion plans, but will hit earnings in the current financial year. Its new sister mine, Potgietersrust Platinum (P P Rust), has seen its capital cost slashed almost in half by the decision to reject an underground mining plan in favour of open cast operations

FM 29/11/91

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deal are fair," he says "I will be submitting a written document presenting all key facts from the minorities' side"

The scheme of arrangement meeting held to convert Barmine into a wholly owned subsidiary of Barplats was approved by 37,5m votes to 3,5m Barplats was not allowed to vote its own shares at the scheme meeting and the required majority of 75% in favour was achieved only because Old Mutual and Sanlam, which hold 30,5m shares between them, voted in favour

However, the agreement whereby Implats acquired its 38% stake in Barplats did not depend on the scheme of arrangement being approved. It would have gone ahead anyway, but in a different form which would have cost Barplats an additional R10m

Sanlam and Old Mutual committed themselves in advance to voting in favour. Shareholders' Association chairman Issy Goldberg objected strongly to this at the meeting, because of the prior briefing given to the institutions as well as Sanlam's links to Gencor and Impala

The Barmine general meeting that followed approved the Impala deal by 146m votes to 2,2m and the Barplats general meeting by 39m to 0,37m

The scheme meeting lasted three-and-a-half hours. Much of it was spent reploughing old ground. The main issue to emerge was minorities' concern over the price paid by Implats to acquire its 38% stake in Barplats. Implats put up no cash, but contributed mineral rights along with technical and managerial skills valued at R80m. Implats also committed itself to underwrite, with Rand Mines, a R300m rights issue. The issue has been shelved. Issue of the new shares to Implats heavily dilutes the minorities' stake in Barplats

Vaatz contends the mineral rights adjacent Kennedy's Vale mine are valueless because of the mine's poor prospects and claims Barmine has essentially paid R125 000 a hectare for the 640 ha of ground acquired adjacent to the Crocodile River mine. He contends Crocodile River mine's existing mineral rights alone are worth around R1,5 bn and Implats has paid far too little

Barplats chairman and Implats MD, Mike McMahon rejects this, saying it takes no account of Implats' technical and managerial contributions to the mine, "which was going nowhere very fast"

Pléas from other shareholders for Rand Mines/Implats to take out minorities, by either cash payments or issue of shares in Rand Mines and Implats, were turned down. Rand Mines chairman Dammy Watt told the meeting the house had shown its concern for minorities by taking on all Barplats' debt

McMahon said it was a condition of Implats' involvement that there be no offer to minorities because of the high-risk nature of Barplats and Implats was not prepared to acquire more than 38%. McMahon answered virtually all questions, frustrating minorities' apparent desire to get members of the former Rand Mines management into

the firing line

Vaatz says that, should the Supreme Court sanction the deal, the fight is still not over. He would then push for the appointment of an inspector, in terms of Section 257 of the Companies Act, to investigate the company and determine how it wound up in such dire straits. He wants an accounting from Rand Mines management to explain what went wrong to see if action can be taken against them on the grounds that their management was prejudicial to minorities

Brendan Ryan

BARPLATS FM 29/11/91 Minorities' anguish

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Impala Platinum's deal to acquire 38% and management control of Barplats Investments (Barplats) was overwhelmingly approved last week in the face of bitter opposition from minority shareholders. But the fight is not over, according to Windhoek-based attorney Andreas Vaatz

Vaatz, who represented about 1 000 shareholders holding 2,4m shares in Barplats Mines (Barmine) at the meetings, intends putting the minority shareholders' case opposing the scheme directly to the Supreme Court, when it comes up for sanction on December 3. "The Court has wide discretion in determining whether the terms of such a

MINING CLIMBING OUT OF THE PITS

S/ Times (BUS) 1/12/91 (21M)
By IAN ROBINSON

THE mining industry has had another difficult year. It was buffeted by low prices and rising costs, but several developments augur well.

Prices of both precious and base metals remained depressed. Not only did the average gold price — at \$362,4 an ounce — in the first 10 months of the year fall below the average annual price in 1990 (\$383 an oz), but platinum fell below \$350 for the first time since 1985.

The continuing world recession also depressed demand for base metals and minerals.

Stringent measures to cut costs on the gold mines resulted in a turnaround in profits in the second and third quarters. At nearly R350-million the industry's net profit in the third quarter rose by 6% relative to the second quarter and was more than double the profit in the third quarter last year.

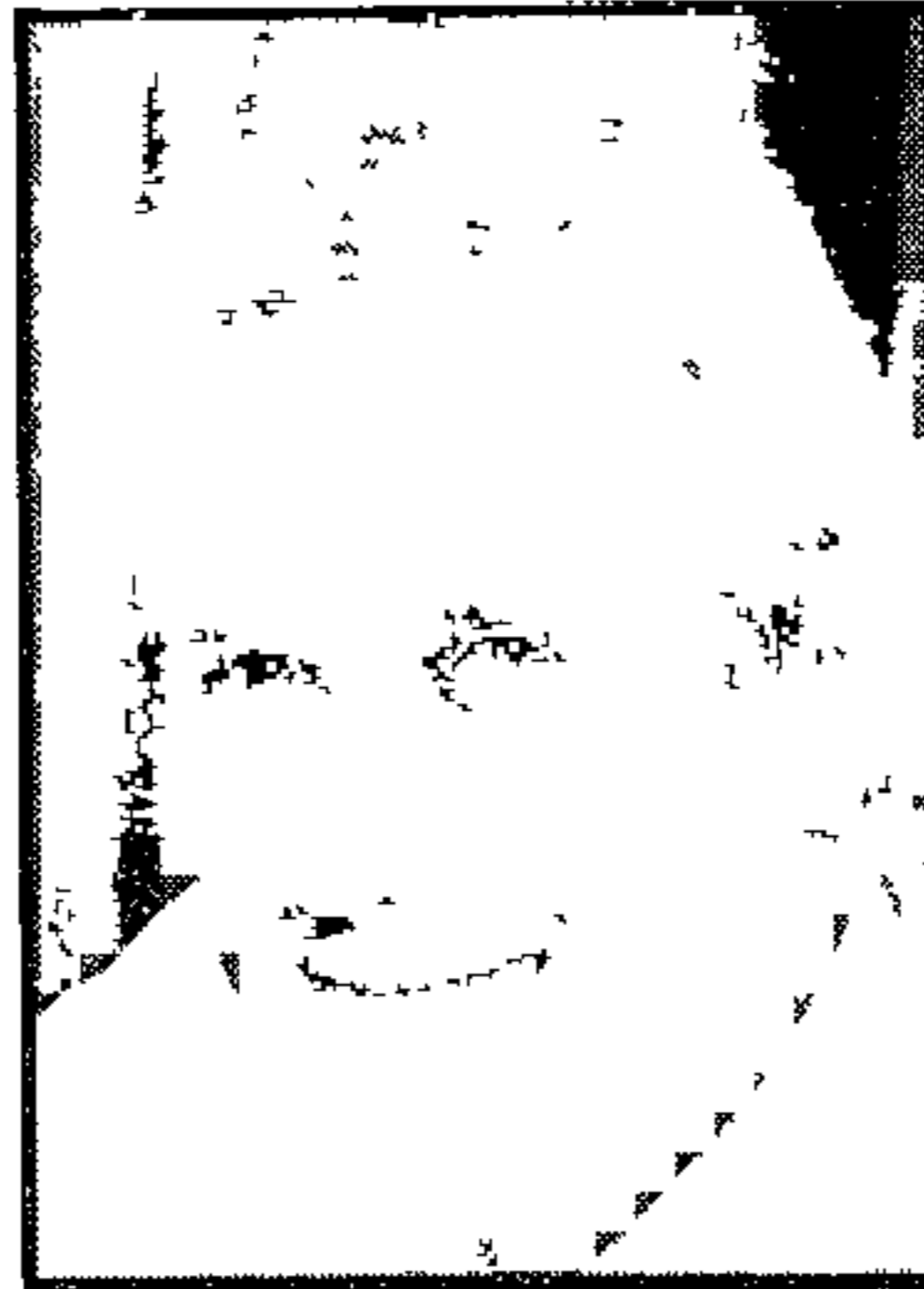
The improvement reflected rationalisation of operations, wage settlements related to productivity and higher grades mined.

Major

The industry's first productivity-related wage agreement, concluded between East Rand Gold & Uranium (Ergo) and the National Union of Mineworkers (NUM) in June, was a major breakthrough.

It was followed by the introduction of similar agreements on other mines in the Johannesburg Consolidated Investment (JCI), Anglo American, Genmin and Rand Mines groups.

Two small gold mines — Modder B and Eersteling — closed this year. Genmin's Stilfontein mine will cease underground operations at the end of the year.



JOHN VORSTER .. mastermind

At the end of July, Rustenburg Platinum and Lebowa Platinum, joint partners in Potgietersrust Platinum, announced that PPRust would be listed to develop the Platreef mine. It will be SA's first open-cast platinum mine.

The mine is scheduled to begin production in mid-1993 at a monthly rate of 200 000 tons of ore.

In August, Impala Platinum acquired control of Rand Mines platinum arm Barplats. Its operations comprised Crocodile River, then an operating mine, but which will be put on care and maintenance in January, and Kennedy's Vale, a developing mine.

In the second half of the year Impala suffered persistent labour unrest at its mines in Bophuthatswana which forced it to buy platinum to meet its supply contracts.

The coal industry received a boost through the lifting of sanctions by

the EC, the US and Japan. This enabled them to sell coal without "political discounts".

Sasol went ahead with the development of its Syferfontein mine, which has an annual production target of 7-million tons. At full production Syferfontein will enable Sasol to meet its coal needs for oil production entirely from its own mines.

Weak world demand affected vanadium more severely than other base metals and forced the closure of Highveld Steel's Vantra plant at the end of July and Usko's plant at Vereeniging in October.

Rand Mines sold its Vansa Vanadium to a consortium of foreign investors Vanadium Technology (Vantech) in a deal masterminded by John Vorster, chairman of Chromecorp Technology.

Study

In contrast to weak markets for other base metal ores Iscor concluded a new contract with Japanese steel mills for the supply of iron ore and found additional markets in Europe which will raise exports from the Sishen mine by a million tons a year to more than 15-million.

SA took two decisive steps in the direction of increased beneficiation of raw materials with the announcements of the proposed Columbus stainless-steel project and the Alusaf 2 project.

Columbus, a Samancor-Highveld joint venture will have an annual capacity of 400 000 tons. It will incorporate the Middelburg Steel & Alloys plant which Samancor

Alusaf is carrying out a feasibility study for a second aluminium smelter with an annual capacity of more than 400 000 tons.

Bulldozers to move on kaolin site

S/Times (Buss) 1/12/91 (21M)

THE company at the centre of the row over the proposed mining of kaolin on the slopes of Chapman's Peak says it is to begin preparing the site within weeks

Mining is to begin within two years, says Mr Carl Tarrant, managing director of the company, Serina.

"If financial compensation were offered in exchange for giving up the mining project, the figure would probably have to be about R75 million," he said.

"Three years ago we had 20 experts in their various fields compile an impact

By EUGENE ABRAHAMS

study for kaolin mining in the area. If I am to be led and guided by them, then there is no reason for me not to go ahead with their recommendations."

The Minister of Transport, Dr Piet Welgemoed, who has given no indication whether he is for or against the mining, has said Noordhoek's kaolin deposit is the best in South Africa and the cheapest to mine.

He also said no other kaolin deposit matched the quality of that at Noordhoek. However, the Cape Town Chamber of Commerce — one of many bodies that have

spoken out against kaolin mining — has said there are other deposits in the Western Cape. It says a site at St Helena is far more suitable for mining than that at Noordhoek.

Bodies opposed to the scheme had their hopes dampened when it was learned that under a new law, effective from next January, Serina would not need a permit for mining.

Protests

Said a spokesman for the Department of Mineral and Energy Affairs, Mr Willie Voigt: "In terms of the new mineral act, which replaced the old Physical Planning Act, Serina can start mining on January 1, 1992. They are the owners of the mineral rights, and will not need to apply for a permit or mining authorisation for 1993."

Asked if Serina's right to mine at Noordhoek could be overturned, Mr Voigt replied: "The only way it can be overturned is by some sort of court order."

The Save Chapman's Peak Action Group is preparing protests for the day Serina's bulldozers begin work, says chairman Mr John Butterfield.

It is also to take legal action against the Department of Mineral and Energy Affairs on the grounds that it has acted against the interests of the community.

"We are not worried about the protests and protesters," Mr Tarrant said. "Just as they have the right to disagree, so we have the right to go ahead."

Call for inquiry into Barmine 'negligence'

2/12/91
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THE attorney leading a campaign by minority shareholders for redress in the Barplats Mines (Barmine) controversy has called for a judicial inquiry into Rand Mines' running of the now defunct platinum operation.

