

MINING - OTHER

1993

July - DECEMBER

MINING FM 217/93

Enter mighty Miti

Confirming the resumption of normal relations between SA and Japan, last week saw the official opening of the Johannesburg branch of the Metal Mining Agency of Japan — an arm of the all-powerful Ministry of International Trade & Industry (Miti), the government body that often calls the shots on what Japanese business can and cannot do overseas. It also enforced restrictions on SA business links during the sanctions years.

Samancor MD Mike Salamon says "The opening of the agency's office is a positive move and is important to us. It is a powerful symbol of the official recognition of SA by

FM 217/93

Japan "

Among the benefits to follow could be several joint ventures between Japanese and SA firms aimed at giving Japanese business direct stakes in SA's strategic minerals industry.

The first deal, which Salamon says is being closely watched in Japanese business circles as a test case, was the agreement announced in April between Samancor and Japanese steel firm Nippon Denko over the operation of one of Samancor's ferrochrome furnaces.

Yasuo Noguchi, the agency's executive director says "It is one of our priorities to encourage joint ventures between Japanese and SA companies over a number of the strategic minerals that Japan needs, such as chrome and vanadium."

He says the agency's role is not to get directly involved, but instead to gather relevant information on prospects and pass this on to Japanese private-sector companies. He adds that the agency can, however, provide subsidised loans to Japanese companies to promote their involvement in suitable projects.

The agency's Johannesburg office will also look at mining developments in neighbouring countries such as Zimbabwe, Botswana, Mozambique, Namibia, Angola, Lesotho and Swaziland. ■

Biday 117193

Kaolin mining in Cape approved

CAPE TOWN — The Western Cape regional services council yesterday approved the mining of kaolin in the Noordhoek valley by Serina.

A vote of 67% in favour of the project was cast with supporters citing the benefits of the mine for job creation, foreign exchange earnings and the need for a kaolin resource.

The Cape Town City Council, which represents 28% of the total vote at

LINDA ENSOR

RSC meetings, was against granting approval. Cape Town deputy mayor Clive Keegan argued that it was not appropriate for mining to take place in a residential area. (50)

Serina chairman Sybrand van der Spuy welcomed the decision to mine the R1bn kaolin reserve in the Noordhoek Valley. (217)

Palladium's gains unlikely to shield platinum producers

B1 Day 1/7/93
(217)

ANDY DUFFY

SA PLATINUM producers were likely to draw little comfort from gains in the palladium price, which lifted the metal to a 42-month high yesterday.

Market sources said yesterday that the metal's surge would not shield producers such as Rustenburg Platinum, Impala Platinum and Northam Platinum from the damage inflicted on margins by the sluggish performance of other platinum group metals (pgms).

Sharp increases in demand from the US and Japanese electronics sectors and a drop in Russian supplies lifted palladium to \$139 a troy ounce in London yesterday — its highest level since December 1989.

But although SA mines provided just under one third of total world supply of 3.83-million troy ounces last year, contribution to SA producers' revenues from palladium is estimated to be less than 10% at present.

The price yesterday represented a 70% leap on the level 12 months ago, but one source said the metal would have to go considerably higher to have any notable effect on SA producers' margins.

But it was thought unlikely that palla-

dium would rise much higher because buyers tended to switch to other metals once palladium neared the \$150 barrier.

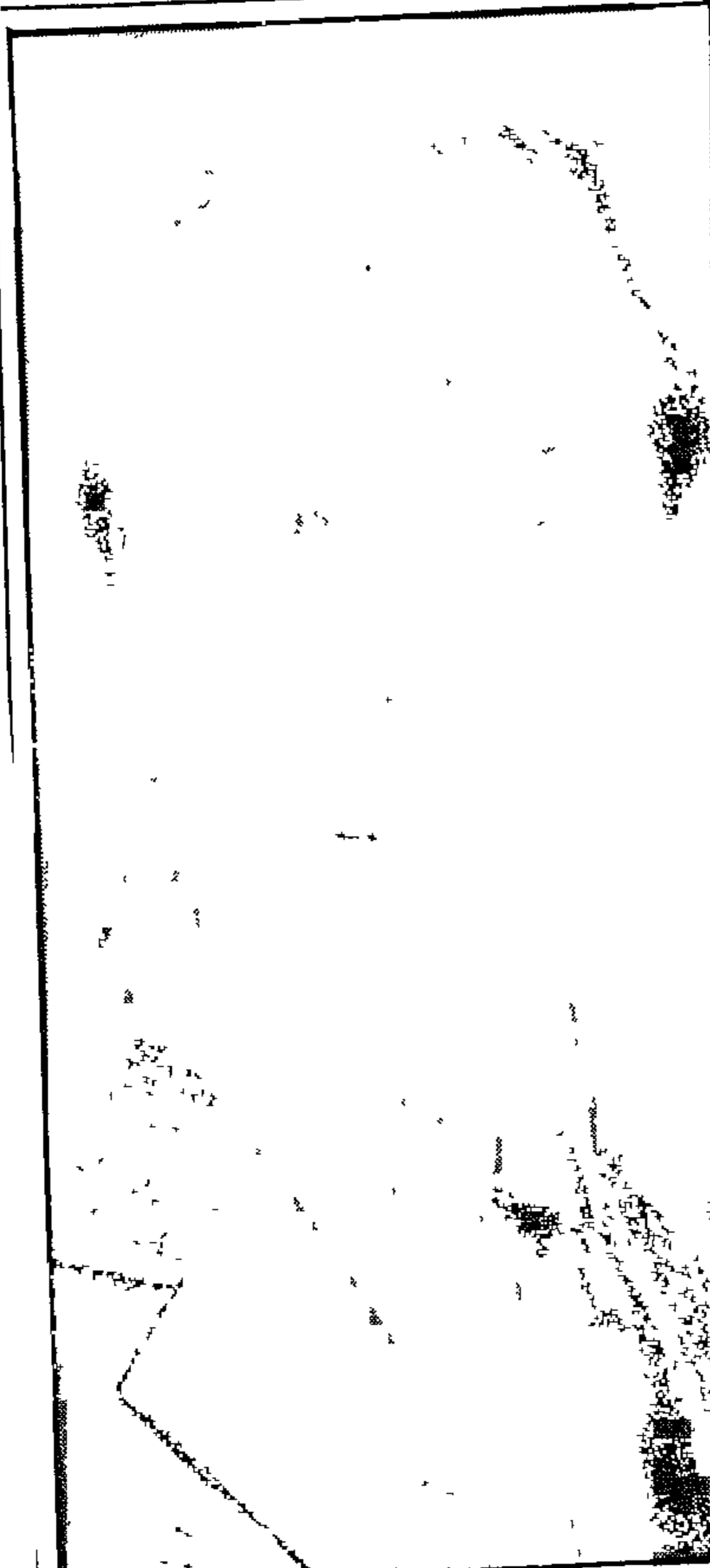
"Palladium is definitely not going to save their (the producers') bacon," one analyst added.

Market sources attributed palladium's latest gains to political disruption in Russia, which provides around 50% of world supply, causing a shortfall in available metal. There had also been higher industrial demand from the US.

Palladium has staged a stumbling recovery since January 1992, when it dipped to \$78.50.

A pick-up in the consumer electronics sector, which accounts for around 47% of consumption, and calls from the car auto-catalyst sector, lifted total demand 70 000 ounces last year to 3.9-million ounces.

Over the same period, however, platinum saw a more modest increase, from \$348.25 to \$386.40, while rhodium — which accounts for around 20% of SA producers' revenues — slumped from \$2 350 an ounce to \$800 an ounce.



BERNARD SMITH: Many hurdles still to be crossed

Mid-1994 date for Gencor's minerals deal

5 Times (Buss)
4/1/93 (217)

By CIARAN RYAN

GENCOR will not conclude a deal with UK-based mineral resources group Billiton before mid-1994, says Gencor executive director Bernard Smith

Mr Smith says "Gencor will probably seek a London Stock Exchange listing once a deal is clinched, but we are still a long way from that

"I am confident a deal will be struck, but there are a lot of hurdles to cross"

A London financial newspaper reports that Gencor will float a mineral resources group once a deal has been struck with Royal Dutch Shell, Billiton's parent. It puts the market value of the new group at £1-billion. Mr Smith says this is speculative

"We have been talking to banks here and in London and believe we will get the support we need. Any deal would be partially debt funded"

Reserve Bank rules preclude funding of foreign acquisitions through the financial rand

Negotiations have been complicated by pre-emptive clauses on Billiton joint ventures. Once agreement is reached on the assets Gencor will acquire, negotiations will begin with each of the venture partners

Gencor is discussing the acquisition of Billiton's alumina interests in Australia, Brazil, Surinam and Ireland, gold in Ghana, Indonesia and Australia, copper and zinc in Canada, lead and zinc in SA and Australia and nickel in Colombia

Gencor is likely to inject its 50% of Richards Bay Minerals and 25% of Consolidated Rutile in Australia into the new group to form one less dependent on SA

The 114-year-old Billiton group is thought to have assets worth R6-billion. If all are acquired, about 60% of the assets of the unbundled Gencor would be in SA and 40% abroad

Gencor moves to raise holding in Westplats

6-17-93

ANDY DUFFY

GENCOR was still aiming to raise its stake considerably in the Lonrho-owned Western Platinum (Westplats), despite cutbacks at its own Impala Platinum (Implats) mine.

The group, which through Implats holds 27% of Westplats, said yesterday it still wanted to take its holding closer to 50%, and if necessary would call a rights issue to fund the deal.

Sluggish prices for platinum group metals have recently forced Implats to cut 1 800 staff and merge its four mines into three. (217)

But Gencor CE finance Philip Rademeyer said the group was taking a "long-term" view.

Analysts said the deal did not necessarily conflict with Implats's decision to rationalise its operations.

The deal would be a "good strategic move" in that access to Westplats's low-cost production and shallow ore reserves would be gained.

Westplats, meanwhile, is carrying borrowings of R800m, and Lonrho has already said it would be prepared to reduce its 73% holding to a 51% controlling stake.

A main sticking point remains the price Lonrho is thought to have priced Westplats at around R5bn,

more than double the value Gencor puts on it.

Independent brokers suggest the value could be around R4bn, before taking into account Westplats' debt.

And analysts estimate Implats would need to call a R1,2bn rights issue to comfortably cover increasing its stake to 49%.

According to market sources, despite the current state of metal prices, Westplats remains a jewel in Lonrho's crown, being among the world's lowest-cost producers, and having refined technology far in advance of its rivals.

Lonrho SA MD Terence Wilkinson stressed there was no pressure on Westplats to sell a stake. It was one of several options, including a listing, still being considered as a means of reducing debt.

A proposed merger between Gencor and Lonrho broke down last year, according to Gencor because it was only interested in Lonrho's SA and other African mining interests, rather than the group's interests worldwide.

Anita Allen suggests one way out of the St Lucia mining dilemma

Star 6/1/93

Make an offer they can't refuse

SOUTH Africans are witnessing a precedent-setting clash between development and conservation over mining on the eastern shores of Lake St Lucia. In resolving this conflict, new regional, national and international policies are being clarified and standards are being created.

The written phase in public participation on St Lucia ended on June 22. In the current phase, the CSIR, as compiler of the Environmental Impact Assessment (EIA), will get written responses from all the authors whose reports have been criticised.

It will also have to address any shortcomings pointed out in the Environmental Impact Report (EIR) which it issued. Then all the nearly four years of accumulated documentation will be considered by a review panel of five people chaired by Mr Justice Leon.

In October, members of the public can make personal appearances before the review panel.

After this, the panel has to make recommendations to the Cabinet on three things. Is irreparable damage likely if either mining/ecotourism, as proposed by Richard's Bay Minerals, or ecotourism, as proposed by the Natal Parks Board, goes ahead? Which land option is preferred? Under what conditions can the chosen option proceed?

We are fortunate in South Africa, that we can appeal to a principle that states the environment is paramount. So the conservation of St Lucia's eastern shores is the priority. However, "where national survival is at stake and where no alternative sources are available on acceptable conditions conservation be subordinated to development" (Report of the President's Council, 1984), in this case mine mining and ecotourism.

It is no longer a debatable question that South Africa needs development. It is the only way to save people from poverty, and to protect wilderness areas.

But there is a real need to create more conservation areas in line with the international Bio-diversity Convention which South Africa has signed. This calls for countries to reserve 10 percent of their surface area in formal conservation areas. South Africa has only about 6 percent and only about half of that is scheduled one national parks.

The negative impact of mining on the environment is not totally known. Alarm bells have been rung in various respected local and international quarters about proceeding with a risky venture that could be the last straw that drains the St Lucia wetlands.

Conservationists also say that what has not been considered is the number of tourists who would flock to see one of the great wonders of the world if Lake St Lucia won this battle with man — and how many would not bother if mining went ahead.

The economic benefits of mining are not greater than a really crackerjack ecotourism option sup-

ported by the local community and private enterprise.

However, if the application for mining was turned down, and it is legally possible to do this, then Richard's Bay Minerals would under law be entitled to compensation running into hundreds of millions.

One way out of the dilemma is to offer RBM something it can't refuse.

Last time RBM got to this point with the Department of Environmental Affairs in the late '60s, it was over a prospecting lease south of the eastern shores, at Mapelane. This area, unlike St Lucia, has some marvellous indigenous forests on the frontal dunes and untrammeled swamps. RBM was given the prospecting lease on the eastern shores, with its 65 percent pine plantations, in exchange for this wilderness.

This time maybe the Government should offer RBM some joint venture, say in the ecotourism industry which will bring in the same revenue RBM already has the in-

frastucture to do this in its highly talented environmental section.

Lake St Lucia has wildernesses that have been proclaimed conservation areas since 1897, but its survival is dependent on the areas surrounding it.

The lake is fed by five rivers from a catchment stretching to the Drakensberg. This area is rapidly degrading and increasing sections show up white on satellite images. This means these are down to bedrock or are bare sand. Six thousand years of creation wiped out in our generation.

Every time it rains more soil silt up the rivers, streams and the reedbeds of the wetlands which are natural filters.

The Umfolozi River channel used to flow at the south end of St Lucia Lake on its way to the sea. Every dry season, the mouth would silt up. Once a year during spring floods, fresh water would flush out the lake system. This prevented the salinity of the lake water from rising too high.

Then some bright sparks decided that floods were doing too much damage to sugar plantations on other shores of the lake. The Umfolozi was diverted 7 km south, and now the lake and river have become separated and each has its own channel to the sea.

Less and less fresh water flows into the lake each year from its once mighty rivers. Now, every year, and more so during dry years, the salinity in the lake rises to levels dangerous to its functioning and bio-diversity.

Schools of young sea fish used to enter the lake system. They grew to adulthood in the lake as the mouth out to sea silted up and closed. These young generations now have to survive out at sea.

Fishermen who know the area and have watched its slow decline have tales to tell of grunter and shad runs and the incredible trophy fish caught. Not any longer. But it could all happen again, that's the point. □

NESS

Booming metal prices push platinum to 27-month high

ARG 7/17/93

217

□ Continuing trend would boost foreign exchange earnings

DEREK TOMMEY

JOHANNESBURG. — The four-month boom in gold and silver has at last spread to platinum, which jumped \$11,50 an ounce yesterday to close at a 27-month high of \$404,25

Gold has continued to rise strongly, gaining almost \$6 yesterday to reach a 42-month

peak of 393 before easing to 391,60

Silver closed at a three-year high of \$5,07 an ounce, a gain of almost 20 US cents on the day

South Africa is the world's largest producer of gold and platinum and any continuation of the present high price of these metals should result in a strong rise in its foreign exchange earnings

Mainly American buyers are behind the boom in precious metals

Initially a few were attracted by the tight supply situation in gold and silver and expectations this could lead to rising prices

But as prices rose and the US economy remained sluggish, offering few profitable investment opportunities, an in-

creasing number of Americans began investing

However, dealers warn the money going into gold is not long-term investment capital, but principally short-term speculative funds

These could be withdrawn overnight, pricking the bubble and leaving precious metals well below their present levels

Platinum *Star 7/7/93* hops on gold's

bandwagon

By Derek Tommey

The four-month boom in gold and silver has at last spread to platinum, which jumped \$11.50 an ounce yesterday to close at a 27-month high of \$404.25

Gold continued to rise strongly. It gained almost \$6 yesterday to reach a 42-month peak in London of \$393 and closed in New York at \$392.30.

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SA is the world's largest producer of gold and platinum and any continuation of the present high price of these metals should result in a strong rise in its foreign earnings. (217)

Tight supply

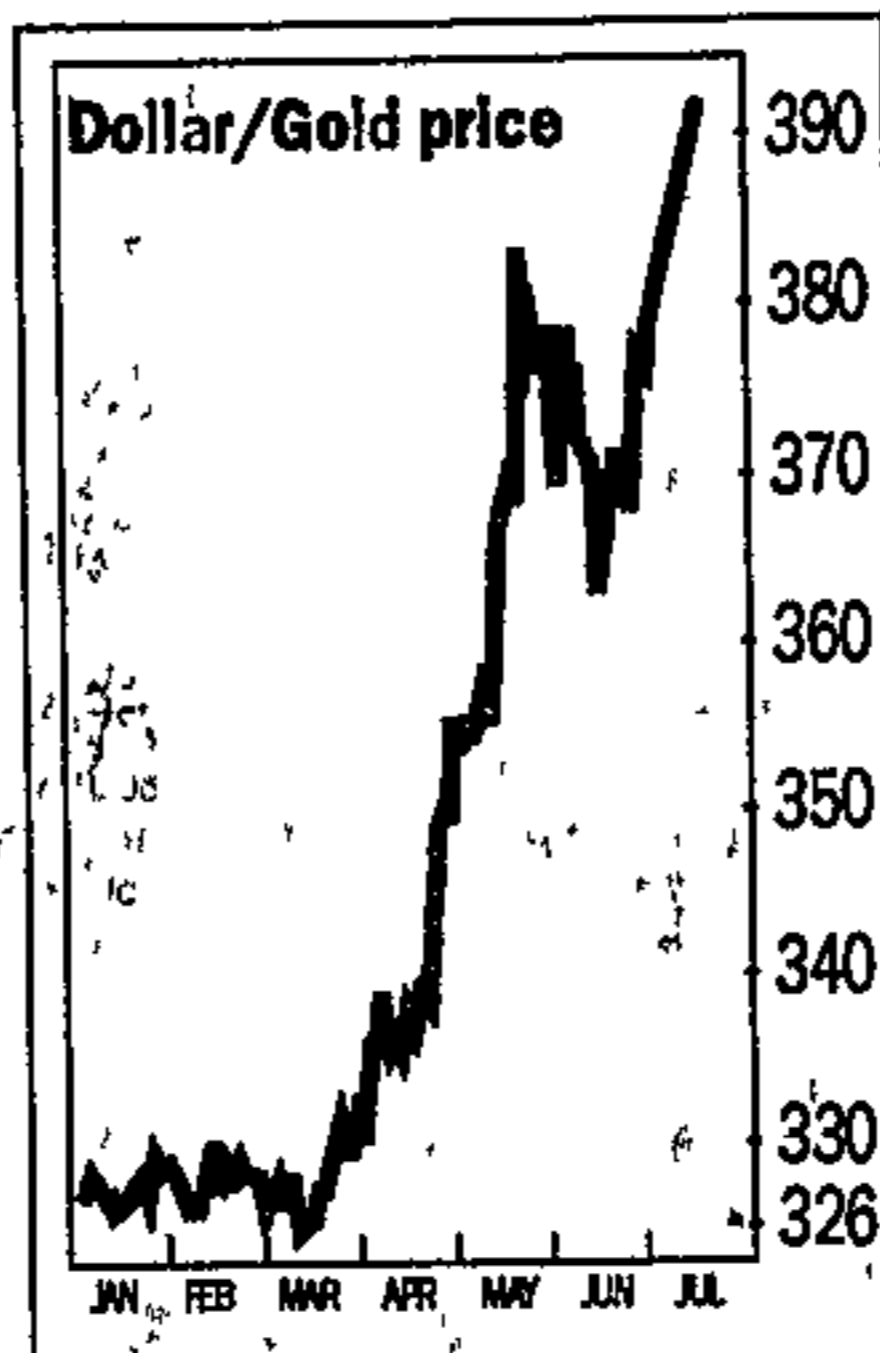
American buyers are mainly behind the boom in precious metals.

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But as prices rose and the US economy remained sluggish, offering few profitable investment opportunities, an increasing number of Americans started investing in them.

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ANGLO AMERICAN

Flying ever farther afield

FM 9/7/93

(217)

Activities: Mining finance house with investments across a wide spectrum of mining and industrial activities both locally and internationally

Control: De Beers 38,7%.

Executive chairman: J Ogilvie Thompson

Capital structure: 232,1m ords Market capitalisation: R31,4bn.

Share market: Price: 13 525c Yields: 2,6% on dividend, 7,8% on earnings, p/e ratio, 12,8; cover, 3,1. 12-month high, 14 600c; low, 7 450c Trading volume last quarter, 2,6m shares.

Year to March 31	'90	'91	'92	'93
Attributable earn (Rm)	1 507	1 401	1 680	1 532
Equity acc earn (Rm)	3 117	2 591	2 600	2 461
Attributable earn (c)	651	604	721	660
Equity acc earn (c) ..	1 347	1 118	1 121	1 060
Dividends (c) ...	325	325	345	345
Tangible NAV (c) ..	16339	13 212	15 054	15 392

A striking feature of Anglo American's report is the wealth of detail on foreign development plans, confirming comments earlier this year by chairman Julian Ogilvie Thompson on the group's intentions for international mining expansion.

The prime target is copper. Of particular interest is the intensity of activity in South America, where four major copper projects are being examined. In addition, Anglo confirms it is keen to increase its stake in Zambia Consolidated Copper Mines (ZCCM), which is to be privatised.

Anglo, through Minorco and ZCI, owns 27,3% of ZCCM and has pre-emptive rights on any sale of shares which would drop the Zambian government's stake below 50%.

ZCI directors on the ZCCM board are already helping ZCCM management in long-range strategic planning, as well as arranging test work on a major project to exploit deeper ore reserves at Konkola mine.

Anglo American Corp of South America (Amsa) controls the Mantos Blancos copper mine in Chile. Mantos Blancos last year acquired 100% of the Quellaveco copper deposit in Peru and 16,65% of Collahuasi in Chile in which Anglo's international arm, Minorco, also holds 16,65%.

Mineable reserves at Quellaveco are estimated at more than 260 Mt at average in



Ogilvie Thompson ... hungry for copper

situ grade of 0,85% copper Pre-feasibility studies at Collahuasi show the potential to produce 300 000 t/year of copper. The other partners in Collahuasi are Billiton/Royal Dutch Shell and Falconbridge.

The Mantos Blancos mine produced 70 000 t of copper last year and is considering the development of the wholly owned Mantoverde prospect, which would add 40 000 t to annual output.

In Brazil, Amsa associate Mineracao Morro Velho (MMV) has formed a partnership with major Brazilian miner Companhia Vale do Rio Doce — which operates the world's largest iron ore mine — to investigate the Salobo copper/gold prospect.

Estimated mineable reserves at Salobo are more than 250 Mt with copper grades above 1% as well as a significant gold content Preliminary estimates are that this mine could produce 100 000 t of copper and 5 t of gold a year from an open-pit operation

In addition, Anglo is spending heavily inside SA through its multibillion-rand exposure to the Columbus and Namakwa Sands projects and its share of Vaal Reefs' Moab shaft. Subsidiary Amcoal has just completed the R703m Landau export colliery

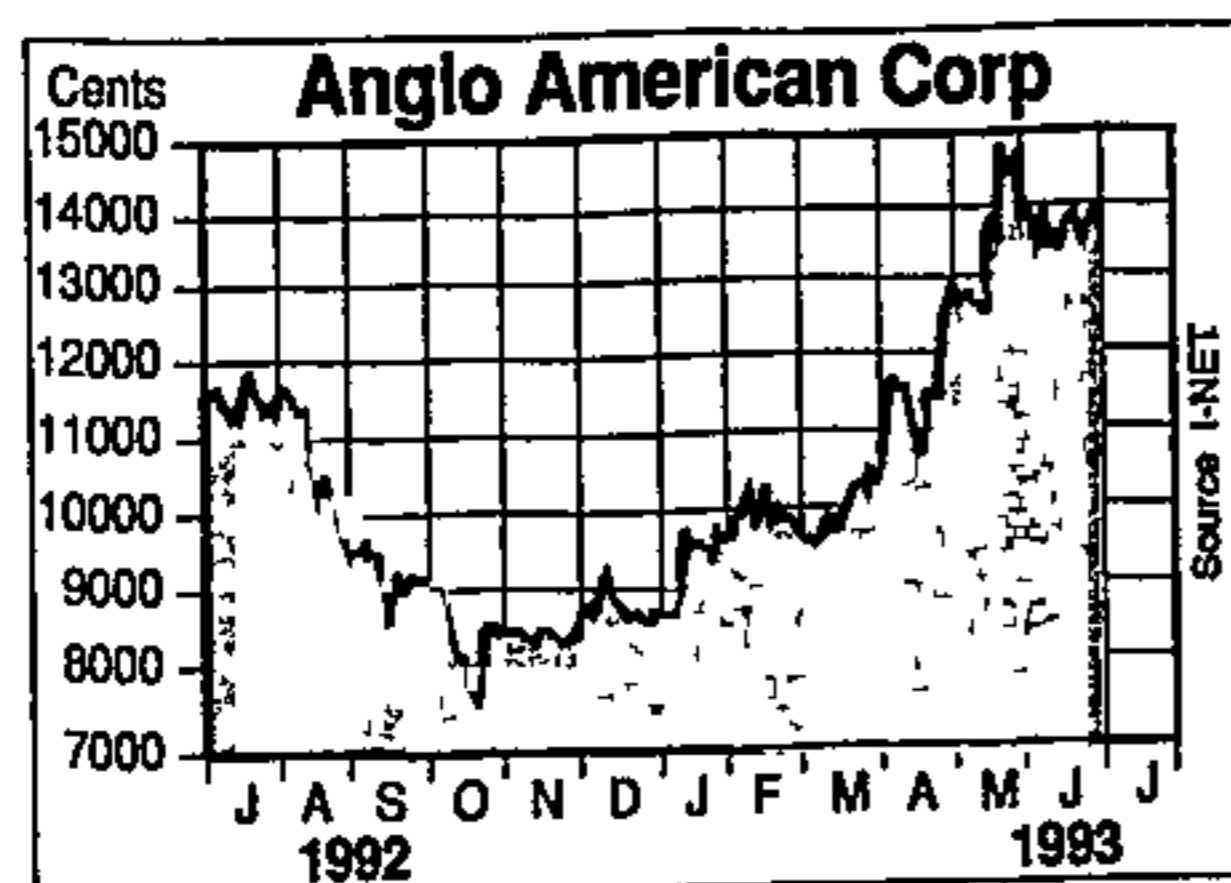
The message is that SA's major business institution is spending heavily to ensure long-term growth, which should maintain its status as a core holding in any portfolio of SA shares.

The share price is 81% above the 12-month low of R74,50, having recovered from last year's debacle over De Beers and been pushed up by general bullish sentiment over gold. Income should start to grow again after

last year's 8% drop in attributable earnings Fergusson Bros research head William Bowler forecasts a 15% increase in earnings this year and a 10% rise in dividends to 380c Bowler's one concern is possible adverse De Beers results in the second half because of sluggish economic recovery in the US and continued recession in Japan and their knock-on effects Anglo owns 29,4% of De Beers Centenary and 32,5% of De Beers Consolidated Mines

First-half CSO results due within the week will be good, but some analysts remain unconvinced that De Beers is truly on a recovery track.

Brendan Ryan



Base metals take big knock

By Day ANDY DUFFY 13/7/93

COLLAPSING commodity prices in the three months to June had a marked effect on the performance of Gold Fields of SA's base metals operations, leaving four divisions deep in the red and the other two wilting.

Rooiberg Tin bore the heaviest blows, with its after-tax loss rising to R670 000 from R300 000 as revenue fell to an average R17 200 a ton from R18 100 a ton.

Though the mine had drastically reduced its operations, its future was now in doubt, Gold Fields said.

A decision on its closure would be taken within the next two months.

Unlisted lead and zinc producer Black Mountain increased its operating loss to R7m (R5,6m) despite an increase in concentrates sold.

At O'okiep, ore milled rose sharply to 442 000 tons (385 000 tons), while the cost of sales dropped back to R34,2m (R34,7m).

The operating improvements partly offset a further fall in average prices over the period to R6 000 a ton from R6 900 a ton, leaving after-tax losses of R4m (R11m).

Production at Gold Fields Namibia was disrupted by damage to hoisting facilities at Tsumeb and a heavy inflow of water at Kombat, which cut tonnage and forced up costs as a proportion of sales. Sundry revenue up at R1,5m from R700 000 only partly offset the damage, leaving the operation with after-tax losses of R3,8m, from a R4m profit in the last quarter.

Despite a fall in sales to R72m (R77m), Zinc Corporation boosted operating profits to R16,7m (R15,6m) as costs were cut back to R55,2m (R61,4m). A higher tax charge, however, brought the pre-capex profits down to R6,6m (R7,5m).

Gold Fields Coal edged forward to a pre-capex profit of R5,2m (R5,1m). But costs as a percentage of sales rose to 89% from 83%, driving operating profits down.

SOPLATS FM 16/7/93

Time to cash in

Activities: Controls platinum and base metal prospect near Potgietersrus and heavy mineral sands project in Malawi.

Control: Southwits 81%

Chairman: N Stavrakis.

Capital structure: 10,7m ord. Market capitalisation: R26,8m.

Share market: Price: 250c. 12-month high, 325c; low, 10c Trading volume last quarter, 138 000 shares.

Year to February 28	'90	'91	'92	'93
Available cash (Rm)	0,5	1,3	0,08	0,01
Exploration expenditure (Rm)	0,2	3,0	1,3	0,2
Operating loss (Rm)	0,22	2,7	1,2	0,2
Earnings (c)	(2,1)	(27,0)	(11,5)	(1,9)
Dividends (c)	nil	nil	nil	nil

Southern Platreef Mining Company (SoPlats) shares have gone into orbit. But, if they are really worth 250c, why is controlling company Southern Witwatersrand Exploration Company (Sowits) selling its 81% stake for just R347 641 or 4c a SoPlats share? That question screams off the page for anyone delving into the annual reports of the two companies.

The answer is that this cash-strapped company has been forced to throw in the towel on its once-vaunted Potgietersrus platinum and base metal project, south of JCI's Potgietersrus Platirium (PP Rust) mine. When listed, the developers touted SoPlats as another PP Rust. In last year's report reality had set in and feasibility studies on the project were looking at a "small scale optimisation" approach, which still gave a net present value of R15m.

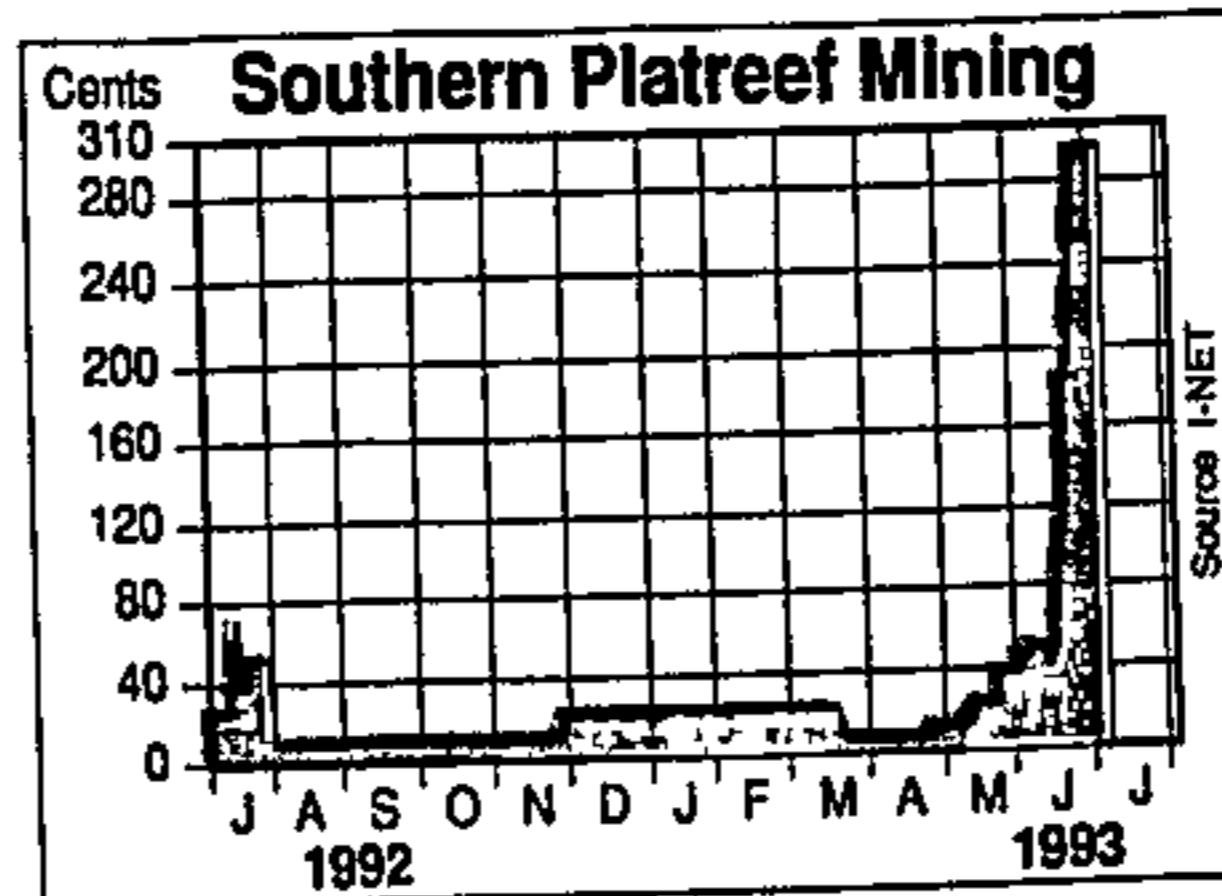
This year, flat base metal prices — the project depends heavily on nickel — have forced developer Sowits to grant an option to sell the project at 4c a SoPlats share to an unidentified third party. This is after spending R5m exploring it. The message should not be lost on those buying SoPlats now. SoPlats may have a winner with its Malawi venture, but its management was convinced it had a winner in the Platreef project.

Chairman Nick Stavrakis says the company has acquired an exclusive prospecting licence over a heavy mineral sands (HMS) project in the Shire Valley, which was looked at in the Sixties and Seventies by two Canadian mining companies. Regional wars and adverse political conditions prevented development. Stavrakis says preliminary investigations based on the previous exploration work shows HMS grades of 17,3% ilmenite, 3,3% rutile, 3,2% zircon, 3,1% monazite and 10% corundum.

Stavrakis says estimated reserves are 100 Mt of extractable heavy minerals and

adds the Malawi deposit must be rated "extremely high" against the Natal north coast reserves. Maybe, but much water has to flow under the bridge before this project, or some others proposed for Mozambique, Tanzania and Madagascar, get off the ground.

The Malawi project is 560 km inland; competing projects are all on the coast. Transport of the beneficiated products to the nearest port — Nacala in Mozambique — is an additional cost. There is also the issue of available infrastructure in Malawi should the developers want to build a smelter on-site to produce titanium slag.



Stavrakis is adamant the infrastructure — labour, roads, fresh water and electricity — is there. The 10% corundum content, he says, could be critical for this project. The other southern African deposits do not contain this material, which is used in abrasives.

The project might eventually come to something, but, if investors in mineral exploration shares should have learnt anything from their volatile performance over the past five years, it is to trade them. If you made a profit during SoPlats's rise from 10c, then follow one of Woody Allen's better pieces of advice: take the money and run.

Brendan Ryan

SOWITS FM 16/7/93

Plagued by contingencies

Activities: Mining exploration company controlling gold, coal and base metal prospects

Control: First National Nominees 64%

Chairman: N Stavrakis

Capital structure: 32,8m ords Market capitalisation R4,9m

Share market: Price 15c 12-month high, 35c; low, 4c Trading volume last quarter, 1,1m shares

Year to February 28	'90	'91	'92	'93
Available cash (Rm)	2,0	1,9	1,2	1,1
Exploration expenditure (Rm)	1,1	5,1	2,9	1,8
Net loss (Rm)	0,7	0,1	0,5	3,0
Earnings (c)	(2,2)	(12,6)	(1,5)	(9,2)
Dividends (c)	nil	nil	nil	nil

Southern Witwatersrand Exploration Company (Sowits) will acquire a 25% stake in the Southern Platreef Mining Company (SoPlats) heavy mineral sand project in Malawi, but the shares have not responded anywhere near as dramatically as might be expected given the fireworks in the SoPlats share



Sowits's Stavrakis . . .
more favourable conditions now

price

That's because the accounts reveal contingent and other liabilities that could wipe out Sowits financially if they ever take effect. These are a legacy of the company's chequered career as it has struggled to find an operation it could use to fund exploration.

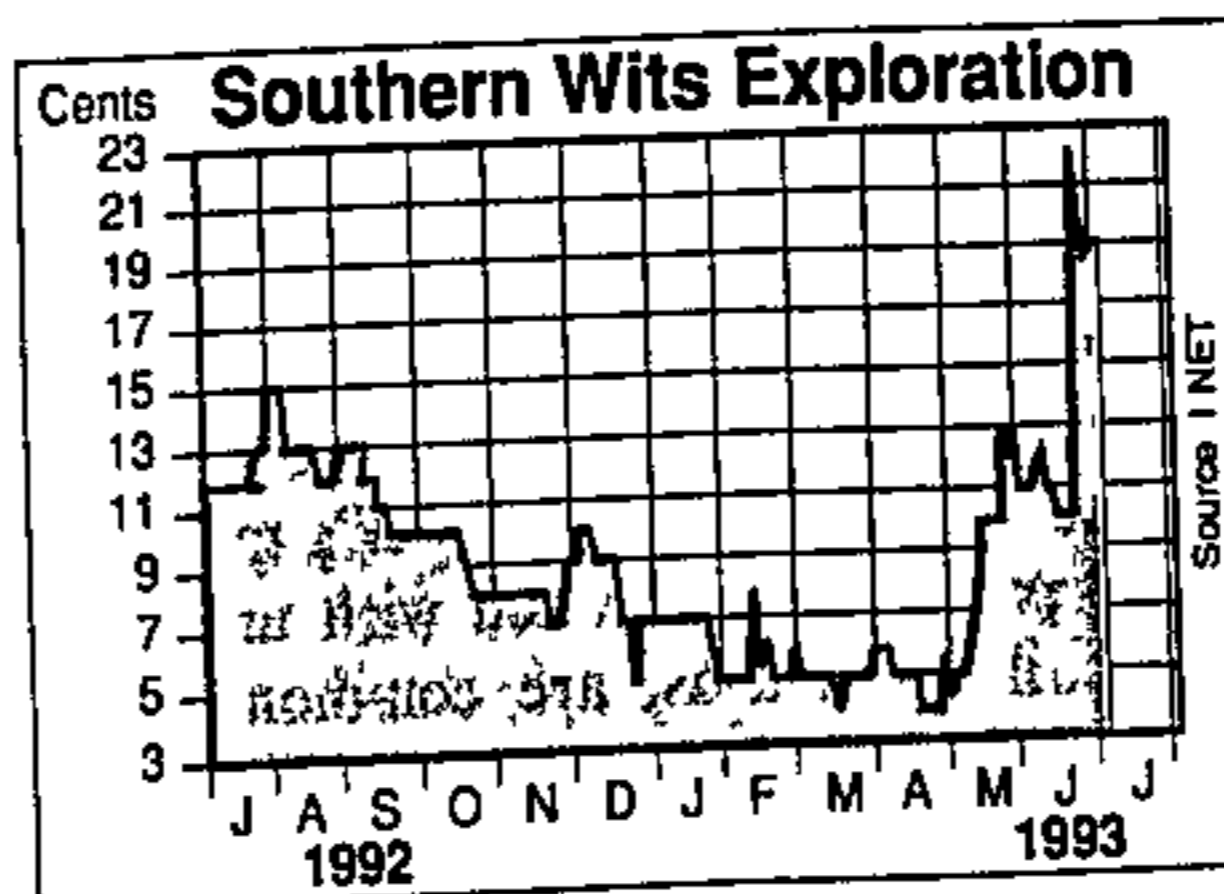
Still, it must count in the company's favour that Sowits is still in business six years after being listed through raising only R4,2m net capital. A number of small, listed mining and exploration companies have fallen away in this period.

After the initial failures with South Murchison gold mine and the Deep River diamond mine, Sowits has concentrated on coal. Shareholders have had an interesting, if somewhat rough, ride.

Biggest problems involve the Middelburg Coal project, where the joint venture partners — Sowits and Logan Mining — fell out with contractor LTA Process Engineering. The legal action is continuing. The project is up and running though Sowits could not fund its participation. It reduced its interest in return for a royalty of R1,70/t.

MD Nick Stavrakis reckons Sowits will earn about R1m/year from this venture in real terms. Royalty payments, now R9 000/month, are also received from Sowits's Delmas Coal project.

The group is still dealing with the aftermath of the South Murchison gold venture. Sowits did a deal with Glenn Laing's Revere Resources over this potential gold producer because Stavrakis thought Laing was better able to develop and run the mine.



But Laing ran into financial difficulties last year and, according to Stavrakis, was unable to pay R1,3m owed to Sowits. The deal is being renegotiated and could be settled as follows: Revere would return the original gold claims and dumps owned by South Murchison, with 4,225m Revere shares, machinery and other assets worth R200 000 and would pay the R350 000 balance of the debt in monthly cash instalments.

That would give Sowits 15% of Revere but also put it back to square one on South Murchison. Stavrakis claims conditions are now more favourable for development of the mine.

If you bought the share last year at 10c, as the FM suggested, you could have doubled or trebled your money in the past few weeks — though the price has now fallen back to 15c. Until more details are available on the Malawi project and Sowits's legal disputes are resolved, investors should take what profits they can.

Brendan Ryan

FM 16/7/93

(217)

WestPlats suffers huge income loss

WESTERN Platinum (WestPlats) suffered a near halving in pre-tax income for the six months to March as falling metal prices swamped its operating performance.

The company, which UK parent Lonhro is expected to float on the JSE this year, made a pre-tax income of R36,1m, against R67,1m for the same period in 1992. *Biday*

Though production of noble metals in matte rose 31% to 10 731kg on the back of improved grades and higher throughput, WestPlats was battered by lacklustre platinum prices and the collapse in rhodium revenues.

The results are broadly in line with the fortunes of the rest of the platinum group metals industry, which has forced heavy cuts in staffing over the last six months. *22/7/93*

The fall in rhodium prices led to WestPlats closing its No 2 shaft in May, with the loss of 1 500 staff.

WestPlats gross margins were cut by more than 40%. But attributable

ANDY DUFFY

losses per share, excluding participating preference shares, fell from 5,8c to 2,4c, after capex dropped nearly R100m to R83,9m.

The company also used the lowering of the tax rate announced in this year's budget to cut its deferred tax liability by R95,4m

Lonhro, which has a 73% stake in WestPlats, does not usually strip out the results for its subsidiaries

In its own results announcement in June, it reported only that output from its platinum group metals business — WestPlats and the Bophuthatswana-based Eastern Platinum — rose 39% to 430 000oz

Analysts said WestPlats' figures showed improvement in operational performance which should see the company well placed for any upturn, and that WestPlats could resume its dividend payment for the full year

Working costs for the period

dropped to just R20 953/kg (R22 547) — thought to be the lowest in the industry

Committed capex also fell — to R17,8m for the quarter — which analysts believe signals the final stages in the company's massive capex programme. Capex, including capitalised interest on its debt, stood at R346m last year. *(217)*

The drop in capex should lead to a steady decline in debt, analysts said. Last year WestPlats' total debt rose from R454m to R586m

Speculation that WestPlats is to be floated later this year led to Lonhro's share price in London leaping to a 12-month high earlier this month

The speculation intensified when Lonhro announced the appointment of expert mining stockbroker James Capel as joint broker.

Several Johannesburg broking groups are also understood to be vying to take part in any flotation on the JSE

Six parties reject mining in St Lucia

Star 23/7/93

217

DURBAN — Six leading "interested and affected parties" have rejected the environmental impact report (EIR) on mining St Lucia, saying it is biased and short-sighted.

The Wildlife Society of Southern Africa said the EIR had used an approach that created hundreds of "lifetime" jobs from mining.

"This is voodoo economics at its best. A 17-year mining operation does not create lifetime jobs."

Richards Bay Minerals (RBM), which commissioned the report, has applied to mine the eastern shores of northern Natal's St Lucia estuary, the largest in Africa.

The society said no attempt had been made in the report to evaluate mining other areas of State land, such as 5 000 ha of mineralised sands at Port Durnford.

"Contrary to the findings of the EIR, there is evidence to show the total benefits of the non-mining alternative outweigh the total costs (the efficiency test of the integrated

environmental management procedure); that the benefits appear to be fairly distributed (the equity test); and that the options for future generations are not foreclosed but are widened (the sustainability test)," said the society.

The Natal Parks Board said it was concerned that should permission to mine be granted, a precedent would be set "to support the submission of applications to mine in other protected natural areas which warrant the highest status of national and international significance".

The KwaZulu Bureau of Natural Resources said the EIR was misleading and biased.

Campaign for St Lucia patron Dr A Heydorn noted it was the already heavily-stressed Umfolozi River system which would supply fresh water for mining, and this had serious implications.

The international wetlands conservation body, the Ramsar Convention Bureau, said its main conclusion was that the ecological integrity of the area would be compromised.



Gypsum's Snowden repaying

debt quickly

FM 23/7/93

(217)

plant has caused write-offs at operating level, according to MD Grant Snowden. The depreciation charge rose from R7m to R13m during the year, largely because of this closure and the completion, two years ago, of the gypsum board-making plant in Brakpan. The 1994 depreciation charge is expected to be lower.

Prices for Gypsum's products have been kept low by the slump in residential housing and the number of substitute products on the market. Says Snowden, "We are leaders in all the segments in which we operate. We are prepared to keep prices low." Gypsum exports some of its product, though Snowden says this is a small amount, but would not quantify it.

GYPSUM HOLDINGS
FM 23/7/93
Curbing product prices

(217)

Activities: Mining and selling of gypsum and manufacture of Rhinoboard and cornice for domestic and commercial ceilings and walls

Control: BPB Industries 50%

Chairman: P L Herring, MD S G Snowden

Capital structure: 8,2m ords Market capitalisation R73,8m

Share market: Price 900c Yields 6,6% on dividend, 12,5% on earnings, p/e ratio, 8, cover, 1,9 12-month high, 900c, low, 855c

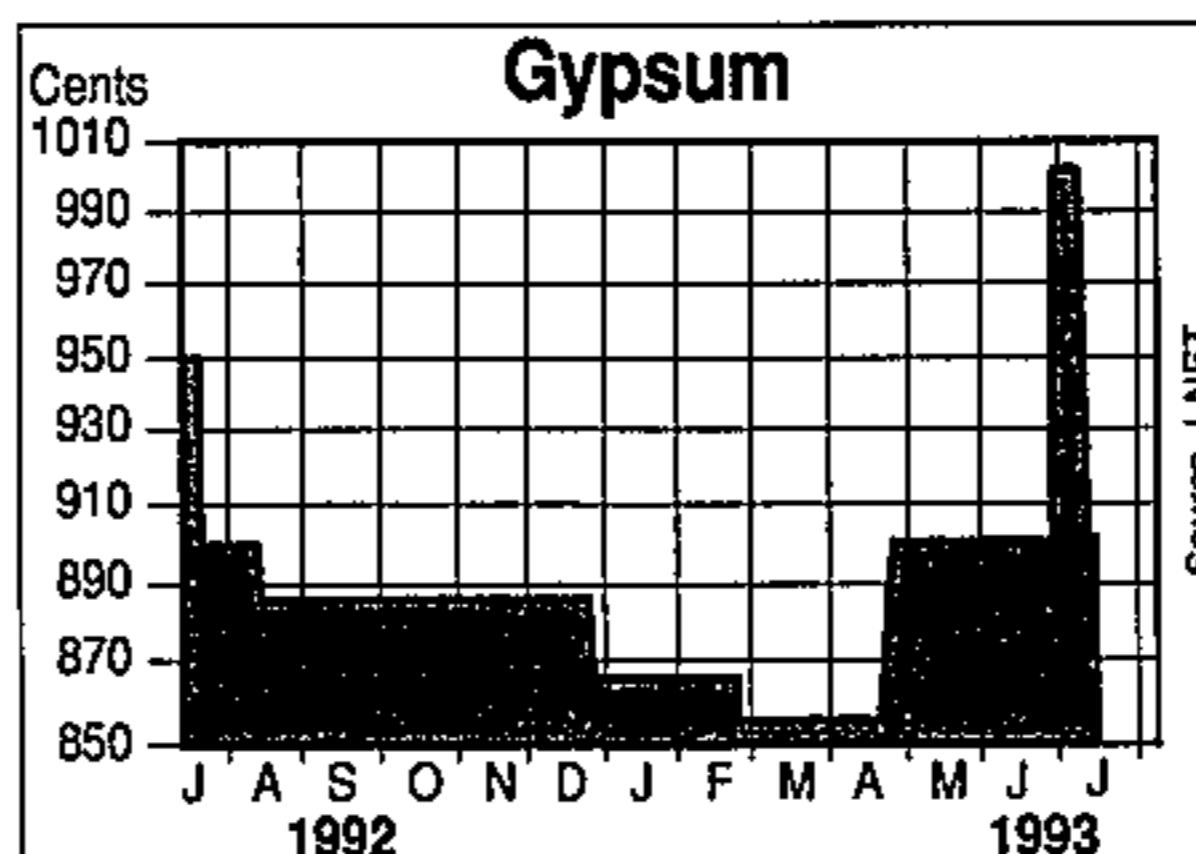
Trading volume last quarter, 55 200 shares

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	6,9	8,0	17,2	15,7
LT debt (Rm)	0,8	46,8	15,4	0,4
Debt equity ratio	12,1	60,3	37,0	11,4
Shareholders' interest	0,64	0,45	0,44	0,54
Int & leasing cover	n/a	132	4,5	5,4
Return on cap (%)	30,7	18,0	13,6	14,8
Pre-int profit (Rm)	30,6	29,9	24,8	23,8
Earnings (c)	187,1	195,2	120,5	112,5
Dividends (c)	60	60	45	60
Tangible NAV (c)	720	837	913	966

The gypsum and plasterboard maker has suffered from the recession like so many others in the property, building & construction sector. But assessing the damage is complicated by the lack of turnover figures and a change of year-end Earnings, for what it's worth, fell by nearly 7%.

As Gypsum is a subsidiary of the UK's BPB group, it was decided to change its year-end to correspond with that of its parent; the consolidated 1993 results compare with those of the preceding nine months. The lack of turnover figures or even corresponding percentage changes makes it difficult to discern cost control and operating efficiencies. However, operating income for the nine months to March 1992 was greater than the income for the following 12-month period.

The closure of the Pretoria gypsum board



The debt structure has been juggled over the year long-term debt fell from about R15,5m to R430 000. "We have rescheduled the mix to short-term debt, to pressure management to repay it quickly," says Snowden. This seems a curious priority on which to structure debt, but perhaps an effective one. The balance sheet has strengthened markedly, the debt equity ratio, net of cash, having fallen from 60% two years ago to 11,4%.

However, disclosure of the debt in the financial statements is confusing. The R12m current portion of long-term loans (the bulk of total borrowings) is included in accounts payable rather than stated as short-term debt — as it is shown in the table.

The share is tightly held, less than 10% is in the hands of the public. The two major shareholders are BPB (50%) and Blue Circle (33,7%). The dividend has remained at an annualised 60c for the past four years. On a p/e of 8,0, the share is not ambitiously valued, though it may be premature to consider buying.