Windhoek lawyer Andreas Vaatz said at the weekend that minority shareholders should contact their MPs to urge government to look into "whether there has been recklessness or negligence on behalf of those in charge (Rand Mines)".

Rand Mines chairman Dammy Watt said yesterday that there had been no negligence on the part of the mining house in running the platinum operation or in the analysis of its prospects. Rand Mines had originally "rescued" Barmine in taking it over from Loucas Pouroulis in 1988.

Watt reiterated comments he made at a shareholders' meeting last week that Rand Mines decision to sell Barmine to Impala Platinum (Implats) was in shareholders' best interests. Not only had Rand Mines taken on hundreds of millions of rands of debt, but the Crocodile River platinum mine was now in "survival mode".

"In the capable hands of Implats, all shareholders stand to gain from the revitalised operation," he said.

Rand Mines sank more than R1bn into

MATTHEW CURTIN

the Crocodile River mine and its sister mine at Kennedy's Vale. The mines were sold to Implats in August.

Implats has mothballed Crocodile River — Kennedy's Vale was shut down last year — and its smelting and refining works, citing weak platinum prices as the reason.

Vaatz is taking his campaign to court tomorrow in Johannesburg. The Supreme Court will be asked to rule whether the scheme of arrangement in which Barmine becomes a wholly owned subsidiary of Barplats Investments (Barplats), thereby diluting minority interests, has prejudiced these interests. Shareholders in Barmine, soon to be delisted, will receive 35 Barplats shares for every 100 Barmine shares.

Vaatz has said the court has wide discretion in determining whether the terms of the deal — in which Implats took control of Barplats — is fair in terms of the Company's Act.

At a scheme of arrangement and shareholders meetings 10 days ago, Vaatz and other minority shareholders expressed concern at the running of Barplats, Barmine and the details of the Implats deal, but failed to block the transaction.

JCI research arm open to all

MINERALS Processing Research Laboratory (MPRL), the metallurgical research arm of Johannesburg Consolidated Investment (JCI) group, is trying to woo business outside JCI by selling its leading-edge analytical and technological services.

MPRL initially provided only an in-house analytical service but now does 20% of its work with companies other than those in the JCI group. The laboratory has an annual budget of R16m on top of hundreds of millions of rands worth of equipment invested at its site near Germiston.

That equipment includes a R1,25m Inductively Coupled Plasma — Mass Spectrometer which by heating sample particles to 10 000 degrees celsius can identify and measure elements in parts per trillion.

Presenting MPRL's current operations to mining, media and stockbroking representatives on Friday, chief consulting chemist Neville Randolph said the laboratory was on a three-fold drive to improve contacts outside JCI, as well as its analytical and technological services.

MPRL has built up an integrated research operation based on serving Rustenburg Platinum, JCI's gold and coal mines, and its ferrochrome operation, Consolidated Metallurgical Industries.

Randolph said MPRL's chemistry, min-

MATTHEW CURTIN

eral dressing, mineralogy and projects sections were now competing to some extent with the Chamber of Mines, Mintek and the universities for business. (219)

MPRL set up the Chemical Effluent Control (Chemeffco) company to market its low-cost water purification and desalination process, dubbed Gyp-cix.

Hydrometallurgy department head Heinz Gussman said the new process dramatically improved mines' ability to treat contaminated water pumped up from underground operations.

By treating large volumes of water with cheap lime and sulphuric acid, the Gyp-cix process produced clean water, at 73c a litre, and gypsum, a solid, inert waste material. (B/day 2/12/91)

MPRL has pioneered a new smelting process, called Foxsmelt. The process does the same job as electric furnaces at 25% of the capital and 75% of the operating costs.

What MPRL is not selling is its Qemsem technology which, by using a high-powered computer and electron microscope, provides highly detailed analysis of the metallurgical qualities of platinum bearing reefs.

Cobalt a surprise boost for platinum producers

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MATTHEW CURTIN

SA's mining companies and their overseas competitors have suffered the commodity price blues so far in 1991. But platinum producers are set to enjoy some relief from the trough in the world commodity price cycle from an unexpected corner: rocketing cobalt prices.

Free market prices for cobalt jumped from \$15/lb in the first nine months of this year to more than \$30 as the depth of the crisis afflicting Zaire emerged at the start of November. They are now down slightly at \$26 to \$28/lb, against the ceiling set by African producers of \$15.

Until the crisis in Zaire, the prospects for the market in cobalt were as gloomy in the short term as for other metals. The Minerals Bureau forecast unchanged supply/demand in 1991 as growing consumption of cobalt in the electronics industry offset the fall in aerospace industry demand.

Zaire is the primary cobalt producer, contributing 29% of world production in 1990, ahead of Canada (19%) and neighbouring

Zambia (14%).

By mid-November state-owned mining company Gecamines said that Japanese customers could expect only 60% of cobalt supplies ordered in long-term contracts. Gecamines had also approached its Belgian bankers to allow the distribution of their cobalt stockpile, held as collateral, so that the mining group could meet its contractual commitments as far as possible.

The London-based Metals Bulletin reported that Gecamines said the mines had lost 3 500 tons of copper and 150 tons of cobalt after days of looting and rioting in September.

The disruption in communications between Zaire and the outside world means the current situation is unclear, but Gecamines has said while talks with workers have been underway to defuse labour unrest, the group needs investment of \$400m to bring production back to full capacity.

In SA, the ore bodies which Rustenburg Plati-

num (Rusplat), Impala Platinum (Implats), and Lonrho SA mine contain large amounts of base metals as well as those of the platinum group.

Some observers have dubbed Potgietersrust Platnums — JCI's new platinum mine on the Platreef — a nickel mine with its by-product platinum. Base metal revenue will be almost as important as platinum to its performance.

Rusplat was the first company to produce cobalt in large quantities, from 1979, and total SA production hit 249 tons last year, about 1% of world supply.

Rusplat marketing director Todd Bruce says cobalt is produced in SA "a by-product of a by-product", as cobalt is extracted after copper in its base-metal refining process.

Rusplat does not comment on the break-down of its metal revenues, but at a time of falling platinum and rhodium prices, and sluggish copper and nickel prices, better margins from cobalt production, most of which is exported, can only help.

Tourism 'beats mining for jobs'

By Julianne du Toit

St Lucia, already under pressure from proposed titanium mining, would be even more threatened by a future government trying to provide jobs and wealth, says Natal Parks Board conservator Gordon Forrest

Mr Forrest, conservator of St Lucia's eastern shores, where the proposed mining could take place, said tourism was a far more reliable, long-term source of jobs and income than mining

Mr Forrest referred to a report put out recently by the Natal Parks Board detailing tourist potential for the eastern shores. It said 3 250 overnight visitors could eventually be accommodated

Richards Bay Minerals (RBM), the company making a bid for mining Lake St Lucia's titanium, says it would provide about 760 jobs for about 20 years.

Mr Forrest added "there was no way" RBM could fully rehabilitate the dunes they proposed mining.

RBM public relations manager Barry Clements said RBM had never promoted a mining-only concept and believed that mining and tourism could co-exist

"But when comparing mining potential and tourism, one cannot deny that mining will generate about R238 million in foreign currency per annum from the St Lucia reserves — while the whole of the tourist industry in Natal including Durban, the South Coast and Drakensburg generates about R400 million in total," he said

Weak response holds up Gencor unbundling plan

6/Dec 4/12/91 *(11/10)* *(214)*

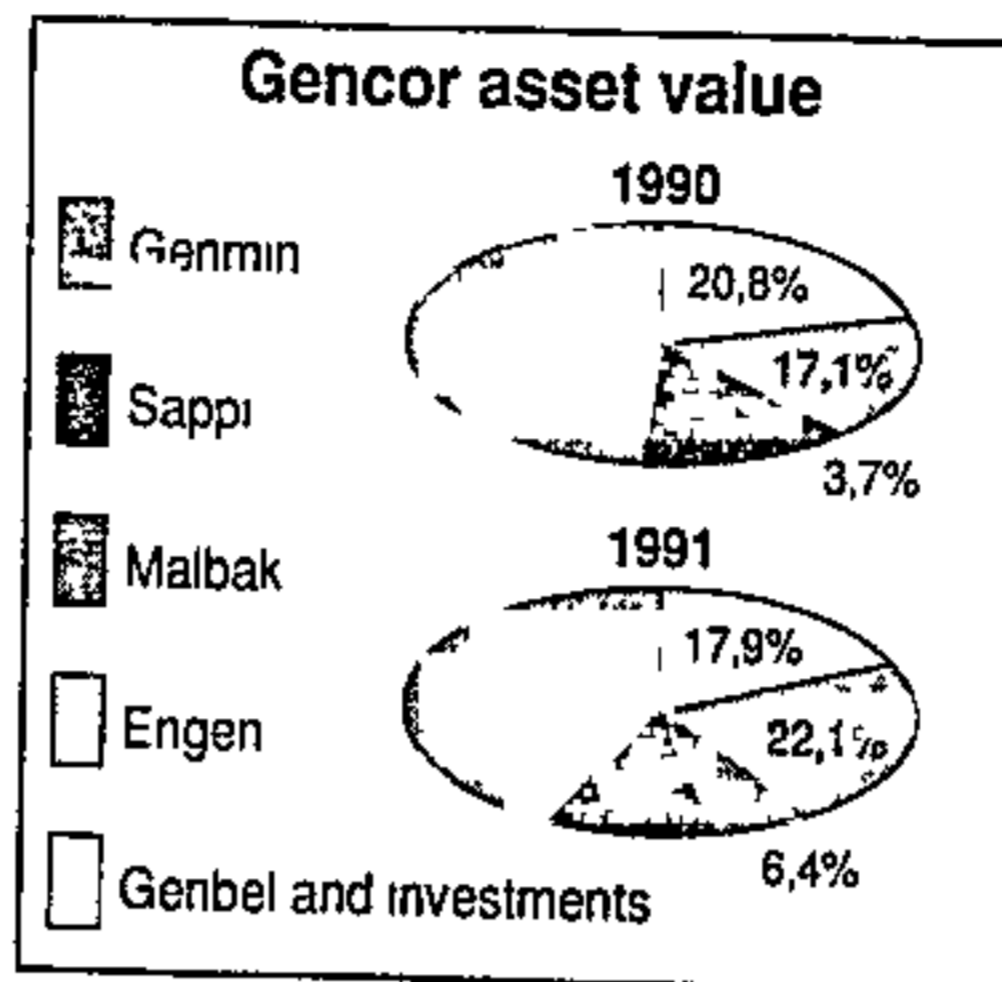
MATTHEW CURTIN

LACK of enthusiasm among shareholders for the proposed unbundling of the Gencor group has robbed Gencor of the incentive to go ahead with the scheme, chairman Derek Keys says in his 1991 annual review

However, Keys said "I remain convinced that this is a valuable option to preserve and we are clearing away the minor obstacles to its implementation so that it will be available to us should conditions change in its favour"

He said when Gencor first proposed distributing shareholdings in its five divisions to shareholders, he thought the proposal would be welcomed and that it would not prejudice other stockholders

"The latter statement is certainly true but shareholder enthusiasm for the move was definitely lacking — the Gencor share price dropped 20c — and we therefore lack sufficient incentive to proceed," he said



Graphic: FIONA KRISCH Source: GENCOR

Keys said the scale of Gencor's expansion plans — from the Columbus stainless steel joint venture with Anglo American to the Alusaf smelter project, the recapitalisation of paper group Sappi and the development of Impala Platinum's the Deeps prospect — meant the group had to consider replenishing its cash resources

Gencor would increase its authorised share capital at its AGM in January and hold a multi-billion rand rights issue soon after

However, Keys said Gencor's cash resources were such that while it intended to raise money on the stock market, it was not compelled to do so

As of August 31, the group's liquid funds stood at R1,9bn, made up of R1,3bn in cash and money market assets, and an investment portfolio worth R600m at current prices Last year, total liquid funds amounted to R1,7bn

Keys predicted that "the downward pressure on profits" at Gencor would continue for the rest of the financial year

He said it was a matter for "considerable, if somewhat wry, satisfaction" that despite the plunge in the prices of commodities in the past financial year and the disappointing progress on inflation in SA, the decline in Gencor's underlying operating income was kept to 6%

Granite producer Keeley made its first appearance in Gencor's review of Genmin's minerals division.

Genmin took a 28,1% stake in Keeley in April.

STAR 4/12/91.

Gencor full of confidence

By Ann Crotty

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The downward pressure on profits is expected to continue throughout financial '92, according to Gencor chairman Derek Keys who says, in the group's '91 annual report, that wherever possible "we are acting to keep the loss of ground to a minimum".