Louise Randell

Six affected parties slate St Lucia mining report

DURBAN — Six leading "interested and affected parties" have rejected the environmental impact report on mining St Lucia, saying it is biased and short-sighted.

The Wildlife Society of Southern Africa said the report had used an approach that created hundreds of "lifetime" jobs from mining. "This is voodoo economics at its best. A 17-year mining operation does not create lifetime jobs."

Richards Bay Minerals, which commissioned the report, applied to mine the estuary's eastern shores.

The society said no attempt had been made in the report to evaluate mining other areas of state land, such as 5 000ha of mineralised sands at Port Durnford.

The Natal Parks Board said it feared that if permission to mine was granted, a precedent would be set "to support applications to mine in other protected natural areas".

Other bodies critical of the report include the KwaZulu Bureau of Natural Resources, the Campaign for St Lucia, the Zululand Environmental Alliance and the wetlands conservation body Ramsar Convention Bureau.

Objections to the report are being analysed and a response report is due in August. Panel hearings on the response will begin on October 19. — Sapa

Binay 23/7/93

217

Govt mum
Stev 24/7/93
on St Lucia
mining plea

TOWN
CORRESPONDENT

DURBAN — The Government remained tight-lipped yesterday about a report from environmental advisers recommending that mining not be allowed at Lake St Lucia.

The report was prepared by the Council for the Environment and presented this week to Environment Minister Janie van Wyk.

Sources said council members came out strongly against Richards Bay Minerals' plans to mine St Lucia's dunes.

A spokesman for Van Wyk's office said it would be premature to publish the report.

Ferrochrome market (21) CT 26/7/93 'in delicate balance'

JOHANNESBURG — The world ferrochrome market was delicately balanced, but was in a better state now than it had been six months ago, Samancor MD Mike Salamon said.

Salamon, speaking in a recent interview, said that global ferrochrome demand was currently exceeding production and stocks were being reduced.

Although there was low growth in the stainless steel industry, ferrochrome's largest market, production in 1993 should exceed last year's production.

Salamon took up his position as head of the world's largest ferrochrome producer in March this year and has spent much of the last four months travelling overseas to meet with customers and metals trading groups on the world ferrochrome and manganese markets.

"The last 12 months have been characterised by low growth in the stainless steel markets, scrap from the Commonwealth of Independent States (CIS) flooding the world market and a large metallurgical chrome mine in Kazakhstan providing most of the ore needs of CIS, Chinese, Eastern European and Scandinavian ferrochrome producers at low prices"

In addition, Scandinavian exchange rates had been adjusted making local production artificially competitive, he said.

These factors had a two-fold effect: some European stainless steel producers increased the scrap charges to about 85% from an average of about 55% previously, and the European spot price sank to 0,33 dollars per pound.

"Samancor took a long-term view of these depressing factors on the market, cut production to 50% of its one million ton capacity and retrenched 2 100 people"

He said the group had not increased its prices in the third quarter of 1993 under current market conditions. Samancor was still commanding prices of around 0,43 dollar/lb in Europe and 0,47 dollar/lb in Japan, he added.

Low pricing, sometimes at 25% below the list price and masses of scrap, had resulted in the CIS capturing 10% of the Western World market.

However, Salamon said that while Samancor had lost some of its customers, it was unlikely the CIS would further increase its market share given logistical constraints.

Samancor is expected to report year-end results next month.

Highveld ⁽²¹⁷⁾ suspends ^{at 3/8/73} vanadium operations

JOHANNESBURG — Highveld Steel and Vanadium has indefinitely suspended its main vanadium operations, after the market's failure to show any signs of recovery.

The Amic-owned company, the world's largest vanadium producer, said there was no prospect of making money from vanadium at current prices, and could not see when prices would recover to viable levels.

Highveld had closed its Vantra vanadium pentoxide plant in May, in the face of world oversupply, but had been expected to reopen the plant last month.

But MD Trevor Jones said yesterday the plant would remain mothballed. The company had also halted publishing its quarterly producer prices.

Highveld's vanadium business would now be restricted to the sale of vanadium slag.

Vanadium, used mainly for hardened steels, has been in free fall since the second quarter of 1991, as steel industry consumption collapsed and cheap supplies from China and the former Soviet Union swamped remaining demand.

Highveld had cut its producer price for the second quarter of this year to \$1,80/lb, down 8% on the first quarter, and just more than half the level two years ago.

LTE 020E

ME

CMI hard hit by low prices, sales

By Derek Tommey

Consolidated Metallurgical Industries (CMI), producer of ferrochrome used in stainless steel, was hit hard by continued low prices and reduced sales in the year ended June.

The loss for the year rose to R41 million, equal to 97c a share, from a loss of R5,3 million, equal to 12c a share, in 1991-92.

Deputy chairman Sandy Wood says the loss was the result of global over-supply of ferrochrome, which led to a 7 percent drop in selling prices in dollar terms.

Reduced sales and the resultant lower capacity utilisation caused a 9 percent rise in operating costs.

CMI is operating at 50 percent of capacity, though this production is being achieved from only two of its five furnaces.

However, giving cause for hope is that the ferrochrome business, thanks in part to cut-backs by SA producers, is finely poised at present.

The demand for virgin chrome remains strong, buoyed by a strong stainless steel performance in the US, a recovering stainless steel industry in Japan, and a European industry that continues to produce at record levels to service exports to China.

Despite the recession, world production of stainless steel continues to grow and last year rose 2,4 percent to a record 11,1 million tons.

So far this year it has grown at an annualised rate of 4,7 percent.

However, Wood says he is concerned that any faltering of Chinese demand could affect European producers and lead to lower demand for ferrochrome.

While CMI has gained some relief from the weakening rand exchange rate, a recovery in prices is necessary to restore profitability.

Rusplat earnings show strong recovery

Star 6/8/93

By Derek Tommey

JCI's three platinum mines — Rustenburg (Rusplat), Lebowa and Potgietersrus Platinums (PPRust) — have good news for their shareholders

Rustenburg's earnings recovered strongly in the second half of its 1993 financial year.

They rose 55,6 percent from R110,1 million to R171,1 million to limit the decline in attributable profit for the year to 30 percent.

This was the result of a 20 percent increase in sales volumes and higher rand prices. Higher sales volumes helped limit the increase in operating costs.

Rustenburg has declared a final dividend of 102,5c (142,5c), making a total payment for the year of 165c — a 28,3 percent decline on a year ago.

MD Barry Davison says the dollar prices received by Rustenburg were mixed

The platinum price increased by 1,96 percent and palladium

R1,4 billion in the first half of the year to R1,6 billion in the second half, giving a gross sales revenue for the year of R3 billion.

Davison says the platinum market has been affected by reduced car production in Europe and Japan

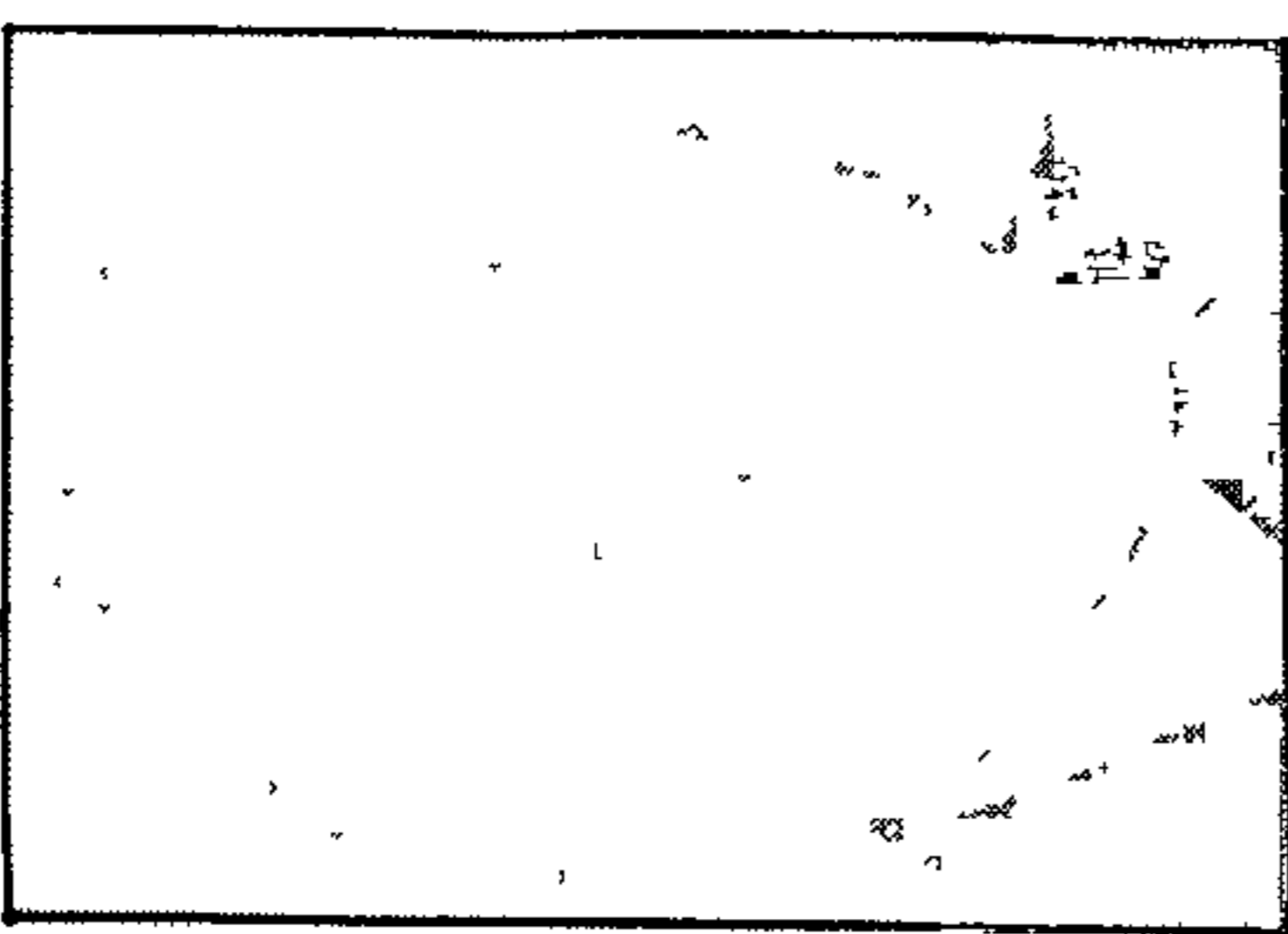
More platinum is being sold for autocatalysts in Europe this year as all cars now have to be fitted with them.

Nonetheless, the increased demand was not up to expectations. However, the Japanese are still buying the same amount of platinum jewellery

He says the future of the platinum price depends on the growth of Western economies

Palladium has done well and he is impressed by the Russian handling of the metal because they control the market

The Russians could not be blamed for the low rhodium price. This had soared when Rustenburg was having production problems and motor companies needed rhodium for au-



Barry Davison . . . demand not up to expectations

rose by 23,1 percent. But the price of rhodium dropped by 42,6 percent and the price of nickel by 12,9 percent

Overall, gross sales revenue rose by 10,1 percent from

tocatalysts.

The shortage led to their stockpiling the metal. They were now taking a different view of rhodium and were living on their stocks.

Prospects for an increase in Rustenburg's profits depend on metal prices and the extent to which costs are contained

Wage negotiations are now taking place, but increases in unit costs will be below the inflation rate.

Lebowa sharply reduced its operating loss from R9,4 million in the first half of the 1993 financial year to R500 000 in the second half, bringing the loss for the year to R9,9 million (loss of 28,9 million last year)

If the platinum price is maintained, Lebowa will return to profitability.

PPRust, in a development unheard of in recent years, has been brought to production at R170 million (30 percent) below the R550 million originally estimated. It has already produced and sold its first refined metal

Rusplat affected by falling prices

Biday 6/8/93

ANDY DUFFY

FALLING prices took a heavy toll on JCI's Rustenburg Platinum (Rusplat) for the year to June, despite the company's strong second-half performance.

Earnings dropped 30% to 224,6c a share as Rusplat buckled under collapsing prices for nickel and rhodium, which swamped a slight recovery in platinum and palladium, and higher working costs.

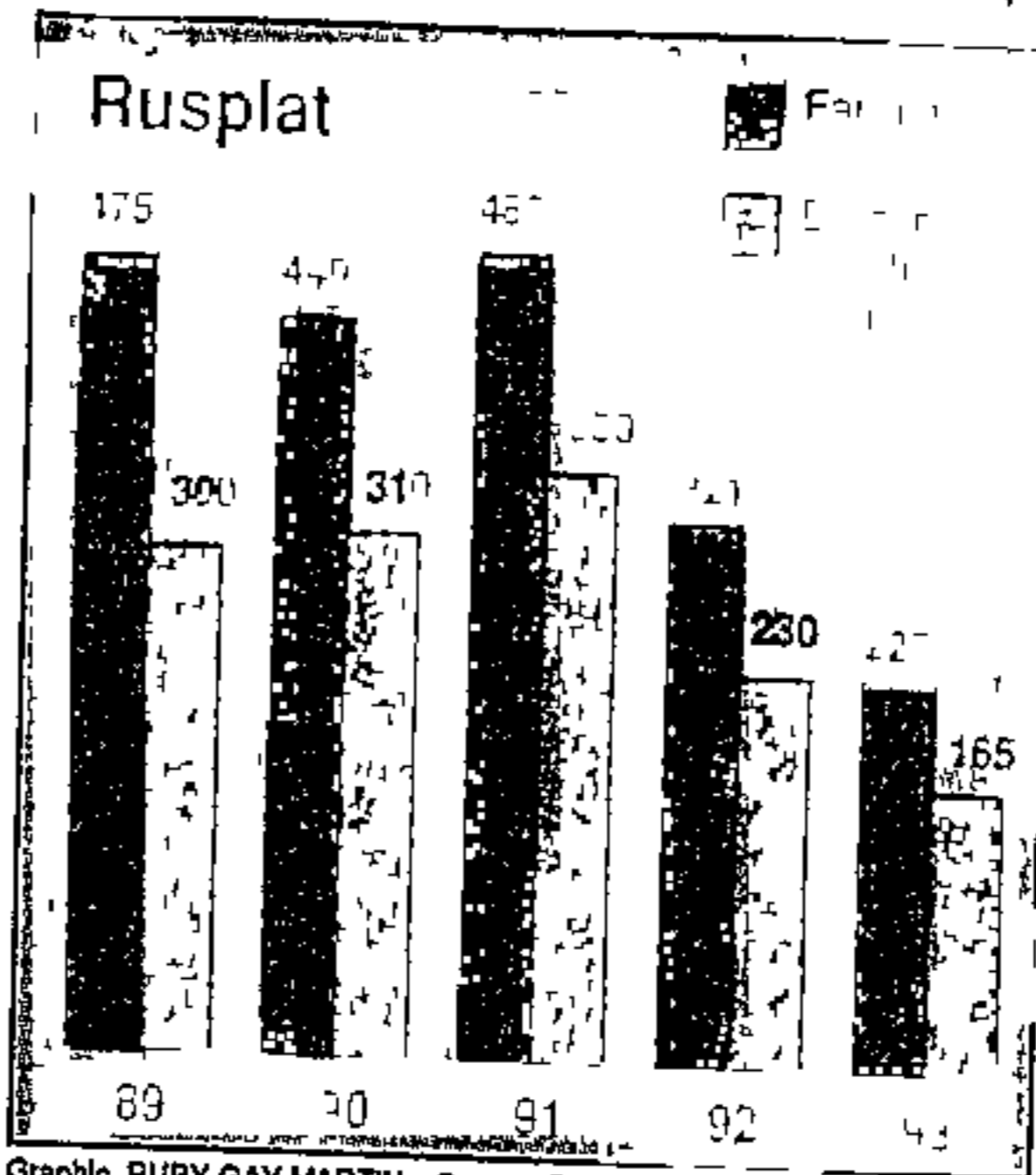
Though marginal mine Lebowa Platinum (Leplat) increased its production and held costs, it remained in the red, with attributable losses of R9,9m (R28,9m).

Rusplat cut its dividend from 230c to 165c, while Leplat passed again.

Though the rand's devaluation against the dollar had cushioned the blows, MD Barry Davison said the average rand price it had netted for 1993 on its weighted platinum group metals (pgm) basket — R2 074/oz — was well below the 1992 level.

"Improvements in profits depend on increased volumes. We really can't look forward to any significant improvement at these price levels," he said. (2/17)

The results, broadly in line with market expectations, follow a torrid year for the division in which the slight pick up in jewellery demand did little to offset the stalled recovery in the motor industry. A late surge by platinum, driven and yester-



Graphic: RUBY GAY MARTIN Source: RUSPLAT

day halted by gold, had provided little help.

Lacklustre average pgm prices — rhodium dropped nearly a third to \$1 807/oz, while platinum edged forward to \$365/oz (\$358) — cut Rusplat's growth in gross revenue just 2% to R2,9bn. Sales costs roared ahead to R2,1bn (R1,8bn).

Commissioning the Amandelbult operation lifted on-mine costs to R1,8bn (R1,6bn), leaving operating profit down nearly a quarter at R754,2m.

But Rusplat's year-end figures disguised

□ To Page 2

Rusplat Biday 6/8/93

□ From Page 1

a strong second half showing, with nearly two thirds of the earnings coming through in the last six months. Rusplat said the volume of its pgm sales rose by a fifth in the period, while the cost of sales was effectively static, lifting profit on metal sales to R423,7m — nearly 50% higher than first half income.

Leplat, which was put on a production of 70 000 tons a month last year to save itself, staged a similar second half comeback.

The mine hit both tonnage and grade targets during the period, cutting the second-half distributable loss to R0,5m, against R9,4m in the first six months. Revenues, up at R133,2m for the year (R112,3m), were buttressed by near static costs, bringing operating losses back from R26,9m to just R7,9m. (2/17)

The company added that the outlook for the mine was "more positive" but there were no plans to revert to its original

production target of 100 000 tons a month. "That is on the shelf for the time being," Davison said. "We have to consolidate at current levels and improve the financial standing of the company." Capital expenditure at Leplat fell to R12,2m (R57,9m), and next year would total just R1m.

Developing mine Potgietersrust Platnums (P P Rust) had produced its first platinum, palladium and gold and was expected to hit its 200 000 ton a month production target by end-September.

The company had cut the scheme's final cost by R170m to R385m, as the recession cut into construction and equipment costs. The borrowings required to bring the mine fully into production had also dropped to R30m from the estimated R200m.

Davison said Rusplat would aim to rein in costs over the coming year, but this depended on NUM wage negotiations.

COMPANIES

Anglo considers ZCCM options

ANGLO American is yet to decidewhether it should recruit a partner in its bid for Zambia's soon-to-be-privatised copper company

Bisley
A spokesman said Anglo, which holds a 27.6% stake in Zambian Consolidated Copper Mines (ZCCM) and pre-emptive rights over the Zambian government's holding, would hold fire on drawing up its takeover bid until a study on the selloff had been completed

1218/93
Zambia's Deputy Minister of Mines Mathias Mpande said earlier this week that a decision on the privatisation would be made by the end of the year

But he warned that, although Anglo had first refusal on ZCCM, the expense of the venture meant it would have to find a partner

ZCCM is \$700m in debt and requires

ANDY DUFFY

development investment estimated at \$2bn. At least \$400m would have to be invested from the outset to develop the Konkola project

(217)
Both JCI and Gencor have expressed an interest in bidding for a stake in the copper producer, but Anglo refused to be drawn on whether they were potential partners

Anglo, which has made clear its plans to boost its foreign copper interests, is expected to use its cash-rich offshore arm Minorco as a vehicle to pursue ZCCM

Its ZCCM stake is held through JSE-listed Zambia Copper Investments, in which Minorco has a 50% stake.

ZCCM accounts for about 90% of Zambia's foreign earnings. *(232)*

RUSTENBURG PLATINUM
FM 13/8/93
Could have been worse

In a hard year for platinum, Rustenburg's results must be considered rather better than expected. That doesn't hide the 30% fall in EPS or accompanying cut in dividends it's just they could have been worse.

Understandably, MD Barry Davison puts the best face he can on a result which won't please investors but, paradoxically, points the way to an altogether brighter 1994. The main factor depressing results was the

FINANCIAL MAIL • AUGUST • 13 • 1993 • 89

FOX

dreadful and sustained dip in the prices of rhodium and nickel. Rhodium, not long ago the darling of the commodities markets, nearly halved — the fall over the year was 43%. Nickel fell a more modest 13%.

A decidedly mixed picture saw the platinum price rise in US\$ terms by 2% and palladium by 23%. That was accompanied

by a volume increase of about 20%. In part, this explains Rustenburg's ability to improve slightly on gross sales revenue. That was bought, however, at the cost of an increase in total mine costs (though unit costs on all three mines increased by an acceptable 6%).

But nothing can disguise the alarming

decline in net operating profit. R754m compared with 1992's R1,02bn — a fall of 26%. Taxation halved, a good job too, but the bottom line has blood on it.

There are some intriguing aspects to the results. First is that the item commissions and discounts has mysteriously reduced by R24m. Davison wouldn't comment at the press conference but it seems reasonable to suppose Johnson Matthey, the UK platinum refiner in which JCI has a stake, was prevailed upon to temper its charges.

Then there's the substantial second-half improvement in Lebowa's operating results. By halftime it managed to lose R9,4m. Second-half losses of only R500 000 make R9,9m in all. That compares with 1992's loss of R29m and presages profits for 1994.

GRIM HARVEST

Rusplat

Year to June 30	1992	1993
Turnover (Rm)	2 910,1	2 968,0
Operating income (Rm)	1 019,6	754,2
Attributable (Rm)	402,3	281,4
Earnings (c)	321,0	224,6
Dividends (c)	230,0*	165,0

* Excludes dividend in specie

Finally, the huge reduction in capital costs for PP Rust deserves comment. The project, conceived at a cost of R555m, has been brought in at R385m, a saving of 31%. Davison concedes there was some over-estimating in the original numbers but insists that by far the bulk of the under-expenditure comes from extraordinarily competitive tenders.

Competitive benefits

"In some cases companies were tendering prices which we last saw three years ago," he says. That certainly confirms the competitive benefits of prolonged recession.

Davison agrees the immediate outlook is better, provided the world economy continues to improve. US vehicle sales are encour-

CUTTING LOSSES

Lebowa

Year to June 30	1992	1993
Turnover (Rm)	112,3	133,2
Operating income (Rm)	(26,9)	(7,9)
Attributable (Rm)	(28,9)	(9,9)
Earnings (c)	(24,1)	(8,3)
Dividends (c)	—	—

aging (though Europe's are terrible, as are Japan's) and industrial demand is firm. In Japan, jewellery demand, which last year consumed nearly 42 t of platinum, remains remarkably buoyant.

So the prognosis is for a rather better year. Given a share price of R72 and p/e of 32, evidence of considerable investor optimism, it needs to be

David Gleason

But no official decision yet, Bartlett insists

St Lucia: new nod for mining

Star 14/8/93

(SR) (217)

AMANZIMTOTI — Mineral and Energy Affairs Minister George Bartlett has again given his personal nod to the controversial mining of Lake St Lucia, but still insists that a decision has not been made on whether it will go ahead.

He told the Natal National Party Congress that the R7 billion of minerals that would be mined "will have a tremendous spin-off effect in the economy of Natal and KwaZulu and South Africa"

He asked if the country could afford to "sterilise" that R7 billion "if scientific reports say you can rehabilitate to such an extent that there is no irreparable damage to the environment"

A Council for Scientific and Industrial Research report on the mining would be available by September 15, said Bartlett. This would be followed by sittings of a review panel headed by Mr Justice Ramon Leon. The panel will then make a public recommendation. Following that, the Department of the Environment will forward the recommendation to the Cabinet with its recommendation before the Cabinet will take a

MINING at St Lucia will aid job creation and SA foreign exchange, the Natal NP congress hears. CHRIS WHITFIELD and MARTIN CHALLENGOR report.

decision

Tjaart van Rensburg, the appointed NP MP for Umfolozi, told the congress that mining was not a threat to Lake St Lucia — the biggest threat was posed by poverty. People living around the lake were among the poorest in the world.

Economy

He said "the greenies" got hysterical about mining. However, if they used all the energy to tackle poverty, "they will be doing a great service to that area".

Bartlett said 53 percent of South Africa's annual foreign exchange — about R80 billion — came from minerals and mineral products. Mining was the powerhouse of the economy

The greatest challenge facing South Africa today was providing

jobs. If people sterilised mineral resources — that is, cut off access to them — "we are really destroying the wealth of this nation".

Some people felt a decision on mining should await a new government. But "one wonders whether we are that affluent that we can afford the luxury of saying sterilise it? If we do that, then what next might we decide to sterilise?"

Finance Minister Derek Keys, responding to a delegate's plea to ease the tax burden of married women, said that the time to ease personal tax had not arrived "We have to wait for the moment when we can afford it."

But he added: "I think the charter of fundamental rights might come to your aid before the Minister of Finance does."

Keys hit out at those who "shake their heads about the economy", saying that "it has performed magnificently" through a difficult period. He also said the country's "social objective" had to be the creation of job opportunities.

National Education Minister Piet Marais directed much of his speech to the possibility of a South African Democratic Teachers' Union strike, warning that the Government had "taken a firm decision" that the principle of "no work, no pay" would be applied

Implats likely to cut dividend — analysts

IMPALA Platinum Holdings is expected to cut its dividend when it reports lower earnings for 1992/93 today, analysts say. *BISay 16/8/93*

"The recent surge in platinum and palladium prices has not outweighed the slump in rhodium and nickel, which are major components of the bottom line," said Rob Gillan of Mathison Hollidge. *(217)*

Most analysts predicted lower share earnings of 301c-275c for the year to June 30 compared with 418c in 1991/92, and a year dividend of 135c-120c against 170c. They said the expected profit drop would have been sharper but for factors such as a more favourable rand/dollar exchange rate and rationalisation of operations.

Most analysts said Implats would do better than rival Rustenburg Platinum, which recently cut its dividend after reporting a 30% drop in share earnings to 224,6c for the same period.

Unlike Rusplat, Implats was believed to have slashed capital expenditure, Kevin Kartun of Frankel, Pollak, Vinderine said.

Despite the short-term gains of this policy, its effect on long-term production was a matter for concern and Implats was unlikely to be as well placed as Rusplat when there was a major recovery in platinum group metals, some analysts said.

Analysts said platinum and rhodium spot prices indicated widely varying market conditions.

The platinum price averaged \$366/oz in the year to end-June compared with an average \$358 for the previous year. Boosted by the gold price's recent run before its latest slump, platinum had averaged \$390 since then.

The still-declining price of rhodium fell to an average \$1 285/oz in the past year from \$2 269 in 1991/92.

Implats is more exposed to rhodium than Rusplat, but its contracts lag behind those of its rival so the full effect of the price slump is still to come, says Rodney Yaldwin of Simpson McKie.

A major factor affecting the outlook for the 1993/94 year is the current annual wage talks. Analysts expect a wage settlement of about 8%-9% in line with lower inflation against last year's 14% hike — Reuter

COMPANIES

Leplat expansion on hold until cash flow strengthens

ANDY DUFFY

EXPANSION of Rustenburg Platinum's sister company Lebowa Platinum (Leplat) would stay on hold until the company was satisfied expansion would not threaten the mine's cash flow, MD Barry Davison said at the weekend.

The formerly marginal mine was likely to move into profit this financial year if current metal prices held, Davison added, as Leplat continued to rein in costs on its present production levels. *B/Dav 16/8/93*

Leplat's targeted ore milling rate was cut from 100 000 tons a month to 70 000 tons last year, in the face of attributable losses of R28,9m. *(217)*

Although a strong operating performance cut the total loss to R9,9m in the year just ended, Davison believed Leplat's R100m debt was still uncomfortably high

Leplat could service its borrowings from current cash flow, he said, without recourse to a rights issue or debt restructuring.

But the borrowings and the state of the market were likely to keep the 100 000-ton milling target on the shelf until metal prices picked up strongly.

"For a mining company, Leplat has what I believe is an uncomfortable level of debt," Davison said

"But if metal prices run at satisfactory levels in rand terms and there is no other downside, then I am satisfied it can run with its cash flow"

Most of the capital expenditure required to boost production levels had been undertaken, Davison said.

But the production expansion go-ahead would not be given until he was "satisfied that the mine can achieve that without prejudicing its financial structure"

In line with the rest of JCI's platinum division, Leplat staged a strong improvement in the second half of the year just ended

At the halfway stage, the mine reported a distributable loss of R9,4m, and Davison warned that financing arrangements were under pressure.

But in the second six months the mine hit its tonnage and grade targets

Unit costs were cut by more than a fifth during the year, while sales revenue rose R20m to R133,2m, leaving the second half's attributable loss at just R0,5m

Prices slump takes shine off Implats (217)

MARC HASENFUSS
Business Staff

THE slump in rhodium and nickel prices offset record platinum and palladium sales for Impala Platinum (Implats) in the year to end June — knocking attributable income down 22 percent to R201 million and slashing the dividend by 30c to 140c a share.

Sliding rhodium and nickel prices, the weakness in the gold price and the collapse in the ruthenium and iridium markets saw a 17 percent drop in total sales revenue per ounce of platinum from R2 411 to R2 010.

This reduced turnover slightly to R2,2 billion but — after an increase of 10 percent in gross costs to R1,84 billion — left mining income down a hefty 37 percent at R348 million.

Bottom line came in 21 percent lower at R200 million (previously R256 million) After transfers to non-distributable reserves and expenditure of future productive capacity, R109 million was left as distributable income.

However, directors remained bullish, pointing out that the on-going process of technical advance and improving operational efficiencies placed the group in a position to "survive and compete in the current

market and to face the future from a more robust base"

■ Implats' Messina platinum project experienced another disappointing year as the focal point of the company's future development still "mothballed" due to depressed platinum prices.

Attributable income — derived mainly from investment income — was more than halved to R2,2 million in the year to end June.

Directors said it was unlikely that the project would be revitalised in the coming year. They said platinum price forecasts were not sufficient to warrant the re-opening of the platinum project.

■ All mining operations remained mothballed at Barplats in the year to end June.

Revenue from the sale of metal, rental income from the lease of residential housing and revenue from the disposal of surplus equipment and houses amounted to R13,3 million.

The results for the year under review show a loss of R616 000, with the only income being a paltry R94 000 in interest earned.

Directors said the current market situation and price predictions left "little room" for optimism for the immediate re-opening of Crocodile River Mine.

ARC 17/8/93

COMPANIES

Northam's direction uncertain

GOLD Fields of SA's Northam Platinum was likely to bear the scars of an estimated R20m a month operating loss when it reports this week, analysts said.

Details on the direction of the R1,65bn mine, which opened in January, would be as important as its year-end results, market sources said yesterday.

Northam has been dogged by delays since its inception in 1986, which had forced it to buy metals to meet contractual commitments. *B/Dey 17/8/93*

But analysts said the first results were less relevant than the uncertainty surrounding Northam's funding requirements, production and grades.

Though Northam tapped the market for R350m in December, it warned in June that it would need additional debt — estimated at R200m — because falling platinum metal group prices had derailed its business plans.

The mine is thought to be three months behind its June target for full monthly production of 150 000 tons. Grades are ex-

ANDY DUFFY

pected to be below the forecast 8,5g/t.

"The mine is developing and its results will not really reflect its real prospects," says one analyst. "Costs are higher, the starting date is later, and grades are disappointing."

Though Gold Fields' technical expertise is not in doubt, sources say the subdued state of the platinum metal group market leaves Northam little room to stray from its targets.

The mine, expected to produce 250 000oz of platinum a year, is among the most costly in the industry, which leaves it heavily dependent on good grades.

The fall in prices — particularly rhodium — has forced back its cash generation schedule. *(217)*

Despite the R350m cash call, debt was likely to be around R200m for the year end, Mathison & Hollidge analyst Rob Gillan added. But he said Northam was more likely to turn to its cash-rich parent than the market for new funding.

Implats to go ahead with revamped expansion plan

B/Dey 17/8/93

IMPALA Platinum (Implats) has given the green light to a redesigned expansion plan which will increase the platinum producer's output by 100 000 ounces a year to 1,2-million ounces by 1998.

The new mining plan will shave about R500m from the project's original R1bn capital cost, but the original production target has been reduced to 1,29-million ounces a year.

The expansion will be financed without resort to a rights issue.

Chairman Mike McMahon said at a news conference to announce year-end results yesterday that the group could not afford to restart the project in its old-form, but the new plan would be financed "within current debt levels".

At June 30, Implats had long-term debts of R328m and net working capital of R247m.

The mining plan follows suspension of the Deeps project this time last year. Falling metal prices added to the group's woes last year after it had weathered a series of wildcat strikes at

MATTHEW CURTIN

its mines in Bophuthatswana and metallurgical difficulties at its refineries.

Implats has restarted exploiting ore reserves to the east of current operations and has swapped ore reserves it owns close to the Rustenburg section at rival producer Rustenburg Platinum for reserves on the farm Welbekend next to the Deeps (217).

McMahon said the transaction would "simplify the mining layout" and plans for the Barplats Crocodile River mine and improve long-term prospects at the Deeps.

But Implats had no plans to restart development of Crocodile River or its Messina mine, mothballed in 1991 because of weak prices.

McMahon said the new Deeps mining strategy would require the sinking of fewer but larger shafts, which would lead to considerable cash savings.

The group would have to write off

the R28m already spent on developing the No 15 shaft, a project which had now been shelved.

Development of the Deeps would be achieved by construction of decline shafts from Wildebeestfontein North mine's no 10 shaft. More savings would be made by mining the area using chairlifts, conveyors and material declines from current operations.

The first vertical shaft was scheduled for construction in 1997.

In addition to day-to-day capital spending, McMahon said the group had budgeted to spend about R100m in the current financial year on upgrading its smelting and refining facilities.

Barplats, owned by Implats and Barlow Rand's PGM Investments, reported a R617 000 after-tax loss as its Crocodile River and Kennedy's Vale mines remained mothballed.

Messina turned in a R2,2m (R5,7m) after-tax profit, reflecting a downturn in business at equipment supplier and subsidiary Premier Equipment and lower investment income.

Improved prices cushion Implats

MATTHEW CURTIN

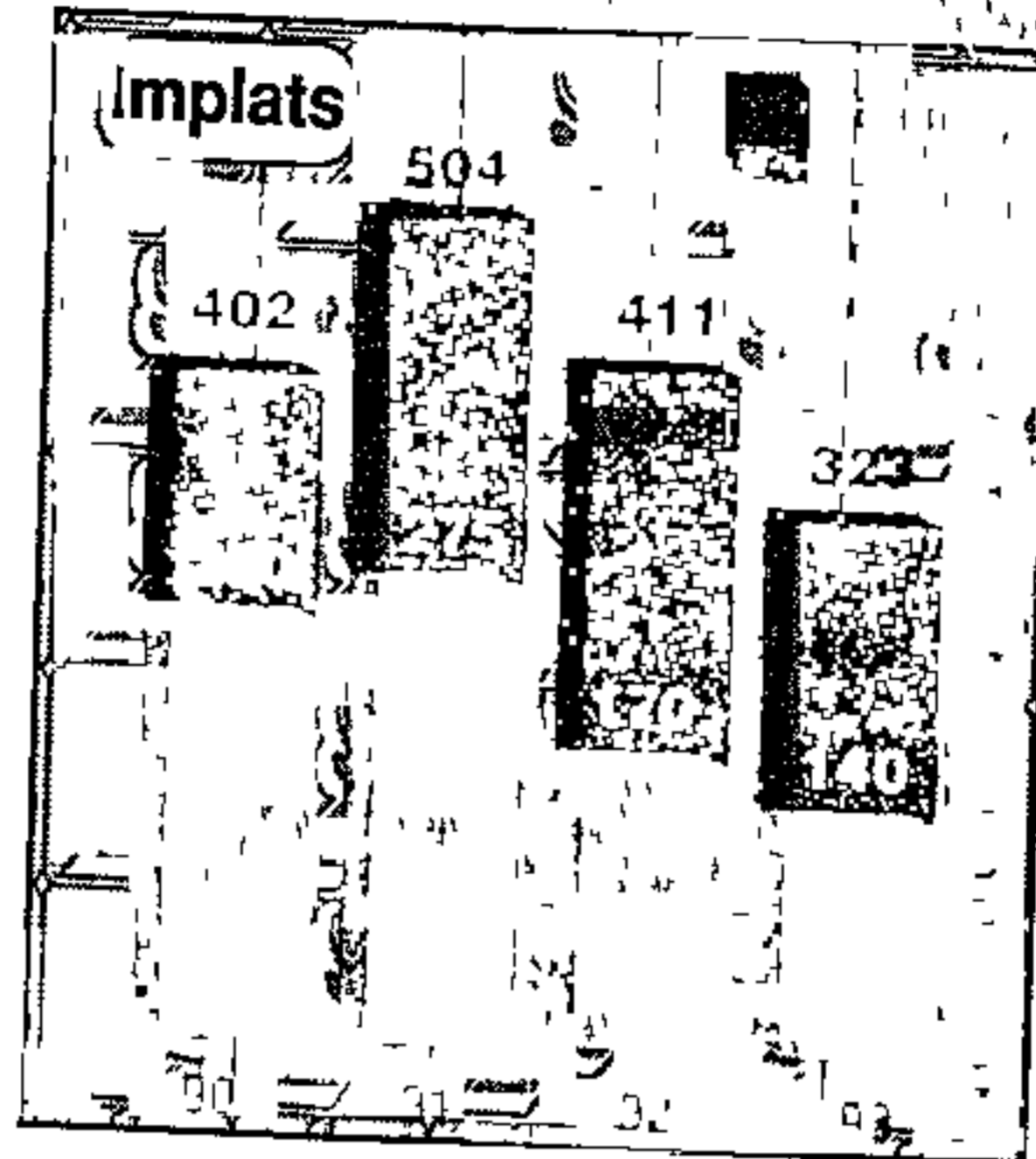
IMPROVED platinum and palladium prices and severe cost cutting at Impala Platinum (Implats) cushioned SA's second largest platinum producer from the full impact of the collapse in rhodium prices in the year ended June 30. *BIDay*

Earnings fell by more than a fifth to 323c (411c) a share, barely half their level of five years ago. The total dividend was cut by 30c to 140c a share. *17/18/93*

Chairman Michael McMahon said the story of the year was one of poor markets for Implats' output contrasted with a strong operating performance at group mines and refineries. *(217)*

He said Implats had re-evaluated its mining plan. Expansion into the Deeps, ore reserves to the east of Implats operating mines, would be restarted on a smaller scale and at half the R1bn cost of the original project which was suspended last year. This followed the decision in June to merge the Bafokeng South mine with its three sister mines, at a significant cost saving, but with the loss of 2 000 jobs.

Metal production at Implats exceeded budgets and platinum sales climbed nearly 20% to a record 1,1-million ounces. Palla-



dium sales, lifted by one-off disposals, rose to 0,5-million oz (0,43-million oz) with rhodium sales steady at 95 000 oz.

The rise in metal sales was all but wiped out by lower sales revenue. The drop in average rhodium prices to \$2 045/oz from \$3 099, in addition to low nickel prices, offset better platinum and palladium prices, the weaker rand and higher sales volumes. Total sales revenue dipped to

□ To Page 2

Implats *BIDay 17/18/93*

□ From Page 1

R2,21bn from R2,26bn.

McMahon said more platinum group metals (pgms) had been produced and consumed, but weak prices reflected the movement in metal stocks in the year, largely in the form of Russian inventory sales and platinum and rhodium destocking by car makers worldwide. Industrial demand for pgms is dominated by the car industry which requires the metals for catalytic converters. *(217)*

He said it was likely the market would move more into balance in calendar 1993, as metal stocks in the motor sector were low and legislative pressure for tighter pollution controls would continue to grow.

Total cost of sales rose to R1,84bn (R1,67bn). Income from platinum mining fell to R294m (R476m) after a reduction in current capital spending to R81m (R117m).

McMahon said the operating performance was "quite a recovery story", following more than a year of industrial unrest and refining difficulties which dogged the group in 1991. Implats reduced production costs a kilogram of pgm matte sent to its

refinery. Costs for every ounce of platinum produced declined nearly 10%.

That was achieved largely through further cuts in Implats' workforce, which stood at 40 000. The mines had lost 18 000 jobs between December 1991 and June this year, with the Bafokeng South job cuts still to come, McMahon said.

Pre-tax income fell to R342m (R505m) as profits on sales of toll-refined metal offset lower finance receipts. The group's net tax bill declined leaving after-tax profit down at R185m (R227m).

Attributable earnings fell to R200m (R256m) before a R14m extraordinary charge, the net result of an increase in tax liabilities most compensated for by a share of a readjustment in Lonrho's Western Platinum's deferred tax.

Implats' long-term debt rose to R328m (R236m), but second-half levels were reduced by R94m. This included the R54m contribution to financing development of Lonrho's Eastern Platinum mine.

● See Page 8

Implats cushioned by platinum

(217) CT 17/8/93

Own Correspondent

JOHANNESBURG. — Improved platinum and palladium prices and severe cost cutting at Impala Platinum (Implats) cushioned SA's second largest platinum producer from the full impact of the collapse in rhodium prices in the year ended June 30.

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ment in metal stocks in the year, largely in the form of Russian inventory sales and platinum and rhodium destocking by car makers worldwide. Industrial demand for PGMs is dominated by the car industry which requires the metals for catalytic converters

Total cost of sales rose to R1,84bn (R1,67bn). Income from platinum mining fell to R294m (R476m) after a reduction in current capital spending to R81m (R117m)

It is not too late to sign to save St Lucia!

NAME PLEASE PRINT	ADDRESS PLEASE PRINT	SIGNATURE	AGE	
			18+	16-
Nelson MANDELA	51 Plein St, Johannesburg	<i>Nelson Mandela</i>		
W. J. ...	Box 19 ...	<i>W. J. ...</i>		

Famous name . . . on the St Lucia petition.

St Lucia: Mandela signs protest list

Stur 17/8/93
 (5) (217)

■ STAFF REPORTER

Nelson Mandela has added his signature to the public petition protesting against the proposed mining of titanium at St Lucia, in northern Natal.

His signature was a major coup for the Save St Lucia lobby, which has collected tens of thousands of signatures appealing to the State President to stop the mining and to back the Wetlands Conservation Bill.

This Bill would protect St Lucia and other surviving wetlands in South Africa.

Campaign for St Lucia exec-

utive member Nora Kreher said "We have been accused of being a bunch of hysterical greenies, but the signature of Nelson Mandela and other well-known people puts paid to that notion."

She said the campaign had the support of the African National Congress, the Democratic Party and the Conservative Party — but still needed the support of the National Party Government to prevent the mining from going ahead.

Among the signatories are Gary Player, Jonty Rhodes, Sir Laurens van der Post, Bruce Fordyce, Enos Mabuza and Siphso "Hotstix" Mabuse.

Star 17/8/93

Messina income falls

Reduced investment, income and a drop in the contribution of its mining supplies subsidiary resulted in Messina's attributable income falling to R2,2 million in the year to end-June 1993, compared to R5,7 million a year earlier.

Messina's planned platinum operations have remained mothballed because of the still depressed platinum group metal prices.

Chairman Michael McMahon says it is unlikely the project will be revitalised in the current year.

"Price forecasts do not represent sustainable reasonable metal prices sufficient to warrant the re-opening of the platinum project," he says in his annual review. (2/7)

He says the R36 million net cash available for expenditure will be used to meet the costs of the mothballing, the lease commitments and the initial financing, once the project is recommenced.

Messina has not declared a final dividend.
— Sapa

Implats in robust condition

BY THABO LESHILLO

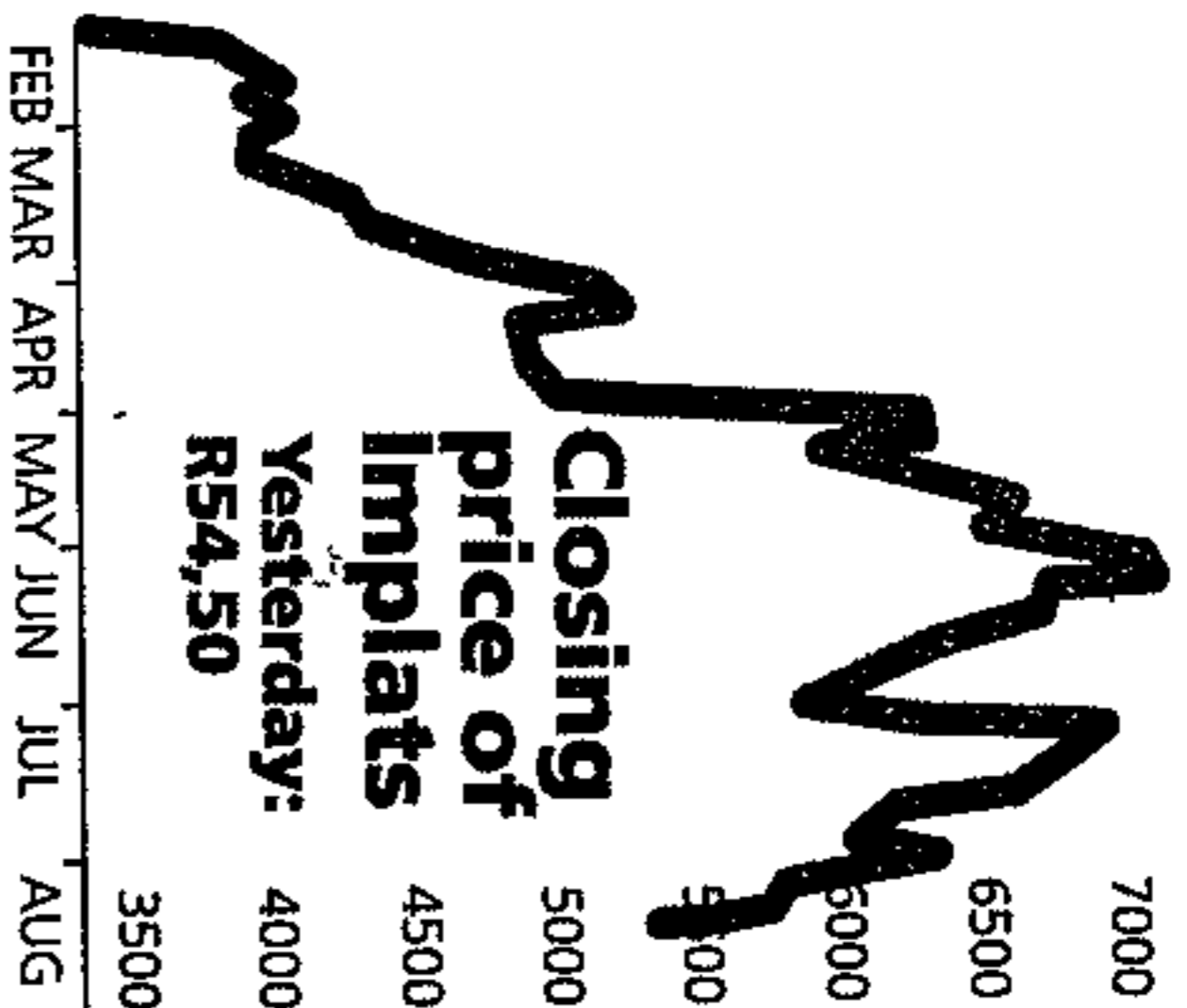
In spite of disappointing market conditions, Implats had a "remarkably positive" financial year ended June 30, with a record 17 percent increase in platinum sales, chairman Michael McMahon said yesterday.

No strikes or major disturbances occurred during the year in review and the ongoing process of technical advance and improving operational efficiencies had put the group in a good position.

The platinum market, he said, was characterised by a price which "drifted aimlessly for much of the year" because of oversupply.

McMahon said 1993 should be similar, with perhaps a smaller shortfall, as increases in South African productive capacity continue to lead the expected increase in automobile industry demand as the US and Japan pull out of the recession.

End use consumption of palladium exceeded newly mined and recycled supply and the trend was expected to continue.



The rhodium market, he said, was dominated by the high percentage exposure (88 percent) to the automobile industry, the thickness of the market and the lack of a futures market.

Total sales revenue per ounce of platinum fell by 17 percent, from R2 411 to R2 010, leading to a two percent drop in turnover at R2,2 billion. This led the dividend to drop from R1,70 to R1,40. Platinum revenues increased



McMahon ... remarkable year.

by 25 percent while palladium revenue rose 37 percent because of the volume increase and the higher 14 percent increase in the price.

Income from the supply of metals mined was down by 37 percent to R375 million.

Income before lease, royalties and taxes dropped 32 percent at R342 million. Royalties increased by 76 percent to R15 million, and tax by 10 percent to R99 million.

Attributable income decreased 22 percent to R201 million and net debt rose by R40 million to R120 million, but was R90 million lower than mid-year.

Impala's operations, however, remained positive because of a R54 million cash call by Eastern Platinum and reduction in cash balances held by other subsidiaries. (217)

McMahon said capital expenditure to maintain current capacity was R81 million. Expenses by Impala on future productive capacity was dramatically cut to R77 million from R279 million in 1992.

Total capex was R157 million compared with R411 million last year and R9,7 million was provided for future pollution control, rehabilitation and closure liabilities.

The expansion target had been modified to 1,2 million ounces of platinum a year by 1998, McMahon said.

Implats, he said, would "survive and compete in the current market and face the future from a more robust base."

Star 17/8/92

Heavy trade in shares of two platinum mines

B/Day 19/8/93

MERVYN HARRIS

PLATINUM counters PP Rust and Leplat remained on the boil on the JSE yesterday but came off fresh peaks on profit-taking in heavy two-way trade

PP Rust, which started the week at R13,75, touched a new high of R17,50 before falling back to close 25c up on the day at R16,50 with 61 058 shares worth more than R1m changing hands in 87 deals. (217)

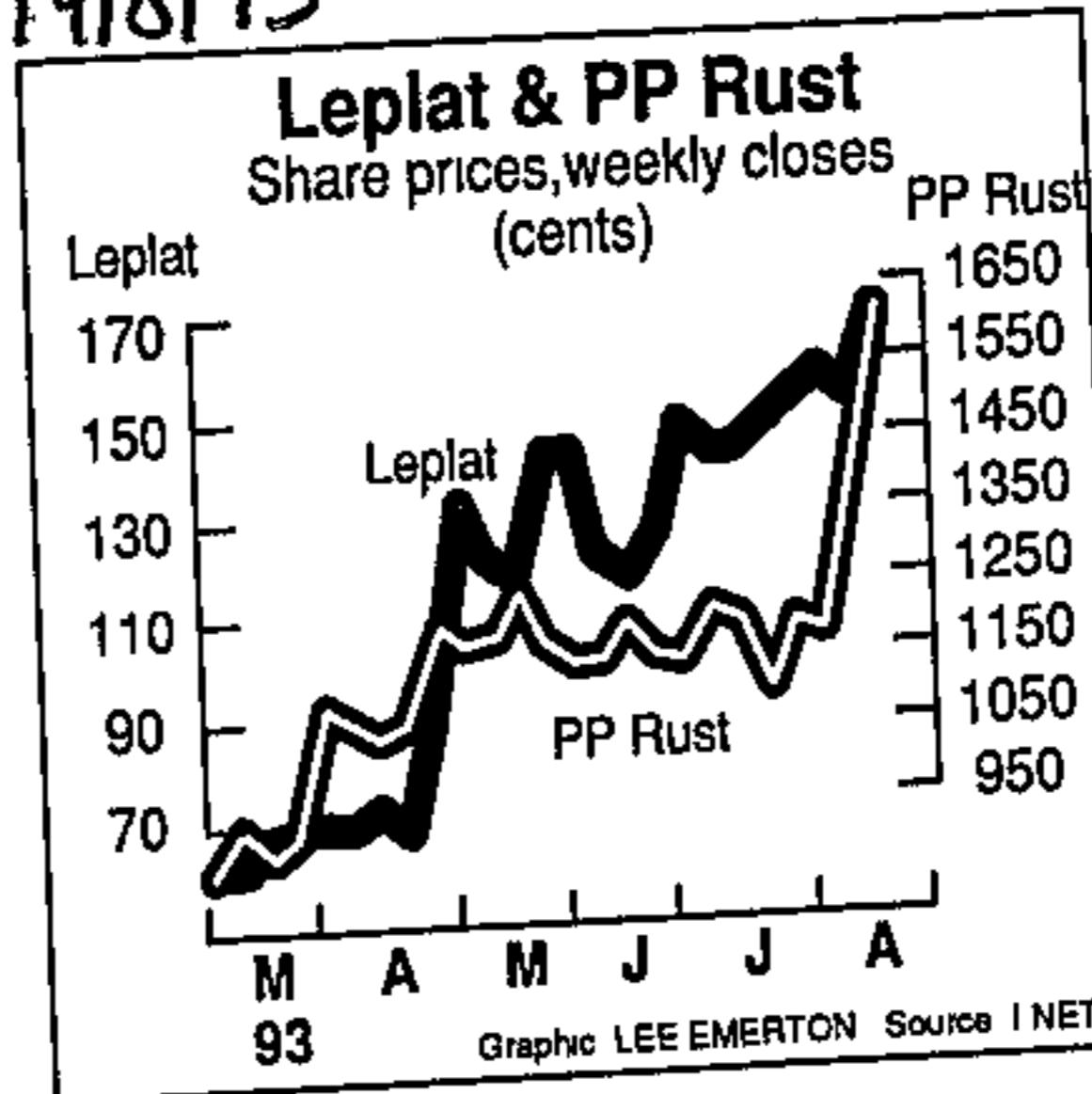
Leplat surged to a new recent high of 190c before slipping back to close 10,7% or 18c up at 185c with 379 500 shares worth almost R700 000 traded in 76 deals.

Analysts said the gains had been fuelled by bullish forecasts of prospects for the two mines, made when results were announced last week for the year to end-June

PP Rust said the cost of commissioning the plant would be much lower than originally estimated. At the time of the listing borrowings were expected to total R200m. Simpson, McKie analyst Rodney Yaldwyn said the final cost was now expected to be less than R385m and borrowings would total R30m, a saving of R170m.

"The greatly reduced borrowings should result in dividends being paid sooner than previously expected and this is what has propelled the shares higher

"But PP Rust will be a substantial producer of nickel and rhodium and the caveat is to beware of the depressed prices of these metals which are well below the



prices at the time of the company's listing," Yaldwyn said.

He said Leplat had also produced good results with losses trimmed and indications that the mine should make a profit this year.

Frankel, Pollak, Vinderine analyst Kevin Kartun said PP Rust was tightly held and investors had to pay up to get shares. The mine was the lowest platinum cost producer and was highly geared to the palladium price.

Lower Russian sales and increased use of palladium in autocatalysts as a substitute for platinum had revived speculative interest in palladium and boosted the price from \$80/oz last year to about \$140/oz.

Kartun said PP Rust was a good share but the rise had been overdone. Fair value for the share was about R13

Northam reports R38m loss

NORTHAM Platinum has reported a R37,8m pre-tax loss in the year ended June and may make no operating profit until the 1994/95 financial year. **BIDay**

Underground mining setbacks have ensured that Gold Fields of SA's developing western Transvaal platinum producer is months behind its development schedule, while it has exhausted finance raised so far. Chairman John Hopwood said yesterday the R1,5bn mine had used R350m secured in a rights issue last year on debt repayment and working capital, leaving a cash balance of only R5m at end-June.

Northam had subsequently negotiated a R25m bridging loan while talks with an unnamed bank aimed at raising new multi-million-rand finance were continuing. Negotiations would be completed soon and details released in the annual report.

Management would monitor Northam's financing requirements closely, but future arrangements would depend on the vari-

MATTHEW CURTIN

ables of underground mining conditions and platinum group metal prices

Northam started production officially on January 1 and its first financial figures showed sales revenue of R49,4m eaten up by sales costs of R100m, producing a R50,7m operating loss. The company carried forward an attributable loss of R37,8m after non-mining income of R14m and a small interest charge. **19/8/93**

The mine was expected to reach a monthly production target of 150 000 tons this month. Hopwood said Northam would now reach that target in the middle of the current financial year. Production problems were "a major disappointment".

The central problem was the lack of flexibility underground, caused by a lack of available mining face leading to poor grades and higher than expected unit

□ To Page 2. **(217)**

Northam

BIDay

19/8/93

□ From Page 1

working costs

Northam, SA's deepest platinum mine with stopes more than 1200m underground, achieved average grades of only 5,7g/t, comparable to grades at shallower lower-cost operations. A decision to widen stope widths from 90cm to 120cm was being reversed as pressure to extract ore by volume instead of quantity eased. Average widths had been cut to 115cm, but might not reach the 90cm envisaged in a feasibility study. Geological difficulties were also slowing development, but it had become apparent that the underground in-

frastructure was inadequate.

Hopwood said mining delays had triggered the mine's financial difficulties. Morale had also suffered. **(217)**

In the past two months, the working environment had improved but management had underestimated problems linked to workers' adaptation to new technology.

He said production had improved to 100 000 tons a month from 80 000 tons at the start of the year, but management could "address inefficiencies fully" only once the 150 000 tons target had been reached.

COMPANIES

Marlin seeks marriage partner

ANDY DUFFY

GRANITE producer Marlin Corporation is trying to find an international group to buy into the company as part of a strategy to revive its fortunes *8/Day*

The company, which earlier this year embarked on a severe reshaping programme, said attracting an overseas suitor had replaced drastic asset disposals as the main route to securing its recovery.

According to market sources, Marlin had extensive discussions with one group last month, but the unnamed party pulled out before tabling a formal offer.

Chairman Peter Gain said yesterday that Marlin was still exploring opportunities "The possibility that an investor could come in is quite strong. There are some companies that are looking seriously"

Market sources added the dollar's favourable exchange rate, and Marlin's historically low share price, would mean a sizeable stake in one of SA's largest minerals groups could come relatively cheaply. An international shareholder could en-

able Marlin to trade out of its current difficulties, while keeping its mainstay quarrying business intact. *25/8/93*

A combination of failing market conditions, production problems and rationalisation pushed the company to a R16,4m attributable loss for the 18 months to December. It was forced also to take a R42,4m extraordinary charge. *(217)*

First indication that the group was involved in a possible equity sale emerged last month when Marlin issued a cautionary. Its share price, at the time languishing at 8c, rose to 25c within 10 days

It subsided before a second cautionary at the end of last month, which pushed the price to a seven-month high of 28c

Marlin's notice that negotiations had been terminated was followed by the price moving to 17c, leaving a market capitalisation of R7,9m.

SOROUR

Impala Platinum pay deal (217)

ARC 4/9/93

IMPALA Platinum and its central council of workers have signed a mediated wage agreement giving the Bophuthatswana-based mine's employees a R100 split increase by January.

Agreement was reached on Monday after two months of intense bargaining, deadlock and eventual mediation, said the National Union of Mineworkers (Num). Num said it had assisted the council throughout the negotiations, which covered the wages and working conditions of about 30 000 workers.

Platinum mine launched

POTGIETERSRUST — Potgietersrust Platinum (PPRust), which was opened officially on Friday, sold its first platinum last month, chairman Barry Davison said.

The mine opened at 30% below capital cost at R385m, after initial estimates of R555m. *B/Day*

JCI chairman Pat Retief said PPRust's coming into production on time and under budget augured well "for the future of the mine, its shareholders and the local community". Recent investigations just north of the mine showing the possible existence of reserves of several million tons of high grade ore were exciting.

PPRust, which has a life forecast of 30 years, is expected to reach full production of 200 000 tons a month by the end of September. It is expected to produce an annual 170 000oz of platinum, 165 000oz of palladium, 21 000oz of gold and 30oz of radium. *6/9/93*

Base metal production will average 3 800 tons of nickel and 2 100 tons of copper. *(217)*

Retief said the mine's prospects were excellent despite sluggish world economic activity. Its emergence as a significant producer coincided with the reawakening of interest in platinum jewellery in the US — Sapa.

Total dividend unchanged at 132c

Star 8/19/93

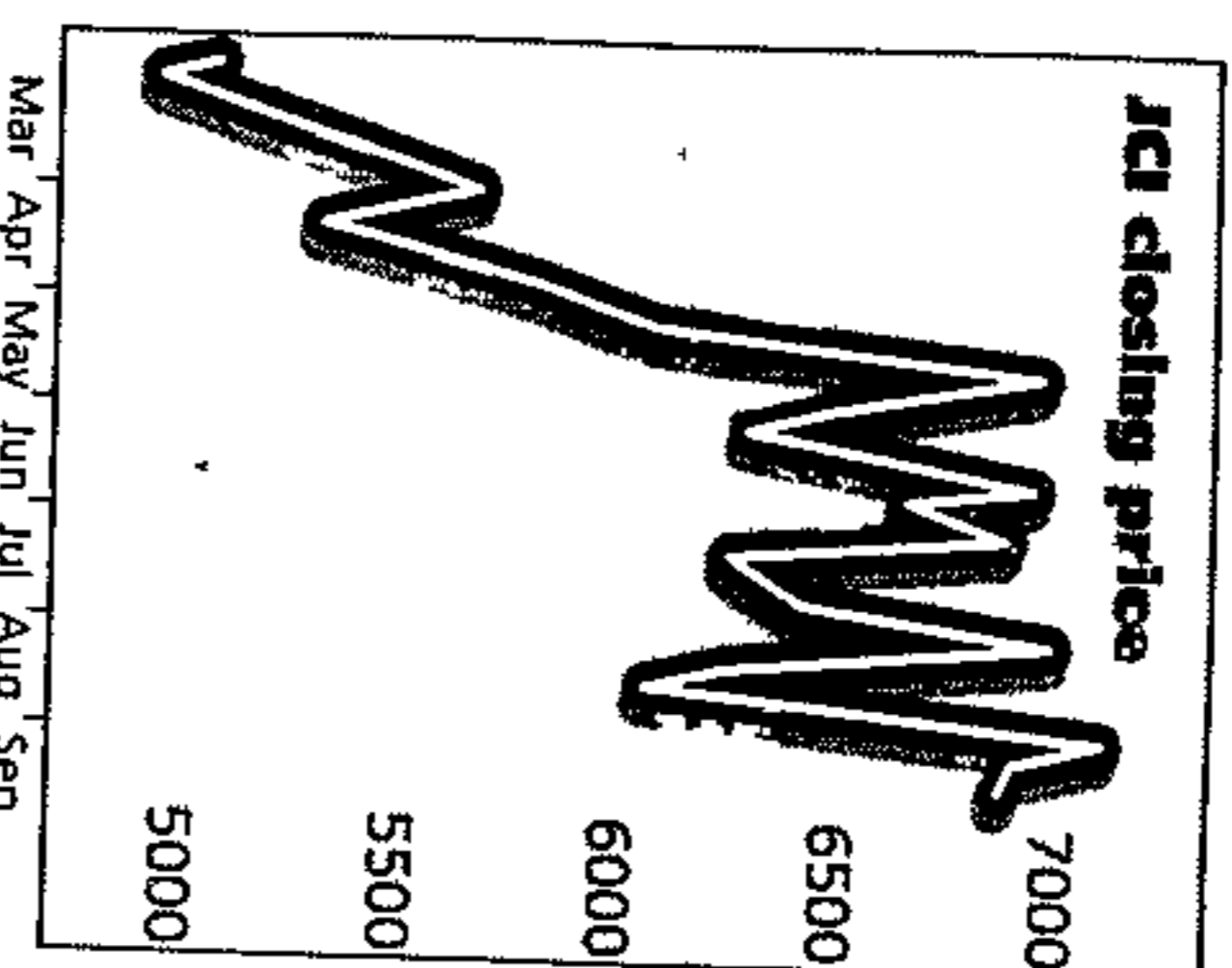
JCI earnings dip slightly

(217)

FERROCHROME
and mining interests held back what would otherwise have been satisfactory earnings growth

A poor performance by Johannesburg Consolidated Investments' (JCI) mining and ferrochrome interests resulted in slightly lower attributable earnings of R433 million (R439 million) in the year to June.

However, the mining house has maintained its final dividend of 90c, resulting in an unchanged total of 132c. Turnover rose to R2,63 billion (R1,46 billion), but this was the result of the first-time consolidation of base metals and ferroloys marketer Minera, rather than any substantial increase in business. Pre-tax profit was lower at R416 million (R464 million), but a tax rebate of R20,8 mil-



lion lifted taxed profit to R437 million (R439 million). Equity-accounted earnings before extraordinary items were higher at R582 million (R572 million), or 394c (388c) a share. The contribution to equity-accounted earnings of JCI's mining interests fell to R212 million (R243 million), or 36,4 percent of total equity accounted-earnings. This was largely as a result of lower earnings from plat-

Company: J.C.I.
Sector: Mining Houses

SHARE PRICE: 6 750c
YEAR HIGH: 7 000c
YEAR LOW: 4 525c
Net asset value: —

MARKET VALUE: R10 billion
PE RATIO: 17
Dividend yield: 2.0%

Year	Turnover Rm	Operating Profit Rm	Attributable earnings per share (c)	Dividend per share (c)
1991	—	445	576	132
1992	—	464	572	132
1993	—	416	582	132

% Change — — — —

num and coal, which more than offset gains from diamonds and gold.

Chairman Pat Retief said yesterday platinum's decline stemmed from the fall in the rhodium price to \$750 an ounce at year-end from \$2 600 the year before.

"Gold put in an excellent performance, diamonds proved to be a pleasant surprise, but coal continues to be a major disappointment." Equity-accounted earnings

for JCI's industrial and property interests fell to R232 million (R259 million), or 39,7 percent of the total, largely as a result of ferrochrome producer Consolidated Metallurgical Industries' increased losses of R15,4 million.

Retief said South African Breweries had turned in a good performance along with Premier and Metro, but that publishing groups Argus and Times Media had suffered, along with Toyota.

There had been some improvement in borrowings as the coal capital expenditure programme had come to an end.

The 1993 financial year was a difficult trading period and it would be hard to make a forecast in the coming year, Retief said.

"The US and UK seem to be coming out of recession and the economy in Japan might have bottomed. This should provide some relief for our mining operations, but we're not putting our money on it."

Yet the shares are among the most highly rated of the JSE's mining house counters, largely as a result of the group's outstanding performance in the 1980s and the potential of its platinum and gold interests.

In the short term, the rating could deteriorate on the back of another year of desultory earnings growth and the current weakness in the precious metals markets. — Sapa and Business Staff.

Bullion pulls platinum back to six-month low

B/Say 9/9/93

ANDY DUFFY

PLATINUM yielded the remnants of its gold-driven price gains yesterday, as a swiftly retreating bullion pulled the metal back to its level six months ago.

With pressure from US funds continuing to bear down on gold, platinum dropped sharply, closing in London yesterday at \$357.25/oz, down \$9.50 on Tuesday and a fall of \$36 on the month.

The drop took platinum to its lowest level since the end of March, and compares with a high of \$419 last month, which had prompted many observers to claim sight of the long-awaited improvement in fundamental demand.

The slide was accompanied by similar corrective drops on the platinum board.

The starkest was suffered by the Gencor-owned Impala Platinum (Implats), which shed 600c to close at R45, its lowest level since March and down nearly 40% on its levels in June. Leading producer, JCI-owned Rustenburg Platinum, fell back to its level in April, losing 200c to close at R66.50 — down more than one fifth on its June price.

Rustenburg's developing mine Pot-

gietersrust Platinum (PP Rust), which officially opened on Friday, lost 175c to close at R15. Lebowa Platinum (Leplat) gave up 25c to close at 120c.

Industry sources said the figures confirmed that any prospective upturn in platinum demand came a poor second to gold in driving the metal's fortunes. "It's gone, it's over, it's finished," Mathison and Hollidge analyst Rob Gillan said.

On demand itself, sources said tentative signs of a recovery in the American car industry were being cancelled out by sluggish European and Japanese demand.

"Economies have to strengthen for the fundamentals to improve, and who knows when that's going to happen?" Implats senior marketing manager John Hollely said. "The US economy is still looking a bit sick, the European car industry is a disaster and sales in Japan are in a pretty parlous state" (217)

Few commentators were willing to call the bottom of the platinum market, though at least two years was a consensus view.

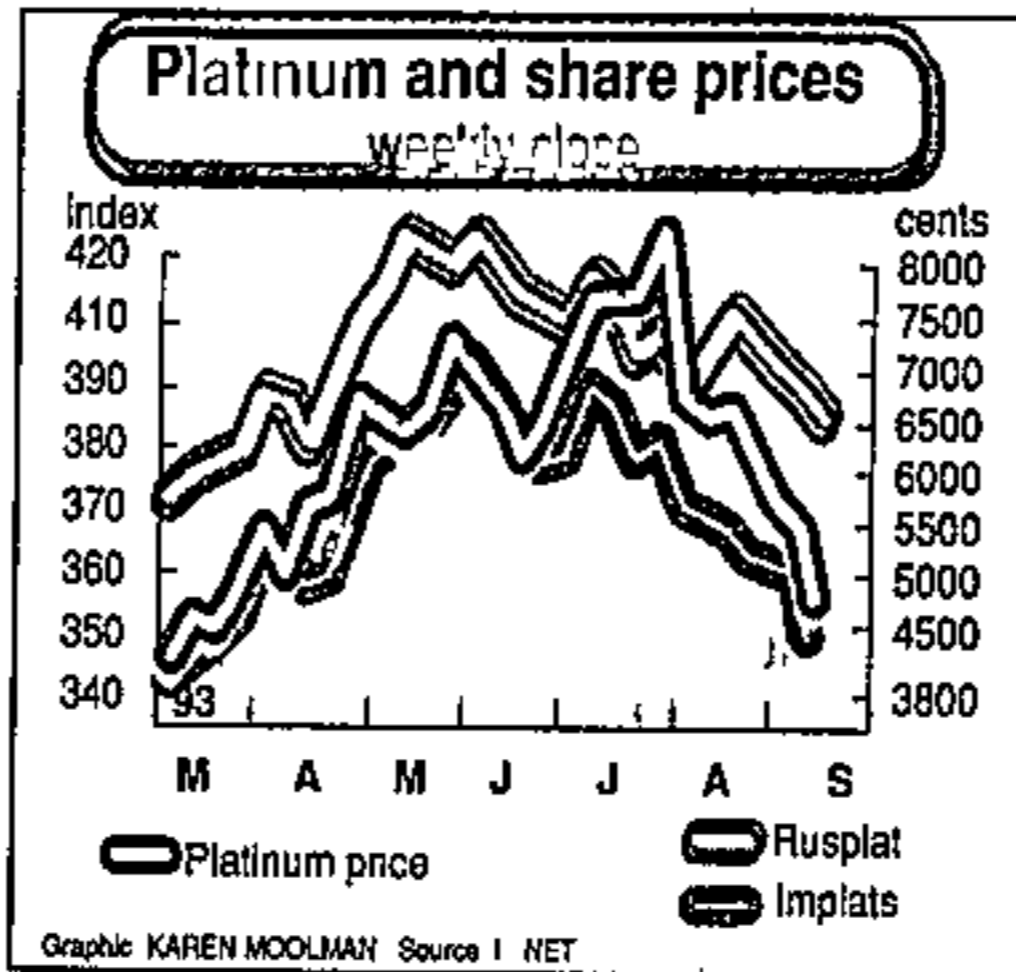
SA producers in the meantime had to turn to further cost-cutting, additional retrenchments and the deterioration in the rand to shield them.

Rusplats and Implats made stringent cut backs last financial year. The former closed its Boschfontein shaft and Implats merged the management of its four mines into three.

The deterioration in platinum group metals nevertheless cut heavily into the fortunes of the two.

Static revenues and higher costs cut 30% from Rusplats' earnings for the year to June, despite a strong second half performance.

Implats' earnings fell by a fifth, and the company again reined back its capital expenditure plans.



Displaced people set to have last word

Shock turn in St Lucia drama

Star 15/9/93

217

■ BY ANITA ALLEN
SCIENCE WRITER

In an amazing twist in the St Lucia mining saga, indigenous people displaced from the area in the 1950s and 1960s will almost certainly have the final say on what land-use option will get the go-ahead on the Eastern Shores of the lake.

This was revealed yesterday when the final environmental impact report (EIR) was released by the compilers, the CSIR.

Some 2 000 pages contain the full set of submissions received during the public participation exercise. A second section addresses the concerns raised in these submissions.

Several new recommendations based on new information were made by the EIR compilers. Paramount among these was the complicating factor that the "Eastern Shores seem certain to be restored to previous occupants who were forcefully removed to make way for plantation forestry".

Because of this, the report recommended that:

■ A process of negotiation between agencies of the State and claimants to the land in the area be commenced immediately to settle the land issue

■ A forum — the Greater St Lucia Development Forum — be established to oversee the development of processes and structures whereby lasting contributions to welfare in the sub-region can be made

■ Should ownership of part or all of the Eastern Shores revert to communities, that they be

FINAL environmental impact report contains full set of submissions and makes a number of fresh recommendations

supported in the process of examining and implementing sustainable, businesslike approaches to land uses of their choosing.

■ Should the mining option be chosen, that the new land owners gain membership on the proposed Mitigation Monitoring Committee which will oversee rehabilitation of the dunes after the mining operation has been completed.

Ecotourism

Based on new information regarding the mining option, the report said the mine's potential daily use of water had been underestimated. Leakage in some places of the dune mine path would exceed 60 000 cubic metres a day. It was impossible to predict the impact of this. It recommended that if mining were allowed, it should not occur in these areas unless it could be proved to be safe.

Other new recommendations related to the nature conservation and ecotourism option.

The report said full implementation of the proposed development would have serious impacts on the suitability of the area as a tourist attraction

through overcrowding.

It recommended that if this land use option were adopted, the current preliminary ecotourism proposal be subjected to proper integrated environmental management procedures, with public participation. This would mean a completely new environmental impact assessment (EIA).

The report did reassess what could be considered irreparable damage to include moderate negative impacts in the long term: that is, up to 30 years. It found there would be irreparable damage to biodiversity in the mining path, and damage to land which would be covered by the catchment dam that supplied water for the operation.

One area of major concern raised in submissions related to dune geology and geohydrology. This was investigated in a new study, and about one-third of the final report relates to this issue.

The public participation exercise had added significant value to the process, with submissions from 331 individuals and organisations, covering 1 352 pages.

Volume 4 of the EIA will be available at public and university libraries. Members of the public are invited to make representations to the Review Panel in person on issues they feel have not been covered.

Panel hearings will be held in Durban and St Lucia from November 2 to 12. Appointments to address the panel can be made through Dr John Ramondo at the University of Cape Town's Environmental Evaluation Unit, telephone (021) 650-2866 or fax (021) 650-3791.

Displaced locals may decide on St Lucia

COMMUNITIES forcibly removed from the St Lucia area in the '50s and '60s to make way for pine plantations might decide whether titanium mining in the estuary dunes goes ahead

This latest twist in the long-running controversy over Richards Bay Minerals' (RBM) mining plans came as the CSIR released its final environmental assessment report in Durban yesterday.

The report's joint author Brian van Wilgen said it seemed almost certain that the land would be restored to the original owners, in line with "the way things are going

Biday 15/9/93
MARIANNE MERTEN

at the constitutional talks".

Under the Minerals Act, mineral rights are linked to surface land rights. RBM could not claim compensation under the current legislation if communities who had successfully reclaimed their land decided against mining. The new owners could also sell the land to the highest bidder (217)

The report, a summary of responses to the CSIR's initial environmental impact study, contained a survey of local community opinion which showed that atti-

tudes to mining were divided

Pro-mining groups included employees of RBM and the Natal Parks Board (which was itself opposed) The NUM's opposition was because it distrusted RBM's employment record and compensation policies

The CSIR report also included new recommendations, such as the establishment of a greater St Lucia development forum, consisting of representatives of local communities, business and government, to oversee the region's development.

There were 331 replies to the CSIR's initial study, published in March

Ferrochrome price collapse hits CMI

Star 17/9/93

BY STEPHEN CRANSTON

Sales prices received by ferrochrome producer Consolidated Metallurgical Industries (CMI) declined by seven percent in dollar terms for the year to June, says chairman Barry Davison.

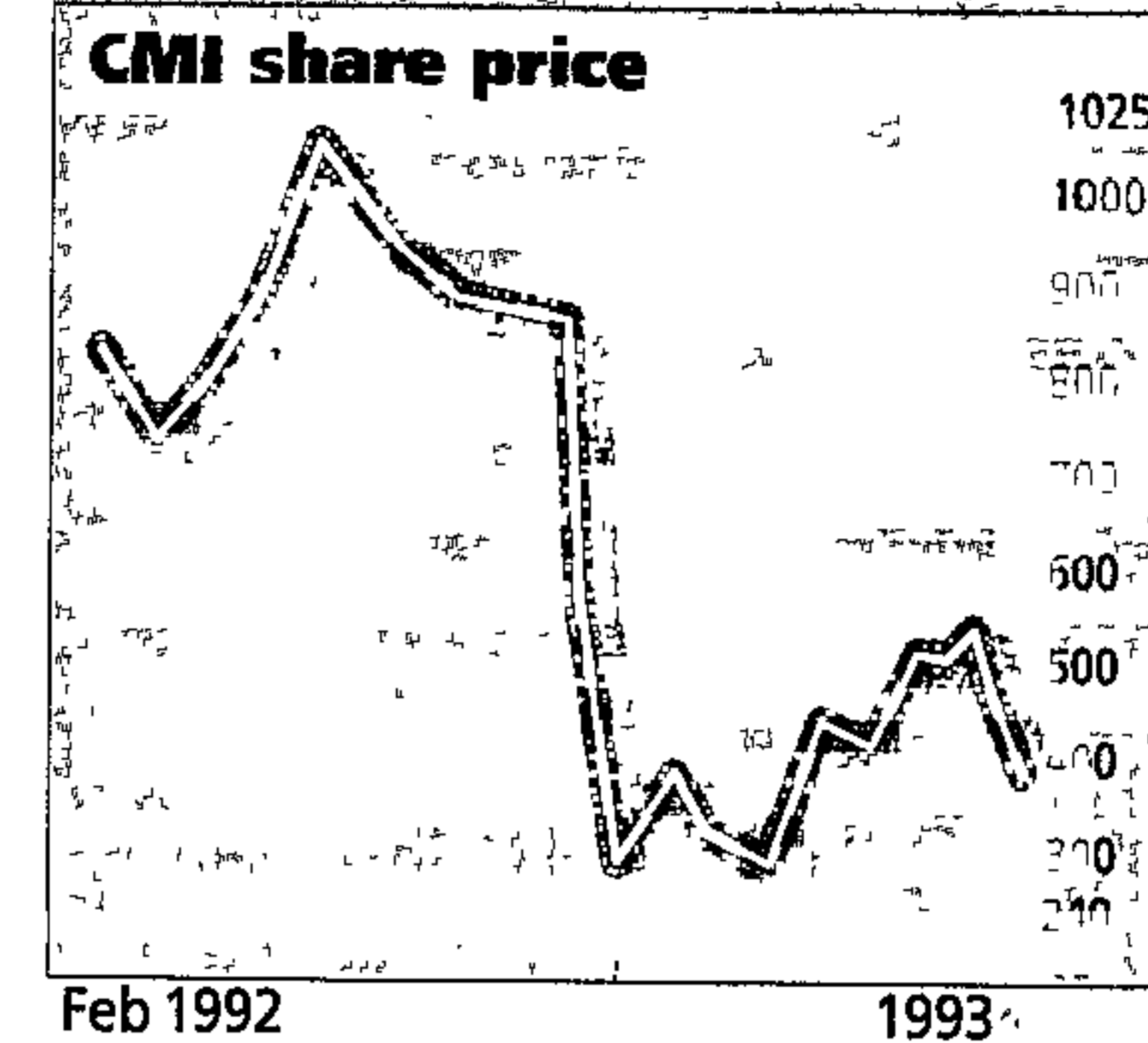
In the annual report, Davison says that in the interests of cash and stock management production was reduced by 30 percent from the previous year and operations worked at 50 percent of capacity

Supply

Davison says that CMI faced its worst trading conditions since its inception in 1975. The Commonwealth of Independent States countries found markets in the West following the collapse of their internal consumption

This additional supply came on top of the increased availability of high quality stainless steel scrap and a structural overcapacity in ferrochrome in the Western World which was born in the boom of the late Eighties.

The increased supply of chrome units coincided with recessionary condi-



tions in most of the world's major industrial nations.

CMI accordingly made an operating loss of R24,4 million for the year compared with a operating profit of R14,9 million in the previous year.

After finance charges and the preference share dividend, CMI incurred an attributable loss of R41,0 million. (217)
At the Lydenburg plant a third of the workforce was retrenched while at Rustenberg the operations at both the mine and plant were closed completely for four months.

Davison says, however, that CMI is optimistic about the future. He says new uses for stainless steel are being developed

and consumption in established sectors continue to grow.

Restraint shown primarily by certain South African producers of ferrochrome (CMI and Samancor) had assisted in stabilising the supply/demand position.

Unit costs increased by nine percent, and he says excellent work was done to control costs and increase productivity

He says the depreciation of the rand should lead to an improvement in results in the 1994 financial year but a return to profitability will depend on a recovery in prices which in turn depends on an improvement in world economic conditions.

Tin prices at 20-year low

ST 17/9/93
LONDON: — Tin prices fell to 20-year lows yesterday and traders expect a further plunge

"People are just holding off now for prices to go even lower, even though there is a lot of buying to be done by Western European end-users," one European trader said. Traders on the London Metal Exchange had expected support around the \$4 500 a ton. But prices carried on falling to \$4 440, a \$90 loss from Wednesday — Sapa-Reuter (217)

Politics will win in the end, say boffins

By CARRIE CURZON

THE long-awaited final Environmental Impact Report (EIR) on the fashionable St Lucia saga was released this week. So far, it has had a limited impact on the public.

The 3.5cm thick tome, compiled by the CSIR, contains an enormous amount of information and weighs nearly 2kg.

But at the end of the day, so what?

Even its authors admit that whatever happens to Lake St Lucia, the end result will be a political decision. All they can do is provide the information.

And while their report has succeeded in gleaning a lot of extra facts — thanks to public comment over the last few months, plus painstaking research — their original recommendations remain relatively unchanged.

One new conclusion pertains to water usage by the proposed mine.

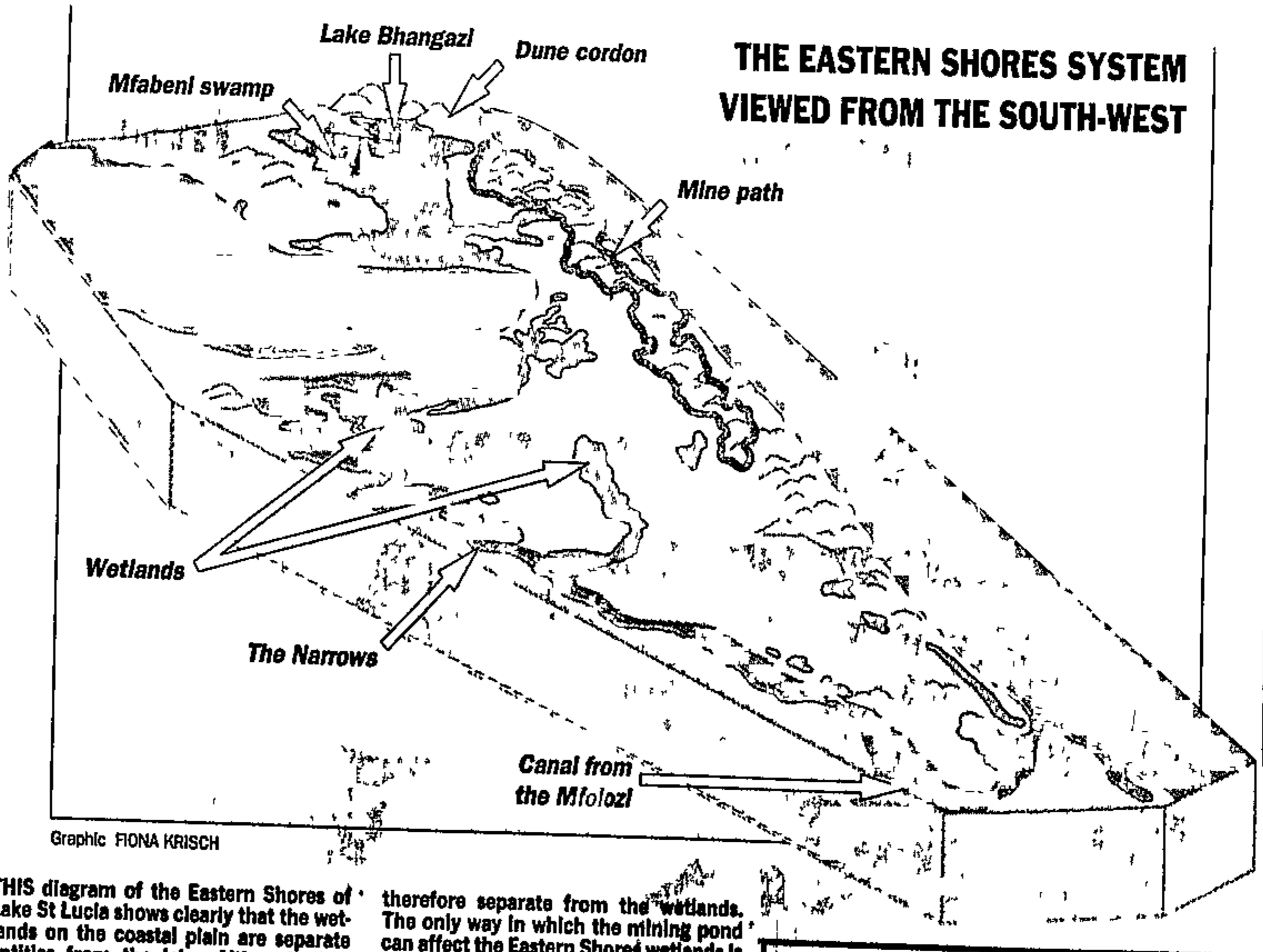
The investigations have shown that the mine's potential daily water use was previously underestimated, and would average 35 000 cubic metres a day, exceeding 60 000 cubic metres a day in about eight percent of the mine path.

The EIR notes that the water supply scheme would have to be increased to meet this demand, though the scheme "remains technically feasible" and there would be no adverse effects on the Mfolozi River or estuary.

According to one of the authors, Dr Brian van Wilgen, set in context with South Africa's other major problems, the St Lucia issue has gotten out of all proportion.

"The mining issue is actually detracting from the real problem facing St Lucia," he says. "And that is not whether or not mining will take place here, but how best to conserve the area in the long term."

While the main part of the report is taken up with major, and largely political issues, such as land rehabilitation and whether or not the report is an attempt by government to whitewash a decision they have already made, a section is also devoted to other, secondary, "key risk"



Graphic: FIONA KRISCH

THIS diagram of the Eastern Shores of Lake St Lucia shows clearly that the wetlands on the coastal plain are separate entities from the lake. Although they ultimately drain into the lake through seepage or via the Nkazana stream, their contribution to the lake hydrology is small. The proposed mine path lies entirely within the dune cordon, and is

therefore separate from the wetlands. The only way in which the mining pond can affect the Eastern Shores wetlands is through alteration of the amount of water that may flow westward, within the dune system, to feed the pans, or the nutrients which this water may carry.

Source: CSIR Environmental Impact Report

areas

This risk analysis section does not form a big part of the report, and was not intended as an in-depth study. But it was something the CSIR was asked to do, says Dr van Wilgen.

"It was done in a couple of months and the input was mainly from about 15 of our own CSIR experts. It did not look at the most important issues that were covered comprehensively in the main body of the report, and since the report is supposed to be an independent study, it was not appropriate to call in environmental experts from outside."

"We looked at a number of 'what if' situations that included anything from

earthquakes to change in government policies and the finding of a substitute for titanium (currently used as the base for paint). There wasn't time to cover all these things in depth, and anyway, many of these concerns were not well grounded.

"We were also criticised for not using data from Australia's Frazer Island findings," he added.

"The short answer to that is that the two areas are fundamentally different when it comes to soil and hydrology, and anyway, we were unable to obtain copies of the reports from Australia."

At the end of the day, the report differs little from its original recommendations.

It has changed a few definitions — for example when it comes to judging negative impact, the phrase "irreparable damage" now reads "moderate negative impact".

More importantly, the report has taken note of public comment, most of which was aimed at the possible "government-biased" nature of the CSIR, and so called inadequacies of its research.

"Ultimately, what happens to St Lucia is likely to be a political decision," says Dr van Wilgen, "but at least the decision will be based on a lot of information, and the amount of public participation augurs well for future environmental management."

ST LUCIA IS NOT YOURS TO GIVE, MR BARTLETT: P25

ROBERT KIRBY and TONY POOLEY say the future of St Lucia may not be left to the National Party to decide

St Lucia is not yours to give, Mr Bartlett

St Times 19/9/93

(217)

*But man, proud man,
Drest in a little brief
authority,
Most ignorant of what he's
most assur'd*

WILLIAM SHAKESPEARE

THERE can be few more eloquent examples of Shakespeare's cynical lines than the display given to the nation on *Agenda* a week ago by the Minister of Mineral and Energy Affairs, George Bartlett.

In Mr Bartlett's performance could be perceived the quintessence of National Party political seductions — all bluster, lots of wind and very little substance.

Everything the Minister had to offer, either in explanation for or justification of the recently increased fuel prices, was dismissed with calm reason by his fellow panellists — that was when he actually allowed them to speak. And the more efficiently they destroyed his arguments, the more Mr Bartlett huffed and puffed. In the end, he managed only to blow down his own house.

Yet, it is into the care of these clumsy hands that the future of one of South Africa's most priceless assets has been conveyed.

George Bartlett has taken over the St Lucia dune mining issue with a vengeance. It is George Bartlett who recently has been writing all the letters to the newspapers. It is George Bartlett who is making up all the rules. It is George Bartlett who has stated that the decision on St Lucia will definitely not be delayed until after next year's election.

Despite his reassurances to the contrary, it seems obvious that Mr Bartlett has already made up his mind about St Lucia, certainly if

we are to go by another of his bizarre television exhibitions.

Some months ago, on *Agenda*, he argued strenuously on behalf of the dune mining. On that occasion, his reasoning again was simplistic. "South Africa is a mining country," he said. "Mining is what this country has always done and will always do." On that altar, presumably, may everything else of value be sacrificed.

Emitting warm reassurances that no decision has yet been taken on the matter of the mining, Mr Bartlett has referred frequently to what he terms "checks and balances" built into the system of evaluation of the mining proposals. These reassurances refer to the CSIR's Environmental Impact Assessment, published earlier this year.

The CSIR's first EIA was full of lacunae and dodged many issues, among which was possibly the single most relevant argument against dune mining. There is a strong possibility that the Greater St Lucia Wetland Park could be designated a Natural World Heritage Site by the International Union for the Conservation of Nature.

Inspectors from the union have already visited St Lucia to investigate this possibility. With World Heritage Site status would come copious international funding for the preservation of the natural integrity of the area. Dune mining, almost certainly, will disqualify it.

It is difficult to imagine what the government has hoped to achieve in terms of the general South African benefit by its behaviour over the St Lucia issue.

The record reads like a farce.

Between 1972 and 1990 the government merrily issued

prospecting licences for St Lucia while, almost synchronously, it signed an international agreement guaranteeing the preservation of wetlands like St Lucia. They announced proposals for a greater St Lucia wetland park while simultaneously considering applications for mining rights in the same area.

The government then signed another international agreement in which it undertook to preserve the habitats of migratory species animals, fish and birds. It then announced it was about to grant mining licences. It was only public outrage which forced it to commission the EIA.

TO all this questionable behaviour may be added the remainders of a shabby government avatar.

Past casualties at St Lucia were often the result of the National Party's deviant rule, notably in the matter of forced removals which were undertaken to accommodate various designs, not least the malicious involutions of the NP's policies of homelands consolidation.

The details of these removals remain immune from scrutiny, locked away, either in government archives or in the records of Forestry.

The unstitching of this tapestry of political and social mismanagement will take many years to complete. In the meantime, surely no dispensation of land, or the rights pertaining to that land, may be made without the compromise of these records.

The new EIA is now published — renamed as a Final Environmental Impact Report. It must be observed that, as the CSIR was capable

of producing the first inadequate document, there is no reason that its second attempt should be regarded with any less suspicion.

It is encouraging, however, to see that this report recommends that traditional land rights in the area be both identified and ratified and that the people who have first claim to these lands be consulted.

In any event, a proper and careful evaluation of the new EIR will take some time. First examination of the new report, though, reveals both inaccuracy and bias. Again there has been trivial response to important questions. Some questions forwarded have simply been ignored.

A case in point is to be found in an Appendix to the new EIR, undertaken by sociologists from Natal University, and which states that black residents in the St Lucia area are resentful of "dispossession" and "removals from the Eastern Shores" claimed to have been under-

taken by the Natal Parks Board. This is palpably false. The board has never taken part in any removals.

In Mr Bartlett's recent statements, new and lubricious tactics are revealed.

Can the South African public be so naive as to entrust the future of a national inheritance of such intrinsic spiritual benefit, of such prodigious international and local value as St Lucia, to a government which, by its record, has long since proved itself so miserably incapable of prosecuting its brief?

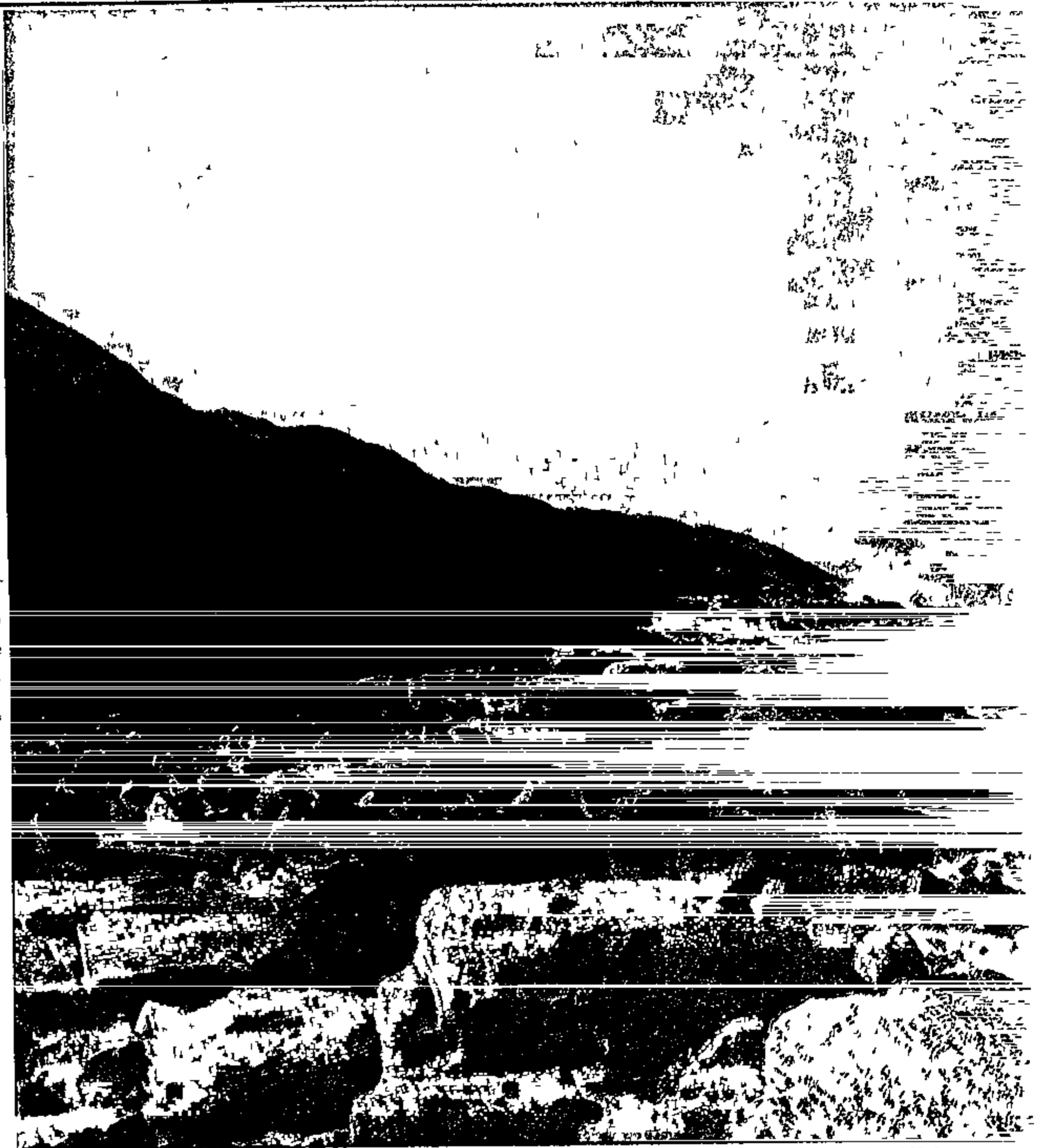
It is an administration of runaway corruption, bureaucratic ineptitude and almost countless abuses. In the financial support of distorted racist policies, the South African economy has been crippled. The moral delinquencies of the National Party have made of South Africa a whipping boy.

Are we really going to leave it to these kind of people to decide?

Notwithstanding any of the above, at the core of the issue

is whether the government has the right to remove land. The ANC has issued March 16 monism as general ANC policy.

IN P' feel South Africa has no right to "St Lucia". In context political South Africa's position in the present government is the mirror image of the mirror. "We are matter upon by national construction" That exercise



UNDER THREAT: The Mission Rocks shore at St Lucia. The dunes in the background will be mined if the



the shore at St Lucia. The dunes in the background will be mined if the government gives the go-ahead

Picture: HORACE POTTER

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is whether the present government owns the political right to rule on the matter. The ANC believes otherwise. It issued a statement on March 16 which, since it harmonises so snugly with general ANC policy, can be read as policy.

IN PART, it said: "We feel strongly that the South African government has no mandate whatsoever to authorise the mining at St Lucia". It continues: "In the context of the impending political transformation in South Africa, it is presumptuous in the extreme for the present apartheid minority government to make a unilateral decision on an important international issue such as the mining at St Lucia"; and, "We are convinced that this matter should be decided upon by a government of national unity and reconstruction."

That says it all. The entire exercise of EIAs and hear-

ings and consultations, all the rest of the NP political ventilation, adds up to, at most, an academic value.

A hundred EIAs and hearings may be mounted, but so long as they are the end product of unilateral National Party decisions, they aren't worth the paper. The present government is indeed illegitimate. Its function in these last few months of fumbling suzerainty is merely that of a caretaker.

It has no right to more than a small percentage of the say, let alone any right to impose decisions which will have resonance far down the years. Mr Bartlett and his colleagues are dressed in briefer authority than even Shakespeare might have predicted. St Lucia is not theirs to give.

□ AC "Tony" Pooley, a recognised authority on conservation, worked for the Natal Parks Board for 22 years, of which 12 were spent at St Lucia. South African playwright Robert Kirby is also well-known as a columnist and journalist.

focus on environment

Sowetan 22/9/93

THE FUTURE OF LAKE St Lucia may eventually lie in the hands of the people who should have decided in the first place whether the Eastern Shores be mined or not

These are the people who were forcibly removed by the Government from the area between 1959 and 1960 to make way for pine tree plantations

In its final Environmental Impact Report, the Council for Scientific and Industrial Research recommends among other things that negotiations between the State and claimants to the land should start as soon as possible

"Because it seems certain at this stage that at least parts of the Eastern Shores will be restored to previous occupants who were removed from the area in the 1950s and 1960s to make way for a forest, it is recommended that a process of negotiation between agencies of the state and claimants to the land in the area be commenced, to achieve early agreement on the land issue," says the final report

The report further recommends that if the land is given back to its claimants, "such communities should be supported in the process of examining and implementing sustainable, businesslike approaches to land uses of their choosing"

For the first time, people who used to stay in this area which has become a focus of one of the longest, most protracted environmental battles between environmentalists and a mining house have been recognised

When this issue blew up in the face of Richards Bay Minerals and the Government as serious opposition to mining was mounted, everyone was talking above the heads of "indigenous people"

Sowetan reported at the height of the debate that this attitude of looking above the heads of local people was a recipe for disaster. The anti-mining lobby called a congress at St Lucia at the time. Journalists and interested parties were invited to attend

When journalist Nomavenda Mathiane asked the organisers of the conference why local people were not there, a representative said "Local people had been informed but seemingly did not want to attend"

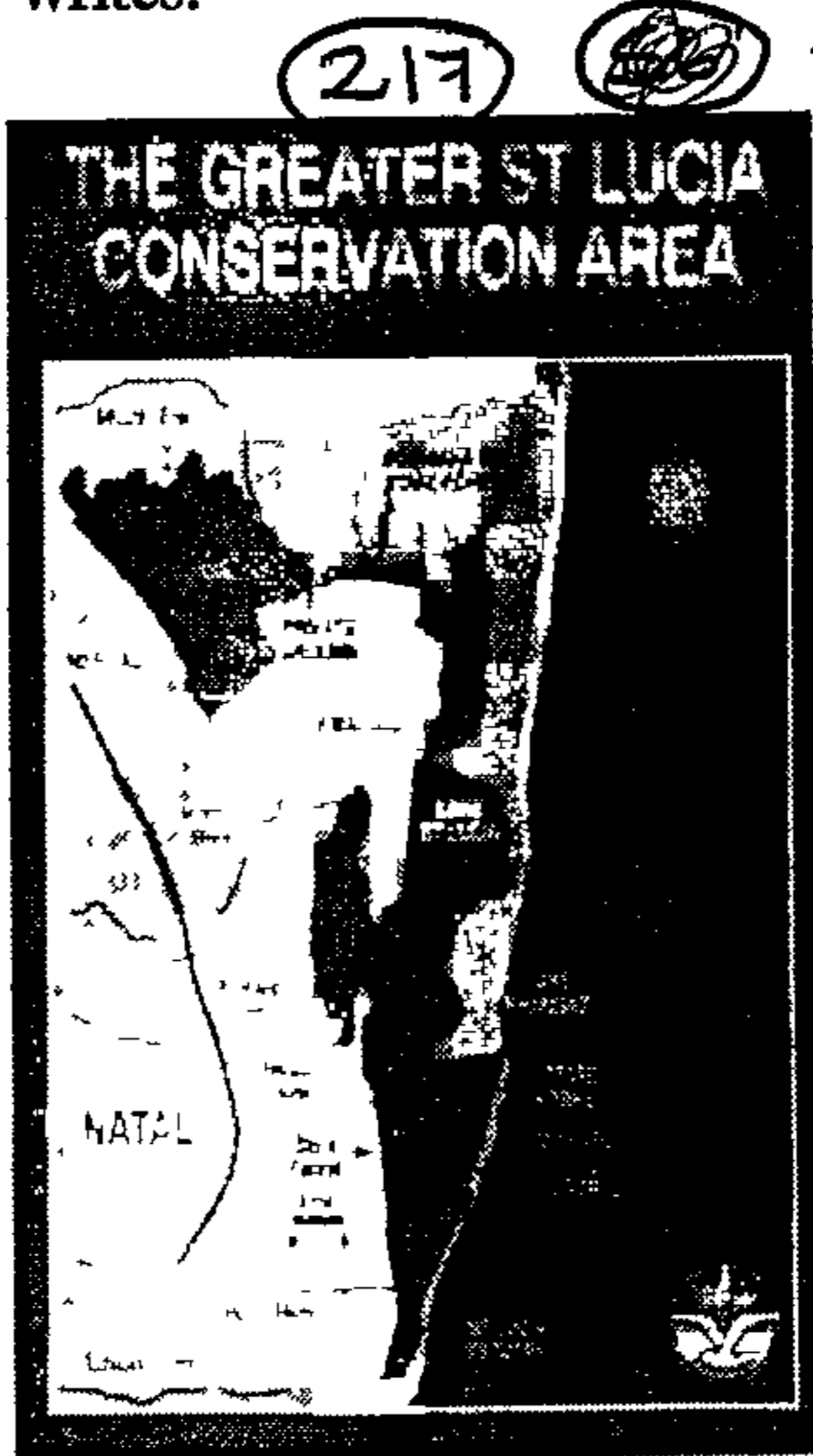
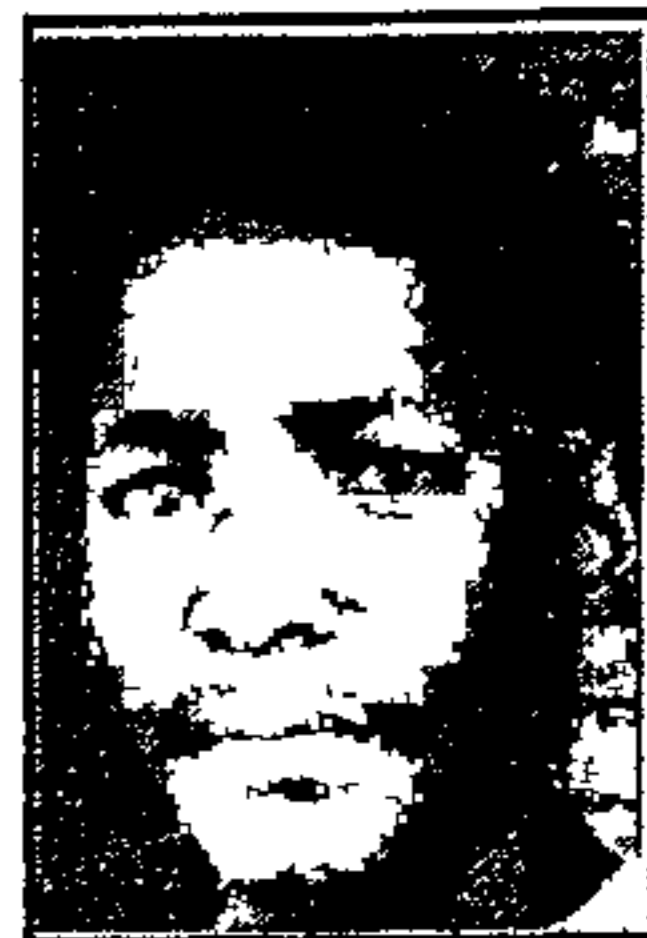
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But if the Interim Government comes to power, no one can say for sure if they will approve the mining because the decision rests with the Cabinet

Black organisations said at the time that such important decisions should not be taken until a new dispensation is in place

The ANC, Azapo and Cosatu all said such an important decision cannot be left in the hands of

Controversial from its beginning, St Lucia's future hangs on a thread as its fate looks set to be decided by the original inhabitants of the area, Sowetan's Environmental Reporter **Musa Zondi** writes:



and only when they proved no irreparable damage would be done to the dunes

Unfortunately for the anti-mining lobby, the final report does not exalt tourism as the best alternative. The first report concluded that no irreparable damage would result from eco-tourism which was being flouted as an alternative

But the final report says "There is a real risk that a low carrying capacity for tourism or lack of funds may prevent the completion of the proposed development, alternately, full development of the plan would have serious impact on the suitability of the area as a tourist attraction through overcrowding"

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But back to the people of St Lucia. According to the laws of this country, if you own surface rights, you also own mineral rights. This means that if parts of St Lucia's Eastern Shores revert to original owners, they can decide what happens to the minerals underneath.