Despite the tough trading environment envisaged in financial '92, Mr Keys points out that "scarcely a month goes by in which we do not complete or initiate a further strengthening of our ability to compete in the longer-term somewhere in the group.

"The potential is ex-

panding and we have the patience and the commitment to await its realisation."

Major developments in the Gencor stable include the Samancor/Columbus project; Engen; Sappi's R1 billion rights issue; the development of the Oryx mine and; Impala sinking its first major shaft in the Deeps.

Cash resources

Mr Keys states that Gencor is ensuring that none of the projects relies for its vindication on any factors other than the ongoing development of free world markets "and our own comparative advantages".

In order to replenish

the cash resources at the group's centre Gencor will be increasing its authorised share capital at the agm in January and hold a rights issue sometime after that.

● Referring to previous suggestions to unbundle Gencor (distributing Gencor's shareholdings in the five divisions to its shareholders), Mr Keys notes the lack of shareholder enthusiasm for the move.

But he remains convinced that unbundling is a valuable option to preserve adding: "We are clearing away the minor obstacles to its implementation so that it will be available to us should conditions change."

Low metal prices send Lonrho sliding

MULTINATIONAL conglomerate Lonrho's shares continued to plummet in London and Johannesburg yesterday, as fears of a sharp fall in profits because of weak platinum group metal prices were compounded by concerns about group debt.

Rumours swirling around the group included the possible retirement of CE Tiny Rowland by year-end.

On the JSE, the share followed Tuesday's fall of almost 6% by tumbling 10.2% or 115c to R10.05, but off a low of 975c.

After Tuesday's 9% drop in London to 220p Lonrho slumped by another 11% before recovering to 182p for a net slump of

B1P24 5/12/91
JOHN CAVILL and
MERVYN HARRIS

17.3% in two days. Turnover was heavy with 11.4-million shares traded.

At its new low for the year Lonrho is valued at just under £1.2bn — £620m below the 1991 peak of £1.8bn. Rowland's personal stake of 15% has dropped £93m.

Analysts said the collapse was triggered by a broker's report that a \$2 000/oz fall in the rhodium price could cost Lonrho \$120m (£67m) in pre-tax profits. Lonrho's platinum group mines produce 60 000oz a year.

217. □ To Page 2

Lonrho

Rhodium has fallen sharply in the past six weeks from about \$3 000/oz to \$2 025/oz yesterday — against the 1990 average of \$3 500, when it hit a high of \$7 500.

Lonrho made pre-tax profits of £267m in the year to September 1990 and first-half profits for 1991 were only £1m down at £109m — in March rhodium was \$5 300.

London analysts said while rhodium was the main force behind Lonrho's sell-off, investors were also worried about the company's debt — nearly £1bn.

"The fall has generated a lot of other

concerns. There is talk of Lonrho floating off its hotels and the Ashanti gold mines or even taking over Brent Walker (the failed leisure group into which Lonrho injected cash to try to save it)," said Credit Lyonnais analyst Nigel Utley.

"Lonrho has few big institutional shareholders so the selling has not been countered by buying from investors prepared to take a longer view."

At yesterday's price of 182p, Lonrho shares yielded 11% and were rated on a historic price-earnings multiple of 8.3.

From Page 1

Leaner Rand Mines fold a 'positive development'

THE FALL of the house of Rand Mines to the status of a coal-mining house bodes well for the group's future, despite being shorn of its platinum, vanadium, chrome and forestry interests, says chairman Dammy Watt

Watt said in his annual review that the group's reorganisation was "a positive development"

"In the process of change the company has shed many problematic operations to concentrate on its significant investment in one of the premier coal mining companies in SA," he said

Coal mining arm Witcol contributed 89% of attributable earnings in 1991 from Rand Mines' six operating divisions.

In 1990 Witcol contributed 81% of those earnings, against only 50% of the group's total attributable income in 1986

Watt said Rand Mines had peripheral but important interests in gold mining, property and management surfaces plus a significant reservoir of skills in deep-level mining.

"Adjusting to the change in structure will not be without problems for many of our employees but the re-

wards to be earned in the long-run will be worthwhile and of benefit to all stakeholders," Watt said

He said the complexity and magnitude of the problems Rand Mines faced in the past year were such that the remedial measure taken "cut deeply and traumatically into the very fabric of the group".

Write-offs related to the sale of the now-mothballed Barplats Mining (Barmine) platinum operation and the mothballing of the developing Barbrook gold mine slashed Rand Mines' net asset value from R101,64 a share in 1990 to R55,26 a share in 1991.

Strength

In taking on R207m in debts from Barplats Investments (Barplats), the group's debt to equity ratio climbed from 53% to 86%

In the same time, retrenchments in the group, from its head office at the Corner House in Johannesburg to its gold mines, saw the strength of its workforce drop 26% in the year from 70 336 to 52 212 employees.

Five years ago Rand Mines employed nearly 100 000 staff

Watt said a feature of 1991 was the "remarkable change witnessed in industrial relations, not only for the mining industry but for other sectors of the economy"

Trade union leaders and most workers had a greater awareness of the problems facing industry

The productivity schemes put in place on the gold mines after union and association negotiations were "a historical breakthrough" as the union movement had consistently rejected the idea of performance related pay increases in the past.

However, he said 1992 would be a difficult year for the gold mines. Gold prices were unlikely to overtake this year's levels in rand terms

Rand Mines four gold mines had pulled themselves round in the second half of the year to offset first half, after-tax losses of R42m

Watt said the debt-laden ERPM had realised working profits for two quarters running despite being one of SA's highest cost producers

The challenge facing the mine now was to cover its deferred interest charges

BIP/PLW 6/12/91

MATTHEW CURTIN

RM chief ⁽²¹⁷⁾ urges end to ring-fencing

By Derek Tommey ^{STAR 6/12/91}

Dammy Watt, chairman of Rand Mines, says it is regrettable that the Government has not yet removed ring-fencing entirely ^{STAR 6/12/91}.

Very little further revenue would be forfeited if ring-fencing were lifted immediately.

It could have made it possible to avoid the cutbacks in the operations at Crocodile River platinum mine, he says in his annual statement

Rand Mines had serious financial problems in 1991. But Mr Watt says the group is planning for the future with renewed confidence and will be free of debt in the first half of 1992.

"The 1991 financial year was one of the most challenging in the history of the group. But it saw the implementation of a far-reaching restructuring programme designed to address a series of major and highly complicated problems

"The remedial measures cut deeply and traumatically. Enormous sums have been written off the accumulated reserves, large borrowings have been assumed and, regrettably, many employees at all levels have been retrenched, causing much anguish in their families."

Mr Watt is hopeful that the drastic restructuring programme will enable the company to plan for the future, free of debt and with renewed confidence

Although operations were affected by unfavourable trading conditions, attributable profit for 1991 at R250 million rose 12 percent.

The profits included abnormal income of R68 million, of which R28 million was attributable to the coal division

The attributable profits included the sale of a significant portion of the investment portfolio.

Extraordinary charges for the year of R735 million were primarily the result of the write-offs and losses in respect of Barbrook and Barplats, offset partly by the profit on the sale of the seven million sub-divided shares in Witbank and the disposal of the forestry division

Two likely solutions for Impala's problems

S Times (Bus), 8/12/91

21M

I VISITED Impala Platinum managing director Michael McMahon hoping to arrive at an opinion about where the group is going.

Shareholders have had a rough year in which the share price rose from below R40 in January to R68 in May, fell to R45 by August, rallied to R55 and retreated to R45 in November.

The platinum price fell all year until the recent rally. But Impala's problems have been compounded by labour troubles.

Its operations are in Bophuthatswana, whose Government will not permit unionisation of the workforce. Nor are strikes allowed, but the mines have been plagued by violence and stayaways.

Impala lost 2½ weeks' production — it makes 1,1-million ounces a year

Mr McMahon says 98,5% of employees are working and absenteeism is a shade higher than average.

Chairman Brian Gilbertson could be obliged to close any mine running at a loss.

Mr McMahon offers two solutions. The shorter-term one involves the National Union of Mineworkers (NUM) and the Bophuthatswana Government burying the hatchet and the NUM being allowed to register as a foreign union under Chapter V of the Industrial Conciliation Act.

In the long run, reincorporation of the homeland into SA may result in a standard approach.

Working costs tend to rise as mines get deeper and labour problems lead to higher wage bills. Impala is beset by both circumstances and its competi-



MICHAEL McMAHON Proof of the pudding in the eating Picture COBUS BODENSTEIN

tiveness worries some analysts because of platinum mines being developed.

Mr McMahon makes light of the analysts' opinions.

"All their graphs of working costs show that the cheapest producers are mines that are not yet operating. The proof of that pudding will be in the eating."

Some mines might not reach the day of judgment. Barplats, pair of Crocodile River and Kennedy's Vale are on semi-permanent ice.

DIMENSION Data executive chairman Jeremy Ord still signs every requisition for foreign purchases made by his highly successful communications company.

It is an example of the discipline exercised over cost control at a group which employs 300 and has not a cent of borrowings.

Aware of how costs climb in proportion to heads, Mr Ord says productivity has improved. The target is sales an employee of R330 000.

Didata does not disclose turnover, but by my calculation this puts the figure at close to R100-million for 1991 and an operating margin of 20% seems near to the mark.

At December 31, 1990, capital employed was only R25-million, of which R24-million is shareholders' funds.

Behind the success of this prosperous company lies not a special secret but a singular strategy.

"Our business is in computerised communications," says Mr Ord. "We have not diversified into other businesses in the way some of our competitors have."

He does not add that diversification has often been to competitors' detriment.

Didata has avoided another trap that has sunk many — acquisitions of companies at absurd premiums in search of the elusive synergy.

"Acquisitions are about buying people, not companies. The people have to fit in."

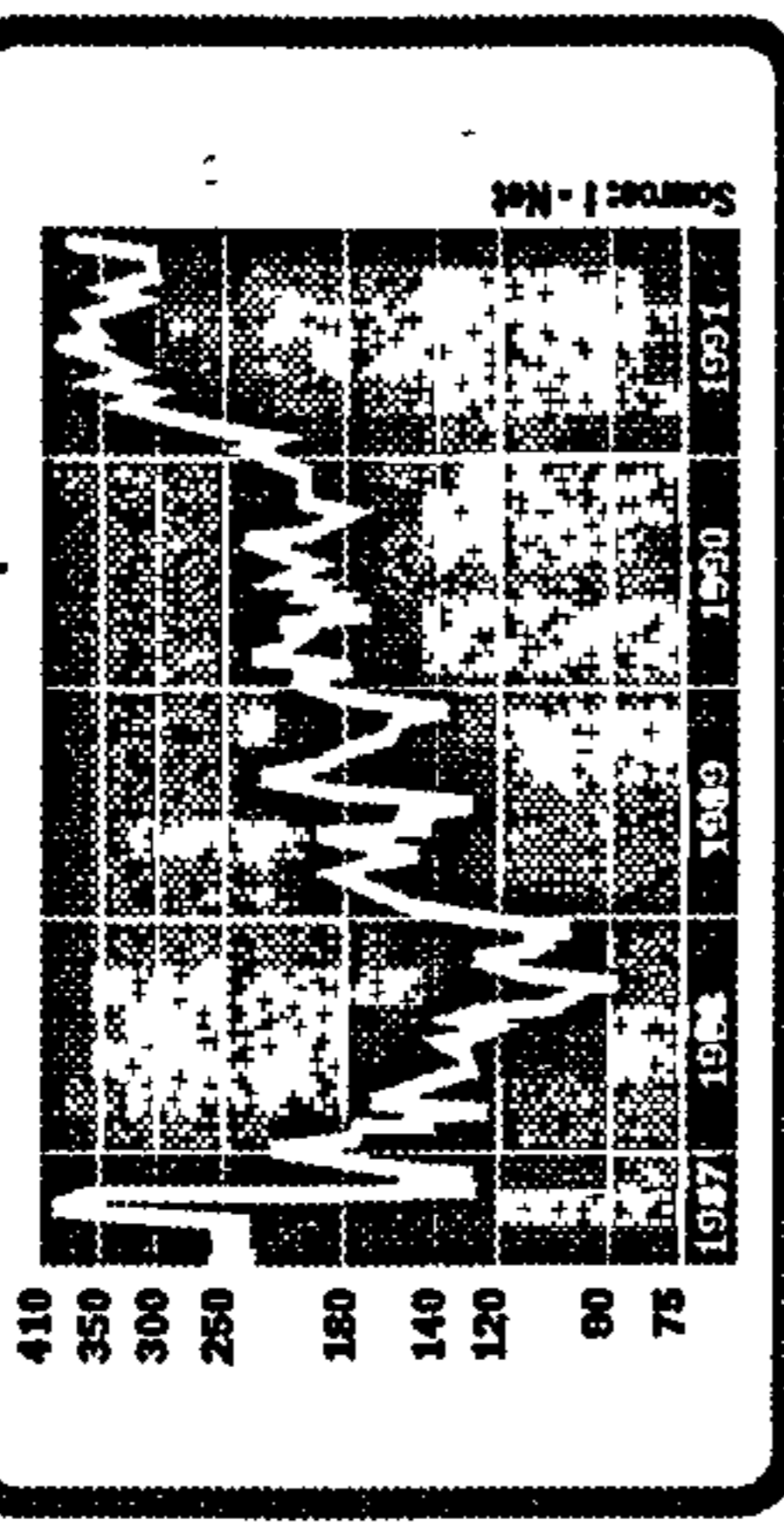
Other companies' stocks Didata does not need.