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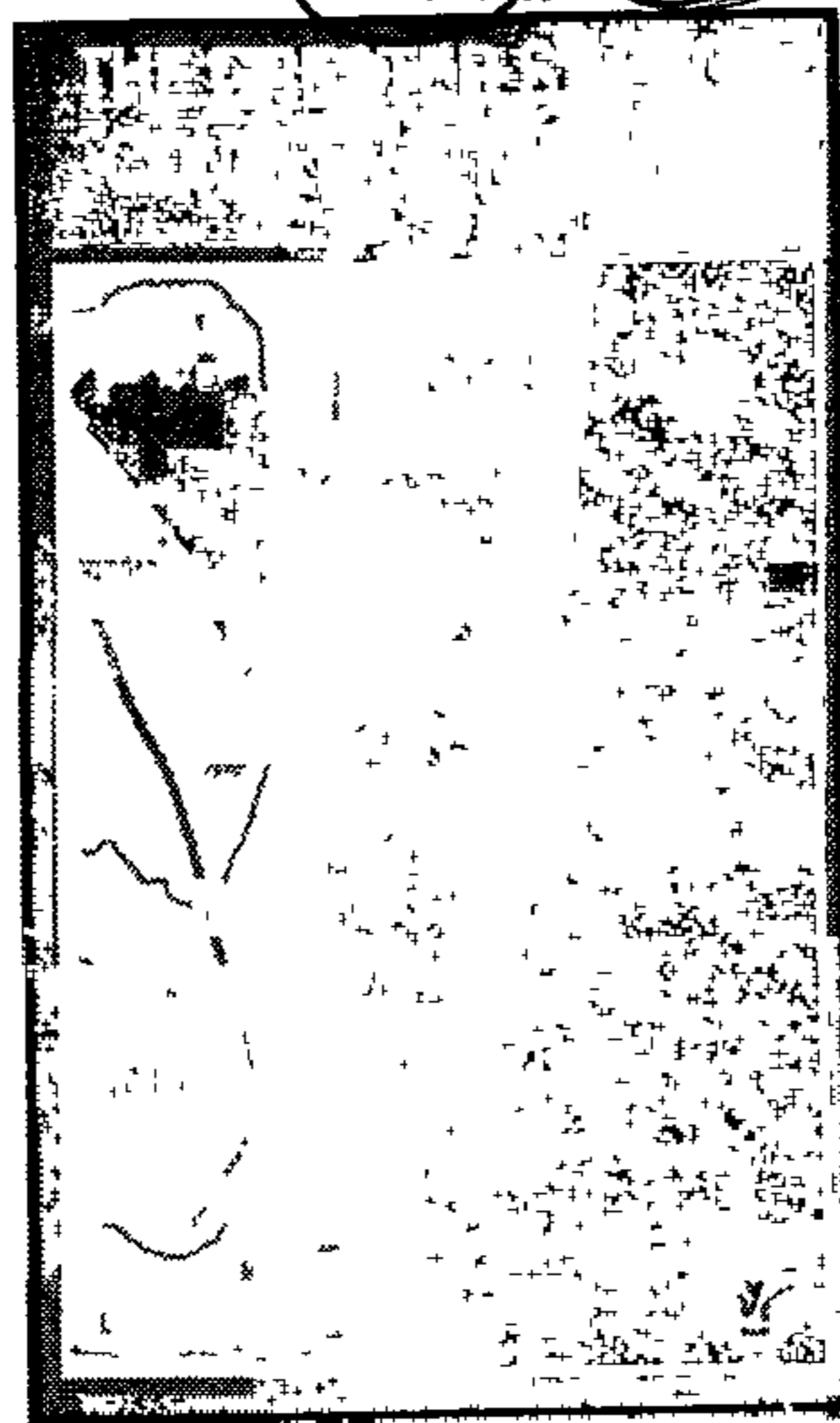
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CMI Fm 24/9/93

Under intensive care (217)

Activities: Producer of ferrochrome

Control: JCI 35,2%

Chairman: B E Davison, CE. A I Wood

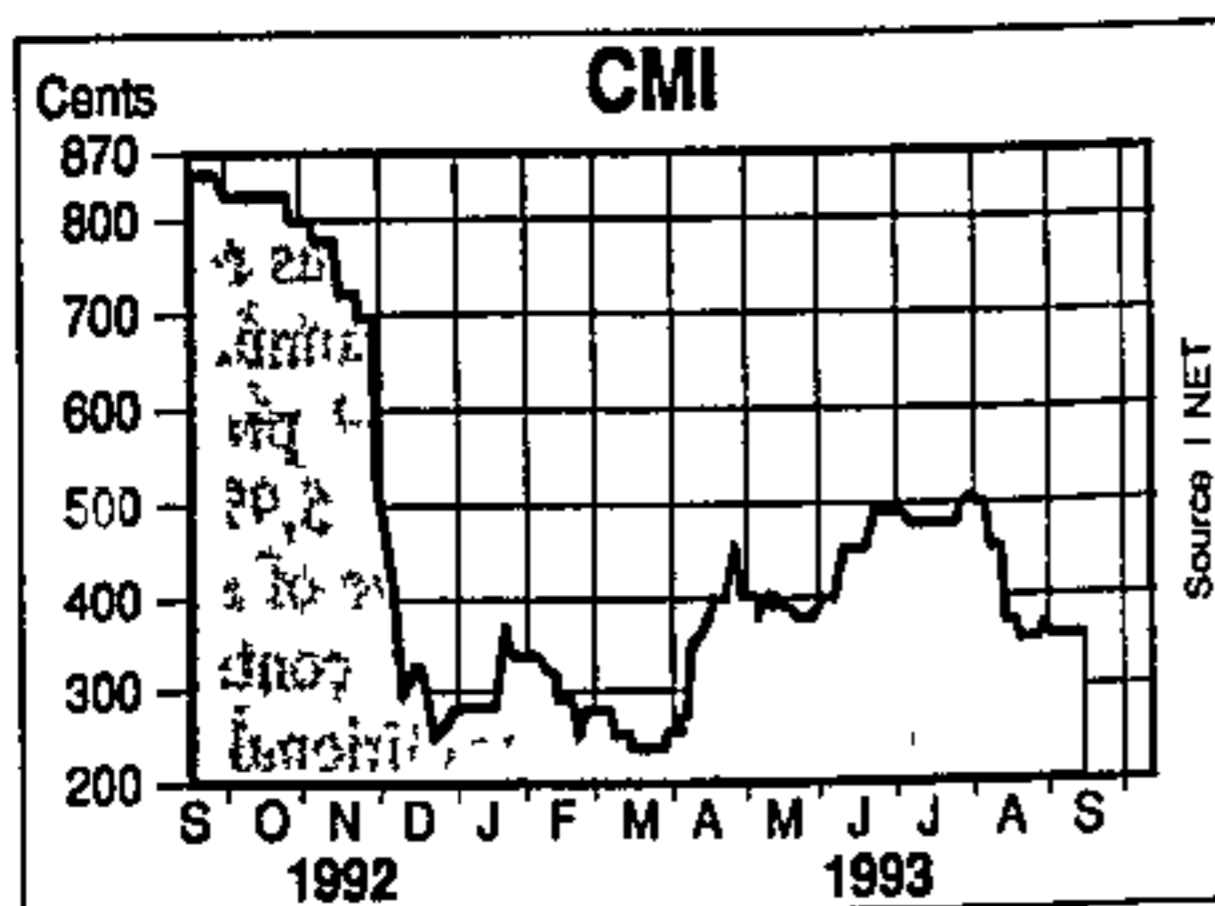
Capital structure: 42,5m ords Market capitalisation: R149m

Share market: Price 350c. 12-month high, 850c; low, 240c Trading volume last quarter, 207 000 shares

Year to June 30	'90	'91	'92	'93
Turnover (Rm)	215	274	306	226
Operating inc (Rm)	68,9	(6,4)	14,8	(24,4)
Taxed profit (Rm)	70,9	(24,7)	4,2	(30,8)
Earnings (c)	167	(58)	(12)	(97)
Dividends (c)	115	—	—	—
Tangible NAV (c)	415	357	417	348

CMI's situation is reminiscent of a patient in intensive care — after losing R41m last year its condition appears to have been stabilised but there's no guarantee of a swift recovery. That's because the ferrochrome market has only just stabilised after the precipitous fall in prices over the past year — and that stability has resulted from sacrifices made by CMI and other SA producers.

Faced with an oversupply of material flooding the market from the CIS at prices way below production costs, the major SA



FINANCIAL MAIL • SEPTEMBER • 24 • 1993 • 113

COMPANIES

Fm 24/9/93 (217)



CMI's Wood the sacrifices have worked

producers had to cut their output to protect cash resources and act as swing suppliers to prevent a complete price rout.

Other larger ferrochrome producers such as the Scandinavian countries and India have continued producing at or near full capacity, largely because the timely devaluation of their currencies protected revenues. The rand, by contrast, held up almost unchanged against the US dollar until about February when it started to slide.

CMI is now operating at just 50% of capacity, running one furnace each at its Lydenburg and Rustenburg plants. The Rustenburg plant and mine were closed completely for four months of the financial year.

CE Sandy Wood says the sacrifices have worked, with the spot price of ferrochrome now almost US\$0,40/lb compared with almost \$0,30/lb in February. Wood says CMI is still getting above US\$0,40c/lb on its contract sales but won't quantify this. Sales by the SA producers at stated producer prices are subject to discounts of 3%-7%.

Most of the world's ferrochrome production is used in making stainless steel. Wood says some European manufacturers are starting to return to SA suppliers after switching to spot market material. This is because of the erratic nature of the cheap supplies from the CIS, which Wood reckons the metal traders oversold heavily. He adds that, if the level of returning business continues, CMI could consider starting up a third furnace in about six months.

Some solace can be gained from the fact that the problem in the ferrochrome market lies with oversupply, not with the stainless steel industry, which has continued to grow despite world recession. Wood reckons world stainless steel production this year will be a record 11,3 Mt, after the previous record of 11,08 Mt in 1992. Average annual compound growth in stainless steel production over the past decade has been 5,9%.

Long-term forecasts on usage of stainless steel remain optimistic, as it continues to take market share from traditional carbon steel products. That's why the SA ferrochrome producers expanded during the late

Eighties, adding about 600 000 t to annual capacity.

Trouble is, there seems no swift end in sight to the ferrochrome oversupply. Latest worry is that some ferro-alloy producers in Kazakhstan, one of the main suppliers from the CIS to the spot market, are considering increasing ferrochrome output by converting furnaces now producing ferrosilicon.

CMI has coped reasonably well, holding cost increases well below the inflation rate despite being forced to run at half capacity. This required, among other measures, retrenchment of 17% of the workforce.

Perhaps more cost cutting could come from head office, judging by the breakdown of fees CMI pays to JCI. Buying and marketing fees have dropped, as might be expected given the lower level of business, but the charge for administrative and secretarial services is up 8,5% at R7,7m.

Outlook is for a better performance from CMI this year because of the weaker rand and, it is hoped, better sales volumes. But operating losses will continue, barring a sudden recovery in dollar ferrochrome prices, which looks unlikely. Better times depend on a sustained recovery in the world economy which could mean a wait of another 18 months. The share price has recovered to 350c from a low of 240c, presumably because investors feel the worst is over.

However, prospects for dividends on the ordinary shares within the next two years look remote given the obligation to preference shareholders.

Brendan Ryan

NORTHAM PLATINUM
Fm 24/9/93
Worries about grade

Reasons for the continued slide in Northam shares to record lows of 700c are plain from the annual report, in which new chairman John Hopwood has finally spelt out what has gone wrong with the R1,5bn project during the past eight months

Shareholders will find little solace and, in fact, now have more to worry about because of the problems Northam is having with the most critical aspect of the entire operation — the recovered grade. Despite Gold Fields' vaunted reputation in deep-level mining, the mining operations at Northam are being hampered by basic problems which are diluting the grade (217)

This is worsened by second order potholes in the platinum-bearing reefs which are disrupting mining operations. Occurrence of these is worse than expected

Hopwood stresses the development results show the forecast grade is in the orebody, and the problems lie with dilution of the recovered grade which the mine is working flat out to solve

"We have not covered ourselves in glory

Fm 24/9/93

on this project and the only way we are going to recover investor confidence is to fix it," he says "That will be done through hard work rather than making further optimistic predictions. Gold Fields has put its best production team on to the job but we have a difficult time ahead" (217)

He attributes much of the grade problem to insufficient mining face underground. Miners therefore have little flexibility and have to take what ore they can get because they cannot shift from poor areas into better ones. The pothole reef problem, and the need for greater development work, generates large volumes of borderline material which is diluting grade.

This situation must have resulted from insufficient previous development work to open up enough ore reserves. Ensuring development is adequate to support the production plan is a basic mining tenet. Management's attention may have been diverted by other problems such as the heavy water inflows

The development bottleneck became apparent from January. Until then, underground mining operations were steadily building up tonnage towards the target of 150 000 t/month milled. Production build-up has resumed, but precisely when Northam will hit 150 000 t/month is debatable. Throughput has risen from 80 000 t in June to 110 000 t in August. It's planned to reach 150 000 t by December. That looks a tall order given the urgent need to raise recovered yield

Until now the mining crews have been intent on filling the mills and have not been working to a strict paylimit. Stopping width was expanded to 115 cm from the planned 100 cm on the grounds that, while the extra material was lower grade, it was profitable to treat. The intention was to attain 150 000 t/month, and then concentrate on getting the grade up and fine-tuning mining operations to reduce costs

The low platinum group metal prices have made better grade essential. The plan now is to spread priorities between grade and production — but this may extend the production build-up period

Northam intends raising R220m in loans to fund this year's forecast capital expenditure of R107m, provide working capital and repay the current bridging loan of R25m. Hopwood won't say how long this money is expected to last, except it should meet requirements for "a year or two during which time we will review the situation"

A rights issue seems unlikely until Gold Fields has regained investor confidence by achieving targets. "We burnt our fingers by making predictions we could not meet and do not want to go back to shareholders again in that kind of situation," says Hopwood

Shareholders who have taken a serious capital knock — the 12-month high was R22 set last September while the December rights issue was pitched at R14,75 — face an extended wait for the maiden dividend. Hopwood rules out a dividend this financial year

Fm 24/9/93

and says one is extremely unlikely in the 1994/1995 year, he won't predict any further

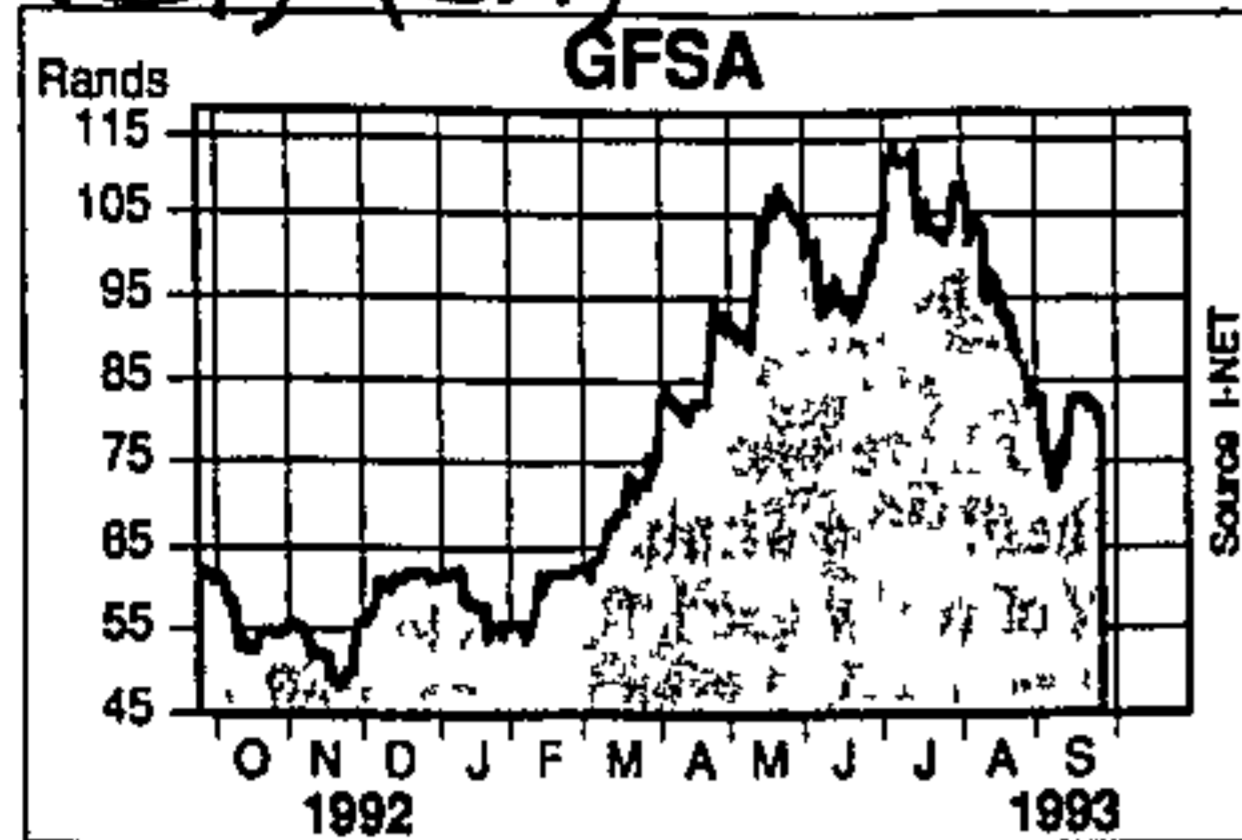
Nobody expected cracking the platinum market to be easy. Cost overruns so far on Northam are not the end of the world. However, if its grade does not come up to scratch, the future of this high-cost producer will be seriously called into question. *Brendan Ryan*

(217)

GfSA Fm 11/0/93
A need to break out

Three times recently I have written about aspects of Gold Fields of SA (GfSA) in less than complimentary terms. This has elicited

(217) (217)



FINANCIAL MAIL • OCTOBER • 1 • 1993 • 83

COMPANIES

Fm 11/0/93



Plumbridge handing out pills

Activities: Mining house with main interests in gold but also platinum, coal, base metals with limited exposure to finance and property

Control: Rembrandt, Liberty & Drie Cons

Chairman and CEO: R A Plumbridge.

Capital structure: 96,4m ords Market capitalisation R7,52bn

Share market: Price. R78 Yields: 2,6% on dividend, 3,9% on earnings, p:e ratio, 25,9; cover, 1,5 12-month high, 11 500c, low, 4 800c Trading volume last quarter, 1,8m shares

Year to June 30	'90	'91	'92	'93
Investments				
Listed (Rm)	1 677	1 716	1 765	2 098
Unlisted (Rm)	1 160	1 120	997	1 646
Investment inc (Rm)	303	285	289	262
Other income (Rm)	187	212	215	193
Earnings (Rm)	361	314	302	290
Earnings (c)	393	328	314	301
Dividends (c)	200	200	200	200
Tangible NAV (c)	9 362	9 227	9 038	13 147

the defensive — but understandable — response that I am innately hostile to it. This is not true. Shooting yourself in the foot is bound to attract comment.

Firstly, there was Northam Platinum and yet another rights issue; then the preliminary profit figures, and, lastly, the curious case of liquidated Vlaktefontein. Now there is the annual report, nicely presented in a folder, the cover illustrated by a healthy ox liberally hung with gold ornamentation indeed an example of a sugar-coated pill.

GfSA is impaled on the awkward dilemma (for a company dependent on the commodity cycle) of making decisions about where to go from here. It is, as I said before, marking time. In a sense, this is understandable. The managers haven't covered themselves with glory with recent adventures. Northam is an albatross and the merger of Libanon and Venterspost with Kloof smacks of convenience to rescue two ailing mines at the expense of shareholders perspicacious enough to have chosen the rich uncle.

Any hesitation within it is compounded by the lack of really good, flying, projects. SA's mineralisation is, by and large, well established. The projects on GfSA's books are modest (the Sand River gold project in the

Free State and the Gamsberg zinc undertaking); more important, they are schemes — technical considerations aside — which must be supported by profound confidence about future product prices. Despite chairman Robin Plumbridge's enthusiasm for his view that the long commodities winter has ended, it is possible to detect residual doubts.

Plainly, though, GfSA must do something. At balance sheet date, income was derived 55% from gold (the report says gold and platinum, which may be someone's idea of a bad joke), 4% from other minerals, 28% from finance and the balance from cash and property. Assets tell the story with even more emphasis, gold (and platinum) account for 70%, other minerals a modest 5%.

Plumbridge and his fellow-directors know they have to break out of the straitjacket. This is why so much attention is being paid to the potential which exists outside SA. The increasing consideration devoted by mining houses to international prospects isn't merely a fad; it is based on the premise that better opportunities exist abroad.

GfSA's focus on international development comes through clearly in Plumbridge's statement. He devotes one paragraph to new business opportunities in SA, no less than five to those abroad. Efforts are concentrated on Namibia and Ghana in Africa, and Ecuador and Venezuela in South America. Plumbridge makes it clear he's anxious to develop into the Pacific Basin, which has "significant potential." (Interestingly, retiring director Bernard van Rooyen is reported particularly successful in his single-handed efforts to woo Beijing's mandarins.)

Nevertheless, all this leaves GfSA's immediate financial position pretty well where it was a year ago. Total income of R492m compares with 1992's R501m; costs were well contained at R171m (R159m), and attributable profit ended up at R290m (R302m). The dividend is unchanged at 200c and, as I commented on August 27, hasn't moved for five years. Not exactly inspiring, if you're a shareholder.

This is a group which has been tardy in recognising stalemate, this means strenuous efforts are now needed, along with clear vision and long-term strategy. Till there is some evidence of international success and focused plans to secure the future, the counter won't attract more than passing interest.

David Gleason

Troubled Northam forced to scale down expectations

BIDAY 4/10/93

ANDY DUFFY

GOLD Fields' platinum operation Northam Platinum was scaling back its performance expectations, chairman John Hopwood said last week. (217)

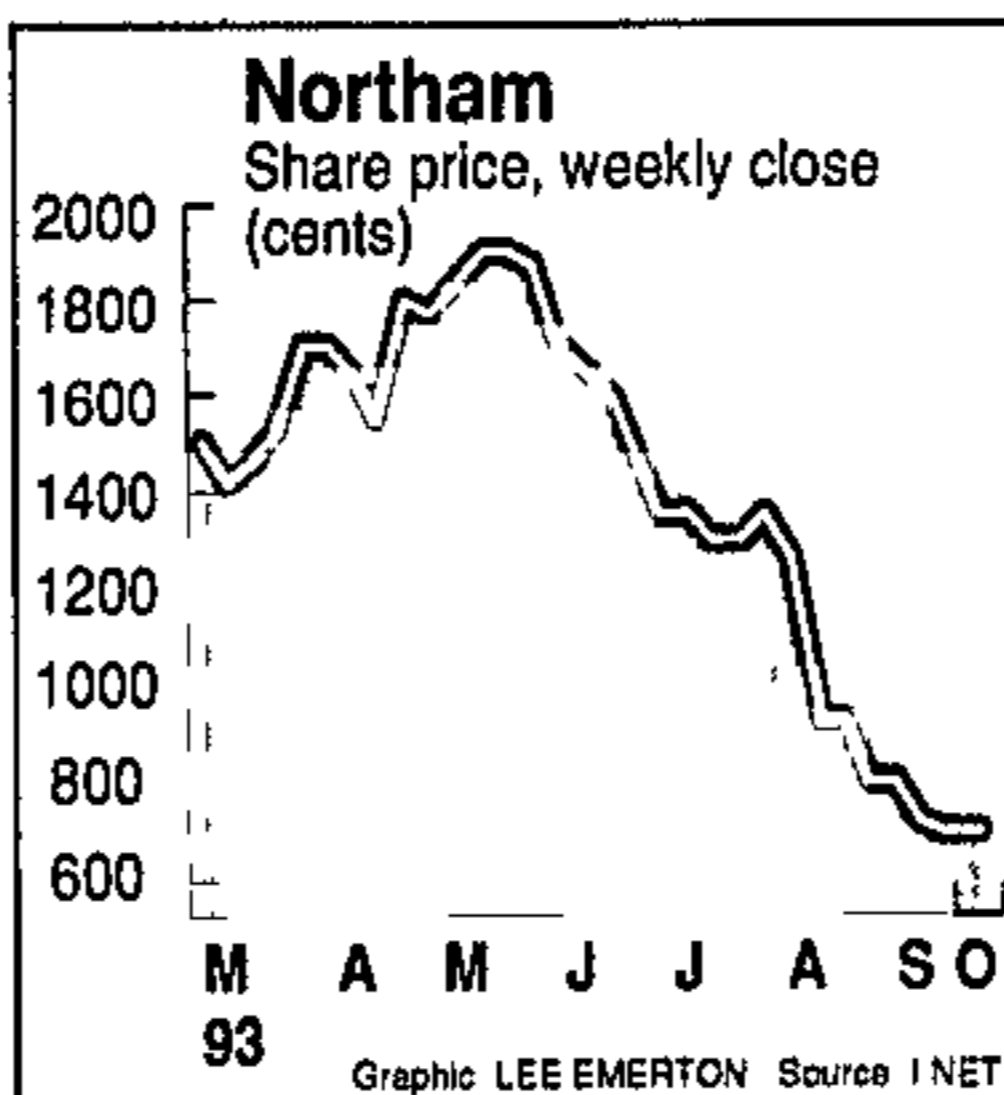
The R1,65bn mine, dogged by production problems for the past 10 months, was unlikely to achieve anticipated head grades and operating costs could be higher than forecast.

Though in situ grades were in line with Northam's initial 10,2g/ton forecast, Hopwood said tougher mining conditions which earlier this year derailed its business plans were likely to cut into Northam's bottom line.

Analysts believe costs could be about R200/ton, against previous expectations of R160/ton. The grade is thought likely to be around 7g/ton.

Hopwood said Northam had still to determine what sort of average grades and costs the operation could expect in full production.

A clearer picture and the point at which Northam would become cash positive would emerge only after Northam hit its targeted 150 000 ton a month production. It would also wait until production bedded down before deciding whether additional finance



— through another rights issue — was needed.

"Once we've reached 150 000 tons we'll have a much better feel for the sort of mine we're dealing with," Hopwood said. "The mining conditions are more difficult (than originally thought), which is having a negative influence on costs and grades."

He said the company had been caught out in the past by over-optimistic predictions for production and cash generation Northam would have to gain more experience in platinum mining before it felt confident to release forecast figures.

The Zondereinde mine, which officially opened in January, reported a

R50,7m operating loss in the year to June, and carried forward an accumulated R47,1m loss.

Though Northam called a R350m rights issue in December, geological and production problems and falling prices for platinum group metals delayed the operating timetable.

It emerged in June that Northam would need refinancing and would miss its maiden dividend, planned for next year.

The company is negotiating a R220m loan to keep itself operational. Hopwood said debt had not been its optimal financing route, but that it could not tap investors again so soon after the December cash call.

The mine had set itself the 150 000 ton target for December or January, which would mean grades remaining at current levels — around 5,5g/ton — before Northam could begin addressing efficiencies.

With full production achieved, Hopwood said the company would consider a more appropriate form of financing. Much depended on the performance of PGM prices.

Palladium and platinum have both enjoyed a stumbling revival in the past 12 months, though the rhodium price has collapsed.

Fm 8/10/93



Retief singing the same song

pound growth in dividends per share has exceeded 11% per annum"

Fair enough. However, all that growth came in 1988-1990. For four years, JCI has pegged its dividend and the outlook appears to be that this will become five in a row.

Chairman Pat Retief says performance is satisfactory given grim business conditions both within SA and on the battered commodity markets. This is the same tune he's been singing for a few years. Of course, he's right. In fact, JCI has done what investors expect of blue-chip mining houses: maintain the dividend despite lower earnings. But it still boils down to a pedestrian performance. Investor interest remains high for two reasons.

The first is that the opposition, Anglo American and Anglovaal excepted, isn't doing any better, while a number of investors, worried about the platinum market, are buying JCI in preference to operating arm Rustenburg Platinum to take advantage of JCI's asset spread and, therefore, protection.

This was the second year in which non-managed industrial investments kicked in more equity earnings than managed mining operations. The latter mining provided R212,1m, the industrial portfolio R245,4m, which was whittled down to R231,7m by losses from ferrochrome and engineering.

JCI has reason to be grateful to the Receiver of Revenue. attributable earnings dipped a mere 1% while equity earnings rose 2%. Changes in corporate tax rates allowed JCI to add back R54,3m deferred tax and notional tax adjustments. The dogs were coal, which contributed a mere R1,8m (1992: R41,1m), and ferrochrome, which lost R15,4m (R2,1m profit).

Platinum's contribution fell to R85,4m (R120,1m), but gold's was boosted to R34,6m (R15,9m) as JCI finally received some payback from the massive effort that has gone into turning mines like Randfontein and Western Areas around.

Retief devotes much of his review to a re-

assessment of where JCI is headed both inside and outside the new SA. Among key conclusions are that it must become more involved in broader socio-economic developments. At the same time, he stresses JCI must remain successful and profitable. To achieve this it must expand outside SA.

Platinum apart, there is a shortage of new, low-cost mining opportunities locally. JCI must look for gold and selected base metal projects in other parts of the world to maintain the traditional mining base.

The group has moved into Ghana and Zambia and invested in various foreign operations. The first were Johnson Matthey, which markets Rustenburg's PGMs, and Luxembourg-based metals trading company Minerais, which sells Rustenburg's base metals and some of CMI's ferrochrome.

Retief ducks a forecast on earnings for 1994. Market feeling is for unchanged earnings and dividends and limited growth — perhaps 8% — in financial 1995. That's hardly exciting, but the share remains an important component of institutional portfolios.

Brendan Ryan

JCI Fm 8/10/93

Not much excitement

Activities: Mining house with interests in gold, platinum, coal and base metals as well as industrial and property investments

Control: Anglo American Corp 40%

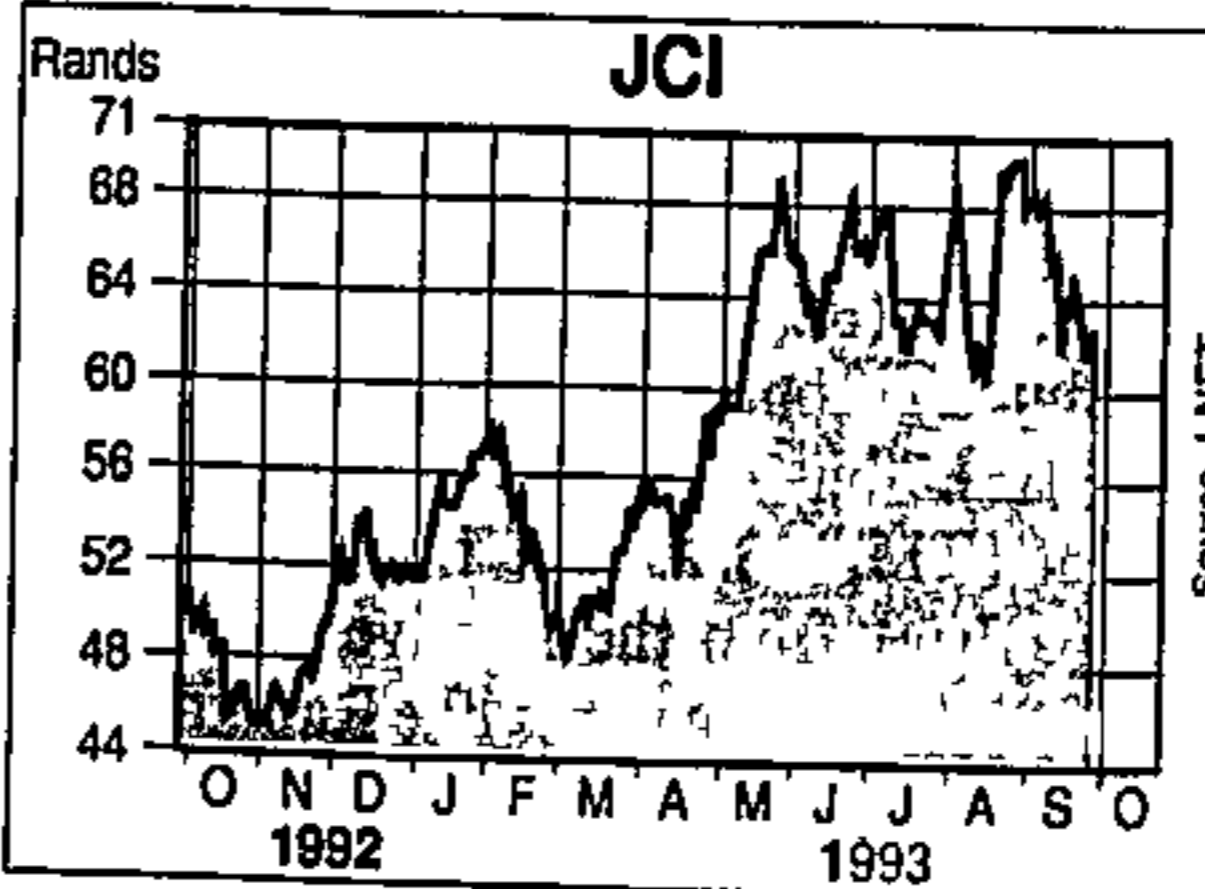
Chairman: P F Retief

Capital structure: 147,8m ords. Market capitalisation: R9,2bn.

Share market: Price 6 250c. Yields: 2,1% on dividend; 6,3% on earnings, p/e ratio, 15,9, cover, 2,9. 12-month high, 7 000c, low, 4 525c. Trading volume last quarter, 1,4m shares.

Year to June 30	'90	'91	'92	'93
Investments				
Book value (Rm)	1 273	1 756	2 248	2 357
Market value (Rm)	8 112	8 252	9 761	10 744
Performance				
Investment inc (Rm)	363,0	350,7	369,6	356,6
Other income (Rm)	89,0	94,5	94,2	59,1
Attributable prof (Rm)	429,6	418,0	439,6	433,2
Attributable earn (c)	291	283	298	293
Equity earnings (c)	408	391	388	394
Dividends (c)	132	132	132	132
Tangible NAV (c)	6 010	6 100	6 886	7 595

Statistics don't lie, but they can be bent. That certainly is shown by the financial highlights page of the annual report, which boasts that. "Over the past seven years, com-



STIMES CRISIS New Potential for platinum

10/10/93

217

By JULIE WALKER

A QUARTER of a century ago, two bright young men at Johnson Matthey were scorned for their novel suggestion that platinum be used in car exhausts to clean the fumes.

The idea was far fetched then and environmental worries were largely ignored. The rest, as they say, is history.

In America, Europe and Japan, cars have to be fitted with autocatalysts and platinum ones are the best. Demand for this use will probably reach 1.8-million ounces in 1993 — about half the total demand for the metal.

All this relates to another revolutionary idea for putting platinum to good use. This decade might be looked back on as the pioneering era of fuel cells and the start of a new chapter in platinum's history.

Marcus Nurdin, for the International Platinum Association and the World Fuel Cell Council, spoke to JSE and institutional analysts this week about fuel cells.

His aim is to convince the world that they are a reality

and will become a significant source of platinum demand.

A fuel cell generates electricity and heat like a battery. But instead of needing a recharge, it operates continuously as long as it is supplied with fuel and oxygen.

Energy released when oxygen and hydrogen come together to make water produces electricity directly. There are no pollutants and high efficiency.

In the most advanced of the five fuel-cell technologies tested so far, platinum is the catalyst.

Mr Nurdin says fuel cells have several uses, one being in the breathalyser to establish alcohol levels in the blood.

The biggest installation is an 11MW fuel cell, commissioned by the Tokyo Electric Company in Japan in 1991. It supplies sufficient electricity for up to 5 000 households.

The Fuji Electric 50kW cell can supply 20 families from a box under 3m by 2m by 1.6m in size.

There are many examples of static applications — hotels, hospitals, food-processing plants and cement factories.

Fuel cells will also be used in transport, says Mr Nurdin. America, Canada and Belgium have developed prototype buses and a fuel cell-battery hybrid car is being tested.

Mercedes-Benz is to invest in a \$35-million programme with Ballard of Canada to develop fuel-cell power for cars. The US departments of defence and of energy have each budgeted \$18-million for fuel-cell purchases.

The Energy Department's plan says that with only a 10% penetration of the market for heavy-duty vehicles, America's oil imports could be cut by 800 000 barrels a day.

International technology consultancy Arthur D Little says that by the year 2000, fuel cells could account for 5% of the worldwide generating capacity. That would mean an annual demand for platinum of 527 000oz. Other estimates are 100 000 to 200 000 oz.

Mr Nurdin says "It is no longer a question of if but when".

However, to be cost-competitive, cell costs must be reduced dramatically, from \$5 000/kW to \$300/kW in transport and to \$1 500 in static applications, says Arthur D Little.

Platinum is not the big expense. An autocatalyst would not be necessary on a fuel-cell car, saving \$42 of platinum. The seven grams of platinum for a fuel cell would add only \$37 to the cost.

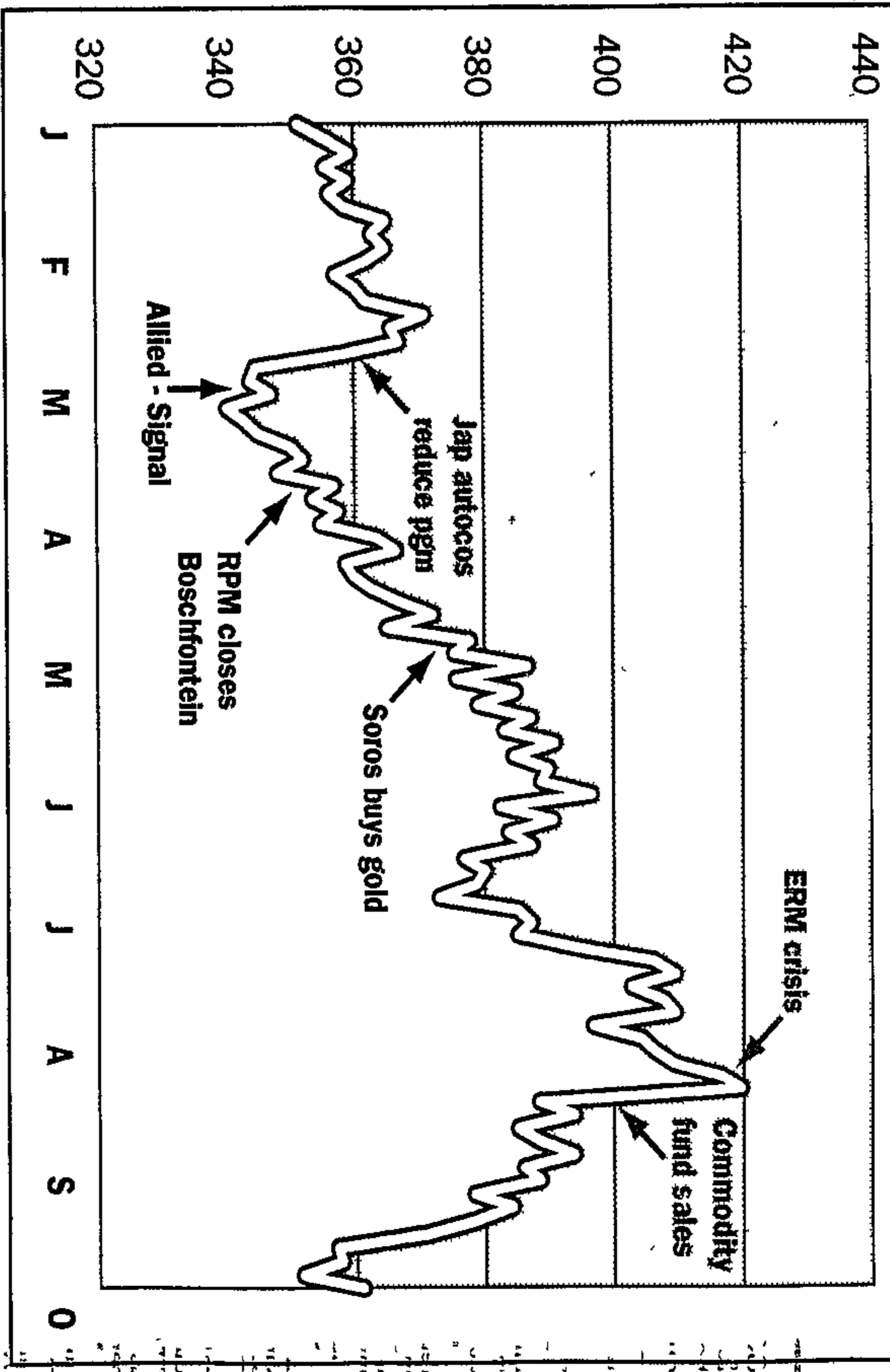
Platinum can be recycled or borrowed and technically be regarded as a running cost, not a capital item.

The real reason behind high cost is a Catch 22 insufficient demand causes high prices, which mean insufficient demand.

Arthur D Little says fuel cells are too often a well-kept secret by governments and conservationists. Hence the establishment of the World Fuel Cell Council, to which all SA platinum producers belong.

Its aim is to encourage the mass production of fuel cells by 1995 and to establish a commercial environment favourable to fuel cells. It intends to encourage governments to buy platinum

Platinum prices - 1993



Graphic: FIONA KRISCH Source: JOHNSON MATTHEY

now and subsidise its use if necessary to allow prices to fall.

Mr Nurdin warns that there is a long way to go and fuel cells face competition from batteries, super-capacitors and hydrogen-fuelled internal combustion engines.

Embattled Assore sees no revival in fortunes

BJD 11/10/93

ANDY DUFFY

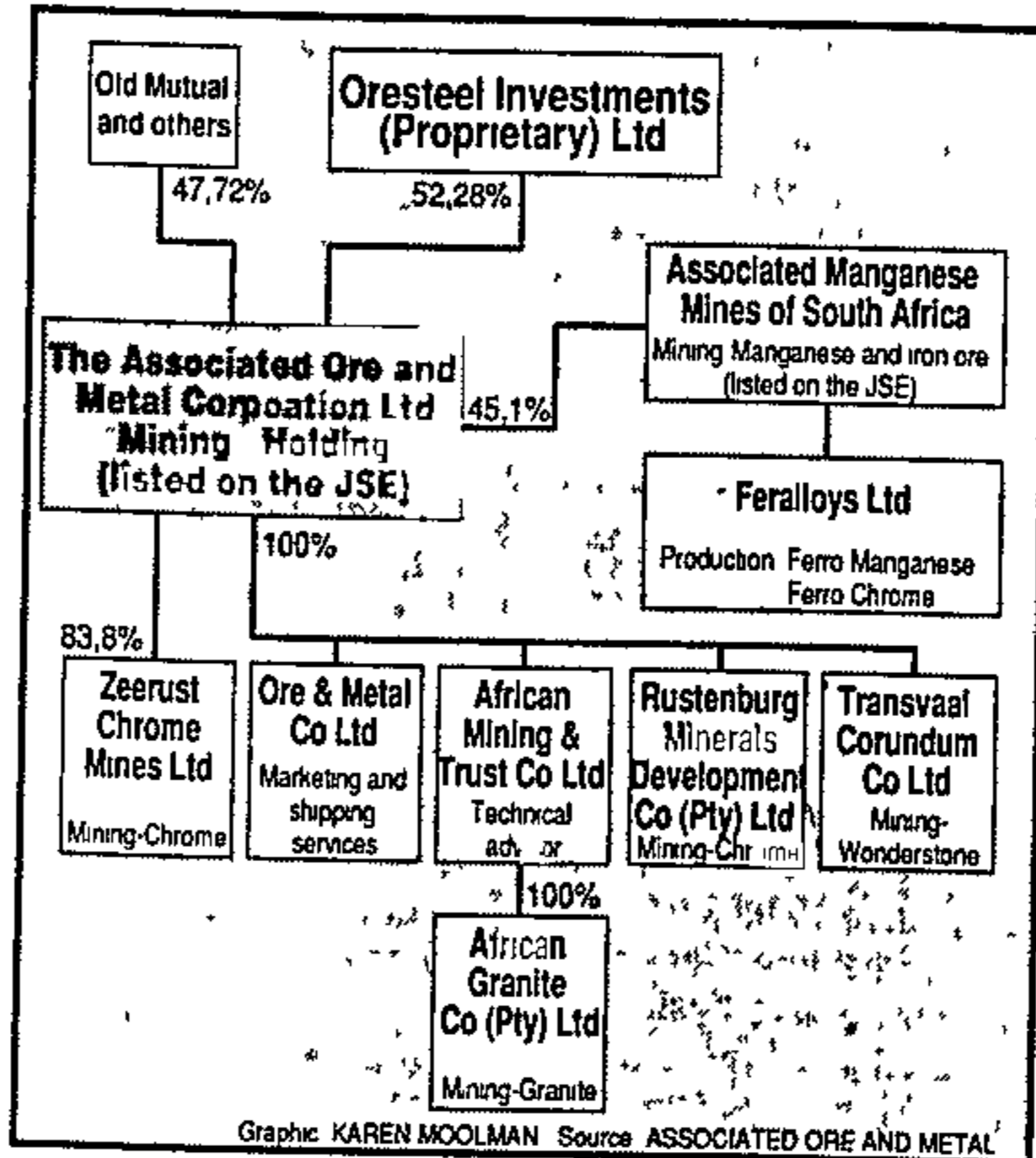
MINING holding company Associated Ore and Metal (Assore) had seen no recovery in its fortunes since reporting a severe earnings decline in the year ended June, chairman Desmond Sacco said in his 1993 annual review.

The base metal and ferro-alloy company, which reported earnings a share down from R27,36 to R8,70, had done well to limit the damage inflicted by sluggish prices, Sacco added.

But manganese and iron ore prices for the current contract year had fallen further, and no significant change was expected in ferro-alloy prices.

Sacco stopped short, however, of warning that earnings would fall further this year. "The markets for base minerals and alloys are not always predictable," he said. "It is difficult to forecast the outcome at this stage."

Much of the damage to Assore's bottom line stemmed from a decision to equity account its 45% stake in Anglovaal's base metal and ferro-alloy producer Associated Manganese (Assmang), rather than to treat it as an investment. Prior to this accounting change, earnings a



Graphic: KAREN MOOLMAN Source: ASSOCIATED ORE AND METAL

share would have dropped from 953c to 853c. The move cut net asset value a share from R393 to R179.

Poor ferrochrome conditions were prolonged by cheap imports from the former Soviet Union and China, forcing Assore's two chrome mines into losses for the first half of the period and closure for most of the second.

The company also cut its loss-making African Granite operation after a long-term supply contract was withdrawn.

The results mark the

third year in a row that Assore's earnings have slipped. The dividend had been held at R5,50 since 1991, before Assore succumbed this year and cut it to 400c. The thinly-traded stock has been stuck at R170 since June, against R220 twelve months ago.

THE WEEK AHEAD

Potential

PRODUCER inflation's decline to year lows may look more vulnerable to an interruption or even a reversal

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described higher costs because of the



N Cape copper mine O'Okiep reverses losses

(217)
A 29/12/10/93
TOM HOOD, Business Editor

NORTHERN Cape mine O'Okiep Copper returned to profits in the September quarter as after-tax losses of R4,6 million were reversed into a R1,9 million profit.

Increased sales boosted sales revenue to R39 million from R29 million in the June quarter.

However, the mine has accumulated losses of R13 million for the nine months to September.

Black Mountain, the other Northern Cape mine in the Gold Fields stable, cut its losses to R4,6 million from R5,9 million in the previous quarter.

The mine, which produces silver, zinc and lead, piled up losses of R16 million for nine months, which places a question mark over the mine's future.

Chairman John Hopwood said it would be more expensive to place the mine on a care-and-maintenance basis than to close it down.

Its losses are far above those of Rooiberg Tin in the Northern Transvaal, which Gold Fields has decided to close down.

Rooiberg made a R623 000 loss in the quarter and R1,6 million over nine months.

Mr Hopwood said management would try and find employment for the 252 Rooiberg workers elsewhere in the GFSa group.

He said it had been recommended that Rooiberg be rehabilitated and surplus assets sold off.

GFSa benefited from the September quarter's higher gold prices and reported a 45 percent surge in working profit to R491 million (R338 million).

JSE warns five companies

THE Johannesburg Stock Exchange has cautioned five companies which have not submitted preliminary reports on time.

The companies are: Berzack Brothers (Holdings), Berzack-Illman Investment Corporation, Elcentre Corporation, Sanlic Hardware Holdings, and Voltex Holdings.

Their listings will be suspended if preliminary reports are not submitted by the end of October, the JSE said in a statement. The companies have promised to issue annual financial statements on 20 October.

NUM proposes powerful mine peace committees

B/Day 13/10/93

ERICA JANKOWITZ

THE NUM has proposed the establishment of peace committees with wide powers to identify and neutralise trouble areas to prevent mine violence in the pre-election period.

NUM spokesman Jerry Majatladi said yesterday union president James Motlatsi had initiated the proposals to prevent the expected increase in mine violence.

In terms of the NUM model, peace committees would consist of eight elected members, four each from hostel residents and management. The chair would rotate between worker and management representatives and the committees would have the authority to resolve all matters relating to hostel organisation and

administration".

The NUM proposed that "it should be written into their constitution that mine management should be obliged to implement all unanimous decisions of the peace committees".

The NUM also proposed a code of conduct applicable at all mines.

The powers of the committees to impose penalties would be clearly specified in the code. These would be negotiated separately for each mine, but the NUM proposed that penalties should be prescribed for acts likely to lead to faction fighting

It also proposed a prohibition on the carrying of weapons in the mine compounds and on equipment that

could be used as weapons.

When investigating offences, the committees should "act like tribunals in that they should collect evidence systematically, summon witnesses and attempt to reach balanced conclusions. Accused people should be given every opportunity to disprove allegations and have the right to appeal," the union said.

The proposals have been put to Anglo American mines. Anglo human resources manager Fanie Ernst said yesterday the regions were considering the proposals.

The NUM said another miner at Randgold's Durban Deep mine was killed on Friday after faction fighting there last month which led to eight deaths and numerous injuries.

Growing opposition to St Lucia mining

KATHRYN STRACHAN

THE campaign to protect St Lucia received major international backing when delegates from 27 countries at a conference in Norway signed a resolution against mining the dunes. B/Day 13/10/93

Vance Martin, president of WILD, organisers of the World Wilderness Congress in September, said last night the resolution had been sent to government to make it aware of international attitudes towards the destruction of the unique wetland.

He said drastic exploitation such as large-scale mining threatened irreversible change to natural systems and prejudiced the long-term benefits that could be provided by ecotourism. (217)

The resolution urged government to prohibit mining unless more detailed and longer-term research could demonstrate that the proposed mining could be undertaken without harming the area.

Affluence 'a suicide risk'

KATHRYN STRACHAN

SOUTH Africans faced a greater risk of suicide as their standard of living increased, a recent study has found.

The study — conducted by Charles Parry of the Medical Research Council and Alan Flisher of the University of Cape Town — found that white males...

PEANUTS

By Charles Schulz

BASE METALS
 FM 15/10/93
Trough deepens

Gold Fields' decision to close Rooiberg, the country's only tin mine, has been forced by the continuing recession in base metal markets which has driven the tin price, in real terms, below levels seen in the Great Depression of the Thirties (217)

Rooiberg lost R7,9m in the three-year period to December and a further R1,7m in the nine months to September. This was despite a series of rationalisations aimed at keeping the mine in a break-even position.

The group's other base metal producers are all taking a pounding because of continued weakness in base metal prices. Worst affected is Black Mountain in the northern Cape. Had it not been for the depreciation of the rand against the US dollar, combined with some excellent operating performances, some of these producers would be in even worse trouble.

Reasons for the poor base metal prices include the snail-like pace of recovery in the world economy and the flood of cheap metals still coming from the CIS. Gold Fields executive director John Hopwood describes the flow of CIS metals as "a massive bankruptcy liquidation sale."

He says: "The US and UK economies are experiencing limited growth. A lot now depends on events in the German and Japanese economies, but it could be six to 12 months before we see improvements there."

"I don't know how long the flood of CIS metal can continue but we are starting to see a drop in their coal exports as realistic rail tariffs are applied to the cost of transporting it inside the CIS. It's going to be another 12 months before we see any real improvement in base metal prices generally."

That's too long for Rooiberg, which has fought to stay in business since the tin market collapsed in 1985. From a labour force of

FM 15/10/93

2 000 in 1985, Rooiberg has slimmed down to just 252. Ironically, it has probably never performed more efficiently than last year.

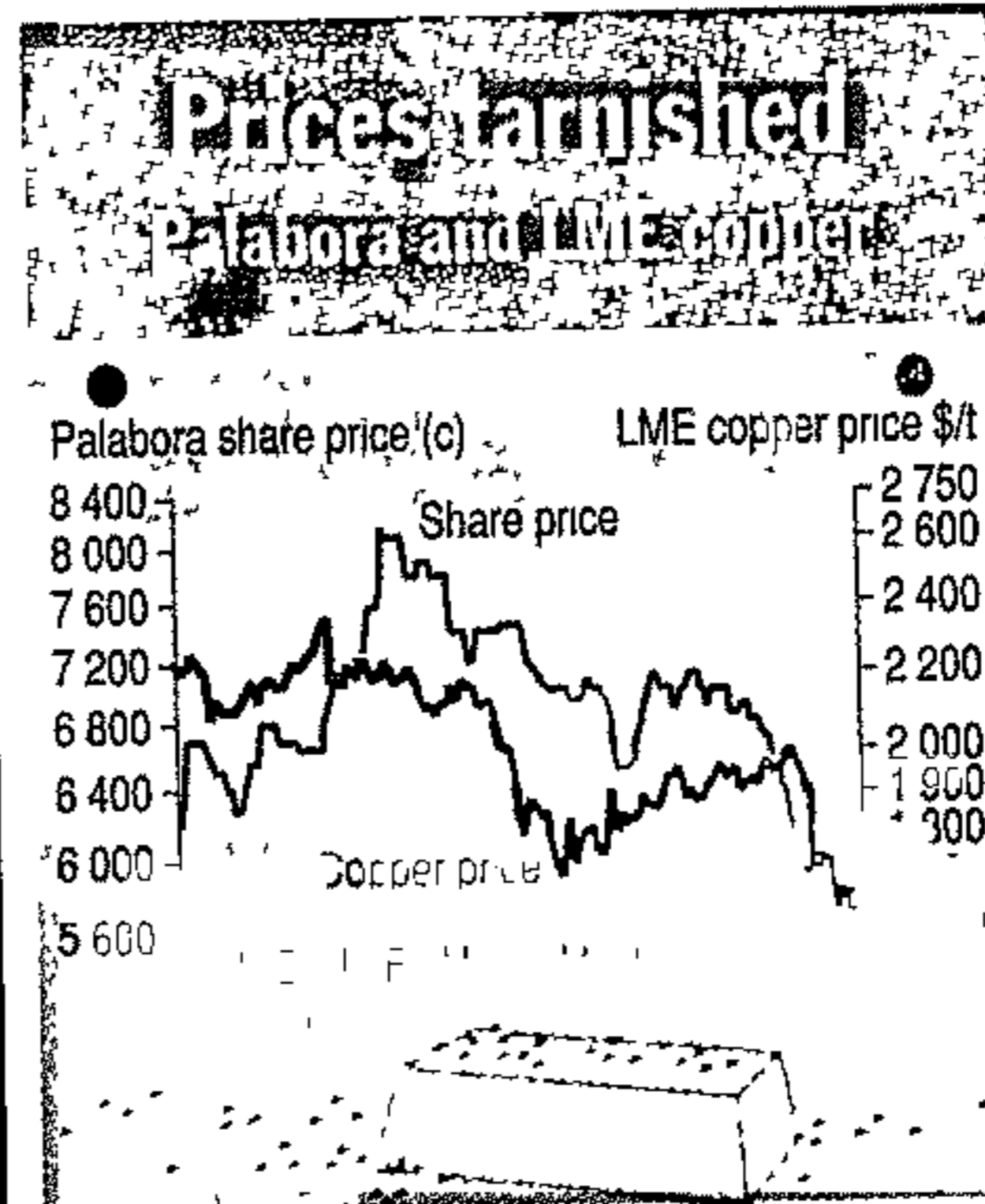
Operations at Black Mountain are also running well, but its fortunes depend largely on lead. Hopwood says the mine simply cannot make profits at the current lead price around US\$360/t.

Black Mountain lost R16m in the nine months to September. Hopwood says the options are to continue running at full output or to close the mine, because there would be no real savings to be made through rationalisation. The decision so far is to keep the mine going. Hopwood feels lead prices are unrealistically low, mines are being closed around the world and there is an imbalance between demand and supply which should lead to a price recovery.

Analysts say Gold Fields is extremely reluctant to close Black Mountain because of its plans to develop the nearby Gamsberg Zinc deposit, which is likely to be linked to Black Mountain.

The copper price collapsed in September. It is now around R5 700/t compared with an average for the September quarter of R6 400/t (217).

O'okiep Copper faced a torrid year in 1993, as it recovered from the disastrous backfilling accident at the Carolusberg mine. The slump in the copper price has made the going that much harder. O'okiep returned to marginal profitability in the Sep-



tember quarter, but still shows a R13,1m loss for the nine months to September.

O'okiep is not listed in SA — the shares are available only over the counter in New York. However, Palabora Mining (Palamin) shares have taken a beating on the JSE, plummeting from R70 in July to a 12-month low now of R57. The year's high was R82, set in February.

Palamin's average copper price for the six months to June was R6 692/t. As a result EPS fell by a fifth to R2,76 (previous interim R3,46). Earnings will fall much more sharply during the second half if the copper price stays below R6 000, though the share price may have largely discounted the poorer earnings prospects.

Brendan Ryan

ASSOCIATED MANGANESE

Fm 15/10/93
Paying out

Activities: Mines manganese and iron ores and produces ferro manganese and ferrochrome

Control: Associated Ore 45%; Anglovaal 41%

Chairman: B E Hersov.

Capital structure: 3,6m ords Market capitalisation. R1bn

Share market: Price. R290 Yields. 2,5% on dividend, 6,1% on earnings; p/e ratio, 16,4, cover, 1,7 12-month high, R340, low, R290

Trading volume last quarter, 185 shares

Year to December	'89	'90	'91	*'93
Turnover (Rm)	718	614	575	747
Operating profit (Rm)	288	205	208	183
Other income (Rm)	12,1	2,4	6,0	7,2
Earnings (c)	4 075	2 695	2 922	1 858
Dividends (c)	2 400	750	750	1 100

* 18 months to June

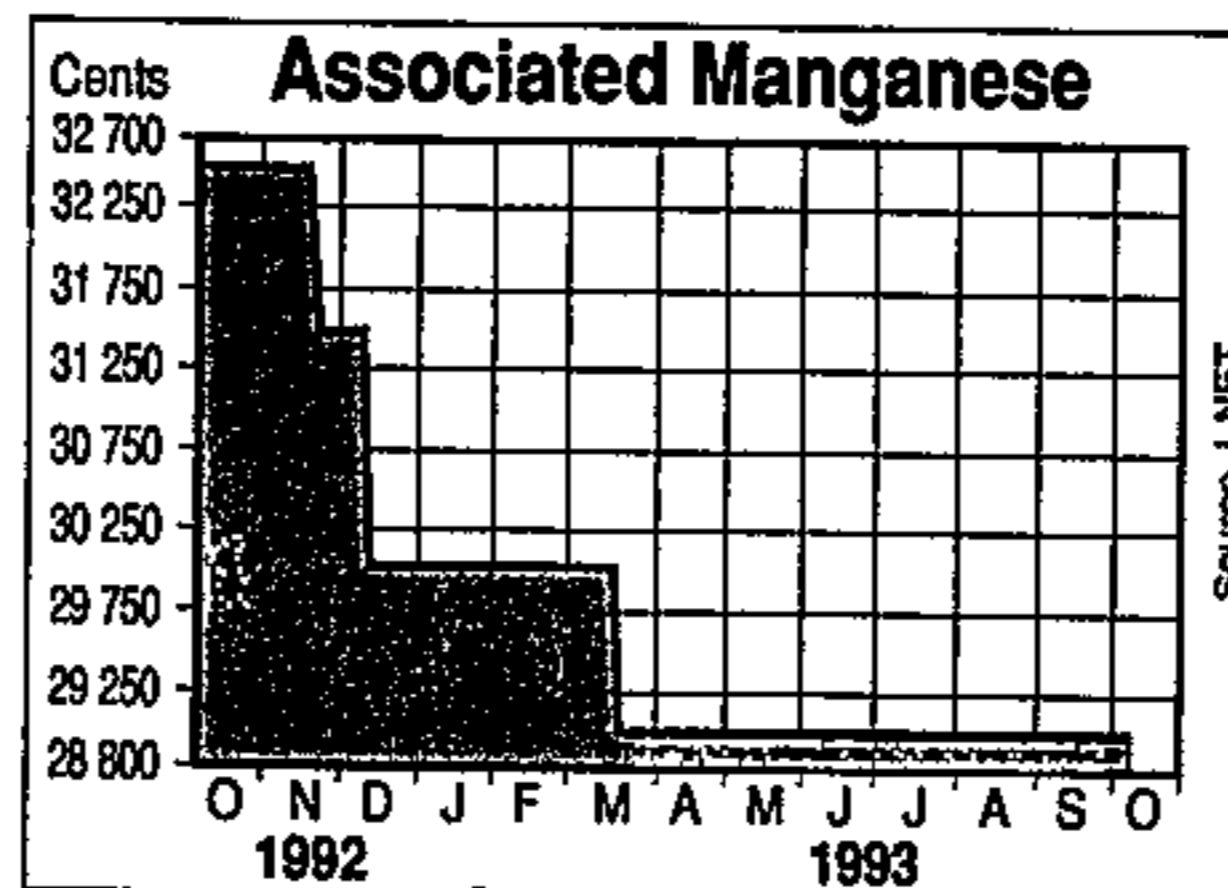
A feature of results for the 18 months to June which surprised most analysts was the way Assmang boosted dividends 47% even though distributable earnings fell 36% from the 12 months to December 1991

Annualised, Assmang effectively maintained its dividend despite a 58% drop in distributable earnings Chairman Basil Her-

Fm 15/10/93

sov's usual bland review offers no explanation for this generosity.

Assmang dropped dividend cover from 3,9 to 1,7. One is tempted to suggest that controlling shareholders Anglovaal and Associated Ore (Assore) might have needed the money. Not so, says deputy chairman Desmond Sacco. He adds that a review of forecast capital expenditure on the five-year plan resulted in some projects being delayed. It is only because of cutbacks by SA producers that the ferrochrome spot market has stabilised and firmed slightly in recent months, prices returning to around US40c/lb from as low as 30c/lb. SA producers continue to



quote prices above 40c/lb but these are subject to undisclosed discounts

Feralloys lost R37m after tax in the 18 months (previous financial year: R100 000 profit). It's now producing about 100 000 t/year of ferromanganese and 50 000 t of ferrochrome. The division should break even this year.

Assmang's fortunes depend largely on iron and manganese ore exports. Iron ore exports are going well. These rose to 2,8 Mt (1,8 Mt) in the 18 months and should continue to grow. Sacco says the sudden increase in demand from the Far East is due to the growth of the Chinese economy.

Rice Rinaldi Turner analyst Michael Wuth forecasts earnings of 1 250c and dividends of 675c. He believes the share has value up to R300. Unfortunately, the stock is tightly held. Anglovaal/Assore control 96%; only 185 shares traded in the past three months.

Brendan Ryan

Julie Walker

Rooiberg falls to the weight of tin sector's losses

SI Times (Buss) 17/10/93

AFTER more than 80 years of production on a site that was worked by ancient civilisations, Rooiberg tin mine is to close because of heavy losses and low metal prices.

Technical advisor Gold Fields of SA says rehabilitation will be completed and surplus assets sold. The 252-member staff will be reduced in line with phasing out of operations.

At the last traded price of 180c in August, the mine's market capitalisation was R4-million, having doubled since last December.

In the nine months to September, Rooiberg's R8,4-million cost of sales exceeded revenue by more than R3-million. Ironically, says director H Kahle, operating results in the final quarter of its life were good. Tonnage, grade, recovery and sales improved. (217)

The heart of the problem is the tin price, lower in real terms than it has been for 60 years and even in nominal terms worse than it has been in 20. The price dropped as low as R14 700 a ton in the September quarter and there is no prospect of recovery because of oversupply and weak demand.

In its heyday, Rooiberg employed 2 000 and made handsome profits. Its 1980 taxed profit of R15,3-million would equate to above R60-million in today's money.

Tin's problems began with the dismantling of the International Tin Council in 1985. The council acted principally as a buffer in times of surplus. After it went, tin came on

the market in unprecedented amounts and the price plunged.

Lead is also at its worst in 60 years. Zinc has been lower, but not for 25 years. Copper has been in a 25-year decline.

Each metal's fortunes worsened in the September quarter this year. But silver rallied.

Low prices mean Gold Fields' base-metal operations had another tough quarter. Black Mountain lost R4,6-million, bringing the nine-month tally to R16-million. O'Okiep turned around, but accumulated a loss of R13-million over 1993. However, Zincor is R21-million to the good after three-quarters of the year.

Gold Fields Coal has made R17,3-million in the same time. Gold Fields says an American strike and the possible reduction in former Soviet Union exports in favour of domestic use as well as realistic railage charges from Siberia mean there is a little less coal around the world.

Last but not least, the mining house's gold mines excelled in the quarter on the back of a higher gold price. GFSA received an average R41 640 a kilogram compared with R35 672 the previous quarter and about R32 500 for the past five years.

GFSA's Alan Munro has no doubt that March's gold price of \$326/oz was the bottom of the trough and that the price is rising.

Taxed profit from Driefontein, Doornfontein, Deelkraal and Kloof was R396,6-million, R141-million going on capital expenditure.

SAMANCOR

Forming strategic alignments

Activities: Producer of base-metal ores and alloys including ferrochrome and ferromanganese

Control: Gencor 41%

Chairman: B P Gilbertson, MD M Salamon

Capital structure: 189m ords Market capitalisation R4bn.

Share market: Price. 2 100c Yields 2,38% on dividend, 4,42% on earnings; p/e ratio, 22,6, cover, 1,86 12-month high, 2 550c, low, 1 700c. Trading volume last quarter, 1m shares.

Year to June 30	'90	'91	'92	'93
Turnover (Rm)	2 006	1 806	2 063	1 791
Pre-tax profit (Rm)	916	567	381	144
Attributable prof (Rm)	539	362	277	176
Earnings (c)	322	216	151	93
Dividends (c)	180	110	90	50

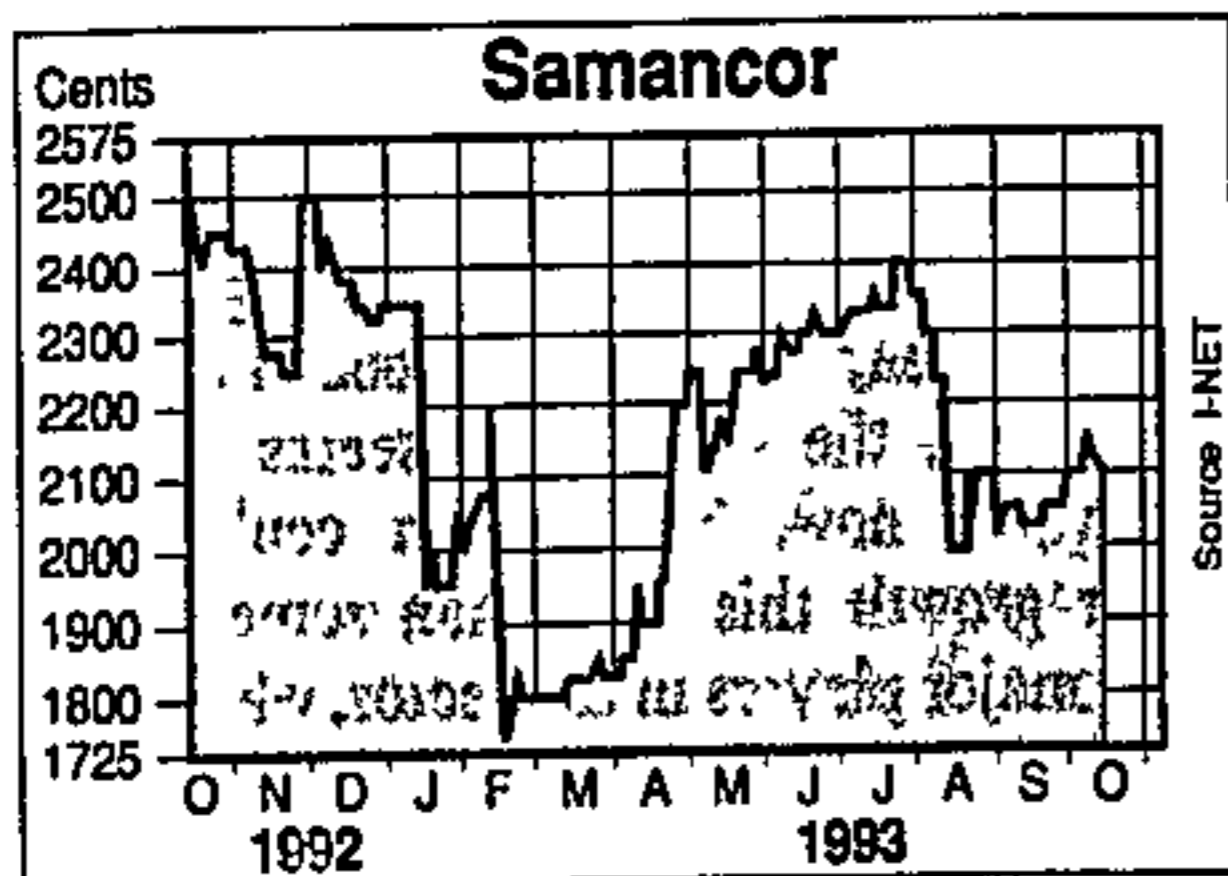
When the going gets tough, the tough get going — and the Samancor review shows the ferro-alloy giant has responded to grim business conditions with a series of moves aimed at bolstering cash flow and securing future business.

On the one hand, Samancor has ensured it will be able to meet its funding commitments to the R3,5bn Columbus stainless steel project without a rights issue. Columbus is vital for Samancor's long-term growth. On the other, it is moving to lock in portions of its ferrochrome and manganese ore business through joint ventures with foreign firms Nippon Denko of Japan and Société du Ferromanganese de Paris-Outreau (SFPO) of France.

Both steps are crucial as Samancor continues to fight a rearguard action against the world recession, which has cut group earnings by two-thirds since 1990

When the go-ahead was announced for Columbus in December, it was estimated that about R800m would be raised through export credit loans. Each of the partners — Samancor, Highveld Steel & Vanadium (Hiveld) and the IDC — was expected to provide about R730m, taking into account allowances that would accrue under Section 37E.

However, Columbus has found R1,2bn in export credit loans, while the new management has really made the existing stainless



Fm 22/10/93



Samancor's Salamon .. rights issue not needed

steel plant perform. Its operations are expected to contribute about R100m to the cost of the expansion.

That leaves a balance of R2,2bn, of which about R675m should be provided through S37E allowances, leaving a net R575m to be contributed by each of the partners. Samancor had net cash resources of R528m at June 30, leading MD Mike Salamon to say the group should be able to fund its share without a rights issue.

The continuing drop in ferromanganese and ferrochrome sales has forced a strategic rethink at Samancor, hence the moves towards the two joint ventures announced so far. Salamon indicates there could be further developments on this front, either through expansions of the existing agreements or through similar joint ventures.

Ferrochrome spot prices plummeted last year in the face of increased exports at rock-bottom levels from the CIS, particularly producers in Kazakhstan. Salamon says producers using Kazakh ore account for a fifth of Western world supply and they must be regarded as a permanent feature of the market.

Samancor's Western world market share has dropped from 30% to 20%. It has closed eight of its 16 furnaces and retrenched 2 100 workers. Output is running at half of installed annual capacity of 1 Mt.

In terms of the agreement with Nippon Denko, the Japanese group will close some of its high-cost ferrochrome plant and source this production from Samancor's low-cost Tubatse No 5 furnace.

Looking longer-term, Salamon says regardless of what happens to the market, Samancor's ferrochrome sales will pick up as Columbus comes on stream. The new stainless steel plant should take about

217

200 000 t/year from Samancor at full output.

Salamon says a fundamental restructuring of the international manganese alloy industry is under way, with a number of producers closing down and others integrating with ore producers. The deal with SFPO is in response to this, with Samancor taking a 5% stake in the French alloy group. A joint venture is to be established, producing refined ferromanganese using 80 000 t-160 000 t/year of Samancor's ore.

This year's report is a big improvement on previous efforts by this traditionally tight-lipped group. It contains more detail on Samancor's diverse activities than before, and it reveals a little more financial information. It stops short, however, of giving divisional contributions to profits.

The expanded section on environmental management is also encouraging, because this is an area where Samancor needs to pay a lot more attention. Its Meyerton works has long been a source of serious atmospheric pollution. Salamon says this attention is being given and much has been spent at Meyerton to overcome the problem.

The outlook is for some improvement in earnings this year, accompanied perhaps by a slightly higher dividend. The share price has recovered strongly from its 12-month low and looks expensive given the thin dividend yield.

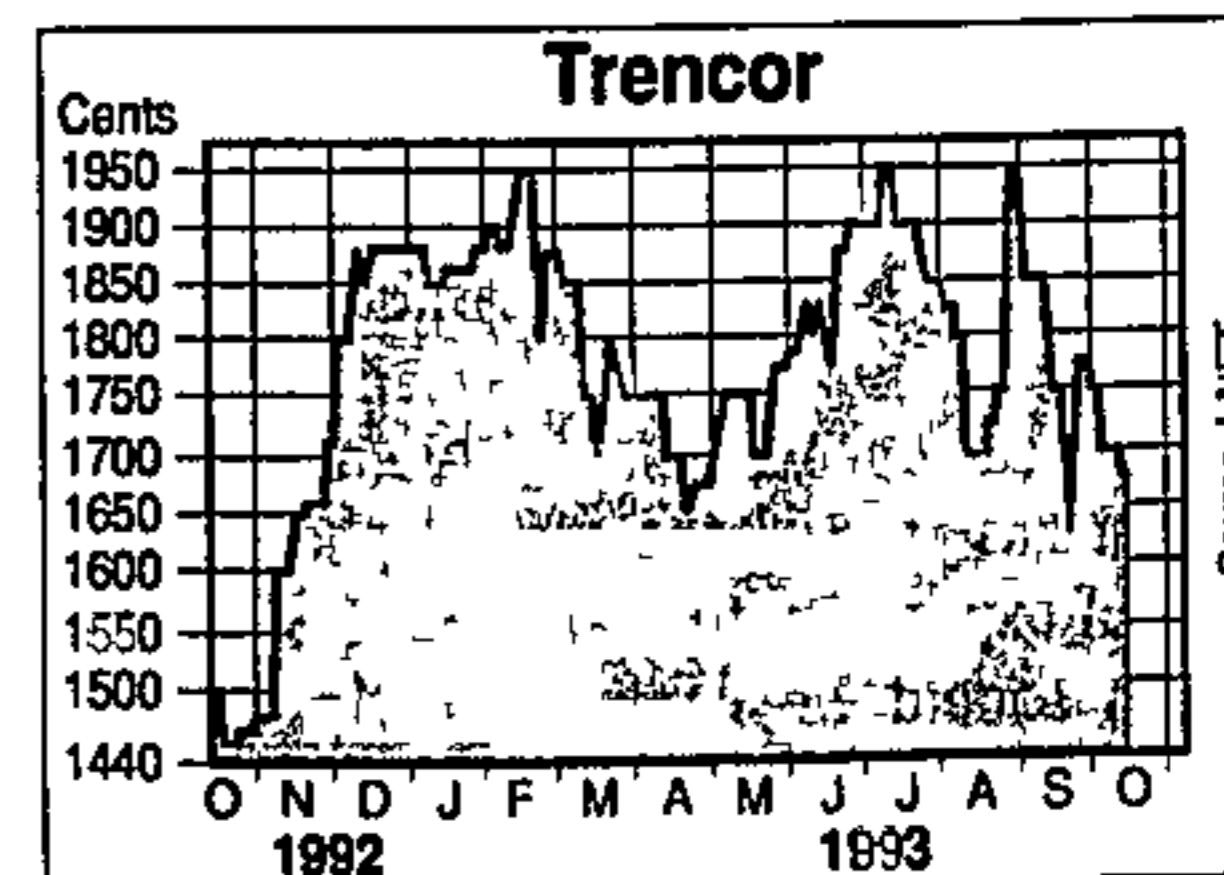
More than 70% of the stock is held by Gencor and Anglo American Corp. This probably helps to support the price.

Brendan Ryan

TRENCOR

Still highly liquid

Trencor's annual report reflects both triumph and tragedy. Triumph because, in the face of weak international and local economies, the group's earnings again outpaced those of most other listed companies. Tragedy, because socio-political disturbances caused numerous interruptions to Trencor's local production. This caused loss of revenue, foreign



Anglo plays key role in Zambian copper sell-off

BIDAY 26/10/93

ANGLO American is playing a key role in deciding the fate of Zambia's soon to be privatised copper industry, before its planned takeover bid has even been tabled, it emerged yesterday.

Anglo's 50%-owned subsidiary Zambia Copper Investments (ZCI) said in its annual report that Anglo was working with the Zambian government and Zambian Consolidated Copper Mines in determining ZCCM's direction and financing.

Anglo has an indirect stake in the mine through ZCI, which holds 27.3%.

The report said ZCI representatives were "reviewing ZCCM's strategic options and endeavouring to ensure that its substantial new capital requirements can be secured on an acceptable basis".

ZCI also mentions that it has pre-emptive rights on ZCCM should the Zambian government cut its stake to less than 50%.

Anglo was approached on the implications for the bidding process of its close involvement in ZCCM, and the terms of its proposed offer. No one from the company was available for comment yesterday.

Anglo secured a direct stake in ZCI through last month's \$1.4bn international

ANDY DUFFY

asset swap with offshore arm Minorco.

The group wants to take over ZCCM as part of a strategy to expand its African mining operations. (232)

ZCI said in its report that the amount of ZCCM to be sold off, and the timing of the privatisation, had still to be announced. The Zambian government has said, however, that it wants the sale to go through by the end of this year. (217)

ZCCM, which in the year to March produced 432 206 tons of copper, is carrying debts of \$700m, but needs to spend about \$2bn on vital development.

ZCI said ZCCM had approved in principle the \$545m Konkola Deep Mining project, which will provide 180 000 tons of finished copper a year. Work on the scheme would start in 1994, should it secure financing.

Though the stake in ZCCM is ZCI's main investment, the company does not equity account its earnings. ZCI's pre-tax earnings for the year to June dropped nearly 30% to \$0.49m.

Samancor and Nippon Denko launch joint ferrochrome venture

Star 27/10/93

Hands across the sea

BY DEREK TOMMEY

Growing Japanese interest in SA was highlighted yesterday when Minister of Finance Derek Keys inaugurated a joint venture between Samancor and Nippon Denko of Japan.

The joint venture is between Samancor and Nippon Denko, two of the world's leading ferrochrome producers. Nippon Denko is an associate company of Nippon Steel, Japan's largest steel producer.

Samancor and Nippon Denko have formed NST Ferrochrome to produce charge chrome for the Japanese market.

It has taken over the 60 000-tons-a-year furnace lo-

terday that the creation of NST would strengthen the chrome business of both companies by combining Samancor's extensive ore resources, infrastructure and cost-effective production facilities with Nippon Denko's efficient sales network in Japan.

Salamon said that from a broader perspective, Nippon Denko's investment was the first major one by a Japanese company since the lifting of sanctions.

President of Nippon Denko, Kakuzo Kobayashi, said he was confident the collaboration with Samancor would ensure a stable and competitive supply of ferrochrome for Nippon Steel and other major Japanese stainless steel producers. He hinted at further

joint ventures.

"We have made a small step, but we hope this small step will further strengthen the relationship between our countries as well as between our companies," he said.

Tribute

Keys paid tribute to the loyalty shown by the Japanese to their SA partners. "They understand that there are ups and downs in the lives of companies, and they don't chop and change. They are prepared to suffer the bad times and remain loyal to their South African partners.

"Of course, these qualities demand an equal response from the South African partners. I am completely confi-

dent that the plus points on the Japanese side will be matched by an adequate response from Samancor."

Analysts say the Japanese interest in the SA minerals industry stems from the desire to ensure continuity in the supply of materials.

An added factor is that Japanese production costs are steadily rising and reducing the competitiveness of Japanese industry, forcing it to look at low-cost producers elsewhere.

It seems clear that the Japanese could be considering many more joint ventures in South Africa.

But for the moment they are holding back until after next year's election.

Chrome venture a sign of firmer ties

Biday 27/10/93

THE establishment of NST Ferrochrome, a multimillion-rand joint venture between ferroalloy producer Samancor and Japanese metal trading house Nippon Denko Corporation (NDC), was a small but significant sign of firming business ties between SA and Japan, NDC president Kazuzo Kobayashi said yesterday.

Speaking at the joint venture inauguration ceremony at the ferrochrome plant near Steelpoort in the eastern Transvaal, Kobayashi said the joint venture would ensure a stable and competitive supply of ferrochrome to Nippon Steel, closely linked to NDC, and other Japanese stainless steel makers. (217)

Samancor executive chairman Mike Salamon said NST ferrochrome would strengthen the chrome business of both companies by combining Samancor's ore resources, infrastructure and production facilities with Nippon Denko's sales network in Japan.

Among the guests at the function were Finance Minister Derek Keys, ANC general secretary Cyril Ramaphosa and economics head Tito Mboweni, and Gencor chairman Brian Gilbertson.

The joint venture was concluded under the aegis of Japan's Metal Mining Agency, part of the International Trade and Industry Ministry which

MATTHEW CURTIN

opened offices in SA for the first time in June.

The new company will produce 60 000 tons of ferrochrome at full capacity for the Japanese market, but industry sources say its immediate importance for Samancor is strategic.

The company's output is a small fraction of Samancor's capacity of more than 1-billion tons a year and provides much less of a boost to the group's output than the Columbus Stainless Steel expansion project, which will take 200 000 tons a year of Samancor ferrochrome at full capacity. However, the NDC deal is part of Samancor's attempt to strengthen its international ties during the prolonged slump in the ferrochrome market, which has badly hit its results. The group's earnings fell nearly 40% in the year to June 1993 to R172m (R267m).

Samancor has set R100m aside in the current year to slash costs and build new alliances overseas to guarantee demand for its ferroalloy output. The group has already signed a deal with French metals business Société du Ferromanganese de Paris-Outreau, in which Samancor will buy a 5% stake in the company in return for supplying between 80 000 and 160 000 tons of high grade ore for medium carbon ferromanganese production.

Long-running mineral rights dispute drags on

MATTHEW CURTIN

THE wrangle over base metal mineral rights owned by Lebowa Platinum (Leplat), which affects sister company Rustenburg Platinum (Rusplat), shows no sign of ending.

Leplat chairman and Rusplat MD Barry Davison said yesterday he had nothing to add to statements in the companies' annual reports that Pyramid Platinum had joined the application of its parent Trojan Exploration in claims against the companies.

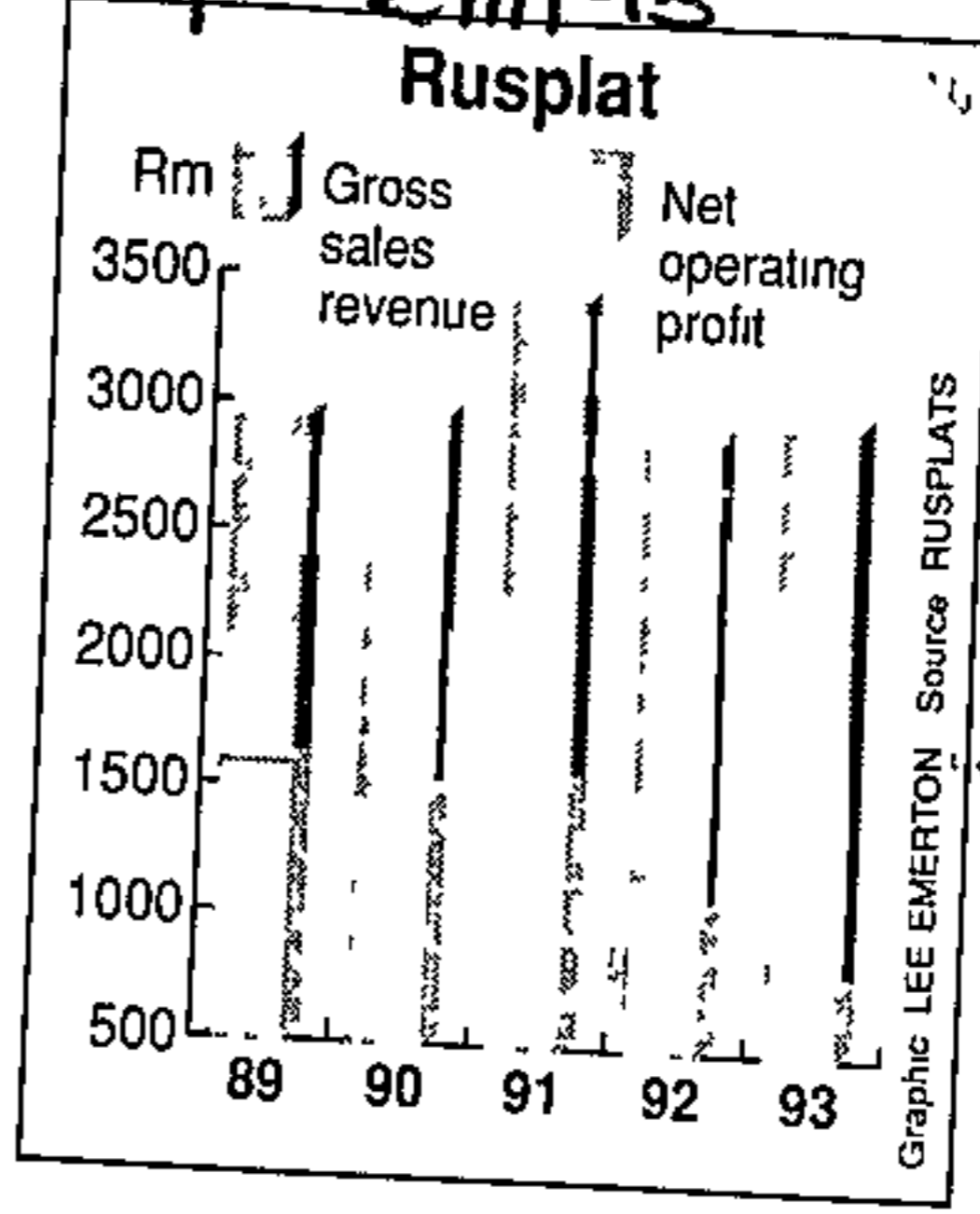
He said neither company had applied for a court hearing for the application, although they had made offers of settlement, rejected by Rusplat and Leplat.

In Rusplat's 1993 annual report, the directors said "Pyramid Platinum Limited (Pyramid) applied to join the application referred to in the previous director's report, and are seeking certain relief from the company (Rusplat) and from Lebowa Platinum Mines Limited for whom the company acts as a toll refiner."

They said Rusplat and Leplat continued to oppose the application for which the applicants were yet to apply for a hearing.

Legal uncertainty affecting the platinum producers is matched by the cloudy market outlook facing the JCI-owned companies.

Rusplat chairman Pat Retief highlighted in his annual review falling Russian pgm output, reduced supply from Gold Fields' Northam Platinum mine, and encouraging signs of growth in the US and Japanese economies, as the main factors likely



to affect the market in the current financial year.

After a year in which platinum demand fell 6% to 3.8-million ounces in calendar 1992, demand would pick up in 1993.

Strong US car and truck sales, accompanying steady economic recovery, were sustaining motor industry consumption of platinum, which was also growing quickly in developing countries, as car sales improved and environmental legislation tightened.

Worldwide jewellery sales remained buoyant, even in recession-hit Japan. Platinum jewellery sales there continued to improve in the first five months of 1993.

The platinum producer notched up a small improvement in sales at R2,97bn (R2,91bn), but operating profit slipped to R754m (R929m), with attributable earnings down at R724m (R1,07bn).

'Distinct lack of empathy for ecotourism'

St Lucia report biased, says Natal Parks Board

Star 4/11/93
217

■ OWN CORRESPONDENT

Durban — The St Lucia environmental impact report had failed to provide information suitable for a balanced assessment on the trade-offs that had to be made, Natal Parks Board chief executive Dr George Hughes said in Durban yesterday.

He was addressing the St Lucia review panel which is to make recommendations to the Cabinet on whether mining should be allowed in the Eastern Shores area of

Lake St Lucia.

The board believed that the shortcomings in the final report and the earlier environmental report were almost without exception to the advantage of the mining land-use option as opposed to ecotourism, Hughes said.

"There is a distinct lack of empathy for the nature conservation/tourism option evident throughout the report."

He said the board believed that nature conservation/tourism on the

Eastern Shores without mining would maximise the social welfare of the area because, among other things:

■ Nature conservation/tourism was an efficient land use which offered a wide spectrum of net benefits to society. This land use optimally exploited the ecotourism potential of the unique natural resources of the Eastern Shores.

■ It was sustainable — no irreparable damage would result from this land use and no future

land use options would be foreclosed. Mining, on the other hand, would not be sustainable. It would have irreversible impacts on the Eastern Shores which would reduce the future potential use of the area for ecotourism.

Because of the lack of meaningful comparisons, the board believed the review panel should find in favour of nature conservation/ecotourism — without mining — as the most appropriate land use for the Eastern Shores.

**Parks Board
on St Lucia**

DURBAN — The St. Lucia environmental impact report showed a distinct lack of empathy for the nature conservation-tourism option for the northern Natal eastern shores area, Natal Parks Board CE George Hughes said yesterday.

Hughes was addressing the St Lucia review panel which is to make recommendations to the Cabinet on whether mining should be allowed on the eastern shores. The board believed shortcomings in the final report and in the earlier environmental report were almost without exception to the advantage of the mining land use option as opposed to eco-tourism.

"This board is regrettably convinced that there is a distinct lack of empathy for the nature conservation-tourism option evident throughout the report."

The board believed nature conservation-tourism on the eastern shores without mining would maximise the area's social welfare. It questioned key assumptions of the economic analysis on which the reports were based. — Sapa.

PLATINUM

Still taking the knocks

Newcomers to platinum mining need to have done their homework

Back in the late Eighties, when the established platinum mines were planning their expansions and various newcomers were intent on muscling into the business, 1993 was viewed as a crucial year. That prediction has been borne out but the reality is vastly different from the expectations of five years ago.

By 1993, much of the new platinum production capacity was expected to be on stream. Demand from one of the two pillars of the business — the motor industry, which uses platinum to clean exhaust emissions — was supposed to kick into top gear as the European car makers complied with tough new emission controls while US standards were tightened.

A lot of water, not to mention red ink, has flowed under the bridge in the past five years. Platinum producers have been on a roller coaster ride which is far from over.

So far two new mines started by independents — Lefkochrysol/Barplats and Messina — have been closed, the future of a third, Gold Fields' Northam Platinum, now hangs in the balance.

The establishment has also taken its knocks, with Impala Platinum (Implats) forced to shelve its plans for growth because of lack of funds. Lonrho's Western Platinum has been able to continue with its expansion only by resorting to massive debt, something Implats' management balked at.

Industry leader Rustenburg Platinum (Rusplat) has come through reasonably well but hardly unscathed. It has been forced to close one shaft while expansion of the Atok Mine — spun off as separately listed Lebowa Platinum — has been delayed and scaled down. On the plus side, it has achieved the industry's only clear success through the launch of the open-cast mine at Potgietersrust Platinums (PP Rust), at a cost of R385m instead of the budget forecast of R555m.

Contrary to some earlier forecasts, while world demand for platinum has risen 15,5% from 3,32m oz in 1992 to 3,8m oz last year, the supply of newly mined metal has more than kept pace despite the various closures and expansion delays. Further, the increase in demand has been less than expected because of the world recession. Implats chairman Mike McMahon says the slump in the

Potgietersrust Platinums

Activities: Operates an open cast platinum mine near Potgietersrus. Control: JCI 30,2% Chairman: BE Davison. Capital structure: 120,3m ords. Market capitalisation: R1,9bn. Share market: Price 1 575c. 12-month high, 1 750c, low, 650c. Trading volume last quarter, 3,9m shares.

Fm 5 111 93

Rustenburg Platinum

Activities: World's largest producer of platinum group metals. Control: JCI 32,6%, Anglo American 23,9%. Chairman: PF Retief, MD BE Davison. Capital structure: 125,3m ords. Market capitalisation: R8,3bn. Share market: Price 6 600c. Yields: 2,5% on dividend, 3,4% on earnings, p/e ratio, 29,4, cover 1,4. 12-month high, 8 500c, low, 5 775c. Trading volume last quarter, 2,7m shares.

Year to June 30	'90	'91	'92	'93
Turnover (Rm)	2 943	3 425	2 910	2 968
Pre-tax profit (Rm)	1 465	1 520	756,6	459
Taxed profit (Rm)	556	608	407	286
Earnings (c)	440	482	321	225
Dividends (c)	310	350	230*	165

*Plus 249c dividend in specie

(217)

motor industry, combined with improved auto-catalyst technology needing less platinum group metals (PGM) to do the same job, has meant that auto-catalyst demand this year will be 12%-15% less than his group predicted two years ago.

Rusplat chairman Pat Retief notes that the 1% dip in auto-catalyst demand to 1,55m oz in 1992 was the first drop since 1983.

As a result of all this, the platinum price has been on a steady slide from above US\$600/oz in 1988 to below \$350 earlier this year, before recovering slightly to current levels. The outlook is that for at least another year, platinum prices are unlikely to change much on fundamental grounds, while the possible development of another new mine — BHP/Delta Gold's Hartley project in Zimbabwe — could already be affecting the price. The platinum spot price temporarily dipped US\$4, following a recent report in the *Financial Times* on the project.

Implications are most serious for Northam Platinum because there seems little chance that a sudden jump in PGM prices will come to its rescue. The mine's 1993 annual review, published in September, finally substantiated market rumours that had plagued the share since January. It revealed serious mining problems which are affecting the recovered grade.

Recovered grade is crucial for Northam. If the yields predicted in the prospectus are not attained, then the high costs incurred by this deep-level mine mean it will remain unprofitable at current PGM prices.

The main problem concerns one of the reefs being mined, where the extent of pot-hole reef has proved far greater than expected. This has impaired the volume of production — because not enough development had been done to allow the mining crews flexibil-

ity in dealing with this type of reef — and the grade, which has been reduced through dilution by waste material.

It has resulted in a continuing financial squeeze on Northam, which is believed to be losing about R15m a month. The mine has cost R1,5bn so far and Gold Fields is arranging a further R220m in loans to keep operations going for the next year.

New chairman John Hopwood stresses that development results show that the forecast grade is in the ore body and it's a question of correcting the faults in the mining operation to recover it. "Gold Fields has put its best production team on to the job but we have a difficult time ahead," he says.

JSE optimists reckon Gold Fields' deep pockets and technical skills will pull Northam through. Pessimists value the share as low as 240c compared with 500c now and some describe the mine as the "downside extension" to Rusplat's Amandelbult section, implying it could ultimately be taken over by Rusplat.

Not that Rusplat needs the extra production because, unlike rival Implats, it has not cut back its capital expenditure programmes over the past five years and has completed expansions at the Amandelbult and Union sections as well as set up PP Rust.

Rusplat's strong point has always been its healthy cash position, at end-June it still had R537m in cash and short-term investments. Rusplat continues its policy of not disclosing production figures, but it's estimated it produced 1,46m oz of platinum in financial 1993. That is expected to grow to 1,5m oz this year.

PP Rust should produce 100 000 oz of platinum in financial 1994, rising to 170 000 oz by 1997, while Lebowa Plats should do 70 000 oz this financial year and maintain that for the foreseeable future.

Continued on page 000

Activities: World's second largest producer of platinum from its mines situated in Bophuthatswana. Control: Gencor 41%. Chairman: JM McMahon. Capital structure: 62,2m ords. Market capitalisation: R2,9bn. Share market: Price 4 600c. Yields: 3,0% on dividend, 7,0% on earnings, p/e ratio, 14,2, cover 2,3. 12-month high, 7 200c, low, 3 375c. Trading volume last quarter, 1,7m shares.

Year to June 30	'90	'91	'92	'93
Turnover (Rm)	2 090	2 269	2 264	2 214
Pre-tax profit (Rm)	738	843	505	342
Taxed profit (Rm)	251	312	256	201
Earnings (c)	410	509	411	323
Dividends (c)	250	275	170	140

LEADING ARTICLES

Continued from page 29

Total JCI group platinum output could hit 1,8m oz by 1997

Despite its financial strength and rising production, Rusplat has felt the pinch in the market. Earnings per share fell 53% from 482c in 1991 to 224,6c in the year to June 1993, dividends have been cut from 350c to 165c.

Rusplat MD Barry Davison is expecting little improvement in the platinum price over the next year, which means earnings will be flat at best. However, the group will continue with its capital expenditure programme, in particular development of the No 2 Shaft at Amandelbult. Davison says this will slightly dampen distributable profits, but the expenditure will maintain Rusplat's production at the higher level.

Though Implats has now sorted out the industrial relations and metallurgical problems that hampered operations over the past

two years, it is in a much weaker financial position than Rusplat. After postponement for a year of planned expansion to 1,29m oz, chairman Michael McMahon says output will now grow to a revised level of 1,2m oz and that will only be reached in 1998.

Earnings dropped 36% from 504c in 1991 to 323c in the year to June. The dividend has dropped 49% from 275c to 140c. But Implats has been able to do this only through savage cuts in capital expenditure, which was slashed from R401,5m in 1992 to R145,9m in 1993.

Effectively, Implats has converted some of the capital spending on expansion into spending to maintain current output — but such cutbacks cannot continue without serious implications for the future. McMahon says "We had a one-year holiday but it cannot continue without eating into the fabric of the company. Capital expenditure will rise this year to about R230m".

Still, the annual report reveals management has extensively revised its capital plans to curb and delay expenditure where possible. Initial moves into the Deeps will be from existing tertiary shafts — thus putting off until 1997 the date when funds must be sunk into a new vertical shaft.

In the battle to cut costs and improve productivity, Implats has carried out stringent retrenchments of staff. The 1993 record production of 1,1m oz — Implats, far more open with its shareholders than Rusplat, publishes this information — was achieved with 7 000 fewer workers than were employed two years ago. Another 2 000 were lost in the first three months of this financial year, through further rationalisation at Bafokeng South mine and elsewhere.

The market has responded to the improvements at Implats by reducing the discount at which the shares stand to Rusplat — to 27% from nearly 40% a year ago — but some analysts remain cautious about Implats because of its financial position and the unresolved political issues concerning the Bafokeng tribe and the reincorporation of Bophuthatswana (Bop) into SA.

All Implats's mines are in Bop, mainly on mineral rights owned by the Bafokeng tribe. The feud between George Molotlegi, acting chief of the tribe and now a director of Implats' operating subsidiary and his brother Chief Edward, who is in exile in Botswana, has not yet been resolved.

Given the dull prospects for platinum over the next year and the flat earnings forecasts, analysts feel the shares of Implats and Rusplat look expensive, now on historical dividend yields of 3% and 2,5% respectively.