"We have fairly long lead times on projects and do not have to carry surplus stocks on our books."

Didata did buy a cabling company this year, Johannesburg-based Perfection Systems. It was a little smaller than its own Advanced Cabling company, but has complemented

Didata cares for the cents

S Times (Bus), 8/12/91



DIMENSION DATA

tary operations and management that Didata desired to handle the ever-growing challenges of cabling systems together.

The deal has gone down well, as has the launch of a pair of SA-made gadgets designed in-house by Didata.

One is a modem, the other a multiplexer called the shuttle. In lay terms, sending information from A to B is most cost effective if best use is made of time and space in the transmission system.

That is what a multiplexer does.

The research costs of successful products are amortised over three years, but the money spent on lemons is written off up front. Other computer companies' reluctance to take such costs on the chin has led to at least two liquidations.

"We have two chartered accountants who are sticklers for that sort of thing."

Video-conferencing is catching on in SA because the cost of gathering a board of directors in one place is high. Each party to the conference has a camera and a monitor on which he or she can pick up the other parties. The outlay is recovered after a few uses when the alternative time and travel expenses are considered.

The company has won customers on the back of a reputation for reliability and delivery.

A December yearend, Didata's results are sure to please shareholders. At the interim, earnings had climbed by more than a quarter to 17,6c a share. The share price is at a high of 385c.

The prospects of its climbing as steadily as it has for the past three years are exceptional.

Lonrho takes a beating (217)

By Neil Behrmann ^{STAR} 9/12/91

LONDON — Lonrho, the international mining and industrial conglomerate which owns Western Platinum, has taken a battering on the London Stock Exchange.

In only a week, the shares slumped 30 percent to a low of 148p (R8), before reviving on Friday to 169p (R9).

In a year, the share price has more than halved and it is back to levels seen after the stock market crash of 1987.

The company swiftly issued a statement that there was no reason for the sharp decline.

It said the company was considering whether to call a stock exchange inquiry into the share price slump, particularly since there were reports of a bear raid on the shares.

Yet city analysts have been downgrading its profit forecasts.

Sentiment has also been bearish because of the collapse of the Maxwell publishing empire and fears about public companies that are run by individualistic entrepreneurs.

City analysts, who were too scared to go on record, stressed that the Lonrho group could not be compared with the maverick debt-ridden Maxwell empire.

Yet it appears that the market began to become concerned after a lengthy London Sunday Times feature a week ago.

Tiny Rowland, Lonrho's chairman and chief executive, turned 74 last month. So the newspaper

delved into the question of his likely successor.

Having built Lonrho from a small African trading group into a huge multinational conglomerate with interests in mining, hotels, car distribution and newspapers, Mr Rowland "is inextricably linked to its fortunes", said the Sunday Times.

For the time being the question of a successor is not a problem, said the Sunday Times.

But the board is regarded by city analysts as being totally under his control.

He is the company's largest shareholder, with 15 percent of the equity, and earns £1.5 million a year (R7.5 million).

He has an unrivalled network of political contacts and has been a dealmaker, city analysts say.

The city fears that executive directors and its managers might not have Mr Rowland's talent as an entrepreneur, even though it is a competent corporate team, the Sunday Times concluded.

Meanwhile, the recession is biting into Lonrho's profits, a company with net debt of around 75 percent of shareholders' funds, say analysts.

Warburg and James Capel estimate that earnings per share will fall to 19p in the year to September 1991 from 21.9p the previous year and will dip to about 18p in 1992.

Dividends, net after UK tax, will remain unchanged at 16p.

Shearson Lehman's estimates are more optimistic and the brokers are advising purchase of the

shares because the dividend yield is so attractive.

Investors, however, no longer believe in the credibility of analysts' forecasts, because they were recommending the shares at much higher levels.

Moreover, analysts' predictions of other companies' earnings have tended to be too optimistic.

Shares of leading UK companies, British Steel and Trafalgar House, collapsed when profits turned out to be much lower than analysts' projections.

Lonrho's pre-tax profits fell one percent to £109 million in the six months to March 1991.

But results would have been worse had the company not benefited from Western Platinum's excellent performance.

The group's mining operations made a substantial contribution to profits, said the company.

Production of platinum group metals soared 50 percent from a year earlier and the high price of rhodium undoubtedly helped.

Since then prices of platinum and rhodium have slumped, so investors are concerned about mining profits. The dollar has also slid.

Since the company earns a lot of dollars abroad, profits translated into sterling will be lower, say analysts.

In the interim report, the company said the recession in the UK had adversely affected motor manufacturing and retailing.

The company said, however, that it was cutting costs and rationalising operations.

Soviet dissolution gives fillip to metals prices

By Neil Behrman (01241)

LONDON — The dissolution of the Soviet Union and concern about its future are lifting the fortunes of gold and platinum.

Gold rose to a fix of \$370.70 in London, while platinum traded at \$374 an ounce, the highest levels since July.

Soviet metals exports are expected to be lower in the coming year, despite the country's

desperate need for cash.

Exports will slide because of the crisis in the Soviet Union and attempts by the Russian Republic and others to achieve better prices, say analysts.

"There is a good chance that Soviet metals exports will peak this year," says Thomas Baack, chief economist of Metallgesellschaft in Frankfurt.

Acute energy shortages and problems such as pollution will

crimp production, he says.

Moreover, Soviet republics will be wary of exporting surplus raw material stocks needed for domestic industry, he says.

As a result of declining production, poorer quality metals, the severe Soviet winter and transport hitches, smaller quantities of metal will reach the West in coming months, says Edwin Arnold, metals specialist

at Merrill Lynch.

He estimates that East European, but mainly Soviet gold exports, will fall to 260 tons next year from 350 tons in 1991.

Aluminum from mines will slump to 600 000 tons from 700 000 tons, he says, while aluminum scrap exports estimated at 300 000 tons this year are likely to be sharply lower in 1992.

Copper exports in 1992 will

decline to 210 000 tons from an estimated 250 000 tons this year and 405 000 tons in 1990, he says. Nickel exports are expected to slide to around 93 000 tons from around 110 000 tons this year.

Some analysts such as Robin Bhar of London brokers Carr Kitchat & Aitken believe the foreign exchange crisis will force Soviet republics to sell large quantities of minerals in the coming twelve months.

Yet initial indications that Soviet metals exports would decline next year came from the announcement last month that the Russian Republic intended suspending licences on oil exports and was studying possible changes in gold, diamond and coal dealings.

Commodity dealers and analysts believe the Russian Republic intends centralising the sale of its commodities to obtain better prices.

For the past two years, international merchants have been swamped by growing numbers of competing Soviet organisations and businessmen offering commodities at varying discounts.

Soviet republics, however, are unlikely to discard longstanding Western customers when exports are reorganised. De Beers Centenary, for example, continues to receive its monthly allocation of diamonds from Russia.

Pressure

A proposed Group of Seven nations \$1 billion gold-backed loan and deferral of principal debt payments will reduce pressure on Soviet organisations that were dumping gold and other commodities at depressed prices.

The Soviet Union's proposed 104-ton gold swap with the Group of Seven nations allows the Soviet republics to buy time.

The Soviet payment suspension on foreign loans also helps. As a result, there will be less pressure on commercial banks to sell Soviet gold collateral on previous loans.

The gold price has been weak this year, partly because the market has had to absorb estimated sales of 50 tons from original Soviet gold collateral of 225 tons.

R900m Anglo project awaits go-ahead

MATTHEW CURTIN

ANGLO American could give the green light to its R900m Namakwa Sands heavy minerals project in a matter of months, a company spokesman said yesterday.

A feasibility study would be finished early in 1992, "at which stage a decision will be taken" on whether to go ahead.

"This decision will be influenced by the availability of tax and other concessions from the government," the official said.

The exact timing of the project would depend on market conditions for zircon and titanium dioxide.

Mineral sands contain various rare elements such as ilmenite, rutile and titanium. Once refined, they are the primary raw materials in the production of titanium dioxide pigment, a key ingredient in the paint, paper and plastics industries.

The estimated capital cost of the project's mine and separation facilities is R518m, with R350m to be spent on its smelter, plus R54m to upgrade transport and water facilities.

The components of the project are situated on the northwestern Cape coast.

The mine site is near Brand-se-baar; the mineral separation plant will be built near Koekenaap and the smelter is situated near Saldanha Bay.

The Anglo official said the project would employ 760 people by 2002.

It would be the first major industrial development in the region, and would have foreign exchange earnings of R360m a year.

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(217)

Anglo mineral venture

STAR 12/12/11
Anglo American said yesterday it was evaluating a project to mine heavy minerals on the West Cape, 80km northwest of Vredendal, at Brand se Baai

It said the feasibility study would be completed early next year.

If found to deliver positive signals, Anglo said it would decide whether to go ahead with the project — based on the availability of tax and other state concessions

Anglo said it intended

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to mine four main products from the area. zircon, rutile, high titania slag and pig iron

There would be three separate facilities if the project got off the ground.

Mining and preliminary concentration of heavy minerals would take place at Brand se Baai, while further processing of the primary concentrate to produce the minerals would take place north of Koekenaap — Sapa.

ASSOCIATED ORE

In the trough

(217) FM 13/12/91

Financial results of Associated Ore & Metal (Assore) largely reflect the performance of its main associate company, Associated Manganese Mines (Assmang) and its wholly owned subsidiary, Feralloys

Fortunes of the mining company and the ferromanganese producers are linked to the international steel cycle. Ferrochrome prices remain weak, but, according to Assore, are expected to show a modest increase in the coming year.

The directors say carbon steel production

(217) FM 13/12/91

COMPANIES

Activities: Mining holding company with interests principally in base minerals and metals

Control: Oresteel Investments (52,3%)

Chairman: G Sacco, MD G Sacco

Capital structure: 1,4m ords Market capitalisation R273m

Share market: Price R195 Yields 2,8% on dividend, 5,8% on earnings, p e ratio, 17,3, cover, 2,1 12-month high, R200, low, R150

Trading volume last quarter, 13 000 shares.

Year to June 30	'88	'89	'90	'91
Pre-int profit (Rm)	10	41	44	21
Attributable income	7	36	38	16
Earnings (c)	526	2 584	2 747	1 139
Dividends (c)	300	700	1 000	550

in Europe has dropped about 5%, with production expected to continue at the same level during 1992. Japan's steel output is expected to drop about 5Mt, from a high level of between 110Mt and 112Mt.