Investors are paying for the prospects of better times to come, when the world's economic recovery is more widely established and demand for platinum from the automobile industry improves. Jewellery demand, the other pillar of the business, has held up well. Davison predicts Japanese jewellery consumption could rise to about 43 t this year, from last

Lebowa Platinum

Activities: Produces platinum from the Lebowa. Control: JCI 27,5% Chairman: BE Davison
Capital structure: 120m ord
Market capitalisation: R156m Share market: Price 130c 12-month high: 190c, low: 50c Trading volume last quarter: 12,6m shares

Year to June 30	'90	'91	'92	'93
Turnover (Rm)	77,5	111,9	112,3	133,2
Pre-tax profit (Rm)	22,8	14,9	(26,9)	(9,8)
Taxed profit (Rm)	18,6	10,2	(28,9)	(9,8)
Earnings (c)	15,5	8,5	(24,1)	(8,2)
Dividends (c)	7,5	—	—	—

year's 40 t

A longer-term boost in demand for platinum should come from fuel cells, whose development is getting steadily closer to the commercial stage. Fuel cells generate electricity efficiently and without pollution. So far 20 systems have been installed in Japan, with a further 86 scheduled by the end of 1994, 10 have been installed in the US, with another 12 to be in use by June 1994.

Toshiba and Fuji Electric start commercial production of fuel cells in Japan in 1996. International Fuel Cells in the US has produced its first lot of 56 units.

Having weathered the past few tough years, the impression gained from the existing platinum producers is that they are extremely unhappy that recovery prospects may be affected by yet another potential newcomer to the business, the Hartley joint venture in Zimbabwe.

A final commitment to proceed has not yet been made but the promoters are talking of starting construction next year with full production at 150 000 oz/year of platinum to be reached in mid-1996. Speculation on this project is affecting the platinum spot price in a market which is already over-supplied.

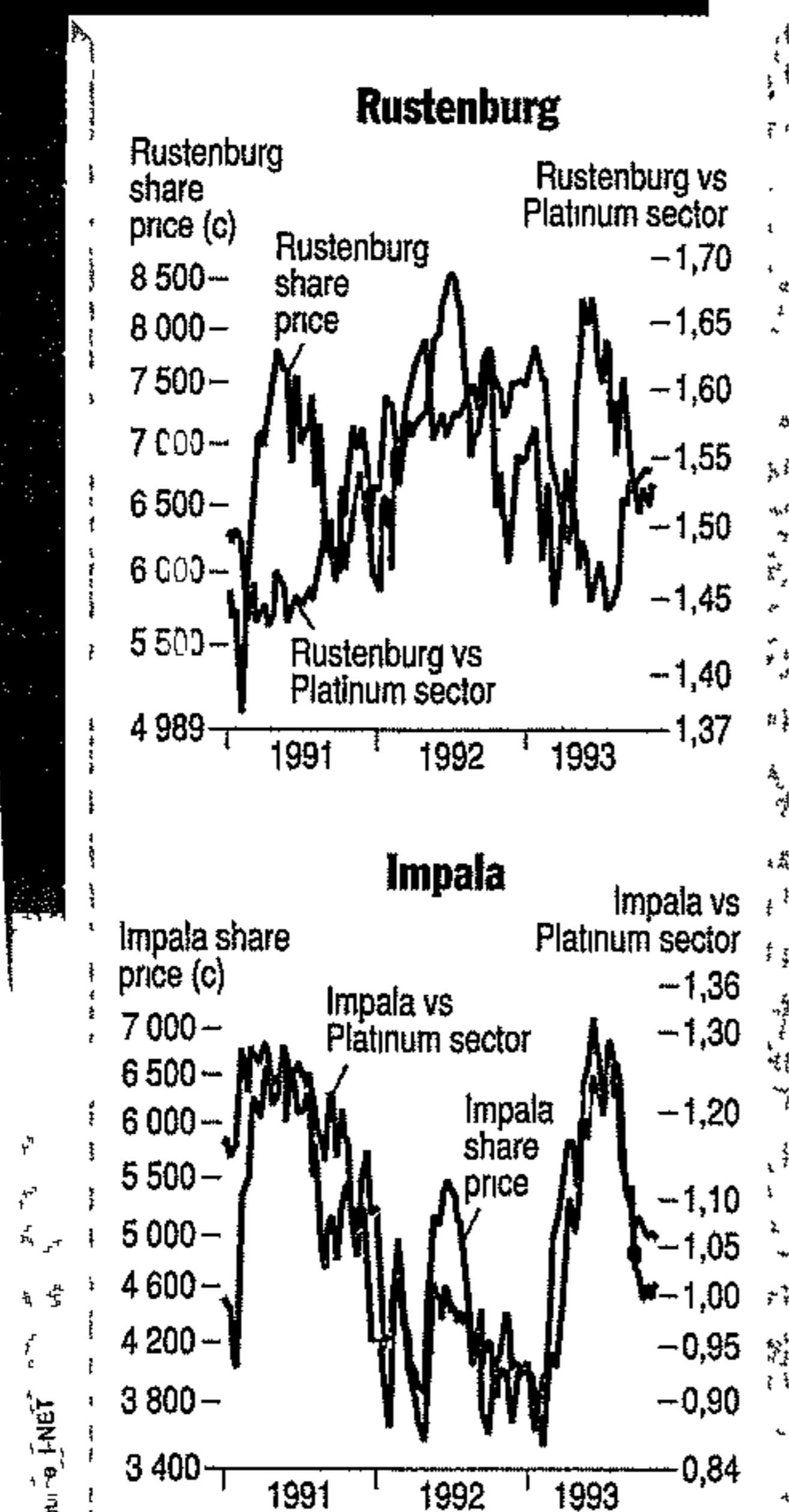
"I would have thought the experiences of Barplats, Messina and Northam should have shown by now there are major barriers to entry into the platinum business," says McMahon. "I think the Hartley developers will find that if they go ahead, they have underestimated badly on costs."

Davison says "Having spent huge sums on market development to promote growth in the platinum business, we have no intention of allowing any newcomer to benefit from any gaps in the market that we have created. We intend being the ones to take advantage of future growth in the business and we are very cost-effective producers."

In the mid-Eighties, when the first rush of newcomers announced their intention to get into this business, objections and warnings from the established platinum producers were largely ignored. Market reaction was that the "big boys" were talking to their book and trying to keep the business to themselves. Yet events have shown that the platinum game is an extremely tough nut to crack, from mining, metallurgical and marketing standpoints. Any prospective entrants had better be sure they are fully prepared.

Brendan Ryan

Stodgy share prices Platinum



ASSOCIATED ORE FM Stillps In the trough

Activities: Mining holding company with interests principally in base minerals and metals

Control: Oresteel 52%

Chairman and MD: D Sacco

Capital structure: 1,4m ord's Market capitalisation R238m

Share market: Price R170 Yields 2.4% on dividend, 5, 1% on earnings, p/e ratio, 19,5, cover, 2.2 12-month high, R205, low, R170

Trading volume last quarter, 9 600 shares

Year to June 30	'90	'91	'92	'93
Pre-int profit (Rm)	44	21	18	15
Attributable inc (Rm)	42	52	38	12
Earnings (c)	2 978	3 689	2 763	870
Dividends (c)	1 000	550	550	400
Net worth (R)	352	386	387	382

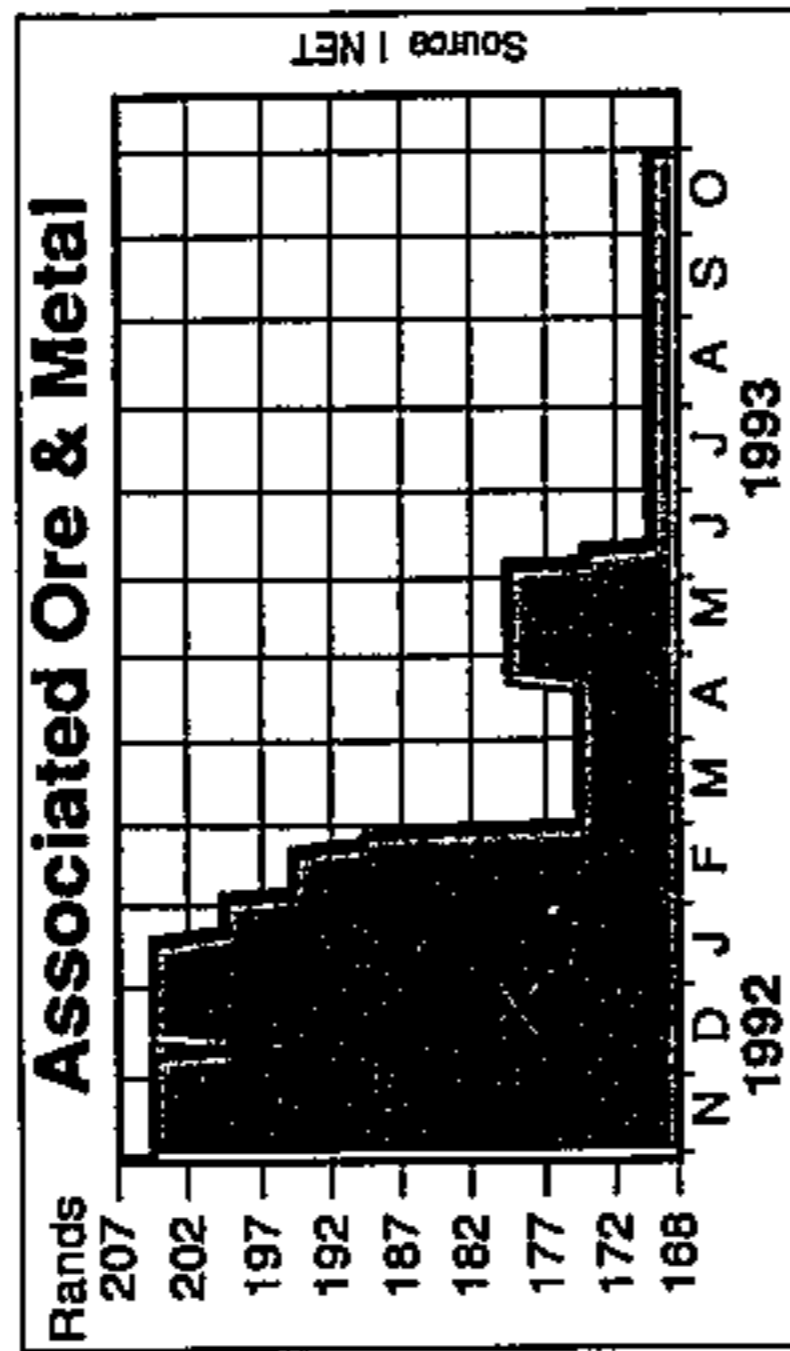
When the FM last looked at this company — almost a year ago — the share price was R220 and the market capitalisation R308m. That contrasts strongly with the present share price of R170 and market cap of R238m and it says, of course, that the market is distinctly unimpressed with this sector's short-term prospects (217)

It is a perception reinforced by chairman Desmond Sacco's comment that Assore's fortunes have been grievously affected by the substantial decline in the contribution made by Assmang (Associated Manganese Mines) and by losses incurred by the chrome mines

Assore's principal asset is its holding in associate Assmang, which produces manganese and iron ore from mines in the northern Cape and whose subsidiary Ferralloys produces ferromanganese in Natal. These commodities are among those most depressed in the recent slump in demand and prices

In particular, the sustained disruption of supply and demand equilibriums has come from CIS (mainly Kazakhstan) producers. Faced with falling demand from Russia and its former USSR states, Kazakhstan has embarked on a policy of aggressive selling at

FM Stillps (217)



low prices, much of the material finding its way into Japan through intermediary China. This has been aided by grossly unrealistic transport charges, a legacy of the former USSR's command-driven economy which still enables, for example, Russian coal producers to undercut international competitors despite railing the product for more than 5 000 km

Absence of economic reality

In time, this absence of economic reality will change. That isn't much help right now when private producers, unassisted by government folly, struggle to make a living. Sacco says he doesn't believe prices for ferroalloys will change significantly over the current year.

The same is probably true of chrome and Assore's two chrome mines will remain mothballed until markets improve.

COMPANIES

Turnover has dipped again, this time by 14% to R49,6m, the operating margin has narrowed, and attributable income has fallen to R11,9m (1992 R13,3m). The balance sheet shows continued strength and is ungeared. The reduction in the cash reserves to R9,6m, from last year's R24,4m, is worth comment. Accounting for associate Assmang is now handled using the equity method; one result is that NAV has reduced but the effect on the income statement is negligible.

All this is far from the heady days of 1990 — not all that long ago — when the dividend was R10/share. This year's R4, a reduction from last year's R5,50, simply emphasises the singular depth of this commodities cycle.

David Gleason

Cont. —> p16

Northam stock bounces back

ANDY DUFFY

GOLD Fields' troubled platinum operation Northam Platinum staged a dramatic recovery on the JSE last week, its shares leaping 45% in value amid five days of hectic trading.

More than 860 000 Northam shares changed hands — 50% higher than the average number traded each month for the past year — as the stock bounced back from R5 last month to close at R7,25 on Friday afternoon.

Market sources said the rise stemmed from sentiment rather than any operational improvement at the R1,65bn mine, with buyers bagging shares in what had been judged an oversold stock.

The shares had also been helped along by a rampant platinum price, which rose on the back of gold to \$380,25/oz in London on Friday, its highest level since the beginning of September.

Northam's shares crashed to R5 at the end of October, cutting its market capitalisation to just R409m, against R1,59bn about six months earlier.

The Zondereinde mine has been hit by

production hitches and falling platinum prices. Northam called a R350m rights issue in December, a month before it opened, but has since been forced to seek an extra R220m debt. *BIDay*

Gold Fields has declined to predict when Northam would hit full production or turn in operating profit. It has warned, however, that head grades and working costs will be far less favourable than previously forecast. *8/11/93*

Analysts said Northam's plight had not improved, but Gold Fields was not expected to shut it down. At R5 the stock just looked cheap, particularly to overseas investors. "There was a realisation that it was underpriced," said Fergusson Bros analyst Philip Marillier. "It's now closer to fair value." *(217)*

Sources said the mine was marginal on current metal prices. Even when platinum did recover, Northam's returns would be far lower than previously vaunted.

Demand for platinum remains gold-linked

BIDAY 9/11/93

ANDY DUFFY

PLATINUM remained tied to gold's fortunes and it could be another year before improved fundamentals saw it perform on its own merit, sources said yesterday.

The metal closed at \$377.25 yesterday, down on Friday's fix but still above the last two months' levels, while shares in leading producers Rustenburg Platinum (Rusplats) and Gencor's Impala Platinum (Implats) rose to R69.50 and R50 respectively, their highest fixes since September's start.

But market sources said the gains were almost entirely caused by the surging gold price. There had been little improved demand from major consumer Japan.

The boost from tough new environmental laws for European cars had been offset by falling car sales, while the performance of US industrial demand had been retarded by weak investment performance.

"The key (to a recovery) is when we start

seeing the first signs of economic growth in Japan and Europe," said Rusplats marketing director Todd Bruce. "It would not be surprising to see it take a year." (217)

Implats MD Mike McMahon said the company had thought platinum's fundamentals were improving earlier this year. But speculative demand was now "muddying the water. Platinum is neither rampant nor depressed. It is steady."

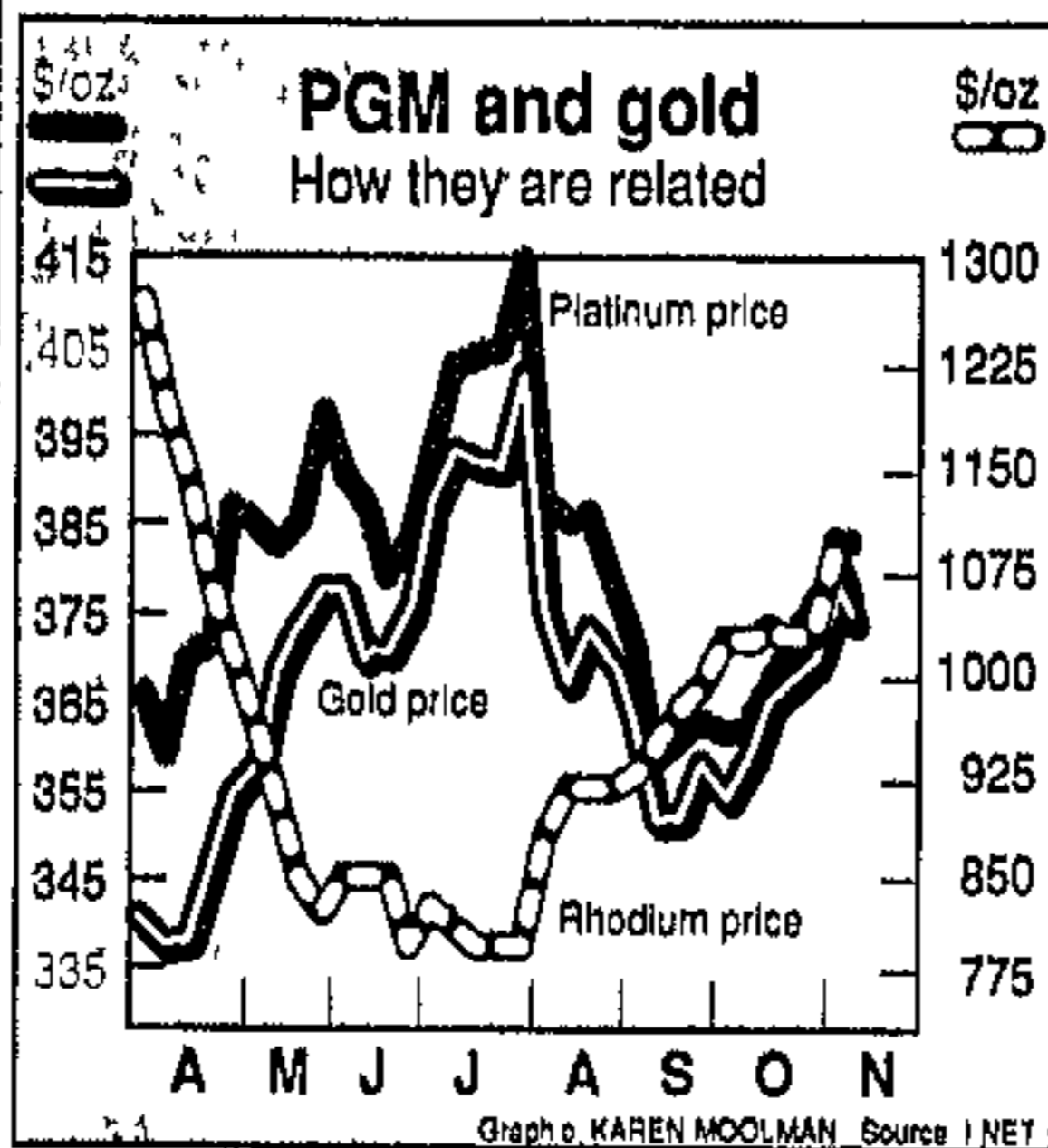
Platinum began rising on the back of gold in March to peak at \$419/oz in August, but the euphoria proved shortlived. Gold's slump forced platinum in September to cede six months' gains in under five weeks.

Though platinum demand is thought to have risen from 3.8-million oz last year to about 4-million oz this year, production has risen in tandem. JCI's other platinum operations, Lebowa Platinum and PP Rust, have both edged up output, while Implats has recovered from union troubles.

Rhodium, providing about one-fifth of SA platinum producers' revenues, has staged a stumbling recovery since its lows of \$800/oz in July, closing at \$1100/oz yesterday, a seven-month high.

The rise will aid the Lonrho-owned Western Platinum, and Implats. Both derive much of their output from the UG2 reef, which has a high rhodium content.

Sources said the autocatalyst industry, which purchases the bulk of rhodium, had started buying small amounts after months of destocking. But this was thought unlikely to push prices above \$1 500/oz, compared with \$3 000/oz 18 months ago.



Mandela acts on St Lucia

DIRK VAN EEDEN

PRETORIA — The Campaign for St Lucia yesterday handed 200 000 postcards from around SA to the President's Office, calling on him to prevent mining the eastern shores of Lake St Lucia on Natal's north coast. *Biday*

Among the signatures were those of ANC president Nelson Mandela, veteran politician Helen Suzman, sport stars Jonty Rhodes and Bruce Fordyce, actors, singers, academics and local and international environmentalists. *10/11/73*

Transvaal Campaign for St Lucia chairman Nora Kreher said the postcards handed over were only those which had been audited and numbered. Thousands more were still being processed and thousands more signatures were streaming in every day.

Campaign spokesman Susan Pyne-James said the immediate objective was to prevent Richard's Bay Minerals' prospecting permit from being converted to a mining permit. The Campaign for St Lucia wanted the greater St Lucia area proclaimed a protected environment. *(217) (56)*

Highveld plans to buy rival firm

ANDY DUFFY

HIGHVELD Steel and Vanadium is gearing up to buy German-owned rival Transvaal Alloys, in a bid to underpin itself by chasing other vanadium markets.

The Amic-owned company, the world's largest vanadium producer, said the deal would give it an entry into vanadium chemicals, one area of the market that has remained relatively profitable in an industry mired in recession. *Boyd*

Market sources said the deal was unlikely to be worth more than R15m. Highveld chairman Leslie Boyd declined to comment, saying only that "it's not big money. It's a relatively small business, but we judge it to be profitable" *10/11/93*

Transvaal Alloys, which is owned by German foundries group Norddeutsche Affinerie (NA), is thought to draw about 50% of its earnings from its chemicals operation, with the remainder from metallurgical business.

Highveld has still to complete due diligence on Transvaal Alloys, and a decision could be 10 days away. Transvaal's proportionate contribution to Highveld's earnings was likely to be small, Boyd said

The prospective deal comes as Highveld is struggling with falling demand from the steel industry, and a flood of cheap supplies from Russia and China.

This has cut vanadium spot prices to just \$1,38/lb, against \$2,75/lb at the height of the market in 1991.

Highveld closed its vanadium pentoxide plant Vantra in May, and though it reopened last month, Boyd said this was just to build up inventories by processing slag, a byproduct of its steel operations. It was not clear when Vantra would return to normal production. *(217)*

Sources feared vanadium could fall still further, but Boyd said the price was steady. "It's not getting worse," he said, "but it's not getting better."

The deal would take "another producer out of the market" though Highveld had still to decide whether it would close Transvaal's metallurgical operations.

Boyd said the deal was not a precursor to closer ties to NA.

Star 11/11/93

No borrowing by Impala

Impala Platinum said yesterday it would not have to resort to borrowings to raise the expected R1 billion for a proposed replacement shaft in its Deep lease area. (217)

Implats consulting engineer Steve Kearney told reporters on a visit to the world's second-largest producer of platinum near Rustenberg, that

the proposed No 16 shaft would ensure platinum production of 1,2 million ounces a year well into the 21st century.

The sinking of No 16 shaft would commence in 1998. It would have a capacity to hoist 3,6 million tons of ore annually and forecast platinum production from the shaft was 273 000 ounces.— Sapa.

Implats gives green light to R1,1bn shaft

ANDY DUFFY

GENCOR's platinum company Implats Platinum (Implats) is to spend about R1,1bn developing a replacement shaft in its Deeps lease area. *Bibay*

The company said yesterday that funding for the shaft, which will produce about 273 000oz of platinum a year, would be drawn internally rather than through debt. MD Mike McMahon also ruled out the prospect of a rights issue. *(217)*

Work on the No 16 shaft would start in 1998, with full production — hoisting an annual 3,6-million tons — reached in 2006.

Implats said it was considering two sites for the shaft. Exploration had shown an average grade on the reef of 9,6g/t, against 8,3g/t in Implats' current lease area. The site would be accessed from Wildebeestfontein North's No 10 shaft. *11/11/93*

The decision to push ahead with the shaft comes a year after Implats shelved the plan amid falling platinum group metal prices, which in the year to June cut earnings a share more than a fifth to 323c.

The company, which was carrying net debt of R120m at the year-end, had been forced to rein in spending, bringing forecast capex for 1993 back from R250m to R156m, against R411m in 1992. McMahon said the period of reduced capex was now behind the company. Expenditure this year would be about R220m.

Implats also planned to reduce its workforce by a further 2 000 to 35 000 by end-1994 in its attempt to cap working costs at R23 000/kg. Consulting engineer Steve Kearney said the bulk of the job losses — bringing the workforce down 30% from 1991 — would be drawn from "natural wastage". He said Implats would also push further into mechanised production and chase high-yielding ore.

Implats has already unveiled plans to boost its annual production. It said yesterday that this would be achieved by increasing recovery capacity and lifting tonnage from 15,3-million tons to 16,1-million tons.

A fire on Monday would delay work on the development of No 14 shaft for up to two months, but Implats still expected to bring the scheme in on schedule next June.

Gqozo orders 'were gross abuse of power'

Biday

BISHO — The order allegedly issued by Ciskei military ruler Oupa Gqozo that former homeland security boss Charles Sebe should be sought and destroyed was a gross abuse of power, the Bisho Supreme Court heard yesterday. 11/11/93

Attorney-General Willem Jurgens, SC, said Gqozo could not rely on the homeland's Indemnity Act to avoid prosecution for Sebe's death as the Ciskei leader had not acted in good faith when he gave the order.

Jurgens also argued that it was "totally immaterial and a futile exercise" to draw comparisons between Gqozo's position as head of state and that of the English monarch or SA's president.

The Ciskei leader was not above the law but, like all other citizens of the homeland, had to obey and subject himself to the laws of Ciskei.

Gqozo and his former bodyguard, Thozamile Veliti, face charges of murder for the January 27 1991 death of Sebe. Gqozo also faces an alternative count of incitement to murder.

Own Correspondent

Sebe and Col Onward Guzana were allegedly the leaders of a coup plotted against the homeland government, but were thwarted when they were confronted at an army roadblock near Stutterheim.

Guzana was fatally wounded and an inquest found that no one could be held criminally liable for his death.

Sebe escaped despite being seriously wounded at the roadblock and a large manhunt was launched. He was traced to Gubevu village the following day, where he was shot.

The State alleges that Gqozo issued an order that the search for Sebe should be a "seek and destroy operation" and that the former major-general in Ciskei's armed forces should be shot on sight.

The State also alleges that the seriously wounded Sebe was killed by soldiers — including Veliti — as he emerged to surrender to them.

Legal argument will continue today.

Mandela acts on St Lucia

DIRK VAN EEDEN

PRETORIA — The Campaign for St Lucia yesterday handed 200 000 postcards from around SA to the President's Office, calling on him to prevent mining the eastern shores of Lake St Lucia on Natal's north coast. Biday

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Implats to develop R1bn shaft
 Own Correspondent

5.5 KWANDEBELE

Bulk water is supplied to Kwaf

Loskop Dam
 Renoster Dam
 Bronkhorstspuit Dam
 TOTAL

Some areas of KwaNdebele are served by the Department of Water Affairs. However, in terms of population served, the proportion is much greater.

With regard to future provision, the Loskop Dam can supply further water. However, in terms of population served, the proportion is much greater.

The augmentation of bulk water supply from the Loskop Dam can be upgraded to give an efficient bulk supply for KwaNdebele as a whole until 2003 at least. However, in terms of population served, the proportion is much greater.

The Loskop Dam scheme which is a major regional water supply is in the north of the region and much of the projected demand is in the central part of KwaNdebele.

JOHANNESBURG — Gencor's platinum company Impala Platinum (Implats) is to spend about R1,1bn developing a replacement shaft in its Deeps lease area.

The company said yesterday that funding for the shaft, which will produce about 273,000oz of platinum a year, would be drawn internally. MD Mike McMahon also ruled out the prospect of a rights issue.

Work on the No 16 shaft would start in 1998, with full production hoisting an annual 3,6m tons — reached in 2006.

The decision comes a year after Implats shelved the plan amid falling platinum group metal prices, which in the year to June cut earnings a share more than a fifth to 323c.

The company, which was carrying net debt of R120m at the year-end, had been forced to rein in spending, bringing forecast capex for 1993 back from R250m to R156m, against R411m in 1992.

Implats also planned to reduce its workforce by a further 2 000 to 35 000 by end-1994.

the following surface water sources:

(m³/annum)

s. This is estimated by the KwaNdebele Department of Water Affairs. However, in terms of population served, the proportion is much greater.

ne Loskop Dam nor the Bronkhorstspuit Dam can be upgraded to give an efficient bulk supply for KwaNdebele as a whole until 2003 at least. However, in terms of population served, the proportion is much greater.

ng attention from the KwaNdebele/RSA bulk supply will represent a physical constraint on the region.

entral part of KwaNdebele is notable as

5.6 BOPHUTHATSWANA

The majority of people in the Region H part of Bophuthatswana are reliant on groundwater. The exception are the proclaimed towns to the south of the Odi I and Moretele I districts which are supplied from the Rand Water Board and Magalies Water Board. Also Kudube in the Moretele I region and four smaller settlements in the Odi II and Bafokeng regions get their water from small dams.

There are only four settlements where a groundwater scheme has been implemented. In all other cases people rely on individual wells or boreholes.

According to the Bophuthatswana Water Plan, there is potential for groundwater resources to be exploited further but there is currently no clear indication of the best options for improving the bulk supply to the region.

DIAGONAL STREET

It's a prettier sight as Impala Plat bares all

STimes 14/11/93 (217)

IMPALA Platinum bared itself this week when analysts and journalists visited the mine

Tons, ounces, grades, costs — all were disclosed by the second-largest player in an industry known for its secrecy. What had previously been guessed is now in black and white. All credit to the management for giving the facts

It was my impression that the whole management team — together for about three years which have not been without problems — has collectively grown in stature.

In the past few years, Impala has been a bridesmaid, overshadowed by Rustenburg Platinum and less favoured by investors on a fundamental count. Rustenburg's cash in the bank has allowed it to expand whereas Impala has been prevented from doing so because of its aversion to debt.

Chairman Michael McMahon says Impala's debt is about R100-million now

"We consider ourselves ungeared, considering that the mine is capitalised at about R3-billion," he says. His view is that borrowing money is not the way to pay for expansion, especially in current markets

Three years ago when I visited Impala, platinum fetched \$500 an ounce and rhodium \$5 000. Today's prices are respectively \$376 and \$1 100

Technical director Steve Kearney says Impala's production costs from

mining to delivering converter matte to the refinery is R23 000 a kilogram. The aim is to keep it constant in the next two years

A million tons of production was eliminated — all of it waste — to 15-million last year for the same amount of metal produced. The head grade is roughly 5 grams a ton of platinum group metals and gold. The objective is to lift this by 5% while returning tonnage to 16-million tons a year

More careful mining of the underground reefs will allow better extraction of ore on each panel and the mechanisation programme of scrapers and hydraulic props will become dominant

At the start of the 1993 financial year only 23% of production was from fully mechanised methods and a third still came from back-breaking hand-lash. This least efficient method will chip in a mere 5% by 1995 and full mechanisation 71%. The balance will come from partially mechanised systems

These adjustments should improve productivity in terms of square metres a stope per manhour by 37%, says Mr Kearney

The mine is making do with fewer staff — down to 37 500 from 50 000 in 1991

Against the grain, Impala brought in consultants to investigate productivity and efficiency. A goal to save R20-million out of a budgeted R80-million was set for the flagship No 10 shaft. Between June and October,

R4.5-million was saved, an annualised R15.5-million

"Everyone says mining is different, that it can't be compared to a factory process," says Mr Kearney. "But fresh eyes saw a lot of things which people in the industry were missing. We've been blinkered, and I think we can be as good as any in the industry in a year's time"

Impala mines two reefs, the Merensky seam at 95cm and the UG2 at 65cm. The precious-metal content is much the same. Merensky yields about 90% of content, but UG2 only 74%, something Impala is looking at. It mines 42% UG2, up from a quarter in 1989

The No 14 shaft is being sunk to allow access to reef in the original lease area and in the extension. The Deeps Mr Kearney says that name is a public-relations nightmare.

It is being mined and there is no dividing line between old and new. Grade is about 8.3g/t over 95cm on Merensky and UG2 is wider, but of lower grade than in the shallower area

A fire in the shaft doors, probably caused by a smouldering chunk of overhead welding matter, melted four cables and 3 600 metres of cabling down the shaft prevented our underground trip in a skip

The shaft is the last of the third generation, starting shallow and gradually deepening to 1 000m as the reefs dip. Other mines are as deep if not more. Northam is below 2 000m, a fifth-generation mine at Gold Fields of SA' first go

Impala's next shaft, No 16, will cost about R1.1-billion and be sunk to 1 700m. When it is commissioned in 2004, it will produce 285 000 tons a month, yielding 273 000 oz of platinum.

An inhibiting factor in mining more UG2 is difficulty in smelting it. It contains a high amount of hard-to-melt chrome and not much easy sulphide. There is always a risk of freezing the furnace if too much UG2 is added

Impala has installed a fifth furnace. The Gobbler, which has two benefits: its new technology improves recoveries and its thermal efficiency cuts costs — by R95 a ton, or more than R50-million in the past year

Considering there are only 62.2-million Impala shares in issue, that means extra earnings of 80c a share. The Gobbler can take up to 55% UG2 without freezing

In March, Impala will start treating furnace slags, 8-million tons of which are stockpiled. This will yield an extra 2 300 oz of precious metal a month

Mr McMahon says "We are trying harder not to throw the metal away once it has been mined."

An extra 1% recovery here and half a percent there make a big difference in a high-value commodity.

He expects another tough year, with little prospects of recovery in metal prices. But Impala is no longer fire-fighting, the big dramas seem to be behind it. The shares jumped 175c to R50.25 after the visit.



MICHAEL MCMAHON older, wiser and carrying fewer debts

Impala acts to streamline operations

RUSTENBURG — Impala Platinum Holdings may be going ahead with delayed expansion plans, but it is also renewing efforts to improve operating efficiencies in the face of a difficult market outlook.

"At the end of the day we have to stay competitive," consulting engineer (operations) Steve Kearney said.

"The key is not to plan over-optimistically for a recovery in the short term," he said, referring to current depressed prices for its platinum group metals (PGMs).

That way, if Impala kept the lid on costs and boosted productivity, it would be well placed to take advantage of any upturn that came sooner than expected, he said.

Impala's three major mines lie 120km northwest of Johannesburg.

In a rare glimpse of mining and refinery operations in a once highly secretive industry, investment analysts touring Impala last week were told that outside consultants had been

brought in to help it improve mining and management methods. (217)

After initial on-mine resistance to a pilot project at one of its 13 operating shafts, productivity had improved sharply. Efforts would spread to the other areas, Kearney said.

He aimed to cap costs at R23 000/kg over the next two financial years, partly through a further reduction of several thousand workers to 35 000 and other cost savings. Two years ago Impala had 50 000 workers.

Impala's decision earlier this year to modify stalled plans to replace and expand ore reserves — the lifeblood of any mine was in line with its commitment to keep as debt-free as possible.

Impala planned to increase annual ore milled to 16,1-million tons by mid-1998 from 15,3-million tons, raising platinum production by 100 000 oz over the same period to 1,2-million oz, he said.

A shaft costing R1,1bn in today's terms is the major component of new infrastructure needed to access part of the adjacent 12 000ha deeps lease area over the next six years.

Consulting engineer Les Paton said exploitation of the deeps held "no terrors" from a geological point of view, but officials said privately that the prospect of increased seismic activity as mining went deeper could see changes to mining methods with added costs.

Improvements due next year at its new UG2 ore extraction plant, which officials said was over its teething problems, would help boost Impala's planned overall recovery of PGMs to 90% of throughput over the next two to three years from 82%, Kearney said.

"I believe in terms of smelting we are as good as anybody but on the concentrating side we have a way to go," he said. "But the plans (to improve it) are in place." — Reuter

EXECUTIVE

Natal/KwaZulu parliament to decide on St Lucia

Political representatives elected to the Natal/KwaZulu provincial parliament on April 27 will decide whether to allow mining at Lake St Lucia.

This is the effect of changes to the draft constitution agreed to at the multiparty talks last night.

Delegates from the Democratic Party, Pan Africanist Congress, Afrikaner Volks-unie, Transvaal Indian Congress and National People's Party joined together in the Negotiating Council to argue that environment should be added to the list

of provincial powers.

Initially Mohammed Valli Moosa of the ANC opposed this, saying the world trend was for countries to come up with national environmental policies. — Political Staff.

(217) (S)

Record platinum output 'will boost surplus eightfold'

BIDON 17/11/93

ANDY DUFFY

RECORD output from SA platinum producers would lift more than eightfold the surplus of metal overhanging the market despite rising global demand, leading refiner and marketer Johnson Matthey said yesterday.

In its interim review, Johnson Matthey said platinum demand would rise 6% to 4,02-million ounces this year, propelled by record consumption by the car and jewellery industries. Though this would leave demand close to its record level, set in 1991, Johnson Matthey said the industry would not see the benefits of higher metal prices.

A near 20% jump in SA output to 3,25-million oz would lift total supply 10% to 4,21-million oz. The market would have an oversupply of 190 000oz (20 000oz last year), despite a fall in Russian output to its lowest level in four years.

Review author, platinum group metals sales and marketing divisional GM Jeremy Coombes, said the metal was unlikely to go above \$390/oz in the next six months. The gold price had "largely carried" platinum, he said, but on fundamentals, the price would stay in its current range of \$350-\$390/oz.

In the past year, JCI-owned Rustenburg Platinum expanded its Amandelbult section, while Lebowa Platinum and Potgietersrust Platinum both came on stream.

Gencor's Impala Platinum eliminated labour problems to lift output, and Lonrho was expanding Western Platinum and Eastern Platinum.

Coombes said SA producers would continue increasing supplies until 1997, and that if this "aggravates market oversupply and causes further price weakness, the mines with the highest costs may not avoid closure or sale".

The review said EC emission laws and innovative marketing by Japanese jewellers would largely offset falling industrial demand.

Consumption by the car industry, where the metal is used in catalytic converters, would jump 12% to 1,74-million oz. European car sales were falling, but emission laws would lift platinum usage. US car production rose sharply. (217)

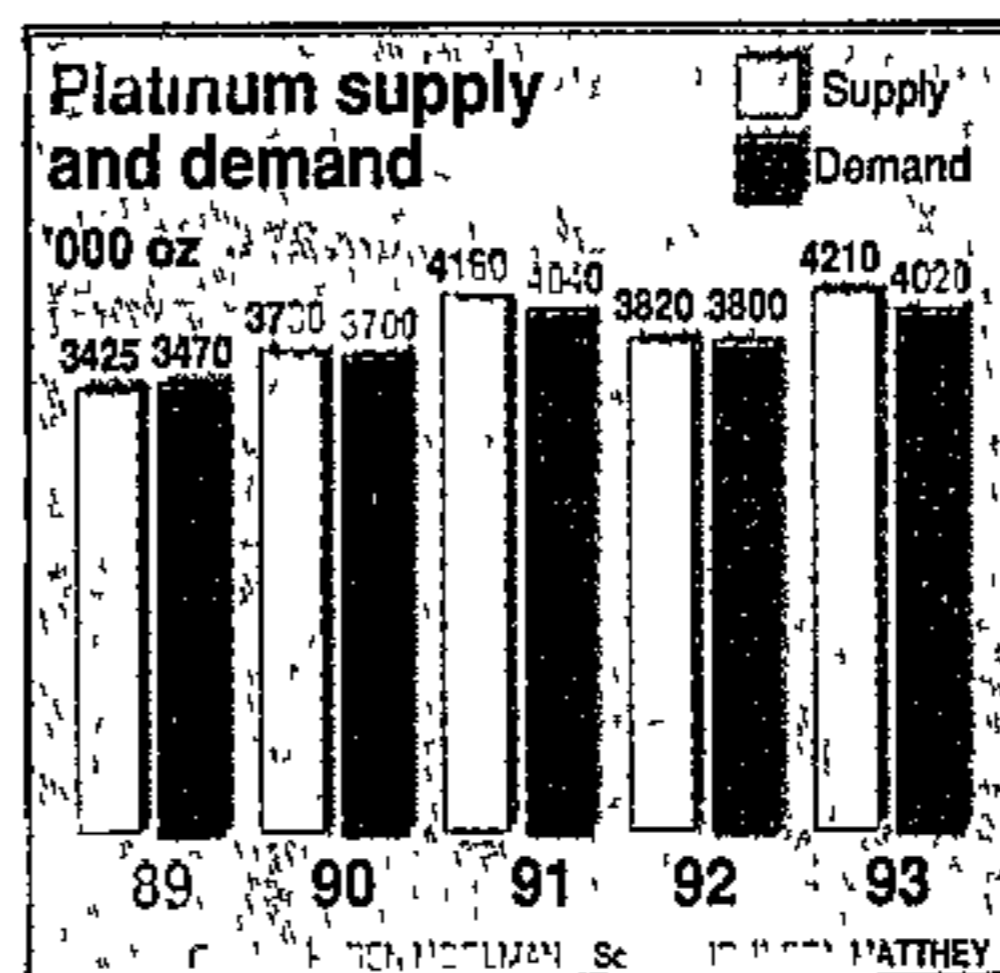
The impact of the recession in Japan, which accounts for nearly half world demand, had been partially offset by the devalued yen and jewellers selling down market. This would help push jewellery demand ahead 5% to 1,59-million oz.

Industrial demand would fall for the second year running, by 45 000oz to 685 000oz, with consumption from the petrol and chemical industries hit hardest. Investment demand, prompted by the devalued yen, could lift 12% to 285 000oz.

Demand for rhodium, which accounts for roughly 20% of the SA industry's revenues, could rise nearly 10% to 359 000oz this year on the back of tighter car emission standards.

The metal, which hit an eight-year low of \$800/oz in July, was likely to see a balance in supply and demand as producers cut their output. Demand from the car industry would also push palladium consumption to 4,03-million oz, outstripping supplies by 100 000oz.

This had been reflected in a tightening price. Palladium was likely to stay above \$125/oz for the rest of the year, against \$106 in January.



Platinum output climbs steeply

Star 17/11/93

■ BY DEREK TOMMEY

Platinum producers and their shareholders will find comfort in Johnson Matthey's latest survey, issued simultaneously in Johannesburg, Tokyo and New York yesterday.

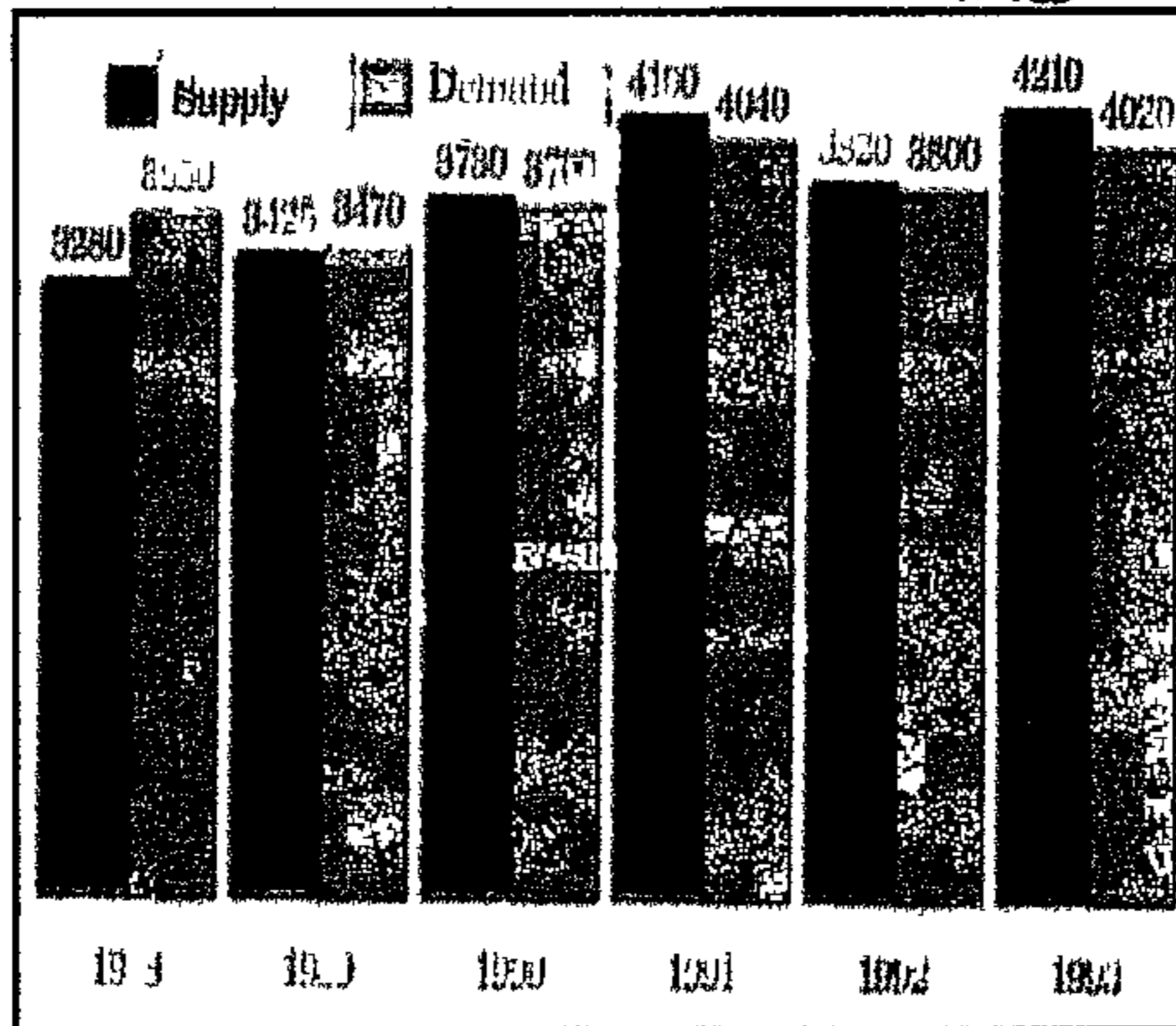
It shows that SA producers greatly increased output this year.

Consumption is steadily increasing, particularly in the auto-catalyst and jewellery trades. (217)

While growth in SA production is expected to slow in coming years, demand should continue to rise as the world moves out of recession.

So prospects for a firmer platinum price seem bright.

Jeremy Coombes, who was responsible for compiling the survey — "Platinum 93, Interim Review" — said in Johannesburg yesterday he believed that the current platinum price was a realistic one and reflected the present supply-demand position. He expected the price



Western platinum demand 1988-1993.

to fluctuate between \$350 and \$390 in the next six months.

SA production this year is estimated to be 500 000 ounces higher at at 3,25 million. Production will reach 3,7 million ounces only in 1997

Demand is expected to have grown by 220 000 ounces this year, even though significant declines have occurred in some sectors.

The petroleum industry is using 40 000 ounces less this

year, the chemical industry 35 000 ounces less and the glass industry 5 000 ounces less.

Investment demand for small platinum pieces, notably platinum coins, dropped by 20 000 ounces.

But demand for platinum for auto-catalysts grew by 190 000 ounces, while jewellery demand rose by 80 000 ounces.

Investment in large pieces of platinum (kilo bars and the like) grew by 50 000 ounces, and demand for "other" uses by 30 000 ounces.

Coombes said demand for palladium should grow because catalysts made from this metal have to be more heavily loaded than platinum catalysts to achieve the required durability.

However, rhodium prices are likely to show only moderate gains owing to increased substitution by industrial users following the steep rise in price in 1990.

Record SA platinum output seen

The Argus Foreign Service
LONDON — South African platinum output will soar by 500 000 ounces to a record 3.25 million ounces this year forecasts Johnson Matthey

With expansion continuing until 1997, supplies will increase further, predicts the precious metals refiner and sales agent of Rustenburg, in its latest interim report on the market

"Yet if this aggravates market oversupply and causes further price weakness, the mines with the highest costs may not avoid closure or sale," says au-

thor of the report, Jeremy Coombes

Platinum peaked at \$419 an ounce in August and is currently trading at around \$374 an ounce, only fractionally higher than gold

Normally platinum's price is at a wide premium of between \$10 to \$30 over gold

The market is much smaller and metal is backed by solid industrial demand, notably anti-pollution platinum auto catalysts which neutralise noxious vehicle fumes

The poor price reflects an estimated supply over demand

surplus in 1993 of 190 000 ounces, the largest for several years

As a result, Johnson Matthey forecasts that prices will trade between \$350 to \$390 an ounce in the coming six months

The proviso is that political tension in Russia and South Africa won't make the market nervous about supplies

World supplies in 1993 are forecast to jump by 10 percent to a record 4.21 million ounces

Surging South African production offset a 100 000 ounce decline of Russian sales to 650 000 ounces

7/11/93 (217) ARLEFF
Demand for platinum will expand by 6 percent to 4.02 million ounces this year, but it still overwhelmed by supplies, according to the report

Purchases of platinum automobile catalysts are projected to rise to 1.74 million ounces this year from 1.55 million in 1992

The US car industry is buoyant and there are tougher anti-pollution restrictions which raise consumption of platinum

The European car market is in recession, but more platinum is needed to meet new environmental standards

Platinum mines' income drops

LONRHO's Western Platinum (Westplats) and Eastern Platinum (Eastplats) sustained a 10% drop in pretax income to R92m for the year to September, as low metal prices and high debts overshadowed a strong operating performance. **BIDAY**

The companies lifted combined production more than a quarter to 30 650kg on the back of higher tonnage. Working costs were cut by 8,2% to just R19 807/kg.

But sluggish platinum prices and a rand rhodium price down 44% on last year's level limited the rise in total revenues to just 10% to R913,7m. **18/11/93**

Operating profit moved ahead from R183,2m to R200,6m, but servicing debts of R807,9m brought pretax earnings back. Lower tax and below the line benefits from

ANDY DUFFY

the lowering of the tax rate, left bottom line income at R147,7m (R38,9m)

There was no dividend and Lonrho SA chairman Terence Wilkinson said there would be no payout until borrowings were cut to R200m.

The fall in costs was mainly due to Eastplats, Lonrho said, with unit costs dropping more than a fifth year on year. But Westplats' rationalisation led it to close its No 2 shaft in May with the loss of 1 500 staff.

Capital expenditure excluding capitalised interest fell from R295m to R110,2m.

Wilkinson said the companies had produced 496 000oz of platinum during the year. **(217)**

Lonrho comes clean

Star 18/11/93

■ BY DEREK TOMMEY

Lonrho has published annual profit and production figures for its platinum interests in SA for the first time.

They show that management at its Eastern Platinum and Western Platinum mines has been successful in reducing operating costs, and that net income before extraordinary items doubled in the year to September.

They also show higher earnings were greatly helped by a sharply lower tax bill.

Turnover rose 10,1 percent to R913,7 million and income before interest and depreciation rose 9,5 percent to R200,6 million.

A 39,2 percent rise in the interest charge to R62,6 million,

and a 27,7 percent rise in amortisation and depreciation to R45,9 million led to pre-tax income dropping 10,1 percent to R92,1 million (217)

However, tax and lease considerations were more than halved, falling from R74,6 million to R36 million, resulting in net income before extraordinary items rising from R27,8 million to R56,1 million.

A reduction in deferred tax liability pushed up net income from R38,9 million to R147,7 million.

Platinum production rose 27,8 percent to 938 000 ounces. Unit costs dropped 8,2 percent to R19 807 a kilogram if the one-off costs of retrenchment are excluded, and by 7,3 percent to R19 990, including this cost.

Revealing cost figures

In a move that throws down the gauntlet to its competitors, Lonrho-controlled platinum producers Western & Eastern Platinum have resumed publication of detailed production and working cost statistics. These figures, last widely published in the mid-Eighties, underscore the Lonrho platinum division's position as the lowest-cost producer in the industry **Fm 19/11/93**

"There has been an awful lot of misinformed speculation about our operations and we felt it was time to put the record straight," says Westplat MD Terence Wilkinson "BHP/Delta, which seems likely to go ahead with the Hartley platinum project in Zimbabwe, have claimed their working costs will be comparable to ours. They can now see for themselves what they are up against." **(217)**

Audited results for the year to September show the combined Westplat & Eastplat operations had working costs of R19 807/kg of platinum group metals (PGM) and gold contained in matte produced. That is 8,2% down on 1992's working costs and 12,4% below 1991's. During May, Westplat closed its No 2 shaft but Wilkinson points out that, even including the one-off retrenchment costs involved, the division's working costs still dropped 7,3% to R19 990/kg.