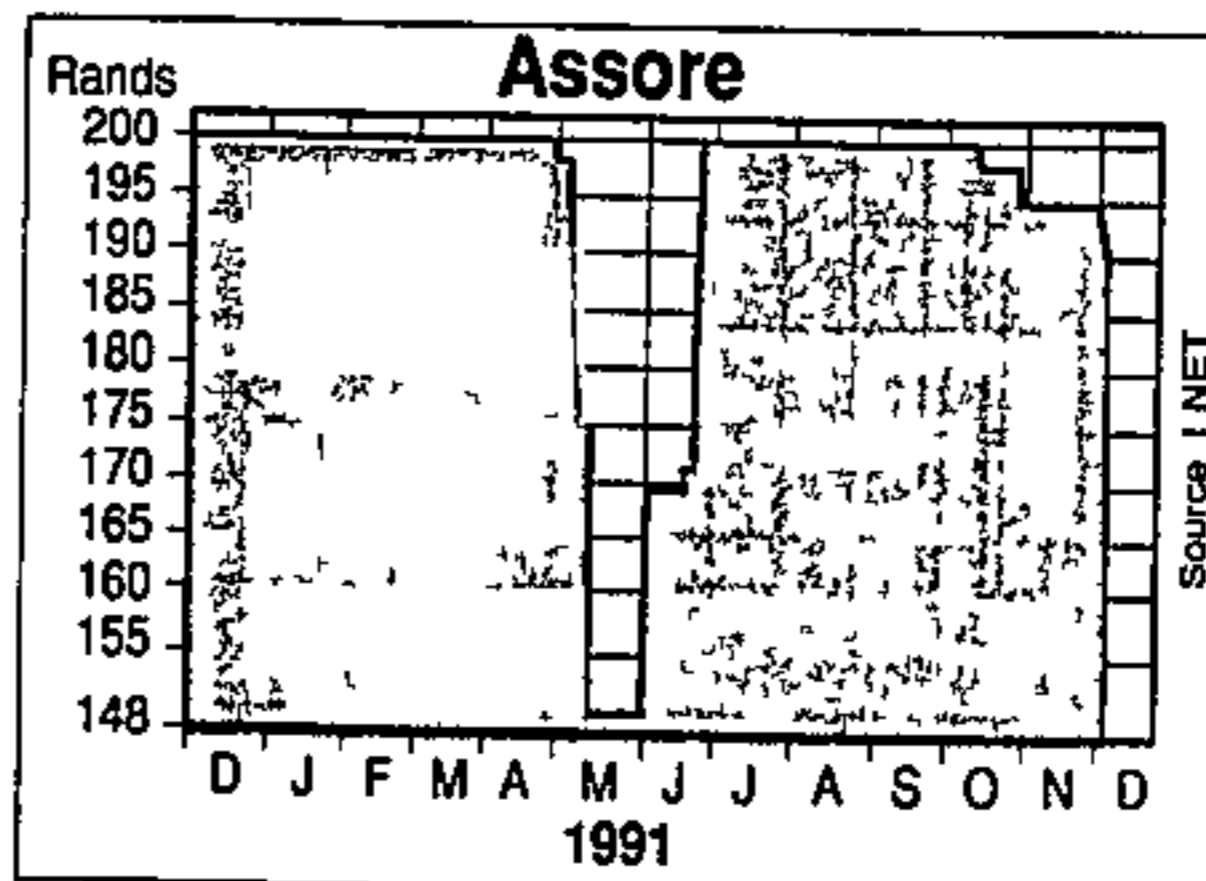
This partly explains the more than halving of income and the pressure on trading margins reported by Assore. Pre-tax income is down 51% to R21m, with attributable income down 58% to R16m. EPS showed a similar decline.

But that's only half of the story. Chairman Guido Sacco notes results from Assmang were virtually unchanged for the half-year to June 30, compared with the same period of the previous year, with world prices for manganese holding up.

The reduced dividend received from the associate mining company had a sharp impact on Assore's results. Capital expenditure of R62m incurred by Assmang in the previous financial year was spent largely on expanding production capacity at Feralloys, which seems badly timed, considering the current weak prices for the base metal.

The company argues otherwise, saying the increased capacity puts it in a good position to take advantage of an upswing.

Weaker profitability has not had much effect on the share price, despite a plunge —



on small volume — from R200 to R150 in May. The shares are tightly held and will probably continue to trade in the current range around R200, at least until Assmang's annual results — due at the end of the year — give an indication of what to expect from Assore next year.

Shaun Harris

Gold plummets as investors back off

GOLD plunged unsupported on world markets late yesterday as cautiously optimistic investors turned against the metal in a wave of stop-loss selling in New York, London and Zurich

It ended in New York at \$357.10, almost \$9 off its previous close and \$12 lower than its opening level this week. It ended more than \$6 lower in London at \$360.20.

Some commission house selling in afternoon London trade, which dealers described as thin, started the drop in the metal and investors liquidated positions speedily in anticipation of heavy losses

Dealers said early selling of platinum might have triggered the commission house selling. Also, the houses may have been ensuring they sold out at levels higher than they had bought in at, which was said to be about \$363.

The fall in gold mirrored nervousness about other metals, including platinum and silver. Silver dropped to \$3.86c before making a slight recovery.

Platinum also made dramatic falls, shedding \$7 to just above \$360.

Rhodium prices have fallen nearly \$1 000 or 36% in less than a month, rocking investor confidence in the platinum sector on the JSE

The metal is trading at a quarter of its price in January this year

The plunge in rhodium prices this week to the \$1 500 level, against \$2 350 an ounce in mid-November, knocked the JSE platinum index, which fell to 4 196 yesterday, a

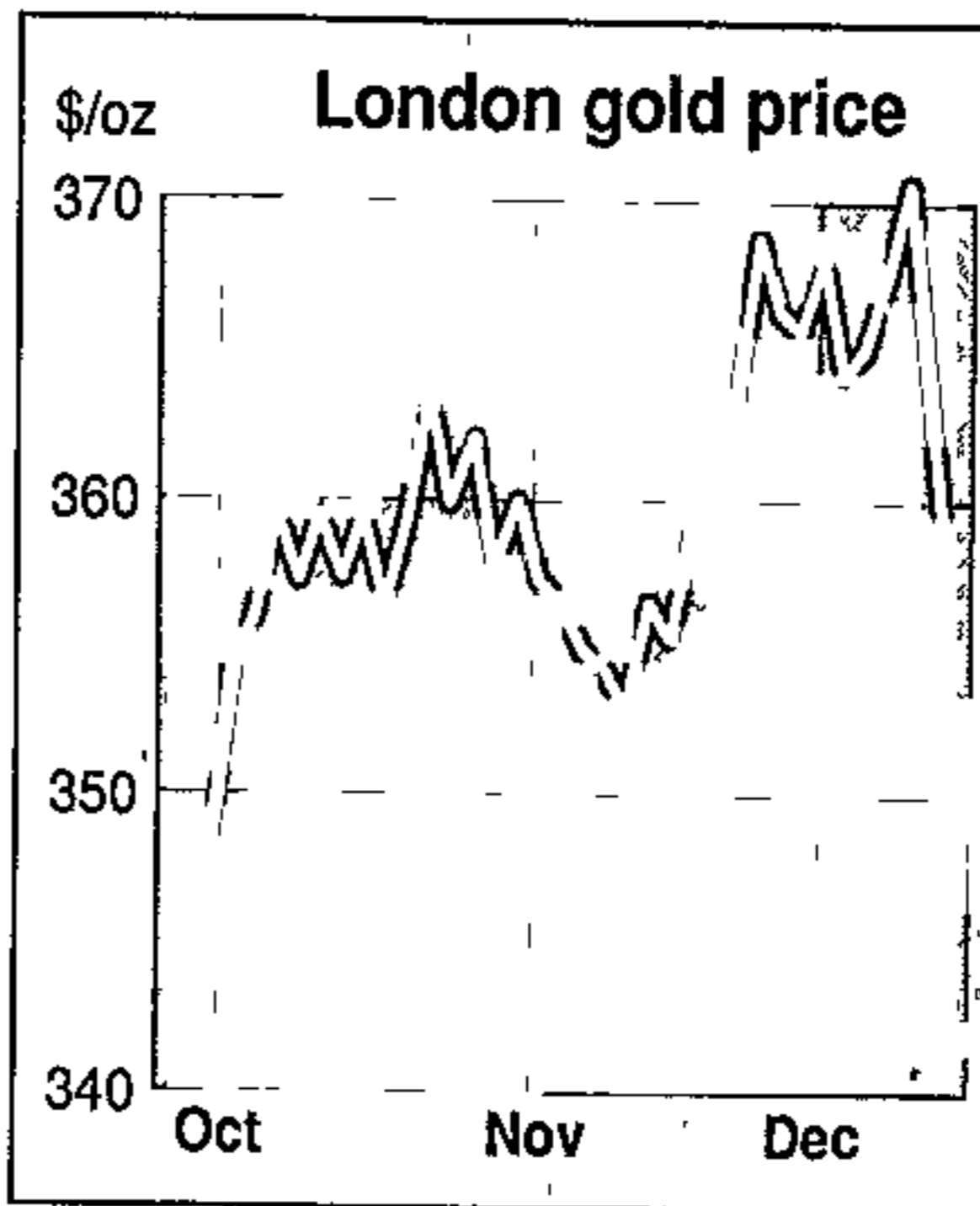
ANDREW GILL and
MATTHEW CURTIN

7% drop after rising to 4 511 points last Friday

Market leader Rustenburg Platinum (Rusplat) has shed 500c in a week, and closed down at R62,50 yesterday. Impala Platinum (Implats) also shed 100c yesterday and ended the day at R49.

Lebowa Platinum led the fall in shares on the platinum board, dropping 10c or 5,6% to close at 170c, after touching its low for the year during the day

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Graphic: LEE EMERTON Source: I NET

Gold

Only Potgietersrust Platins rose against the trend, moving up 5c to 625c yesterday, but that was after falling nearly 10% on Wednesday from 675c to 620c

Although platinum prices have held up well this week, the sagging rhodium price has hit confidence in the platinum producers because of their reliance on rhodium revenue

Implats derived nearly 30% or R623m of its mining revenue from it in 1991. A market source said yesterday Rustplat derived about 25% of its revenue from rhodium in 1991

□ From Page 1

Then, the average prices the companies received for rhodium were \$3 700 and \$4 601 an ounce respectively

One analyst attributed falling rhodium prices to the prolonged recession in the US and signs of one in Japan, affecting the fortunes of their motor industries

Although interim results from platinum producers would be poor, he said, the reaction of investors to the price fall was short-sighted

Platinum prices were stable, and would rise sharply in the longer term, while rhodium should regain levels of about \$2 750 an ounce next year

Vansa in effort to sell its last mineral rights

MANAGEMENT at Vansa Vanadium, Rand Mine's vanadium and chrome producer which has sold its operating assets, is trying to drum up some interest in the last mineral rights it holds

MD David Ashworth said yesterday that Vansa had held lengthy talks in a bid to sell deep platinum mineral rights held on farms near Steelport in the Eastern Transvaal.

Vansa has already sold vanadium and chrome mineral rights with the disposal of its vanadium pentoxide plant and vanadium and chrome mines

Vansa sold its vanadium assets to Vanadium Technologies (Vantech) in

81 Day 13/12/91 (217)
MATTHEW CURTIN

August for R17,3. As part of the deal which saw Anglo American and Gencor buy Barlow Rand's Middelburg Steel & Alloys, Vansa sold wholly owned subsidiary Winterveld Chrome to Samancor for R50m. That transaction is still to be approved by Vansa shareholders.

Chairman Allen Sealey said in his annual review that Vansa was holding talks with interested parties with a view to bringing the company's remaining mineral rights to account.

Sealey added that Vansa would try to distribute the company's remaining cash to shareholders through a

reduction of stated capital or through the sale of the company as a cash shell.

Vansa passed its dividend for the year.

Vansa also sold and distributed the bulk of its shareholding in Barplats Investments. Shareholders agreed to the distribution, by way of a reduction in Vansa's share capital, of 99% of Vansa's Barplats stake of 7-million shares, in the ratio of 100 Vansa shares for every 15 Barplats shares. Vansa's issued stated capital fell from R95m to R92m.

Vanadium operations at Vansa were mothballed in November last year.

Rhodium no longer a platinum 'lifesaver'

By Neil Behrmann ²¹⁷ ~~5 APR 13/14/91~~

LONDON — The plunge in the rhodium price to \$1 500 an ounce from \$5 400 at the beginning of the year will have a significant impact on the results of SA platinum companies

If prices remain depressed, revenue from rhodium could more than halve to \$350 million (R1 billion), analysts say

SA mines, mainly Rustenburg and Impala, are expected to raise rhodium production to 227 000 ounces this year from 198 000 ounces in 1990

The Merensky Reef contains about six percent rhodium for every 100 units of platinum. On the UG2 reef, the proportion is 14 percent, Rustenburg executives said at a briefing in London last year

The price surged to a peak of \$7 300 in the middle of 1990 from \$2 000 in January of that year and only \$1 300 in 1989.

It averaged more than \$5 000 for a further nine months

Since April, the price has slid to a "support" level of \$4 000. When the support failed to hold, it crumbled to \$3 000 in September

In the past week, rhodium has collapsed to \$1 500 from \$2 100, the lowest level in two years

Rhodium has been sliding because its main user, the depressed international motor industry, has been buying less of it

Dealers believe the Soviet Union sold a portion of its rhodium stockpile used as collateral against borrowings from Western commercial banks

Johnson Matthey estimates that 47 000 ounces of rhodium and 740 000 ounces of platinum were deposited in Switzerland as collateral against short-term loans from Western banks

No dumping

Jeremy Coombes, author of Johnson Matthey's platinum reviews, says rhodium is no longer reported in Swiss statistics

He suspects that the Russians have withdrawn the rhodium, but that it has not been dumped

Other dealers believe a large proportion has been sold to the Japanese and that some Russian metal is being "leaked" on to the market

Merchants with small parcels of rhodium have been offering

metal to the market, says Mr Coombes. Even small rhodium sales can have a disproportionate impact, he says

Total annual rhodium supplies, estimated at 354 million ounces, account for only nine percent of annual platinum supplies. About 10 to 15 percent of rhodium production is sold on the free market, dealers say

So the annual output that reaches the free market is about 50 000 ounces

Prices can surge or plunge on bids or offers of only 60 to 100 ounces a day, and the gap between buying and selling prices this week has been as wide as \$200

Nevertheless, both Rustenburg and Impala base their contract prices on free market quotes

High rhodium prices in 1990 and most of 1991 offset a decline in the platinum price to \$367 from \$525 in the same period

Assuming an average rhodium price of \$4 000 throughout most of 1990 and 1991, annual revenue at present prices would be down to \$350 million (R1 billion) from \$800 million (R2,2 billion).