The only other platinum group to reveal production costs is Impala Platinum, which reported R22 660/kg of PGM in matte produced for the year to June. It has stated its intention of holding these costs for the next two years.

Lonrho's platinum division has been steadily expanding since 1989. Production for the year to September rose 25,8% above financial 1992, to reach 940 000 oz of PGM and gold, of which platinum accounted for 496 000 oz. Wilkinson says when the expansion programme is complete, the division will be able to produce 550 000 oz of platinum.

"However, we estimate the optimal annual production rate for our ore reserves is about 700 000 oz of platinum and we could reach that with minimal additional capital expenditure, say less than R200m, should we

decide to do so. That would depend entirely on market conditions." **Fm 19/11/93**

Wilkinson adds "Before starting this latest expansion drive, Westplat was a tightly run small producer. We lost some control over our costs as we grew rapidly, but we are now back on top of them. We have become a large platinum producer but are managing our operations as efficiently as when we were much smaller." **(217)**

Results show the continuing squeeze on profit margins, as turnover rose only 10,1% despite the 25,8% increase in production. Lonrho's platinum division doubled its income before extraordinary items to R56,1m (previous year R27,8m), while reduction in deferred tax liabilities taken below the line pushed net income to R147,7m (R38,9m).

The expansion has cost the division dearly in some respects. Falling platinum and, in particular, rhodium prices over the past two years have put a tremendous squeeze on finances. Westplat has not paid a dividend for two years and borrowings reached R807,9m at end-September, which Wilkinson says should be the peak. He adds the decision to incur this debt was deliberately taken by Lonrho, which was prepared to temporarily forgo dividends to build up its platinum division into a major producer.

"We are not fazed about the debt. Lonrho could reduce it tomorrow if they wanted to but it does not make sense for them to pump in hard currency to an operation which will pay that debt off within a short period with its own hard currency earnings."

That leaves the long-standing questions of whether Lonrho intends listing its platinum operations and if Impala Platinum will increase its stake in them. Wilkinson comments "These are options we continue to consider but, whatever happens, Lonrho will never drop its shareholding below 51%."

Brendan Ryan

Fm 19/11/93

(217)

The rise in Impala's share price in the past few days has narrowed its discount to Rustenburg to 22% from 27% a few weeks ago and 40% this time last year. There is still a big difference in rating, though, which shows up in terms of market capitalisation per ounce of platinum produced.

On current share prices and assuming 1993 output of 1,46m oz for Rustenburg vs 1,1m oz for Impala, Rustenburg is capitalised at R5 921/oz and Impala at R3 025/oz.

That reflects certain basic facts of life. Impala is carrying about R100m debt while Rustenburg had R537m cash at end-June. Rustenburg pushed ahead with expansion plans despite poor market conditions in the past few years while Impala was forced to both delay and scale back its expansion (*Leaders* November 5).

However, the market seems to approve of how Impala is adapting. That approach was aptly summed up by operations consulting engineer Steve Kearney when he said much of the capex programme is aimed at improving platinum production, "by trying harder not to throw it away." That means improved efficiencies in the recovery processes. Impala has also revised its mining plan to hold down capital and working costs and improve underground yields by about 5% through reducing the amount of unpay ore mined.

Unlike gold plants, which work at efficiencies of 97% and higher, there is plenty of scope for improving recoveries in platinum plants because of the more complex mineralogy of the two reefs, the Merensky and UG2. UG2 ore now makes up 42% of Impala's mill throughput compared with 25% in 1989. Current recoveries are about 90% on Merensky and about 74% on UG2. Rustenburg won't divulge its recoveries.

Impala recently achieved a 1,6% overall improvement in platinum recoveries through its new No 5 furnace — equivalent to an extra 16 000 oz annually at a production rate of 1m oz/year. It has also achieved improvements averaging 3% in concentrator recoveries in the past two years.

The new 40 MW furnace has a much greater ratio of electric power to furnace area than its four predecessors. That not only saves about R50m a year on electricity but the greater power means it can better handle UG2 concentrates, which are mixed with Merensky concentrates for smelting.

Problem with UG2 concentrates is the chrome content which, if not carefully controlled, cools down and coats the furnace walls, eventually forcing its closure for relining. The greater heat applied to the smaller surface area of the No 5 furnace means the chrome does not get the chance to cool down and is removed with other waste in the slag.

The greater smelting capacity also means Impala can tackle the 8 Mt stockpile of smelter slag which has built up since operations started, which contains small but recoverable quantities of platinum.

Impala is spending R17m on a new mill and flotation plant to treat the slag in a separate stream before it is smelted. It ex-

pects to recover 2 300 oz of platinum a month.

There is little technical co-operation between the highly competitive platinum groups. Some of Impala's improvements have involved catching up on Rustenburg.

Before the arrival of ex-chairman Brian Gilbertson and current chairman Michael McMahon — both former Rustenburg men — Impala always mixed Merensky and UG2 ores in the milling and flotation processes. Rustenburg has always treated them separately and Impala is now doing likewise. After tests showed that recoveries were significantly improved, Technical rivalry looks set to continue.

Brendan Ryan

IMPALA PLATINUM
Fm 19/11/93
Working smarter

Judging by the improvement in the market's rough and ready reckoner to assess Impala Platinum relative to Rustenburg Platinum, analysts on last week's visit to Impala liked what they saw and heard. (217)

Implats disbands new projects team

IMPALA Platinum (Implats) has dismantled its new business and projects team, led by consulting engineer Humphrey O'Keefe, which was responsible for the group's Messina project and the acquisition of Barplats from Rand Mines.

Executive chairman Mike McMahon said at the weekend the nine-man team would disappear in a restructuring exercise which would see four people made redundant. Efforts would be made to place the rest, including O'Keefe, within the

BIDON 6/12/93
MATTHEW CURTIN

Gencor group.

McMahon said the decision reflected the economic pressure Implats, the world's second-biggest platinum producer, was under given weak platinum prices, which last week were at a discount to gold for the first time in nearly two years. Platinum closed unchanged at about \$373.50 in New York on Friday

(217)
To Page 2

Implats

The team had had "a bigger role" to play when developing mines Messina and Barplats were on the go, but with both projects "in limbo", its services were no longer needed (217)

Implats mothballed Messina and Barplats' Crocodile River mine in 1992 in the face of poor platinum group metals prices

McMahon said the move also reflected a change in strategy within Implats, which

believed operational management at its mines and refineries should not be "distracted" by new business concerns

McMahon said he could see no immediate or exciting upside potential for platinum prices and hoped there would be "little excitement" on the downside.

He expected platinum to trade in a similar range to gold in coming weeks

From Page 1

New dawn over Lake St Lucia

Star 11/12/93

Death knell rings out for mining

FOUR years, R4 million and thousands of pages later, the final report of the Environmental Impact Assessment process into mining and ecotourism at St Lucia has ended in victory for the anti-mining lobby.

In a remarkably succinct 142-page statement, the five-member Review Panel chaired by Mr Justice Ramon Leon cut through the complex and acrimonious debate to make what it called a "value judgment" that no mining should be allowed in the Greater St Lucia area as a matter of principle.

According to most commentators, it is highly unlikely that the Review Panel recommendations will be overturned by the Cabinet, which will make the final decision.

Unacceptable

In addition to unanswered questions, uncertainties and risks, mining would significantly alter the perception of ordinary people's sense of place, the panel said, and was not compatible with the preferred land-use option, ecotourism.

"There comes a time when one must be prepared to say enough is enough. In our judgment, mining on the Eastern Shores would cause un-

THE battle to halt mining of the dunes on the shores of Lake St Lucia has been won with the release of yesterday's Review Panel report, writes Science Writer ANITA ALLEN.

(217) ~~55~~
ceptable damage to a place which is special because of its rich history, ecology and biological diversity and the significance it has in the eyes of its many visitors," the report said.

The panel saw the Greater St Lucia area as capturing in a microcosm much of South Africa's socio-political history and environmental diversity.

"Connections are to be found with many of the most significant events in our history over the past 500 years ... Nowhere else in South Africa are coral reefs, turtle beaches, high afforested dunes, freshwater swamps, grasslands, estuaries and wilderness to be found in such close proximity and with a history of conservation management," the panel said.

"This unique combination of socio-political history and environmental and biological diversity makes the Greater St Lucia area a very special

asset for the nation. There is no substitute."

In a major victory for the Natal Parks Board (NPB) — proposer of the ecotourism option — the Review Panel not only rejected mining but also rejected the resettlement of the Eastern Shores by people displaced by the State in the 1960s and '70s.

"The panel is also fully aware of the impacts which would arise if large numbers of people resettled in the area after restitution of land rights."

The panel took the view that the urgent need to address the abject poverty in the area had to take priority over everything else.

It recommended that two factors be kept in mind: ensuring that the special place remained a special place, and that local people be given a stake in the management of the area and derived direct economic benefits.

To give effect to these

objectives, the Review Panel recommended that:

● People displaced from the area should receive land in adjacent areas as well as money as compensation as a matter of urgency.

● A national heritage park be established by Parliament, to be managed by an independent board consisting of representatives of local communities, private and public conservation bodies, and the private sector.

"The board supports the spirit of the recommendation that an Act of Parliament should establish the Greater St Lucia area as a national heritage park but considers that the precise mechanism to be employed will require further investigation."

Further probe

The NPB also concurred that State funding should be provided for the management of the park and agreed with the spirit of the recommendation to establish a board to administer it.

However, Parris said, the administrative implications of this required further investigation.

He said the NPB had already taken all the necessary steps to have the Greater St Lucia area declared a world heritage site. Such status would most probably not be granted if mining were allowed.

The St Lucia report gets wide support

Sowetan 13/12/93

By Musa Zondi and Sapa

THE report favouring eco-tourism over mining for St Lucia has received widespread support from different groups in the country

The Natal Parks Board welcomed the report by the review panel in favour of nature conservation-tourism land use options for Lake St Lucia's eastern shores. (217) (S)

Perhaps more importantly, the panel also strongly recommended that the issue of people who were dispossessed of the land in the 1950s be addressed "as a matter of urgency"

Chairman for the Transvaal branch of the Save St Lucia Campaign, Mrs Nora Crayer, said they were thrilled "that for once an environmental issue has been given priority" She said support received for the campaign had made the difference

Chief executive of NPB Mr Dick Parris said "The NPB supports the recommendation that both resident and displaced communities need to have a significant say in the management of the

area, and also supports the panel's recommendation on land allocation"

Mr Justice Ramon Leon, who chaired the review panel, announced the recommendations in Cape Town on Friday

Richards Bay Minerals, which was going to mine the area, has expressed disappointment at the finding. The company said the findings did "not reflect the fact that mining, nature conservation and the development of eco-tourism can successfully co-exist for the long term benefit for all concerned"

"RBM continues to support the assessment process. At the end of the day, the Government will need to take into account all the factors involved, including the weight of opinion among the local population in favour of mining, the environmental impact studies and the Review Panel recommendations. If the Government then decides against mining, RBM will honour its commitment to accept that decision and discuss with the Government the basis on which the company's rights might be withdrawn," said the statement

Committee notes that parties that fall outside council member...

Tourism plan for St Lucia

BIDAY 13/12/93

MARIANNE MERTEN

THE Natal Parks Board is waiting for a final Cabinet decision on the St Lucia mining issue before launching its plans to extend tourism facilities.

Conservationists greeted with joy the special review panel's unanimous decision against Richards Bay Minerals' plan for titanium mining in the area.

Review panel chairman Judge R Leon said at a Cape Town news conference that the Cabinet, perhaps in co-operation with the Transitional Executive Council, would have to make the final decision.

Natal Parks Board CE Dick Parris said last week the board welcomed the panel's decision and was ready to develop ecotourism in the area.

Plans to expand tourism facilities had been delayed because of the uncertainty surrounding the mining dispute. Finance was already available, as were initiatives to include local communities in the running of St Lucia, he said.

RBM communications GM Barry Clements said the panel's decision was disappointing.

The review panel seemed to have placed more emphasis on "intangible factors" than on

the scientific facts of the CSIR environmental assessment.

The company had missed an opportunity to put its point of view to the panel when it decided not to submit new evidence, but it was not the final step in the process, Clements said.

RBM would begin discussions with government on rights such as compensation if the Cabinet decided against mining, but would honour the final decision.

Clements said RBM hoped government would take into consideration the opinions of the local population.

Parris, reacting to the panel's conclusion that the Natal Parks Board was disliked among the local community because of low wages and alleged land acquisitions, said local people had been used as a pawn in the dispute and had been given some incorrect information.

To improve relations with neighbouring communities, the board would expand its awareness programmes to explain its function in terms of conservation.

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Bill lays down law for April elections

ADRIAN HADLAND BIDAY

CAPE TOWN — Legislation governing the conduct and duties of political parties and voters during the election was tabled in Parliament at the weekend.

The Electoral Bill sets out who is entitled to vote, registration requirements for political parties, the handling of ballot boxes, counting procedures, an electoral code of conduct and other details related to SA's first democratic election.

The Bill states that parties standing for election to the national assembly are required to lodge a deposit of R25 000. Provincial legislature deposits are R5 000.

Parties that fail to gain a single seat in the provincial or national election will lose the deposit.

According to the code of conduct, parties are required to allow all election participants to canvass, erect banners and placards, hold meetings and express divergent opinions in all areas. Failure to adhere to the code could lead to a fine of R100 000, the forfeiture of a deposit or expulsion from the election.

Government also introduced the Regulation of Gatherings Bill to Parliament last week, described in its explanatory memorandum as "an essential instrument in maintaining order and peace in the pre-electoral period".

To regulate gatherings, a convenor must be appointed who must notify a "responsible officer", appointed by a local authority, that a gathering is to take place. The convenor is responsible for appointing enough marshals and ensuring gatherings comply with guidelines.

The Bill sets out general conduct at gatherings, lays down police powers, provides for civil liability and defines offences and penalties.

The Bill defines a demonstration as having up to 15 participants, with more than 15 constituting a gathering. It provides for fines of up to R20 000 or a year's imprisonment and prohibits gatherings close to Parliament, the Union Buildings in Pretoria or courts of law.

The wearing of masks, disguises or clothes similar to those worn by the security forces is also prohibited.

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ted 94 President Street, Johannesburg 2001

INCE

Hiveld shares rise on bullish industrial sector

BIDAY 17/12/93

MATTHEW CURTIN

SHARES in Highveld Steel and Vanadium reached their highest level on the JSE since 1991 on Wednesday, and shares in rival steelmaker Iscor hit their 1990 issue price of 200c amid burgeoning bullish sentiment about world industrial recovery.

Hiveld stock closed 50c up at R14,75c in light trade.

Iscor climbed 6c to 200c as R1,4m worth of shares changed hands.

The recovery in these cyclical counters coincides with signs that the world commodities market is making a tentative recovery after its four-year trough.

The London-based Economist magazine's industrial commodities index jumped to 130 points this week from 115 in October, with the base metals index, compiled by German metals group Metallgesellschaft, improving to 115 from a low of 105 in November. ~~105~~ 217

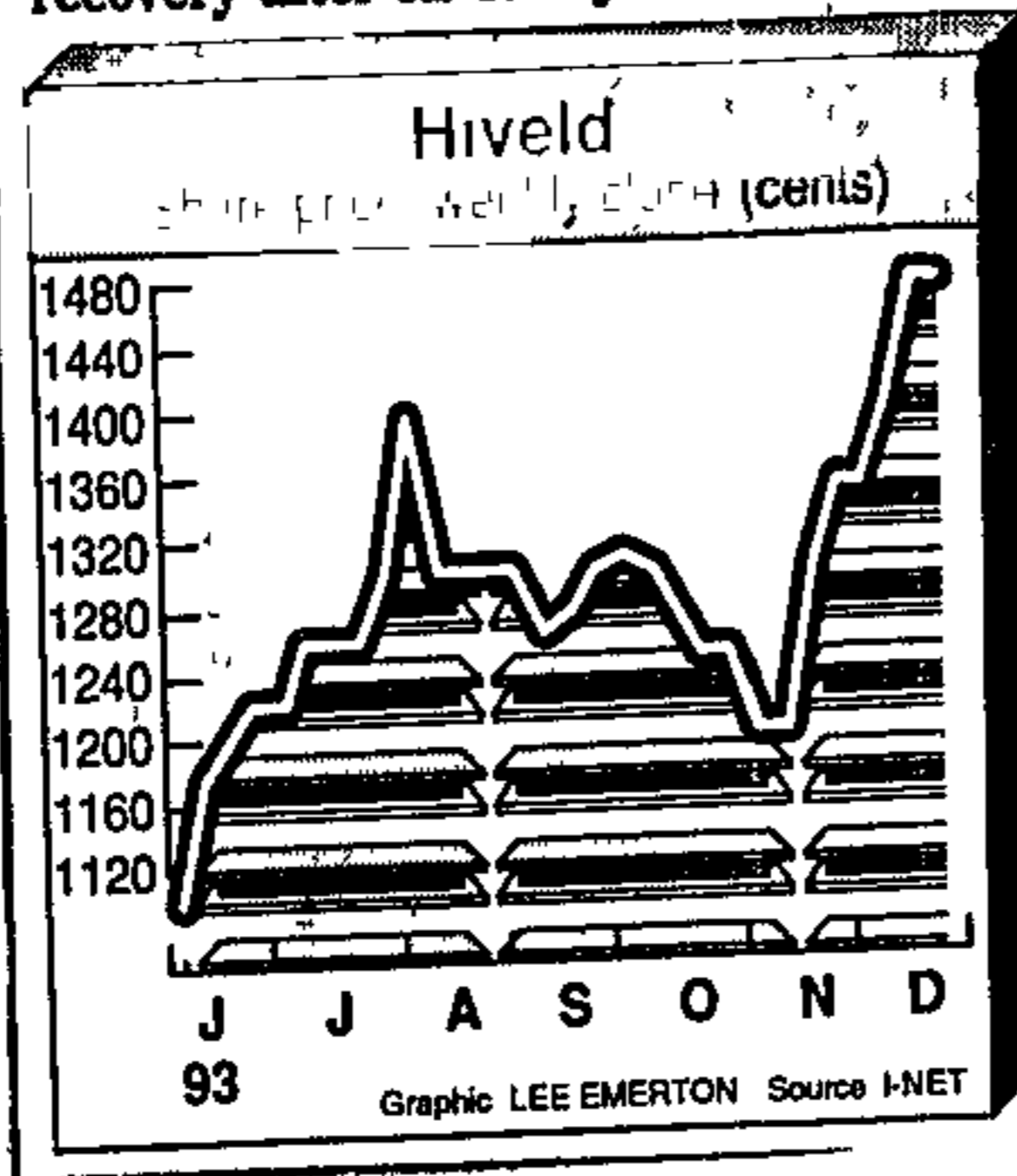
Hiveld, the Anglo American Industrial Corporation-owned steel, ferro-alloy and vanadium producer, has proved particularly exposed to the years of decline in domestic and global industrial activity, during which demand for special steels and the alloys needed to manufacture them was slashed.

However, the group's market rating could be boosted by a number of recent developments.

These include the US government's dismissal of dumping allegations against Hiveld and Iscor, and Hiveld's plans to acquire rival local vanadium producer Transvaal Alloys.

Buying Transvaal Alloys for an estimated R15m from German owners Norddeutsche Afinerie will entrench Hiveld's dominant position in the country's vanadium market.

The deal will also give it access to vanadium chemicals production.



MHANGURA COPPER MINES
PM 24/12/93
High drama in Zimbabwe

Activities: Zimbabwean copper mining company

Control: Zimbabwe government. *(217)*

Chairman: T Matema

Capital structure: 20m ords. Market capitalisation: R7m.

Share market: Price: 35c. 12-month high, 40c, low, 20c. Trading volume last quarter, nil shares.

Year to Jun 30	'90	'91	'92	'93
ST debt (Z\$m) ..	21,2	29,5	29,5	29,5
LT debt (Z\$m) ..	13,0	13,0	10,8	8,4
Turnover (Z\$m) ..	95,2	109,6	162,9	102,0
Operating prof (Z\$m)	6,0	(2,3)	19,4	(2,5)
Interest (Z\$m) ..	3,8	4,4	10,8	20,6
Earnings (Zc) ...	11,1	(33,6)	42,7	(115,2)
Dividends (Zc) ..	—	—	5,0	—
Tangible NAV (Zc)	196	161	176	61

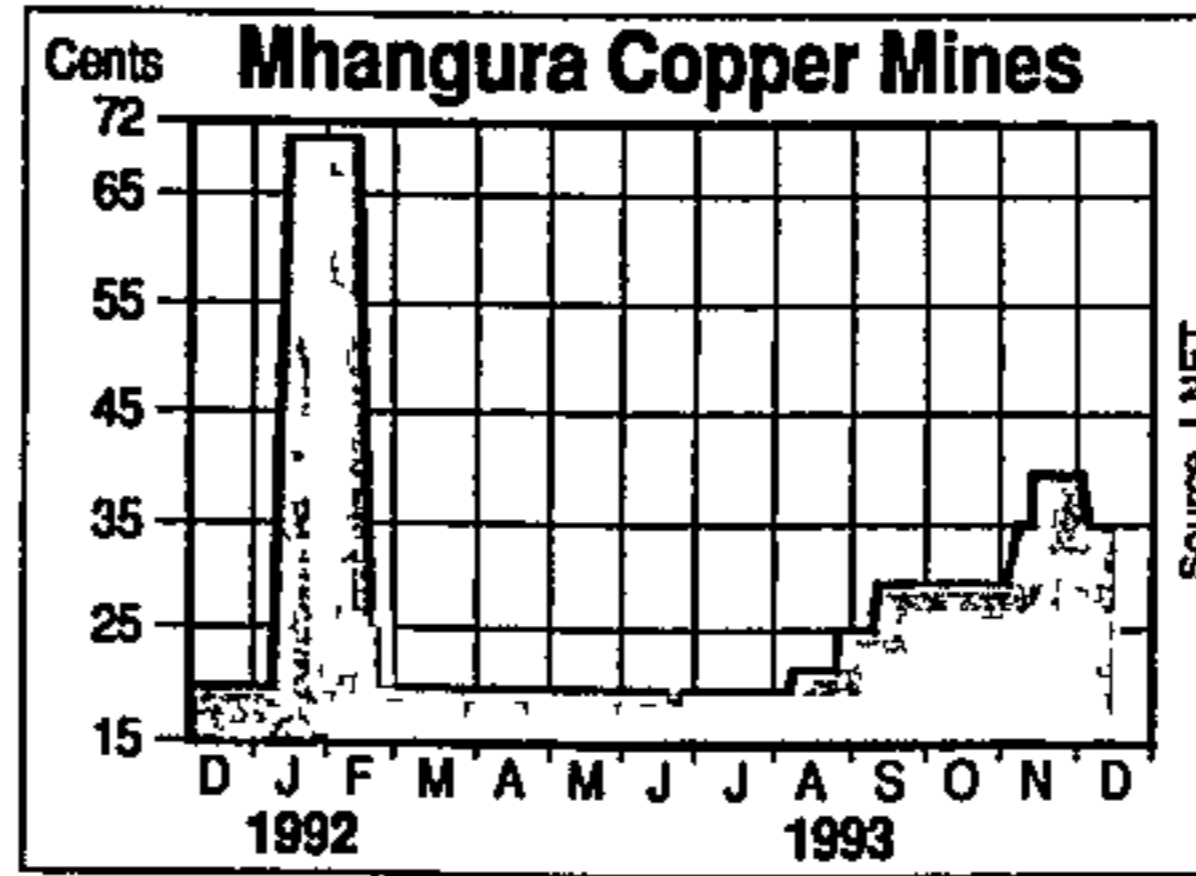
High drama is locked away in the dry pages of Mhangura Copper Mines' annual report. For sheer intrigue and confrontation while flirting with looming insolvency, this Zimbabwe copper producer's 1993 report reads like an Edgar Wallace whodunit. Since the company has teetered on the edge of disaster for most of its last financial year, that's not surprising.

The chairman's report for this much reduced operation is signed off by M A Masunda; however, he resigned on April 28, along with J A Atkinson and M F Haddon. There are no prizes for guessing the sudden departure of these three directors was preceded by a fairly acrimonious conversation.

The board, formerly eight strong, is now down to four — and, on the evidence of this report, none of them can be happy. I am still mystified, however, as to why Masunda signs off the chairman's statement on October 13 after a new chairman was appointed on October 1. Perhaps he wanted to be certain about what was reported.

The financial and operating facts are sobering enough: the loss for the year was Z\$23m, and the accumulated loss carried forward is now Z\$8,2m. In other words, the reserves are gone and MCM operates on a song and a prayer and courtesy its major shareholder, the Zimbabwean government.

Sales plummeted to \$102m (1992: \$163m). Operating costs were nailed down to \$104m — a substantial reduction of \$40m on 1992. Even that wasn't enough, however



PM 24/12/93
 The interest bill of \$21m scuppered all management's good intentions. Result: misery. EPS come in at a disastrous 115,2c loss.

What on earth went so wrong? There were serious problems with the main operating shaft system, mill motors burned out, commercial rectifiers collapsed and there was a major, planned, smelter shutdown. As if those weren't enough, the drought hampered power generation and a 25% electricity cut-back for a time didn't help. *(217)*

The net result was a substantial reduction in production; that brought a cash squeeze and clamouring creditors pounding on the door. "The situation with creditors," says Masunda, "got out of hand resulting in the termination of normal credit facilities to the company." This is a polite way of saying MCM was going bust.

That, clearly, was when Masunda and other directors decided the time for a show-down couldn't be delayed. "Government eventually agreed to provide financial support," reports Masunda picking his words with care, "but only after the national budget in July." It must have been an exciting row.

The balance sheet now needs repair. Current assets stand at \$64m and include mine stores, some of which probably have limited outside appeal. Current liabilities stand at \$99m, and the net deficit of \$35m is balanced only by fixed assets some of which, on a mine, have doubtful value in the world outside.

No wonder Masunda uses some colourful phrases. "The majority of staff stuck it out ..." is one. And "As a result of the litany of problems described above, the company's financial performance was dismal ..."

In the face of such adversity, survival alone is commendable. At 35c, it is probably worth a cheerful punt.

Meanwhile, the 1993 Gleason Award for the Most Entertaining annual report is awarded to Masunda of Mhangura. He can claim his prize — dinner for two at the Copper Kettle — from me personally.

David Gleason

Platinum shares set for a fall

ANDY DUFFY

THE platinum sector was overpriced on the JSE, given that a recovery in industry earnings could be at least a year away, mining sources said yesterday.

Though the metal has moved up strongly in the past month, currently trading at around \$388/oz, its rise has been dwarfed by the platinum index, which jumped 25% in the same period to close yesterday at 5 502, slightly below the year's high in May, but still at levels last seen in 1990

JCI-owned leading producer Rustenburg Platinum's shares have risen by a quarter on the JSE in the past six weeks, but closed 50c down yesterday at R83,50 Gencor's Impala Platinum has risen more than a fifth, trading yesterday at R60.

But industry sources said such gains were out of line with market fundamentals for platinum, which had shown few convincing signs of recovery. The metal was still tracing the fortunes of bullion.

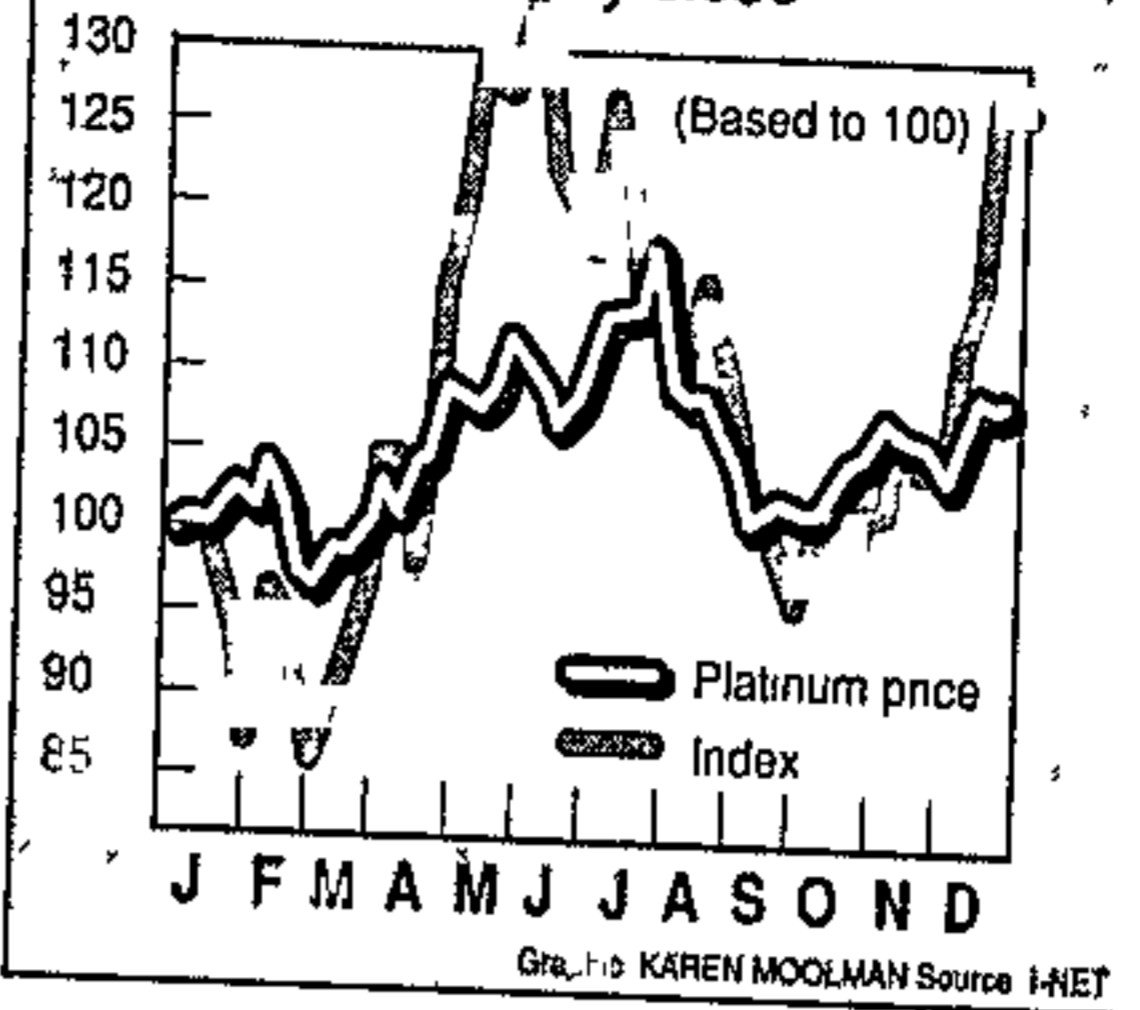
Sluggish demand, particularly from main market Japan, and oversupply stemming from an expected 20% jump in SA output to 3,25-million ounces, could still suppress earnings next year.

Brokers expect a share price correction in the next three months. Their only doubt is how far shares may drop.

"Buyers have been piling into the shares, but we are past the point where stock is fully valued," one analyst said. "When Johnson Matthey (the leading refiner and marketer) says things will be tough, no one should be looking for further gains."

Rustenburg's share price puts it on a

Platinum price versus index
Weekly close



price-to-earnings ratio of 37,39 — a year high — while Impala's p.e ratio at 18,57 is just below its 12-month peak (217)

Poor conditions in the last year cut Rusplats' earnings 30% in the year to June, while Implats' earnings fell a fifth.

But low demand has not prevented the industry forging ahead with expansion. Rusplats bolstered its Amandelbult section, while JCI's other platinum operations, Lebowa Platinum and Potgietersrust Platinum, both came on stream. Implats is lifting output, and Lonhro is to expand its platinum production.

Johnson Matthey warned that the sharp growth in output could swamp a 6% rise in demand to 4,02-million ounces next year and that planned expansion over the next three years could further undermine prices, forcing higher-cost production to close

MINING - OTHER - GENERAL

1994

JAN - DEC

Fm 7/1194 (217)
RHOMBUS VANADIUM

Moment of truth

Activities: Mines vanadium near Brits
Control: Rhombus Exploration/AIOC 87%
Chairman: F P Kotzee, MD R G Still
Capital structure: 252,4m ords Market capitalisation R50,5m
Share market: Price 20c 12-month high, 30c, low, 10c Trading volume last quarter, 430 000 shares.

Call it what you will — high noon, the crunch or the moment of truth — but Rhovan faces it later this year when it starts to commission its R85m vanadium oxide plant and has to sell product into an oversupplied market

Deputy chairman Rob Still pulls no punches "Demand for vanadium remains depressed and is unlikely to recover materially until conditions improve in the world-wide iron and steel industry, not anticipated until 1995-1996

"The vanadium industry was oversupplied during the year largely as a result of increasing quantities of material sourced from the Commonwealth of Independent States being supplied to the world without regard to economics. There is every indication that this problem will remain or even worsen in the year ahead," he says

Still adds that there is considerable excess capacity in oxide and ferrovanadium. This will be worsened by Rhovan's entry. The past year has seen pervasive and deepening financial stress in the world vanadium industry and the situation is deteriorating

"Industry reorganisations, rationalisations and closures have so far been minimal but are necessary to restore profitability and stability to the industry," he says.

After digesting that, the question that must be asked is: why is this man still smiling? It's because Still believes Rhovan's operation can survive at current prices, which are as low as US\$1,35/lb and will profit handsomely after the long-awaited shake-out in the industry

He is convinced this will occur within the next 18 months because he does not believe the industry can continue as it is. He points out the vanadium oxide price has fallen well below \$1,50/lb since May while it last traded below this level for two months in 1982. It has traded below \$2/lb for a total of only six months between 1980-1992

Construction of the plant had reached an advanced stage by the end of September and

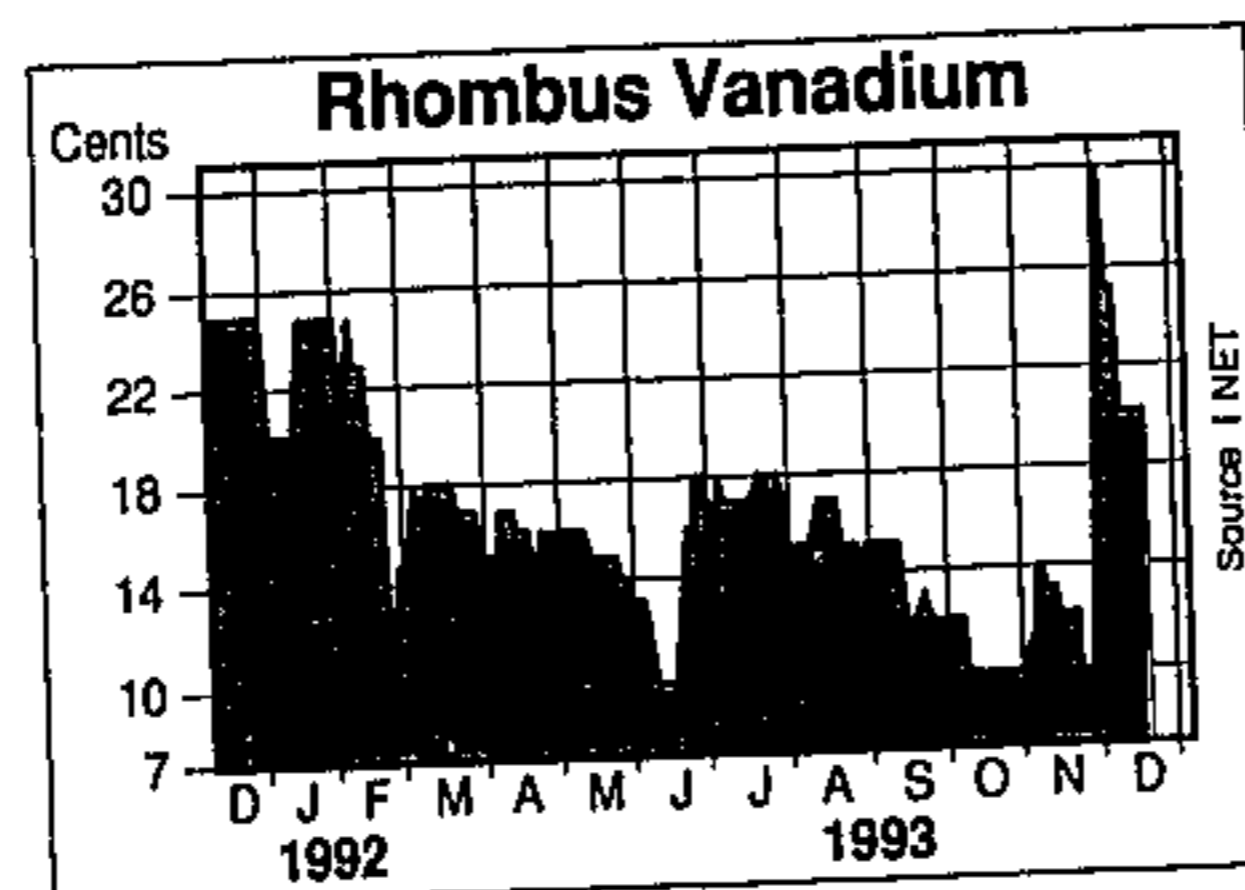
expenditure was within budget. Rhovan's management team has overcome a series of obstacles to get this far but now faces two formidable final hurdles: commissioning the plant and selling into the market

They saved the project from the financial collapse of former joint venture partner Usko, found a new partner and marketing agent in US group AIOC and raised R31,5m in finance from the IDC against bitter opposition from market leader Highveld Steel & Vanadium

Successful commissioning of the new plant will probably be the toughest test. This is where the wheels fell off Rand Mines' Vansa Vanadium and where John Vorster's CCT group ran into severe teething trouble when it bought the Vansa plant and relaunched it as Vantech

Any hiccups here will have serious financial implications, delaying the forecast stream of income. The R85m budget for the Rhovan plant did not contain working capital contingencies, though Still says Rhovan is negotiating to secure such facilities and will have no problem arranging them. He confirms these are loan facilities but won't specify the amount.

At 20c, the share is between the year's high of 30c and low of 10c. As I said last year, this is no stock for widows and orphans. But if Still and his team continue to get it right, the rewards could be lavish for investors prepared to take the risk. *Brendan Ryan*



Higher base metal prices brighten Black Mountain

BIS on 11/11/94

MATTHEW CURTIN

BETTER lead, silver and zinc prices turned Black Mountain's September quarter R4,61m after-tax loss into a profit of R5,53m in December (217)

The unlisted Gold Fields base metal mine's improvement was not enough to prevent it reporting an after-tax loss of R10,4m in the year ended December. However, base metal and coal division GM Helgo Kahle said that if recent increases in commodity prices were sustained, Black Mountain might show a profit for the current financial year.

Metal concentrate shortages, which were likely to continue, pushed lead prices to R1 400/ton (R1 300/ton) and zinc prices to R3 200/ton (R3 000/ton), while silver prices were flat in rand terms at R500/kg.

A collapse in copper prices, which were artificially inflated by copper derivatives speculators early last year, hit Gold Fields' copper produc-

ers badly. If current market conditions continued there was little chance prices would recover, he said.

O'okiep Copper turned in an after-tax loss of R8,04m against a September quarter profit of R1,94m, in spite of a good operating performance.

Difficult mining conditions and equipment failures at Gold Fields Namibia's Tsumeb, Kombat and Otji-hase mines were aggravated by copper prices of R5 600/ton (R6 400/ton).

While Gold Fields Coal lifted its export coal sales nearly a third to 357 000 tons out of total sales of 2,23-million tons (2,14-million tons), "rock bottom" spot prices knocked operating profit down to R7,72m (R9,8m).

Secondary tax on companies pushed the company's tax bill to R4,54m (R3,28m), leaving after-tax profit down at R3,94m (R7,07m).

Fm 14/1/94

(217)

Kahle feels it should return to profitability in 1994. Main revenue earners are lead and zinc and markets for these are finally turning after last year's mine closures.

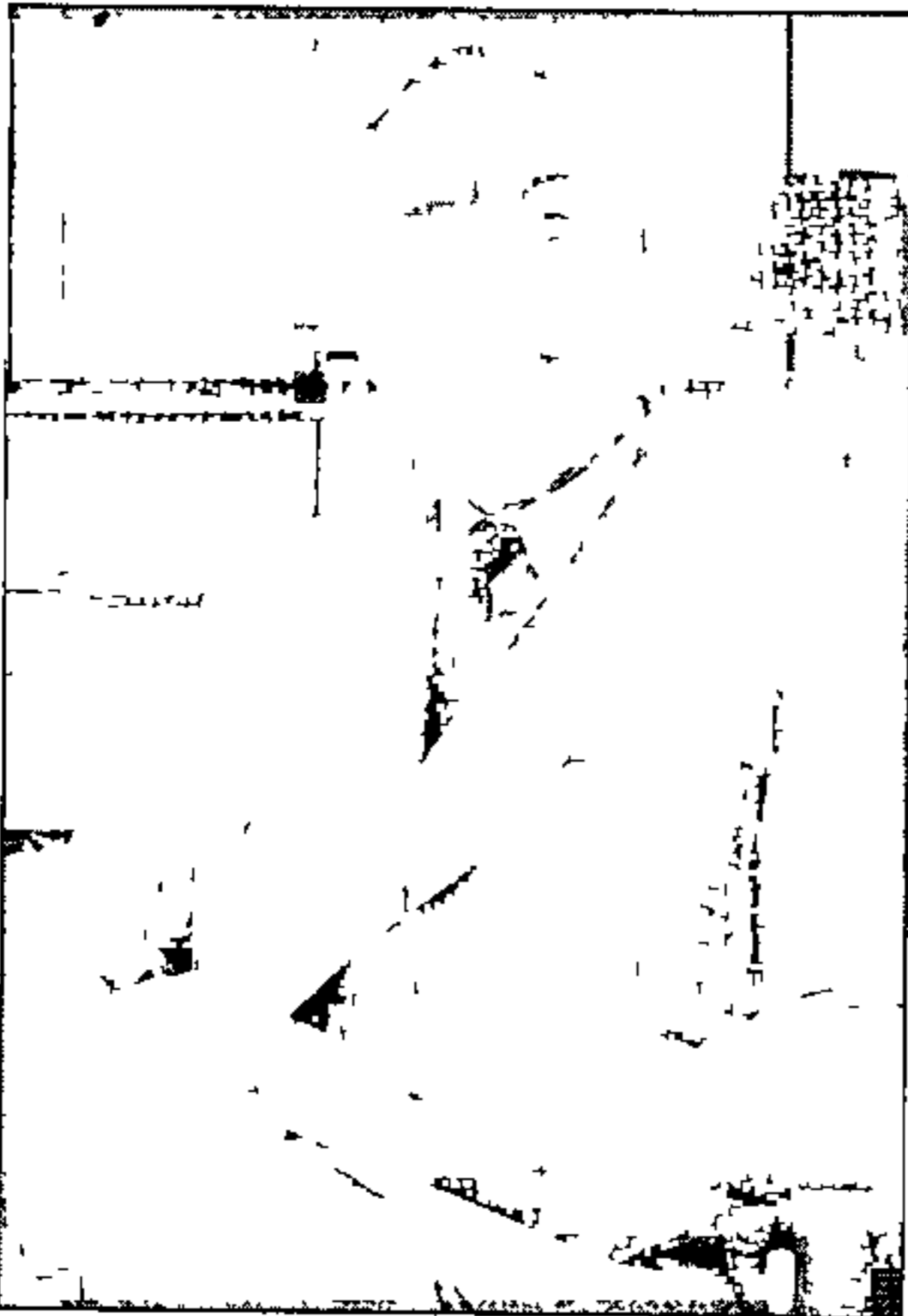
Lead has picked up from around US17c/lb to about 21c and zinc from around 40c/lb to 44c. Kahle points out the shortage of mine concentrates has also resulted in refineries lowering refining charges, which means cost savings for the mines.

Shares in the ferro-alloy companies have also shot up. Ferrochrome producer **CMI** stands at 480c, double its 12-month low hit in March, even though ferrochrome prices remain flat. CEO Sandy Wood says demand for ferrochrome remains firm but there's still a lot of pressure on prices.

Samancor at R28,50 has backed off slightly from its end-December 12-month high of R30. Divisional GM Wilrich Schroeder says the ferrochrome market is flat and manganese division GM Dave Munro agrees "Conditions for improvements in manganese prices are a lot better than 12 months ago but I don't see a solid upward trend yet".

Highveld Steel & Vanadium has soared to a 12-month high of R20 on the better outlook for steel sales even though the vanadium market remains bombed out. A market price around \$1,40/lb compares with average industry costs of around \$1,60. Newcomer **Rhombus Vanadium** will start production this year and a shake-out in the industry seems inevitable.

The surge in **Iscor's** share price looks more justifiable. Iscor has more than trebled to 237c from its year's low of 70c on the back of



Smith .. revitalising Iscor

booming iron ore exports and a revitalisation following the appointment of Hans Smith as MD. The market expects excellent results to be announced in February.

Exports have risen because of soaring demand from China. Iscor last year hit its 15 Mt/year ceiling on iron ore shipments along the Sishen-Saldanha rail line. Smith says negotiations are under way with Spoor-

net to coax an additional 2 Mt/year out of the line short-term as well as looking at the capital expenditure required to increase capacity further longer-term. *Brendan Ryan*

BASE METALS Fm 14/1/94

A mixed bag

(217)

Shares of base metal and steel producers have jumped in response to the bullish mood on the JSE but, as results from Gold Fields'

Fm 14/1/94

base metal companies show, it seems premature to get excited about recovery prospects across the board. (217)

The outlook is mixed. Zinc and iron ore look promising but not copper or ferrochrome. Analysts expect price recoveries in many metals to be restrained by the high surface stocks that have built up both on the LME and with individual producers.

Rice Rinaldi Turner analyst Philip Murphy estimates it could take up to two years before stock overhangs evident in metals like aluminium, copper, nickel and zinc are drawn down to normal levels.

He points out end-1993 zinc stocks were 1,4 Mt, equivalent to 14 weeks' consumption, which he feels must be worked down to 590 000 t — six weeks' consumption — before significant price rises will be triggered. Nickel stocks of 270 000 t (22 weeks) must be cut to 100 000 t, or eight weeks' consumption.

UK stockbroking firm T Hoare comments that by next year all the major economies should be registering positive growth and metal inventories should be falling across the board. "However, large rises in price are likely to be unsustainable given the high level of above-ground inventories".

Murphy says a key factor is that market prices of zinc, lead, nickel and vanadium are below average Western production costs, though copper is not. The latest SX-EW (solvent extraction-electrowinning) technology has reduced copper production costs and the copper price will remain under pressure as a result.

Analysts predict an average copper price of about US85c/lb for 1994 but at least \$1 is needed before all SA copper mines except Palabora can make meaningful profits.

That's not a promising outlook for Gold Fields Namibia (GF Namib), O'okiep Copper and Vogelstruisbult Metal Holdings, which holds 30% of O'okiep.

O'okiep lost R21,2m in the year to December. Director Helgo Kahle confirms it is negotiating to sell its 25% stake in the Gamsberg zinc deposit to Gold Fields to raise cash.

GF Namib lost R11,2m in the year, thanks to the low copper price and production problems at its various mines. According to Kahle, GF Namib is in a difficult situation, yet the share price has risen 55% to 155c from its November low of 100c.

By contrast **Palabora**, which is still making healthy profits and paying them out in dividends, has risen only 23% to R63 from a low of R51 last October. Main factor worrying analysts is the outcome of the proposal to continue mining underground once the open pit's economic life ends in the year 2000.

Black Mountain lost R10,4m last year but

Mixed results from Anglovaal gold mines

Star 19/11/94

■ BY DEREK TOMMEY

Anglovaal's December quarterlies are a mixed bag, with higher profits from Hartebeestfontein and ET Cons and lower ones from Loraine and Village Main.

But there is little on the development at Loraine and Target which investors, who have pushed up the price of these shares to high levels, are waiting to hear about.

Hartebeestfontein was the star, with an increase in taxed profit from R56,2 million to R57,5 million — its highest quarterly profit since 1988-89.

A feature was that it had a profit from uranium and acid production for the first time for many years, suggesting the market for uranium may be improving.

This uranium and acid profit was R2,6 million, which compares with a loss of R938 000 in the September quarter and

a loss of R3,2 million in the December quarter of 1992.

Uranium profit, together with interest income, boosted non-mining income to R10,6 million from R5,8 million previously.

Production at the low-grade gold plant was stepped up from 467 000 tons to 491 000 tons. But owing to a drop in the yield, gold output from this plant dropped to 712kg from 768kg in the September quarter.

Loraine, which is moving away from survival mode to normal operating mode, reports taxed earnings of R2,9 million (R5,6 million in the September quarter).

Total gold recovered dropped from 1 727kg to 1 535kg, mainly as a result of increased production of low-grade surface dump material and reduced production underground.

It is not clear whether the reduced tonnage from under-

ground was necessitated by the need to step up development in the promising 3C Shaft area. (217)

The tonnage milled increased from 448 000 to 467 000 tons, with the ore from surface dumps increasing from 163 000 to 211 000 tons. The surface grade also improved, rising from 0,8g/t to 0,9g/t.

Ore milled from underground dropped from 285 000 to 256 000 tons and the recovery grade from 5,6g/t to 5,25g/t.

The directors say in the annual report that the mine will mill an average of 275 000 tons of ore a quarter in the current financial year at an estimated recovery grade of 5,4g/t.

The gold yield at ET Cons was lower, but an increased milling rate resulted in production rising from 835kg to 876kg. Taxed profit rose from R4,8 million to R6,1 million.

At Village Main, taxed profit was R633 000, down from R797 000 in September.

Northam losses at R58-million

Northam Platinum's losses continued in the six months to end-December, amounting to R58 million, mainly due to a continued shortfall in production levels. 211194

Northam milled just 621 000 tons of ore in the period under review, or 103 500 tons per month, producing 1 703 tons of platinum, 788 kg of palladium, and 134 kg of rhodium.

The mine had hoped to be milling at a rate of 150 000 tons of ore per month by June last year, and producing 250 000 ounces of refined platinum per year. (217)

Chairman John Hopwood said in the interim report that production was still below expectations largely as a result of a loss of a large number of stoping panels.

This had affected affected head grades which have fallen to 5,4 grams per ton from an initial projection of 8,5 g/t.

Northam was hoping to be cash positive by August last year, based on full production of 250 000 ounces of platinum at \$355 per ounce and a rhodium price of \$2 500 per ounce.

The Gold Fields of SA-owned mine cost R1,3 billion prior to officially commencing production on January 1 last year.

Since then it required an extra R570 million from shareholders and banks to fund its operational losses and capital expenditures.

Hopwood said production should improve further in the current six months period. Northam planned to break even in financial 1994/95.

Platinum is expected to generate over 50 percent of sales revenue, with palladium contributing 30 percent and rhodium 10 percent. — Sapa.

Sunter predicts tricky 1994 gold market

ANGLO American's gold and uranium division achieved a 2% increase in available profit in the December quarter, but had not halted cost escalation, chairman Clem Sunter said yesterday. **BIDOM**

Available profit increased to R275,1m (R292,2m) after gold production rose 1% to 66 115kg (65 773kg). **211194**

Average revenue was 1% higher at R39 793/kg (R39 320/kg). Average unit costs rose 1% to R29 358/kg and working costs rose 2% to R1,9bn. Capex was 35% up at R314,9m (R233,6m), while R24,8m was paid out to employees under the profit-

MADDEN COLE

sharing scheme.