Simple price/volume estimates

are likely to be different from actual mine results because of special deals with customers

Nevertheless, if rhodium trades within a range of \$1 500 to \$2 500 for several more months, mine profits will be adversely affected

They need an increase in the price of their main source of earnings, notably platinum

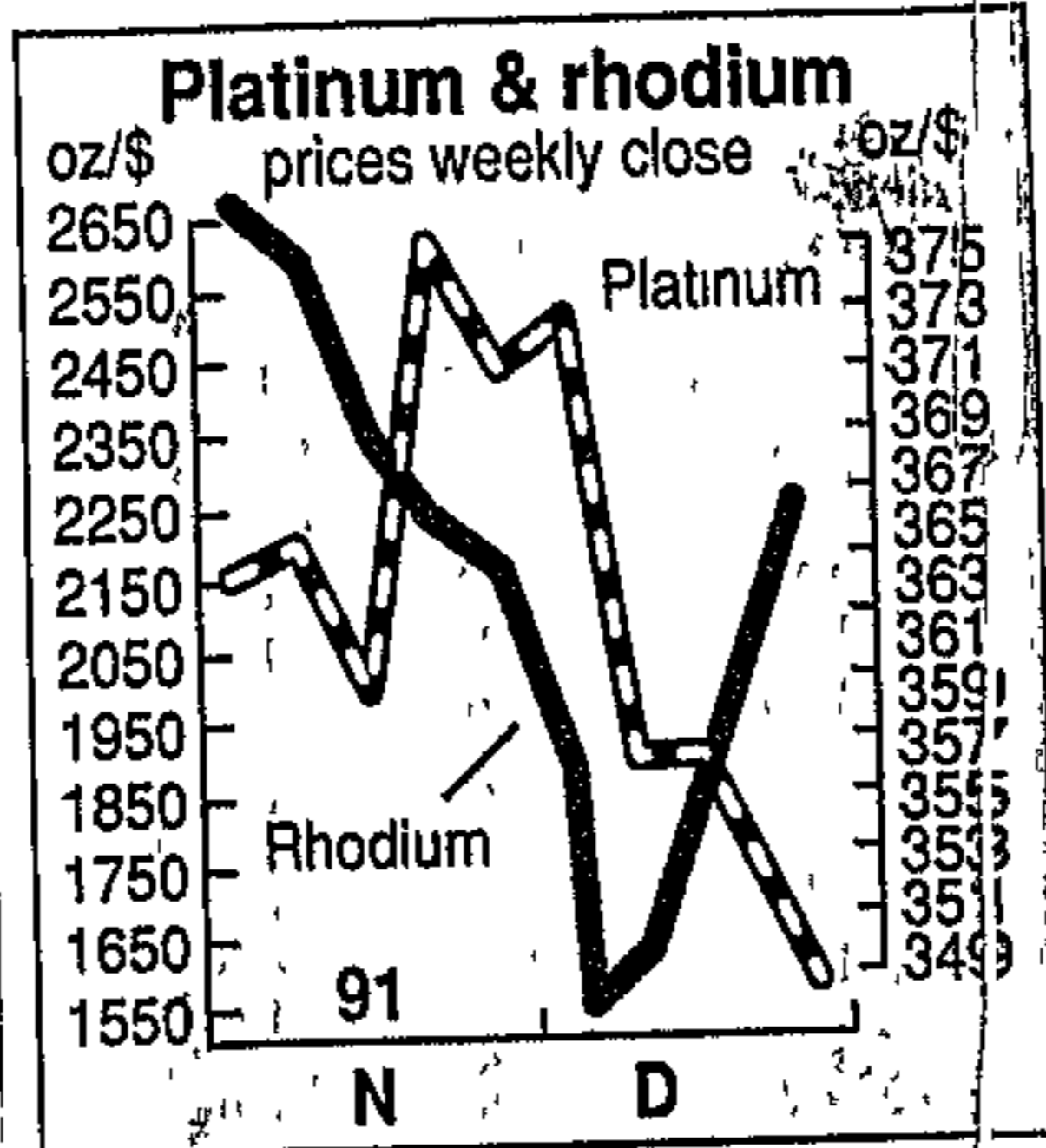
As reported last year, the rhodium price surge was a bubble and it was risky to buy platinum shares on the prospects of this volatile metal

Rhodium was initially driven upwards from prices of \$1 300 in 1989 because of production problems at a Rustenburg refinery.

Rustenburg executives also said in London that the Soviet Union was selling less rhodium, but their claims were vigorously denied by the Russians

The price had to collapse because of consumer resistance and the inevitable rise in sales from the main producers, South Africa and the Soviet Union

Consumers, including car companies and the glass and chemical industries, hold stockpiles of rhodium and high prices also encouraged them to sell



Graphic LEE EMERTON Source: HENET

Futures dealings knock platinum

MATTHEW CURTIN (217)

PLATINUM prices crashed below the \$350 level yesterday and plummeted towards three-month lows as speculators cashed in futures contracts on Tokyo's ToCom futures exchange. *By 18/12/91*

However, shares on the JSE, hammered in early trading by the low prices, recovered some ground in the afternoon thanks to a sharply weaker firrand and a turnaround in rhodium prices

Platinum was fixed in London yesterday afternoon at \$348.65, up nearly a dollar from the morning fix, but it closed \$8 down at \$348.50 against Monday's close.

In contrast, rhodium prices rebounded to trade between \$1 850 and \$2 050 yesterday, after falling by more than \$1 000 to \$1 500 an ounce on Friday.

The JSE's platinum index fell to its lowest mark since February this year at one stage yesterday morning. It ended the day at 4 015, 37 points down

JCI's new platinum mine Potgietersrust Platinums led the fall in platinum stock, losing 25c or 4% to end the day at 590c. Market leader Rustenburg Platinum (Rusplat) fell 2.4% (150c) to R59, while Lebowa Platinum and Impala Platinum were unchanged at 160c and R47.

Rusplat marketing director Todd Bruce said yesterday that speculators round the

□ To Page 2

Platinum

By 18/12/91
world were "jumping in and out of the market", increasing the volatility of platinum prices. Trade in the metal at this time of year was typically thin, and when speculators on ToCom, following the earlier example of New York, sold their paper positions, it exaggerated price movements.

He said weak prices bore no relation to physical demand for platinum.

Prices did reflect the uncertainty of economic recovery in the US and sluggish growth forecasts in Japan, but Bruce said the market had discounted these factors before prices crumbled last week.

The sudden turnaround in rhodium

prices was better news.

Bruce said it seemed that consumers had decided they could not afford not to buy rhodium at last week's low prices, and renewed demand had lifted the metal quickly off its lows for the year.

Reuter reports that London traders said they were concerned over the slowing Japanese economy and current demand for platinum from its major consumer, the international motor industry. There was also talk that a Russian delegation in Japan to negotiate platinum supply contracts for 1992 had mentioned that sales of the metal would be higher next year.

□ From Page 1

RAND MINES

Sword of Damocles

FM 20/12/91

Activities: Mining house with interests in coal, gold, platinum and property

Control: Barlow Rand 74,4%

Chairman: D T Watt

Capital structure: 14,9m ords Market capitalisation R1,1bn

Share market: Price R74 Yields 4% on dividend, 22,7% on earnings, p/e ratio, 4,4, cover, 5,6 12-month high, R80, low, R55. Trading volume last quarter, 66 000 shares

Year to Sept 30	'88	'89	'90*	'91
Investments				
Book value	371	242	221	196
Market value	611	507	506	302
Turnover (Rm)	957	1368	1694	1776
Attributable profit (Rm)	165	216	223	250
Earnings (c)	1 467	1 929	1 569	1 679
Dividends (c)	450	560	560	300
Net worth (R)	88,1	97,6	101,6	55,3

*Restated

Shareholders and employees — those that escaped retrenchment — will be glad to see the back of 1991, in which the house went through what can only be described as a kind of corporate Armageddon

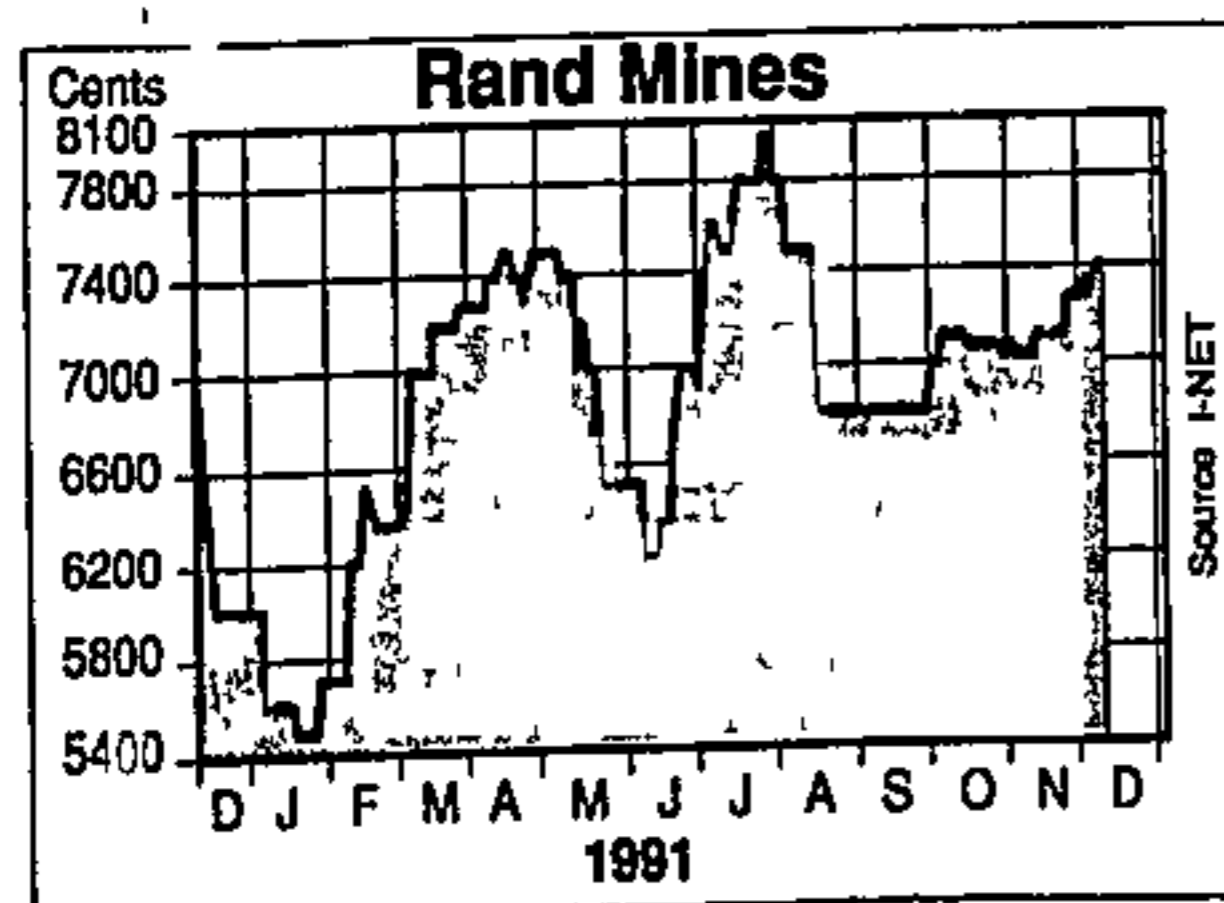
Rand Mines has survived the final battle but at times the blood flowed knee-deep out of Corner House into Fox Street Lay-offs and disposal of operations cut the total work force to 52 000 from 70 000 the previous year Management, administrative and exploration staff were chopped by 25% to 493

Radical surgery was needed to cope with debt that reached R312m in the wake of the mothballing of Barbrook and the debacle at Barplats Lotzaba Forests was sold for a profit of R39,2m; a further R33,7m attributable profit came from the sale of 7% of the holding in Witbank Colliery

In addition, much of the share investment portfolio has been sold off to realise R73m, giving profits of R29,7m, while Vansa Vanadium's vanadium operation was sold for R17,3m

Chairman Damocles "Dammy" Watt says group debt was down to R87m by September 30 and will be eliminated in the first half of this financial year following the sale of chrome operations for about R100m.

Investors shared the pain through a collapse in the share price to a 12-month low of R55, from which it has recovered surprising-



Rand Mines' Watt .. debt will be eliminated

ly well, and a 46% slash in the dividend

The question is, where does the house go from here? Watt answers fairly bluntly, pointing out that Rand Mines is now a coal mining house, that attributable profits for 1992 are expected to drop slightly (despite Witbank Colliery chairman Allen Sealey's expectation of real earnings growth and a higher dividend), and the year will be one of adjusting to the traumatic rationalisation.

That adds up to a mediocre short-term outlook and medium-term prospects fall into the same category The drastic remedial action means the worst is behind Rand Mines and, with debt out of the way, things can only get better. But recovery will be a slow process and Rand Mines' reputation among investors has been severely tarnished by the Barplats failure

Apart from coal, Rand Mines is left with 76% stake of Rand Mines Properties (RMP), minority interests in its four operating marginal gold mines, 45% of Barplats and exploration projects.

Barplats is mothballed, RMP expects lower earnings this year and, while the gold mines are at least holding their own, at current gold prices they contribute far more in management fees than the paltry R2,7m in profits kicked in last year.

Mining houses prefer to grow through developing grass-roots projects and, failing that, through acquisition. On either score it is difficult to see where Rand Mines' future growth will come from, apart from the expected slow and steady increase from Witbank Colliery. Gold exploration projects are marginal in the extreme compared with those held by other houses while Rand Mines does not have the financial resources for meaningful acquisitions.

Given this situation and the economic climate, it appears building up cash reserves to

strengthen the balance sheet will be a priority; so investors cannot expect swift recovery in the dividend Watt says the dividend will be increased this year but not to previous levels, which will be reached only when the house can afford it All in all the share looks fully valued to expensive

Brendan Ryan

Rhovan unscathed by Usko's demise

MATTHEW CURTIN

RHOMBUS VANADIUM (Rhovan) has emerged largely unscathed from a torrid year in which its vanadium joint venture with Usko fell apart.

Rhovan posted an after-tax profit of R4m and attributable earnings of R22m, but Usko's demise has put off indefinitely Rhovan's plans to pay dividends by 1993. These results for the year ended September are based on operating results from end-March, before which all operating costs, revenue and interest were capitalised.

Shareholders will not know before March whether Rhovan is going to stick with the vanadium business.

MD Rob Still would not comment yesterday on details of Rhovan's plans, except to say negotiations were continuing.

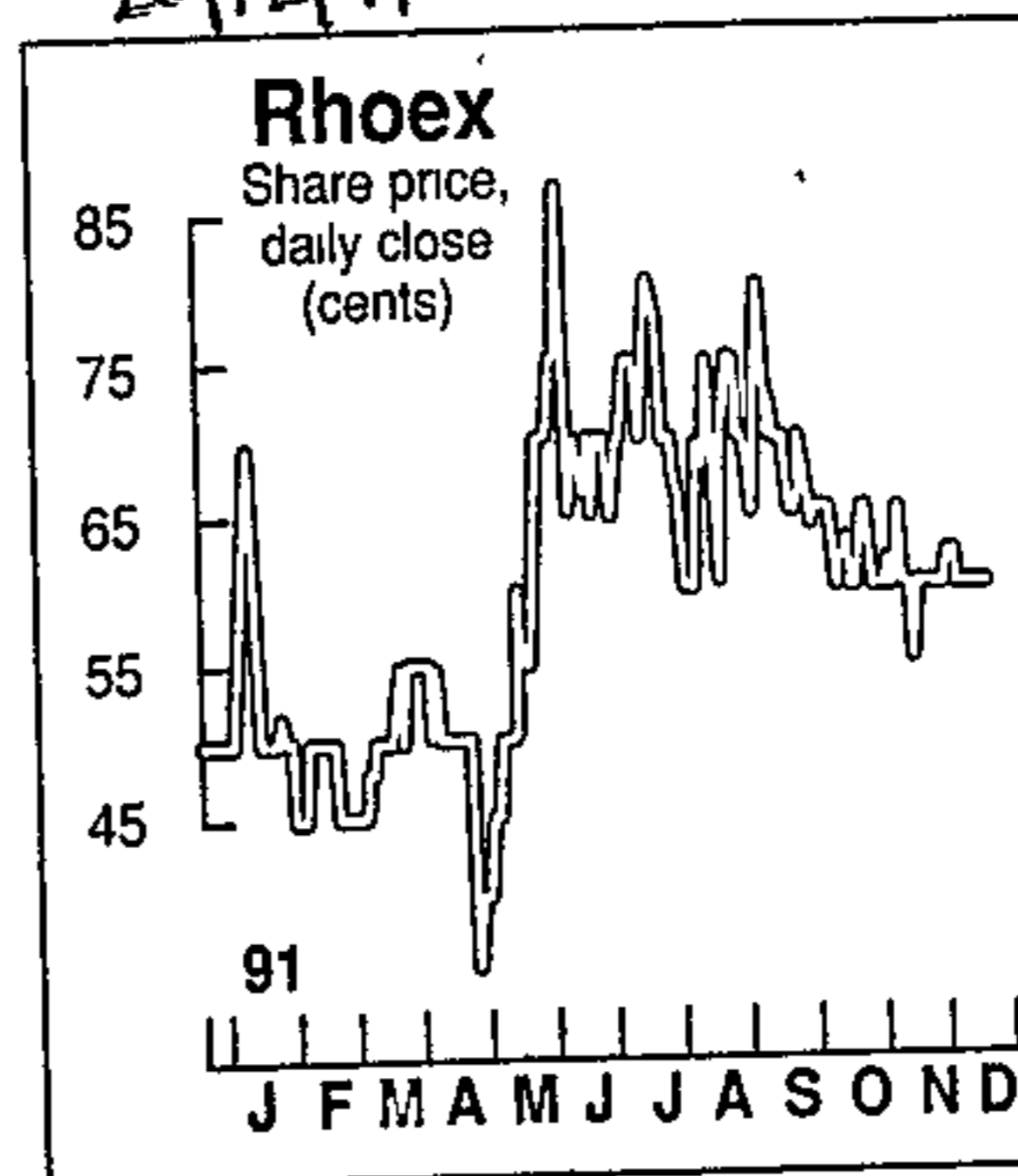
It is understood Rhovan's principal options are either to sell its vanadium operations or secure financing to proceed with building a new vanadium pentoxide plant to exploit its established mining infrastructure once a technical feasibility study is completed in March.

The vanadium pentoxide market is currently in the doldrums, hit by low prices and weak demand as recession takes its toll on the steel manufacturing industry, the main consumer of vanadium.

Still has said while Rhovan had won international backing, only a producer confident of the lowest production costs could go ahead with a new project in the present market conditions.

Market sources say that if the second option prevails, the earliest Rhovan would be back on stream is 1993. It has mothballed the Usko plant and plans to sell assets it does not need, while its mine and concentrator have been put on a care and maintenance basis.

Rhovan produces vanadium-bearing



Graphic LEE EMERTON Source I NET

magnetite concentrate from its mine and beneficiation plant at Ba-Mogopa near Brits. The company contracted to supply the concentrate to Usko, in exchange for royalties on Usko's profits. Usko would process the concentrate into vanadium pentoxide flake.

Usko was unable to work its vanadium pentoxide plant. The company was technically bankrupt at its year-end in September and in the restructuring of its operations, Usko sold its vanadium assets to Rhovan for a nominal R2 and paid R19m in penalties for breaching its contract to buy Rhovan's concentrate.

Rhombus Exploration (Rhoex), Rhovan's holding company which manages the vanadium mining company and whose stake increased from 39% to 59% following the purchase of Usko's assets, turned in a pre-tax profit of R3,5m in the fifteen months ended September.

Rhoex has several exploration projects at an advanced stage, including joint ventures to develop mineral sands in Northern Natal and Transkei with Shell and Rand Mines respectively.

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Revere gains control of Haib mine

B. J. Day 20/12/91
ROBERT LAING

REVERE Resources has acquired Namibia-based copper project Haib, which it will reverse list into the JSE's mining exploration sector via the cash-shell of former sea diamond mining company Mervest.

A statement published today said Revere, the independent mining company established by Glenn Laing, had struck a R1,3m deal with Haib's owner George Swanson which will lead to it gaining 81% control of the porphyry copper and molybdenum mine

Revere bought the right to mine the Haib deposit with an option to purchase it from Swanson for R1,2m cash and 8,5-million Mervest shares valued at 1c each. Mervest will be renamed Haib Copper Mining and Exploration Company and increase its authorised share capital. Revere will receive 128,5-million Haib shares in return for the disposal of its mining rights, of which 11-million will be renounced to Geoff Parker and RM Nominees for R110 000 20/12/91.

The Security Regulation Panel has agreed that no offer to Mervest's minority shareholders has to be made because the cash-shell holds only R12 000, equating to a small fraction of a cent per share, a spokesman for sponsoring broker Frankel, Max Polak, Vinderine said

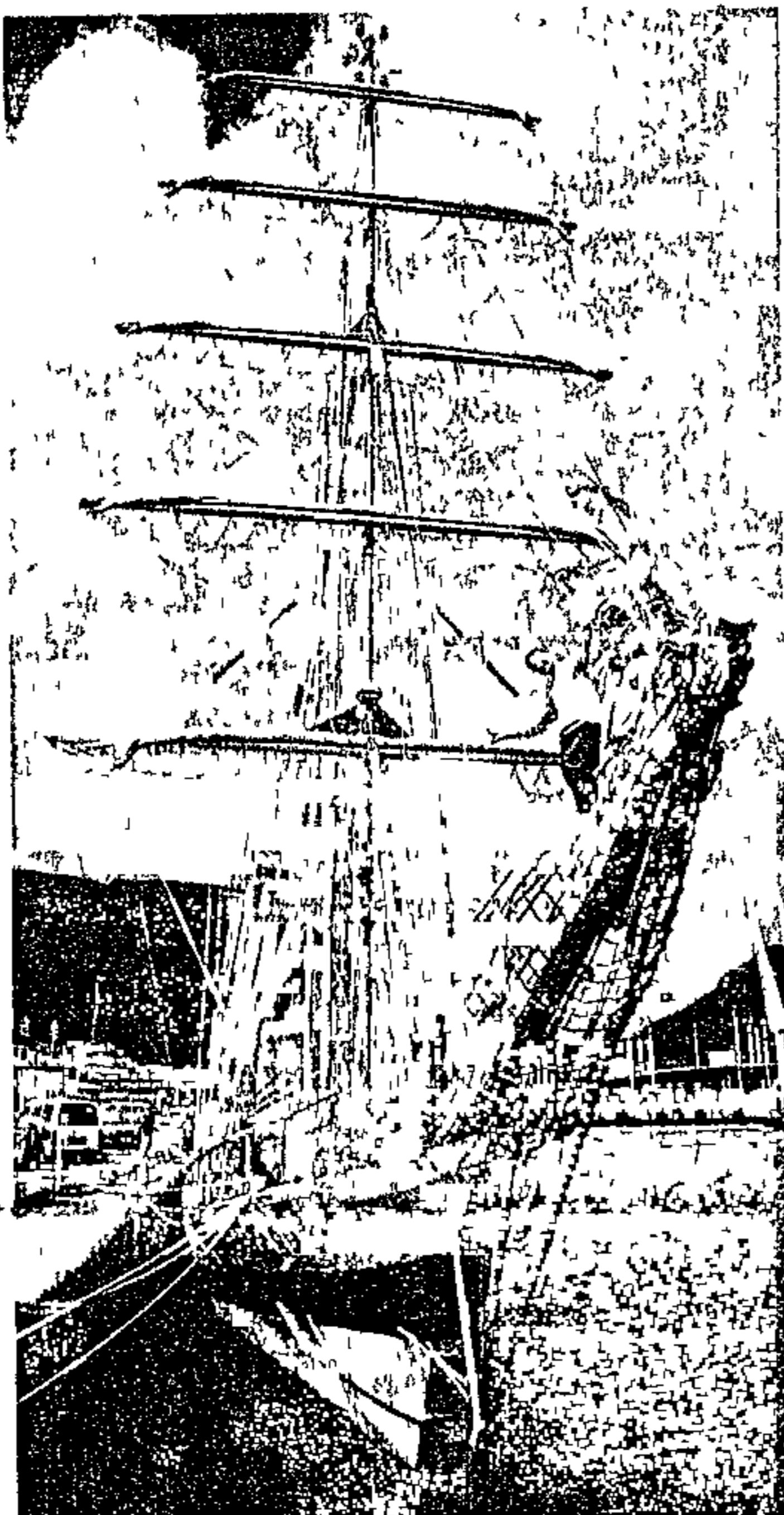
KAOLIN PROTESTERS TO 'FIGHT TO DEATH'

Barricade of bodies to block mine

217

S/T/Wes
(CM) 22/12/91.

By EVELYN HOLTZHAUSEN



POLISH PRIDE second engineer Marek Chorzeda on the Pogoria in Table Bay Harbour Picture AMBROSE PETERS

OPPONENTS have scoffed at a kaolin mining company's offer to halt its plans for Chapman's Peak in return for R75 million compensation — and are recruiting a human "barricade" to prevent work on the new site

Mr John Butterfield, spokesman for the Save Chapman's Peak Action Group, claims his group has the support of more than 65 000 protesters

"We will fight them to the death — people here are very, very angry"

Mr Butterfield dismissed as "absurd" an offer by the mining company Serina Kaolin, to accept R75 million compensation in return for abandoning its plan to mine the Chapman's Peak site in Noordhoek, in the heart of the Peninsula

"We might consider paying R3 million, which is closer to reality," he said

"But I promise you, the fight is not over. If Serina goes ahead, it will cost it dearly"

In terms of a new Minerals Act, which comes into effect at midnight on December 31, Serina will be entitled to mine the site subject only to a permit that sets down conditions for the rehabilitation of the environment

A department spokesman said it was likely the permit would be issued in the first few weeks of the new year

Luxury

Serina's right to mine the controversial Noordhoek site is also to be challenged by Mr Jeremy Wiley, son of the former Minister of the Environment, Mr John Wiley who died in March, 1987

The proposed mine site is on property owned by Mr Jeremy Wiley's De Goede Hoop Development Company which wants to build a spacious, luxury housing development on the land

Serina bought the mining rights from the previous owner of De Goede Hoop Estate Miss Edith Godman, in 1978 for R250 000

According to Mr Wiley, this was subject to "environmentally related issues"

"Now we have been informed that the new Minerals Act (Act 50 of 1991) effectively does away with critical aspects of the deed of cession

"If our lawyers are correct, in terms of the new law, thousands of landowners could be stripped similarly of aspects of private agreements governing the way in which minerals on their land can be exploited

"We will use every available legal avenue to protect the estate"

Mr Wiley's interpretation of the act has been challenged by a senior official of the Department of Mineral and Energy Affairs who says all private contracts between landowners and mining companies will be honoured

However, private contracts which conflicted with provisions of the act "could be overruled"

Effect

In terms of Serina's conceptual rehabilitation plan, the site is to be terraced and grassed as work proceeds

"The company has admitted that the land will never revert to its original, unblemished state," Mr Wiley said

Said Serina's executive director, Mr Andre Viljoen "When we have finished mining, the site will be covered with grass

"Mr Wiley wants to build houses there — you tell me which will have the most lasting effect on the environment — grass or houses?"

● The new Minerals Act is the result of more than three years of negotiations between with environmentalists, mining companies and unions

All rigged up for a trip into past

By JANICE HILLIER

THE Polish tall ship Pogoria is to take visitors on short trips around Cape Town for the next two months

The graceful 47 metre steel hulled ship, which has an eight metre beam and 1 000 square metres of sail, arrived in Table Bay Harbour last weekend

On board were 28 Canadian students from West Island College, Montreal, which had chartered the Pogoria as a "floating classroom"

The group had travelled from Copenhagen, Denmark, through the Mediterranean, the Suez Canal and along the African coast to Cape Town

Now that school is out and the students have returned to Canada, Pogoria is to make Hout Bay her base for two months before heading back to Europe, possibly to take part in the Columbus race

She is to sail to Hout Bay today and is to be moored opposite Mariner's Wharf "We hope to take many

visitors on morning and afternoon trips while we are here," said Captain Andrzej Straburzynski

"Maybe we can take people out on sunset trips too. The weather is magnificent for this."

Pogoria is owned by the Polish Yachting Association. She was built in Gdynia in 1980 as a sail training ship for young Poles

She competed in the Tall Ship Race in 1980 and was placed third in Class A — although unofficially she was voted the fastest ship in the race

Since 1985 Pogoria has been chartered by the West Island College

Her South African agent, Mr Simon Giddey, said the Pogoria would be opened to the public late next week

House move?

THE SA Law Commission's report on constitutional models says Parliament's meeting only in Cape Town is expensive and suggests it should meet in other cities.

WEATHER



WATCH

The Weather Bureau's forecast for today Cape Peninsula and Boland Fine and warm but hot in the Boland Wind fresh to strong south easterly Temperatures Cape Town Min 16°C/Max 27 Worcester Min 15°C/Max 32°C

West and central Cape Fine and warm but hot over the interior

Western Cape coastal belt Fine and hot but cooler on the coast Wind fresh south-easterly

Overberg and coastal belt to Mossel Bay Fine and warm Wind easterly Namaqualand and the south-western Cape in terror Hot and dry

Genmin may buy Lonrho operations

GENMIN, the mining division of the Gencor group, might be on the verge of acquiring some or all of Lonrho's mining operations in Africa, market sources said yesterday

Analysts said that to defray the multinational conglomerate's debts of nearly £1bn and as part of change of strategy in Africa, Lonrho was prepared to sell, at the very least, its platinum and coal mining interests in SA to Genmin

Gencor chairman Derek Keys flatly denied last night that the group had any plans to take over Lonrho. He said, however, Genmin and Lonrho SA were always in close contact with each other

Genmin chairman Brian Gilbertson said Genmin was not planning to take over Lonrho SA's mining interests. However, the group was continually looking at "optimising the relationship" with Lonrho SA

Lonrho director Paul Spicer said from London "We are constantly talking to Gencor. They are our partners in platinum

MATTHEW CURTIN

mining in SA. There are a lot of rumours flying about Lonrho and 90% of them are untrue."

Lonrho SA has a market value of more than R7,3bn and analysts said Gencor/Genmin was likely to pay for the acquisition of its and the group's other mining interests on the continent with shares and cash

They said talk of Gencor's takeover of the whole Lonrho group was far-fetched. Gencor was interested only in acquiring those mining and transport interests, rather than other trading operations.

Genmin's platinum arm, Implats, already has 25% stakes, via wholly owned subsidiary Gazelle Platinum, in Lonrho's Western Platinum and Eastern Platinum mines near Rustenburg. Lonrho also owns SA coal producer and investment company Duker Exploration (market value R86m),

□ To Page 2

Genmin

as well as several gold mines in Ghana, Mozambique and Zimbabwe

Rumours that some sort of merger between the two groups was all but in place were not enough to stem the plunge in Lonrho's share price in London and Johannesburg. Shares in Lonrho SA hit a low for the year of R11,20, nearly 6% or 70c down on the day

□ From Page 1

The Lonrho group has debts of £930m and it was reported at the weekend it might float off its Ashanti gold mine in Ghana, a move which could raise £255m

One analyst suggested that Lonrho was reconsidering its strategy in Africa for political reasons. At the same time Gencor was keen to use Lonrho as a springboard for its own expansion plans in Africa

Human shield threat to mine at beauty spot

SI Times 29/12/91

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ANTI-MINING campaigners have threatened to use a human shield to stop work on an open-cast kaolin mine on the slopes of Chapman's Peak, in the heart of the Cape Peninsula, early next year.

"We will fight them to the death," vowed Save Chapman's Peak spokesman John Butterfield.

He said his action group had the support of more than 65 000 protesters. He dismissed as "absurd" an offer by the mining company, Serina Kaolin, to accept compensation of R75 million to stop the mining.

"We might consider paying them R3-million, which

By EVELYN HOLTZHAUSEN

is closer to reality," he said. "But I promise you, the fight is not over... it has just begun."

In terms of a new Mining Act which comes into effect at midnight on December 31, Serina is entitled to mine the site subject only to a permit relating to the rehabilitation of the environment.

Challenge

Serina's right to dig the controversial Noordhoek mine is also to be challenged by Mr. Jeremy Wiley, son of the late environment minister John Wiley.

Mr. Wiley's De Goede Hoop Development Company owns the land on which the mine is to be dug.

Mr. Andre Viljoen, executive director of Serina, confirmed that work on the site would begin "within the next six months" and would include the stockpiling of backfill for rehabilitation.

"When we are finished mining, the site will be covered with grass," he said.

Impala's labour troubles remain

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B/D/12/30/12/91
MATTHEW CURTIN

LABOUR unrest at Impala Platinum's mines in Bophuthatswana has dominated labour relations in the SA platinum industry in 1991.

But the spate of disruptions to production at Impala's four mines has had its own logic, and other mines in the group and those in the JCI fold have been spared any unrest of note in the year.

Genmin human resources senior manager David Grunewald said at the weekend that industrial relations at Impala had "their own peculiar chemistry", inextricably linked to politics in the homeland.

He said the situation was one over which management had no control, in the same way as employers were powerless in the face of stayaways in SA. Political awareness was growing in Bophuthatswana, but the evolution of labour relations in the homeland had not kept pace with change in SA.

He noted that the mines were in the Phokeng area of the homeland, and the resident Bafokeng tribe had a long standing enmity with the government of Lucas Mangope.

New labour legislation, passed by the homeland parliament, but yet to be implemented, precludes employers from recognising SA-based unions such as the National Union of Mineworkers (NUM). Industrial action, nominally over pay, increases and protests at dismissals at the mine by workers representing NUM has taken place in context of the union's and Cosatu's drive for government, and thereby employers, to recognise SA unions.

Impala MD Mike McMahon said the mines had lost more than two weeks production in 1991. That amounted to about R85m in lost platinum group metal and nickel revenue, or 43 000 ounces in lost platinum pro-

duction.

He said that this month industrial relations had improved at the mines, but were not back to normal, with above average absenteeism about 1% of the 50 000 strong workforce.

In contrast, industrial relations on Rustenburg Platinum's mines have been good this year, with no reports of the unrest at Impala spilling over to the neighbouring operations.

A Rusplat spokesman said at the weekend that the company had "taken note of the developments which apparently led to the disruptions at Impala, but we have no indication that similar developments may transpire at Rustenburg".

He attributed Rusplat's good record to "sound human relations practices", made up of good communication between all staff and training programmes such as a "know your company course".

Last year, Lebowa Platinum (Leplat) bore the brunt of labour unrest in the sector, twice dismissing workers organised by the NUM at its Atok mine, and then replacing them with a smaller contract labour force.

It is understood the mine is behind schedule in reaching its current 70 000-ton-a-month production target, as management has had to recruit and train new workers. A Leplat spokesman said they were continuously reviewing their contract labour policy.

One analyst said at the weekend that Leplat reached the 70 000 ton target in November, but would be hard pressed to sustain it as working costs were soaring.

NUM acting general secretary Marcel Golding was unavailable for comment at the weekend.

MPs vow to oppose mine

CAPE TOWN — Democratic Party MPs will go all out in the new year to stop the proposed kaolin mine at Chapman's Peak, and have pledged to raise the issue in Parliament

They have pledged support for fellow MP Janne Momberg, the MP for Simon's Town, in whose constituency the mine will be sited.

Mr Momberg has been vocal in his opposition to the mine since his election in 1989 and has vowed to stop it. "The Government is hellbent on allowing mining at Chapman's Peak de-

spite the opposition of the community," he said.

Roger Hulley, MP for Constantia and party spokesman on mineral and energy affairs, said he would raise the issue in Parliament next year. "It is inappropriate for a mine to be situated in the middle of the Noordhoek Valley where it will leave a major scar on the environment," he said.

Colin Eglin, MP for Sea Point, said the matter would be raised in Parliament on constitutional and environmental levels. — Own Correspondent.

19/2/10

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Rusplats renews major contract with Honda

31 Day 31/12/91

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RUSTENBURG Platinum Holdings (Rusplats) has renewed a major contract for the supply of platinum group metals to the Japanese motor company Honda

This was confirmed yesterday by Rusplats chairman Pat Retief, who said last week's visit to SA by a Honda delegation had provided the opportunity to renew the long-term agreement with Honda

The Japanese delegation, including Honda's president N Kawamoto and automobile operations GM M Ishihara, met Rusplats MD Barry Davison

"We have a satisfactory relationship

ROBERT WICKS

with Honda and they are considered to be valuable customers of Rustenburg Platinum Holdings," Retief said, adding only that the contract had been "extended into the future"

Figures quoted in the Rusplats 1991 annual report indicate Japan uses 50% of the world's platinum supplies, most of it in autocatalysts and jewellery Worldwide platinum demand from the autocatalyst sector is estimated to have risen by 4,5% to 1,52-million ounces in 1990

The annual report said new car sales in Japan in 1990 rose by 16% to 5,1-million units while production increased by 10% to 9,95-million vehicles As a result, Japanese platinum offtake expanded from 360 000 ounces to 395 000 ounces

The report said a major Japanese motor company had forecast recently that the southeast Asian market would grow to about 5-million vehicles a year by the end of the decade

Johannesburg Consolidated Investment, with a 32,6% share in Rusplats, also has an effective 26,5% interest in Toyota SA