Sunter said that unlike last year when the gold market was driven by physical demand from China, 1994 would see a correlation between the gold price and stock markets. This would be "a tricky market to get a handle on". **(217)**

"So we are not taking the current gold price for granted. We are running operations in such a way that if the gold price falls, we'll survive."

● See Page 10

Northam Platinum suffers R58m loss

CT 21/1/94 (217)

Own Correspondent

JOHANNESBURG — Northam Platinum's significant increase in sales revenue was unable to stem the losses for the six months to December

The mine, which started production in January 1993 — before this, all income and expenditure was capitalised — reported sales revenue of R118,3m against cost of sales of R176,3m, resulting in an operating loss of R58m

Chairman John Hopwood said the operating loss resulted from production being below planned levels

Other income increased to R1,7m (R1,1m), with interest paid dropping sharply to R2,1m (R7,3m), leaving a net loss of R58,3m (R6,2m)

Hopwood said the company had secured a loan facility of R220m from its bankers to fund the losses and capex totalling R41m for the six months to December

Tonnage milled increased to 621 000 tons (357 000 tons) at a head grade of 5,4g/t (5,9g/t) Production was 1 703kg of platinum, 78kg of palladium and 134kg of rhodium.

● Consolidated Mining Corporation's West Witwatersrand Gold Holdings posted a 22% improvement in net profit after tax to R7 692m (R6 325m) for the quarter ended December 1993.

CMC's Benoni Gold Holdings however fell into the red in the quarter under review with a net loss after tax of R934 000 from a profit in the previous quarter of R1 413m.

CMC's Wits Nigel reported a net profit of R188 000 from a loss in the previous quarter of R31 000 as net income from mining, and clean up and rents surged past previous levels.

FM 28/1/94

milling about 150 000 t/month by mid-year. The actual figure for December was a little less than 100 000 t. The cause lies in serious mining difficulties on the pothole reef and unexpected problems with skilled miners.

An analyst says Northam's miners, accustomed to small basic salaries and large bonuses, were nonplussed with conditions and lower-than-expected take-home packages. When the schools went on holiday on December 1 many departed, apparently to the gold mines. Hopwood confirms there were resignations but hopes employment problems will be resolved soon. (217)

On that basis, it's not surprising December was a dismal production month. Hopwood expects more of the same this month with a gradual improvement thereafter.

The key issues are when will the mine achieve a steady production and milling rate

FM 28/1/94

Given Northam's unfortunate track record, that is a policy which prudence requires. (217) David Gleason



Hopwood waiting for certainty

of around 150 000 t (about 1,8 Mt a year) and, when that is stabilised, how grade and costs will settle down. Hopwood is understandably cautious. "There certainly are technical problems," he says, "but we are getting on top of them. We are beginning to feel more optimistic about our ability to achieve tonnage."

However, the pothole reef is likely to provide much of Northam's tonnage for many years. That may not be good for grade, which has fallen from 5,9 g/t in the second half of 1992 to 5,4 g/t this year.

It's probably reasonable to assume continuing losses for the second half — perhaps of about R30m. Capex will continue at about R50m, making an R80m outflow to be added to the first half's R99m — a total of about R180m. That will leave approximately R40m of the loan facility, so a great deal will depend on Gold Fields' ability to get the mine turned around by end-September.

On the face of it, though, a rights issue is on the cards, but is likely to be delayed until Gold Fields is satisfied mining conditions, grade and cost structures can be estimated with greater certainty.

NORTHAM PLATINUM

FM 28/1/93 Technical problems

If Gold Fields' Northam Platinum is to avoid a rights issue this year, it will be a close-run thing. Continuing losses, though entirely expected, says chairman John Hopwood, nevertheless make a sizeable hole in the R220m loan facility made available last year by Standard Bank. (217)

Interim results reflect a R58m operating loss, from sales revenue of R119m, costs of R176m and modest interest payable. Capital expenditure was R41m, to give a total outflow of R99m.

The question is, why? Last year, Gold Fields told shareholders it expected to be

Foskor strikers arrested (27)
CT 28/1/94

PHALABORWA — Seventeen strikers were arrested yesterday at the Foskor phosphate mine here where 900 workers downed tools on Wednesday in a wage dispute, police and National Union of Mineworkers spokesmen said

'Mixed fortunes' for platinum producers

BIDON 311194
(217)

ANDY DUFFY

PLATINUM industry interims would show a wide gulf between the fortunes of major players Rustenburg Platinum (Rusplats) and Impala Platinum (Implats), JSE sources said at the weekend.

Revenues from the metal would be ahead on the back of a stronger average platinum price and the rand's devaluation during the six months to December.

But both companies would be hit by the still languishing rhodium price, which accounts for around 20% of industry revenues. Implats, which is heavily exposed to rhodium on its UG2 reef, would be hit hardest, analysts said.

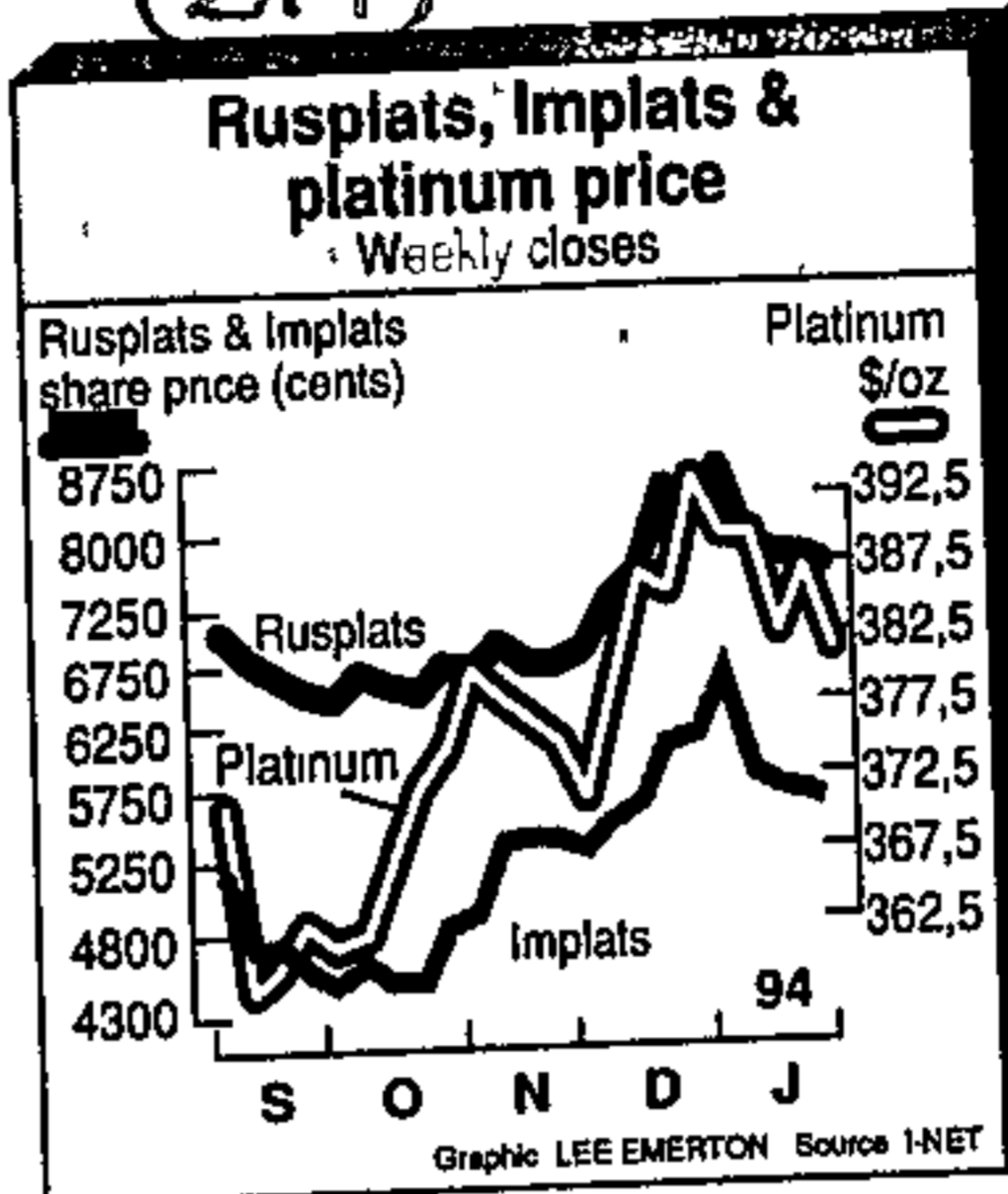
The Gencor-owned company had been reining in costs and boosting productivity, but the JSE consensus was that this would not prevent Implats posting another dip in earnings when it reports next week.

Forecasts range from 10%-15% down on the 150c a share Implats posted for the same period last year. The drop would be far greater with equity accounted earnings from Implats' stake in Lonrho's platinum operations stripped out.

Estimates for the JCI-owned Rusplats, which reports today, range from a 7% dip to a 30% gain in earnings for the half-year.

Edey Rogers analyst Philip Marillier said higher platinum prices and the rand's fall could push earnings ahead 30% from last year's 87,9c.

The results were unlikely to repeat last year's falls. But market sources



said the figures would show the industry still some way from recovery.

Platinum producers have been under the cosh for the past two years, as sluggish global economies stifled consumption. Greater demand from the motor and jewellery industries has lifted sales, but this has been outstripped by growing supply, most of it from SA.

Precious metals group Johnson Matthey said SA output jumped by one fifth last year to 3,25-million ounces. Expansion is expected to force less competitive plant to close.

The industry is keeping a watching brief over high-cost areas of production, but a cut in output is thought unlikely. Expansion schemes have instead been scaled back — by around 300 000oz, Johnson Matthey said.

Platinum's fortunes remain tied to bullion. It closed in London on Friday down nearly \$6 at \$380,80/oz. Rhodium fixed at \$825/oz, against \$1 775/oz a year ago.

ARLT 31/1194 (217)

Deal to curb aluminium glut

LONDON — Russia is to cut its annual aluminium output by 500 000 tons, or about 15 per cent, for two years as part of an unprecedented international trade deal agreed at the weekend by the world's leading aluminium-producing countries

Western producers are expected to follow Russia's lead with cuts which will reduce global aluminium output by 1.5 million to 2 million tons or about 10 per cent

The arrangement aims to end growing friction between Europe, the US and Russia over aluminium supply surpluses that last year produced record stockpiles of the metal and cut prices by half to record lows.

Nearly two-thirds of the former Soviet Union's aluminium was used by the military but is now being exported

This has boosted aluminium exports of the Commonwealth of Independent States from

250 000 tons in 1989 to an estimated 1.6 million tons last year

In the West, where aluminium is mainly used for transport equipment, construction and packaging, producers have already cut annual output by 1.4 million tons or nearly 10 per cent of their total capacity

But stocks have continued to accumulate at the rate of 1.8 million ton a year

Many producers were unwilling to make further cuts unless Russian industry shared in the reduction

Now a formula to bring the market back into balance has been approved by trade representatives from Australia, Canada, the 12-nation European Union negotiating as one, Norway, Russia and the US

Georgy Gabuniya, Russia's deputy foreign trade minister, said after tense discussions last week with the republic's smelter managers that Russia would

cut its output by 300 000 tons in the three months beginning tomorrow and then by a further 200 000 tons in the following three months

The memorandum of understanding accepted by the aluminium producers at the weekend provides no specific targets for individual western countries because of anti-trust problems

The trade delegates hope they can convince anti-trust authorities in the US and elsewhere that the aluminium industry is reacting to market forces rather than acting as a cartel

Production cuts will be monitored by the International Primary Aluminium Institute, a London-based data collecting organisation

A further meeting between the trade delegates will be held in Canada at the end of next month to assess the scheme

— Financial Times.

PP Rust becoming a star performer

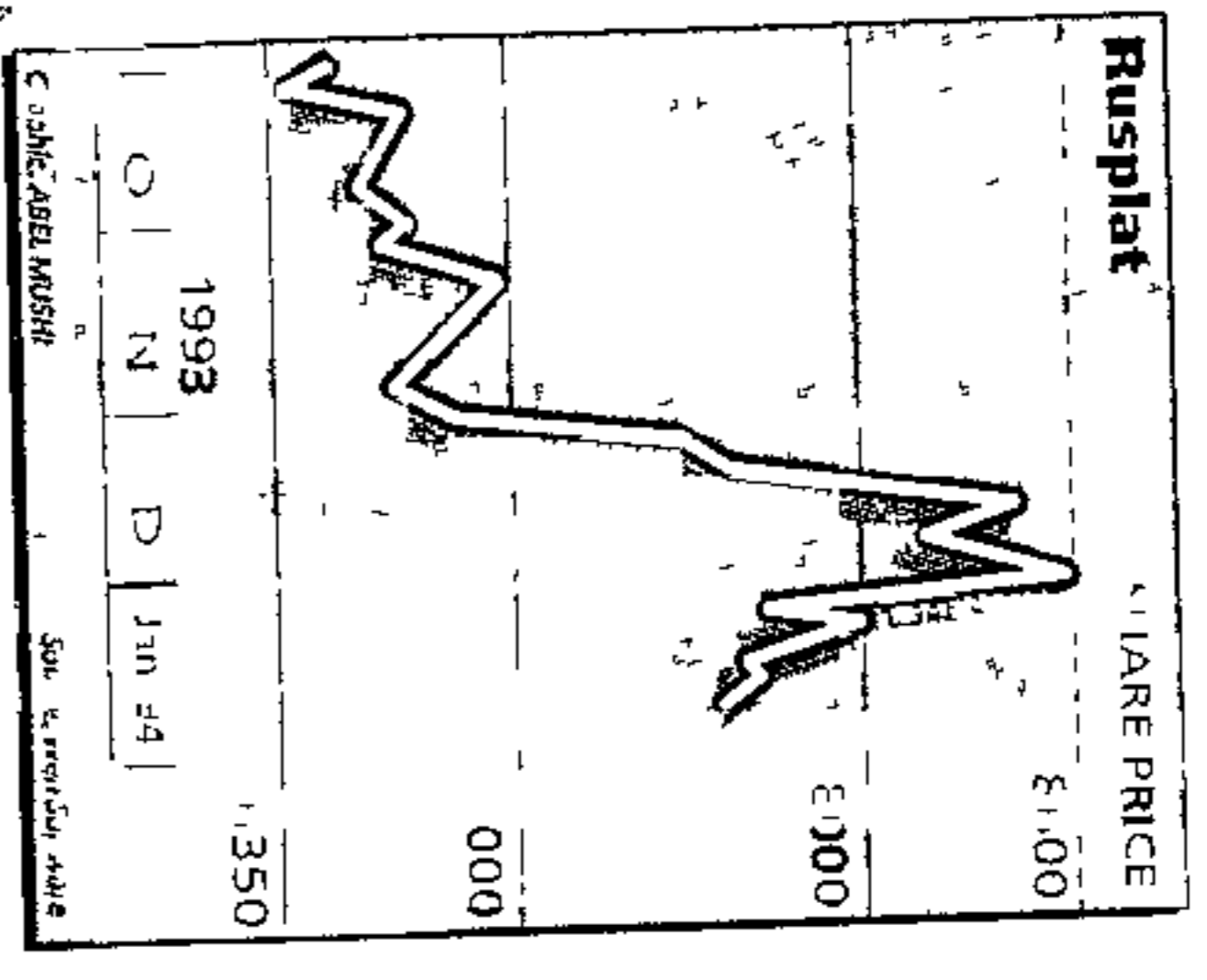
BY DEREK TOMMEY

Potgietersrust Platinums (PP Rust), JCI's new open-pit platinum mine in the Northern Transvaal, is turning out to be a rewarding investment for its shareholders.

The mine, started 2½ years ago, reached full production at the end of September and has declared a maiden dividend of 10c a share.

If the results of the past three months can be used as a guide, it seems the mine this year will be producing a return, before tax, of around 25 percent on its total cost.

Other features of the highly satisfactory JCI platinum interests are the increase in Rustenburg's earnings in the six months to December to 106.1c from 87.9c a share a year ago, the declaration of an unchanged interim dividend of 62.5c a share, and the return



to profitability of Lebowa Platinum with earnings of R1,7 million, against a loss of R8,4 million a year ago.

PP Rust capitalised its costs until the end of September, so its income statement reflects operating results for the three months to December.

In this period it had gross sales revenue of R70,8 million, costs of R45 million, including a R12,9 million increase in stocks, and a profit on metal sales of R24,3 million.

Taxed profit was R23,4 million, equal to 19.4c a share. The 10c dividend absorbed R12 million.

Chairman Barry Davison says the planned monthly production of 200 000 tons is being achieved, though there have been some fluctuations in the head grade. But the situation is improving.

A noteworthy aspect of PP Rust is the way the estimated costs of opening the mine have tumbled.

In June 1990, when it was first planned, it was expected to require R923 million. The figure was subsequently revised to R650 million.

Davison now reports that costs to date are only R372,8 million, that full costs

will not exceed R390 million and that it is unlikely that borrowing will be necessary to finance work at the mine.

This shows the mine's strong performance because six months ago he believed R30 million in loans would still be needed.

Rustenburg Platinum had sales in the six months to December of R1,45 billion (R1,41 billion). Profit on metal sales was R297,8 million (R286,8 million).

Taxed profit was R135,3 million (R112 million) and distributable profit was R133 million (R110,1 million) — equal to 107.1c (87.9c) a share.

Davison says the increase in the cost of sales was R22,5 million, or 2,1 percent, which translates into a decrease of one percent in the unit cost of an ounce of platinum produced.

He says that at current US

dollar prices and rand revenue, earnings for the year to June are unlikely to exceed last year's 224.6c a share, out of which dividends totalling 165c were paid.

Although the prices of platinum and palladium have improved, the prices of rhodium and nickel have fallen sharply.

The current market price of platinum is \$379 an ounce, against \$364 a year ago. The price of palladium is \$129 (\$91 last year).

But the price of rhodium has dropped from \$2274 to \$929 an ounce and the price of nickel has fallen from \$3,03 to \$2,19 a pound.

Davison says he is happy with Lebowa's return to profitability.

Production has been stabilised at 70 000 tons a month and the grade has shown a small but noticeable improvement, he says.

Cost-cutting helps to lift JCI's platinum operations

B/Day 11/21/94

(217)

ANDY DUFFY

SOLID operational gains helped lift JCI's platinum operations in the six months to December, despite the continued lacklustre performance of metal prices.

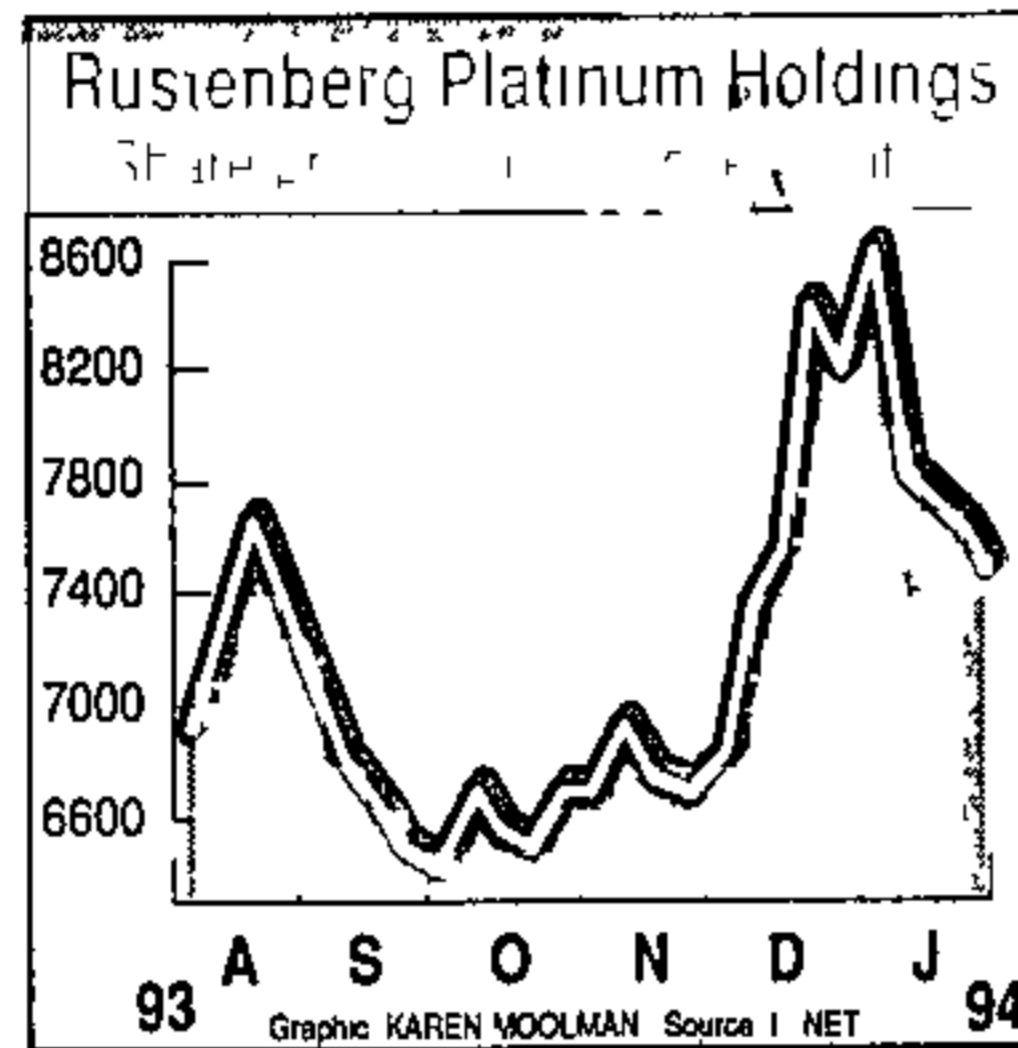
Rustenburg Platinum (Rusplats) posted earnings up more than a fifth at 106,1c, while Lebowa Platinum edged back into the black with earnings at 1,4c a share (7,8c loss). Potgietersrust Platinums (PP Rust), which started up during the period, posted 19,4c earnings a share and paid a 10c maiden dividend.

But the company said the gains owed more to lower costs than higher revenues. Though average market platinum prices rose to \$379/oz during the period against \$364/oz for the same time last year, the impact was cushioned by rhodium prices down nearly 60% and deteriorating nickel revenues.

MD Barry Davison said platinum group metal prices were unlikely to move up without the lead set by bullion. "I do not believe that on the fundamentals of supply and demand there will be any significant increase in prices right now," he said.

Mainstay Rusplats was unlikely to better last year's 224,6c a share for the full 12 months, the company said. Its interim dividend was held at 62,5c.

Gross sales revenue rose 2,4% to R1,44bn for the period, pushed by



higher platinum revenues and pgm production up 3,2%. Rusplats does not divulge production figures.

Sales costs moved ahead marginally to R1,07bn, but with stock valuation stripped out, unit costs fell back 1%. The contribution from PP Rust to refining costs helped to cut these back to R93,9m (R117,5m).

Higher capex cut the cash balance to R341,5m (R539m), bringing down additional income to R16,8m (R24m). Distributable income was left at R133m (R110,1m).

Davison said comparisons with last year's figures were slightly skewed by Rusplats' "particularly bad" first half performance in 1993.

The second half surge last year would not be repeated in the six months to June 1994 because of metal prices. A devalued rand was providing minimal relief.

Lepplats' outlook was relatively more optimistic. Revenues were ef-

fectively static at R66,2m, but sales costs dropped nearly 14% to R61,7m, while "stringent cost controls" cut 18,7% from unit costs.

Lepplats had hit both its production and cost targets, and barring any further hitches would remain profitable at current prices for the full year.

But Lepplats would have to see higher and sustainable pgm prices before it moved from its current 70 000 ton monthly output to its full 100 000 ton capacity.

The mine's debt — at R103,7m (R92m) — was uncomfortably high, and could move higher, depending on pgm price movements. Reducing the debt was also contingent on Lepplats paying dividends.

The income statement for PP Rust reflected operating results only for the three months to December. Sales revenue stood at R70,8m, while sales costs at R45m left metal profit of R24,3m. This included R12,9m for the initial valuation of trading stocks.

Planned monthly production of 200 000 tons had been hit, and grades were in line with expectations. But fluctuating head grades had left platinum production marginally short of target. PP Rust said the situation was improving.

The mine said full development costs were unlikely to exceed R390m, R5m above previous estimates. Positive cash flows and a R59,4m cash balance would allow the mine to continue without taking on debt.

...ave days of advancing prices, underlining
ong bull trend in place.

CMI moving to a *Star 4/21/94* healthier situation

■ BY DEREK TOMMEY

Consolidated Metallurgical Industries (CMI), a major ferrochrome producer, is moving rapidly to a healthier financial situation, even though the market for ferrochrome is still depressed and the dollar price is still low, the interim statement says. (217)

In an effort to stabilise the market, CMI has cut its production by 50 percent, but for a number of reasons, notably continued CIS sales, the ferrochrome market is still over-supplied and this is putting pressure on the price.

Against this background, CMI's efforts to reduce its operating loss to R1,8 million for the six months to December are praiseworthy.

It compares with a working loss of R7,5 million in the six months to end-June and one of R16,8 million in the six months to end-December 1992.

Effort

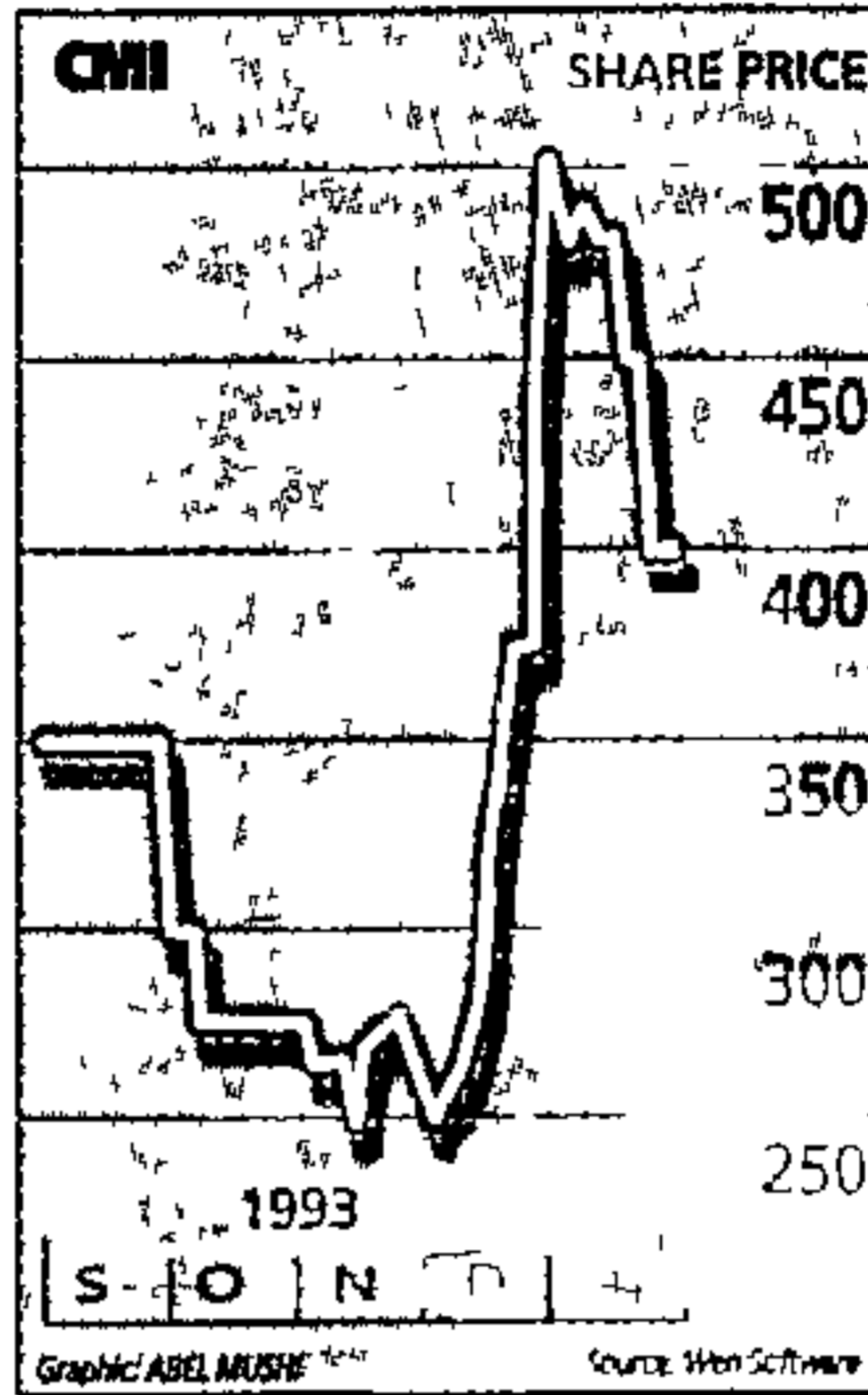
Managing director Zed van der Walt says the reduced loss reflects a continuing effort to reduce costs, the dedicated efforts of all the staff and help from the exchange rate.

Although CMI was operating at 50 percent of capacity, this was sufficient to enable it to maintain its market share.

Van der Walt says the break-even point for the company is not far away, and could be brought about by a small improvement in volumes.

The loss after tax for the six months to December was R3,8 million, which compares with a loss of R9,8 million for the six months to last June, and R21 million for the six months to December 1992.

After payment of the preference dividend, the loss for six months was R9 million



CMI is well able to bear this and future losses.

At December 31 last year, current assets at R189,6 million exceeded interest-bearing debt by R46,3 million.

Ferrochrome is used in the manufacture of stainless steel and marketing director Allan Kuhnert reports some cheering figures about this product.

Demand last year grew by some 4,3 percent to around 11,5 million tons, even though European Union economies weakened, the Japanese economy failed to recover and the US economy showed growth only in the last quarter.

"Stainless steel seems to be recession-proof," he says.

However, in spite of good demand, ferrochrome prices are not rising, owing to inventories remaining high and to a steady flow of low-priced ferrochrome from the CIS, former Comecon countries and China.

Kuhnert says a steady reduction in ferrochrome stocks should allow prices to improve towards the end of this year, but the overhang of stocks and strong competition from spot suppliers will limit the ability of producers to raise prices.

Fm 4/2/94

Its costs were capitalised to the end of September, so the distributable profit of R23,3m reflects only the three months to December Davison says the planned production rate of 200 000 t/month is being achieved, the only problem being slight fluctuations in head grade which meant platinum output was marginally below target.

So far R372,8m has been spent on the project, total cost has been revised slightly to R390m from R385m. PP Rust is now cash-positive and has cash balances of R59,4m. Davison says borrowings will not be needed

Estimates on the final dividend go as high as 20c a share, but the 1 700c price is already anticipating this, putting PP Rust on a thin forward yield of 1,8%. (217)

While Rusplat managed a 20,7% increase in interim distributable profit to R133m (six months to December 1992: R110,1m), Davison is expecting conditions to worsen in the second half, so full-year results will probably not better those of financial 1993 It is not surprising Rusplat pegged the interim dividend

Reason is the depressed level of platinum

LEVEL-PEGGING

Rustenburg Platinum

Six months to	Dec '92	Jun '93	Dec '93
Turnover (Rm)	1 413	1 555	1 466
Pre-tax profit (Rm)	168,7	289,9	184,7
Attributable profit (Rm)	110,1	171,3	133,0
Earnings (c)	87,9	136,7	106,1
Dividends (c)	62,5	102,5	62,5

group metal prices Davison points out that on current market prices, each ounce of Rusplat's production of platinum plus various by-product metals is worth R2 065 That compares with averages of R2 074 for 1993 and R2 151 for 1992

While platinum and palladium prices have improved, this has been wiped out by the continuing slide in rhodium and nickel prices. Average market prices in the first half of financial 1994 of US\$379/oz for platinum and \$129/oz for palladium compare with \$367/oz and \$91/oz respectively in the first half of financial 1993

During this period the rhodium price has fallen from \$2 274/oz to \$929/oz while nickel has dropped from \$3,03/lb to \$2,19/lb Davison does not expect any swift turnaround Nor has the rand depreciated enough to compensate for lower metal prices

"I don't believe the fundamentals of demand and supply for platinum justify expectations of any significant increase in

JCI PLATINUMS

PP Rust shines through

Fm 4/2/94

While Rustenburg Platinum (Rusplat) far and away dominates the fortunes of JCI's platinum division it was Potgietersrust Platinums (PP Rust) which provided the spark in the interim results with a maiden 10c dividend. (217)

The declaration just three months after normal mining operations started took analysts by surprise because they felt JCI would wait until the financial year-end before paying out "We wanted to send a message to the market that this operation is running particularly well," says PP Rust chairman Barry Davison.

Fm 4/2/94

price. However, should the gold price rise, it might drag the platinum price along with it," Davison says. He adds that platinum and rhodium prices cannot be expected to improve until the economies of Europe and Japan, and particularly their automobile industries, recover. (217)

On the bright side, demand for platinum jewellery remains firm with "1993 a very good year for platinum jewellery in Japan and I would be surprised to see any reduction in this consumption during 1994 The Platinum Guild has done a great marketing job in promoting the demand for cheaper platinum jewellery items and this has more than compensated for the reduction at the higher end of the market," says Davison.

Rusplat has continued to hold down costs and Davison says that, if the effect of the stock valuation on costs were eliminated, Rusplat would show a drop of 1% in the unit cost per ounce of platinum produced

Its treatment and refining costs dropped to R93,9m (R117,5m) through tight cost control and the benefits of toll-treating PP Rust's production PP Rust pays the direct cost of treating its material and contributes to amortisation charges, while the higher utilisation of the refinery has also lowered costs

Rusplat is still showing marginal cost savings from the renegotiation of its marketing agreements with agents Johnson Matthey but the bulk of these savings has already come through

Lebowa Platinum (Lebowa Plats) returned to the black in the six months to December, showing a profit of R1,7m (R9,4m loss) thanks to higher production and a 13,8% drop in cost of sales Production has stabilised at 70 000 t/month and grade has improved That improvement is expected to be maintained Those are pleasing results but, with R100m in debt and accumulated losses of R12,7m, Lebowa Plats will remain in survival mode until platinum prices increase substantially

Brendan Ryan

CMI's gains wiped out by market oversupply

BIDAY 412194

ANDY DUFFY

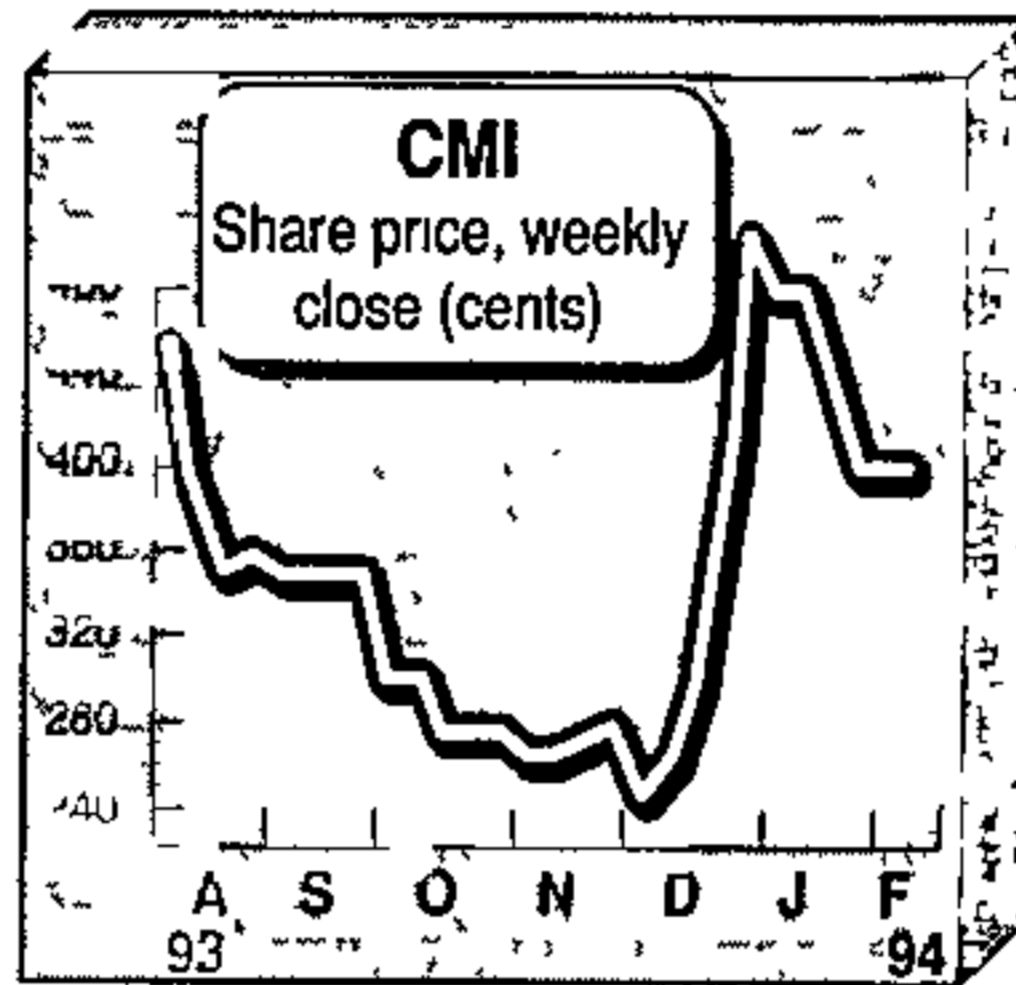
FERROCHROME producer Consolidated Metallurgical Industries (CMI) remained in the red for the first six months of the year as unrelenting market oversupply wiped out gains from record-breaking stainless steel production.

The JCI-owned company cut deeply into costs and gained some benefit from the rand's devaluation, which sliced interim losses to 21c a share (81c a share). There was no interim dividend. (217)

The bottom line earnings, dominated by a R5,1m preference dividend, disguise an operating improvement.

CMI dropped to 50% capacity last year in the face of cut-price competition, which helped trim turnover to R18,1m (R125,7m). Strident cost-cutting brought the operating loss back to R1,7m (R16,8m). Careful debt control more than halved interest charges to R2m.

MD Zed van der Walt said cost-cutting would continue, but on current conditions it was unlikely CMI would break even at the operating



level this year.

CMI faces the frustration of steady market growth which is swamped by stocks, primarily from the former Eastern Bloc and China.

Marketing director Alan Kuhnert said production of stainless steel, on which ferrochrome's fortunes hang, surpassed expectations last year.

Stainless steel production is estimated to have risen 4,3% on 1992 to 11,5-million tons, propelled by growth in the Pacific Rim and Europe. Ferrochrome consumption is forecast to have risen 9% to 2,69-million tons.

Southeast Asia was expected to remain the engine for growth this year.

CMI forecasts a 2%-2,5% rise in stainless steel production, pushing up ferrochrome demand by the same margin "This has led us to the conclusion that stainless steel is possibly recession-proof," Kuhnert said.

But prices were likely to stay static until the fourth quarter. The SA industry had lost out to cut-price competitors in the Commonwealth of Independent States (CIS) and China, and, through currency and producer inflation variations, traditional sparing partners Finland and Sweden.

SA market share in supplies to the US fell from 29% in 1992 to 24% last year, while CIS suppliers saw a ten-fold increase to 20%. Market share to France fell from 59% in 1992 to 35%, while the CIS moved up from 0,5% to 13% "The playing fields have certainly not been level as far as SA is concerned," Kuhnert said.

Spot prices, however, had firmed and low prices which had forced SA producers to cut capacity were now squeezing other competitors, such as the Japanese, out of the market. There were also doubts over the ability of CIS suppliers to meet growing demand.



HIGHVELD

STEEL AND VANADIUM CORPORATION LIMITED

Registration No 60/01900/06
(Incorporated in the Republic of South Africa)

DIRECTORS L. Boyd (Chairman), T. E. Jones (Managing), H. F. Boshoff, W. G. Boustred, W. F. E. Bragg (British), B. E. Bullett (British), J. A. Chegwidien, H. K. Davies, R. R. Ellwood, J. Hall (British), M. W. King, G. Langton, L. Matteucci, D. M. J. Ncube, M. C. O'Dowd, J. Oglvie Thompson, N. F. Oppenheimer, N. S. Park, Dr. A. J. Pienaar, G. W. H. Rely, A. J. Trahar

ALTERNATIVE DIRECTORS P. M. Baum, C. J. Buys, R. M. Godsell, C. J. Hull, B. Sparke, C. L. Sunter (British), C. W. P. Yates (British)

Abridged Chairman's Review and Final Dividend Declaration

An increase in normal earnings can be expected over those achieved in 1993, given political and labour stability in South Africa during 1994

Earnings in 1993 were an improvement on those reported in 1992. This arose from increased volumes, a weaker rand to US dollar exchange rate and higher US dollar export prices for most of the group's products, together with the positive effect of the reduction in the tax rate from 48 to 40 per cent which resulted in a deferred tax release of R57 900 000.

The earnings per share increased to 143,8 cents compared with 80,1 cents in 1992. The attributable income, including net interest of R34 043 000, was R127 190 000, after providing R62 553 000 for depreciation, R2 654 000 secondary tax on companies, a deferred tax charge of R17 451 000 and the deferred tax release as referred to above.

Following the decision by the Industrial Development Corporation to become an equal partner in the Columbus expansion, a one-sixth share of Columbus was sold to the IDC for R120 000 000 resulting in an extraordinary profit of R23 511 000.

Based on the results achieved, the Board has decided to increase the final dividend to 30 cents per share, making a total dividend for the year of 50 cents per share compared with 45 cents per share in 1992.

In view of the demand for the cash for the Columbus development, shareholders will be given the right to elect to receive capitalisation shares as an alternative to the final dividend in respect of all or part of their shareholdings. The major shareholder has indicated its intention to elect to receive capitalisation shares in respect of its entire shareholding.

Steel

Apparent world steel consumption declined marginally in 1993. Whilst consumption in the United States improved by 2 per cent over 1992, in the European Union it declined by 8 per cent.

Early in 1993 international steel prices improved as a result of substantial economic growth in China, however, this trend reversed in mid-year when China introduced stricter financial constraints to curb its overheated economy. It is worth noting that in 1993 China moved ahead of the USA and is now the world's second largest steel producer behind Japan.

In South Africa, steel consumption improved with the advent of several major capital projects. This, together with a buoyant agricultural sector and low steel merchant inventories, led to a substantial increase in domestic sales over those in 1992.

With improved domestic demand and the better export returns, arising from somewhat better international prices and the weakening of the rand against the US dollar, the ironmaking facilities at the steelworks were progressively brought back to full capacity and steel production for 1993 was 960 637 tons compared to 833 572 tons produced in 1992.

A product enhancement programme comprising a major upgrade of the slabcaster and the installation of a ladle furnace to improve the quality of hot rolled flat products was successfully completed towards the end of the fourth quarter at a cost of R56 million.

Vanadium

Vanadium consumption continued at the poor levels reported last year. The world over capacity and the continued presence of large volumes of low priced vanadium pentoxide and ferovanadium emanating from Russia caused prices to decline to levels last seen during the recession of the early 1980s.

Towards year end negotiations were finalised for the purchase of the South African vanadium producer, Transvaal Alloys (Pty) Limited, which will gain Highveld entry into the small but important vanadium chemical market. World over capacity nevertheless remains and it is disappointing to note that the new Rhovan project is proceeding at significant capital cost.

The reactor for producing vanadium trioxide at the Vantra division was used in campaigns as dictated by the market and the increased capacity slag milling and reagent handling facilities for the kiln at Vantra were commissioned. The modifications made will enable Highveld to remain the world's lowest cost producer of vanadium products.

Ferro-alloys

International ferrosilicon markets were affected by anti-dumping duties imposed by various countries, which resulted in diversions of material to non-traditional markets. Chinese and CIS exports continued to play a major role in keeping prices depressed. Nevertheless, Rand Carbide was able to increase sales to about 70 per cent of capacity during the year.



Demand for carbonaceous products showed a slight improvement over that in the previous year.

The combination of a stabilisation in international prices for manganese alloys, reduced input costs and other operational efficiencies, allowed better capacity utilisation at Transalloys and resulted in a satisfactory performance from that division.

Rheem

The Rheem aluminium can plant was commissioned during August 1993. Although this was later than originally scheduled, at the time of the first delivery to the customer production was already in excess of the rated line speed. The high quality which has consistently been attained has resulted in exceptional market acceptance of the product.

In Rheem's traditional business the year saw a further market contraction, particularly in the Transvaal, and some smaller customers moving to alternative packaging. This, and the need to contain costs, led to some rationalisation of manufacturing activities and, regrettably, a reduction in the number of people employed.

Columbus Stainless

The existing plant performed well, achieving an all time record annual output. Margins were satisfactory for most of the period but weakened significantly in the third quarter following low nickel prices and deteriorating markets in Europe and the Pacific Rim. World production of stainless steel was again a record in 1993, surpassing the previous best achieved in 1992.

The expansion project is proceeding according to schedule, both in terms of time and cost. By year end a major portion of the earthworks and civil construction was complete as was much of the steelwork erection for the cold mill area, which is due to be commissioned in late 1994. The new steelmaking and hot mill facilities are planned to come into production in the first half of 1995. Total expenditure on this project thus far has been R1 271 205 000.

Future economic policy

With regard to the future economic policy to be pursued by the new South African Government, concern has to be expressed at the frequent, confusing and often contradictory statements made by the various ANC spokesmen. This has undoubtedly led

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to great uncertainty and has had a negative impact on foreign investment in South Africa. It is therefore encouraging that the ANC is now showing much greater attention to close consultation with industry and has jointly agreed to structured dialogue on minerals policy.

Part of the debate on mineral rights involves the question of incentives for small mining ventures. As mentioned earlier in this review, Highveld purchased Transvaal Alloys, which is the third small vanadium operation to fail financially in the past five years, the other two being USCO and Vansa. The construction of the Rhovan vanadium plant will exacerbate the vanadium imbalance further. These examples illustrate how easily the market for some commodities can be severely disrupted and the debate on incentives for small mining ventures should be viewed in this context. In most of the base metals produced by South Africa there is no world shortage of capacity and, as a result, most producers are operating below capacity. While it is important that free market principles apply, further ventures will only result in price reductions and reduced export receipts for the country.

It has also been suggested that a Minerals Marketing Board be established for South Africa when this has clearly failed in other countries such as Zimbabwe. The one thing the mining and metallurgical industry does not need is interference in its marketing policies by Government. The idea that a government agency can market minerals better than the private sector is as poorly founded as the more general idea that government can run the productive economy better than private firms. The lack of market incentives often quickly render government agencies inefficient. Bureaucratic delay and overstaffing are normal. Beyond these concerns is the danger that a government agency would attempt to cartelize production with possibly disastrous consequences for long-term market development and South Africa's share of the market.

One other issue that is of concern to Highveld and the metallurgical industry generally is the suggestion through the National Electricity Forum that power consumers be levied in order to finance township electrification. The need for this electrification is accepted. However, the global competitive position of South Africa's power-intensive industries, such as the ferro-alloy and gold mining industries, will be seriously impacted by an increase in one of the major cost elements, resulting in further job losses and lower foreign exchange earnings.

It is important for the ANC to arrive at a clear and credible set of economic proposals, and for these to be promoted in a co-ordinated and consistent way. The country desperately needs new investment in order to create jobs and everything should be done to encourage rather than discourage both local and foreign investors.

Manpower

With higher operating levels the group strength at year end was 6 575 compared to 6 465 in 1992.

Agreement was reached with all the unions involved on improved wages and other conditions of service for the July 1993 to June 1994 period.

Outlook

The world's consumption of steel in 1994 is forecast by the International Iron and Steel Institute to remain at the same level as that of 1993. Further declines are foreseen in Europe, Japan and the CIS with compensatory growth in China, the Pacific Rim and South America. It is expected that prices in dollar terms will hold at close to current levels.

The consumption of vanadium is likely to continue at current levels, but prices will remain low. The demand for stainless steel will be firm and it appears that prices have bottomed out following an upturn in the nickel price.

A major positive factor for the group will be the contribution from the first full year of operation of the aluminium beverage can facility.

Early 1993 represented a low point in business conditions for the Highveld group. Given political and labour stability in South Africa during 1994, an increase in normal earnings can be expected over those achieved in 1993.

General

The Corporation's financial results show an improvement over those for 1992, despite trading conditions for the group's products having remained difficult. I thank the managing director, Trevor Jones, his management team and all employees for all their efforts and I am certain they will rise to the challenges of 1994.

L Boyd

Witbank

8 February 1994

Results for the year ended 31 December 1993

CONSOLIDATED INCOME STATEMENTS	1993 R'000	1992 R'000
Turnover	1 685 159	1 488 780
Income before taxation	86 052	74 380
Normal company taxation	14 108	3 595
Income after normal taxation	71 944	70 785
Secondary taxation on companies	2 654	-
Income after secondary taxation	69 290	70 785
Abnormal item - Note 1	57 900*	-
Attributable income	127 190	70 785
Extraordinary item - Note 2	23 511**	5 491
Attributable income after extraordinary item	150 701	76 276
Less: Interim dividend no. 38 of 20 cents per share (1992 no. 36 of 20 cents per share)	17 689	17 686
Provision for dividend no. 39 (final) of 30 cents per share (1992 no. 37 (final) of 25 cents per share)/ capitalisation share issue alternative	26 538	22 111
Retained income for the year	106 474	36 479
Weighted average number of shares in issue during the year	88 446 153	88 400 202
Earnings per share (cents)		
- excluding abnormal item	78,3	80,1
- including abnormal item	143,8	80,1
Dividend per share (cents)	50,0	45,0
Dividend cover		
- excluding abnormal item	1,57	1,78
- including abnormal item	2,88	1,78

* Note 1 The abnormal item arose as a result of the reduction in the company tax rate from 48 per cent to 40 per cent.

** Note 2 The extraordinary item arose from the sale of one-sixth share of the Columbus Joint Venture to the Industrial Development Corporation for R120 000 000, resulting in an after tax profit of R23 511 000.

ABRIDGED CONSOLIDATED BALANCE SHEET	at 31.12.93	at 31.12.92
Shareholders' equity	1 197 470	1 102 162
Deferred taxation	313 565	347 935
Long-term loans	276 373	-
Capital employed	1 787 408	1 450 097
Fixed assets	1 464 421	1 043 927
Investments	21 841	25 586
Cash and near cash	242 742	309 929
Net current assets	58 404	70 655
Current assets	563 060	535 184
Current liabilities	504 656	464 529
Employment of capital	1 787 408	1 450 097

FINAL DIVIDEND NO. 39 WITH ALTERNATIVE RIGHT OF ELECTION TO RECEIVE CAPITALISATION SHARES

As indicated in the accompanying statement by the Chairman, the Board of directors declared, on 8 February 1994, dividend No. 39 of 30 cents per share to shareholders registered in the books of the corporation at the close of business on 25 February 1994 ("the record date") on those shares in respect of which the election referred to in the next paragraph is not made.

Subject to the terms which will be published on 21 February 1994, shareholders registered on the record date will be entitled to elect to receive capitalisation shares in Highveld in respect of all or any of the shares held by them at that date as an alternative to such dividend.

The dividend will accordingly accrue and be payable only on such shares in respect of which no election to receive capitalisation shares is received by Highveld.

The capitalisation shares to be issued will not be registered with the Securities and Exchange Commission, Washington, D.C. for purposes of the share election or with the Canadian Provincial Securities Commissions and, accordingly, the share election will not be made to, or be open for acceptance by, shareholders with registered addresses in the United States of America, or any of its territories, or in Canada.

Basis of share election ratio/price announced	Monday, 21 February
Last day to register for dividend (and for changes of address or dividend instructions or to elect to receive capitalisation shares)	Friday, 25 February
Registers closed from to (inclusive)	Saturday, 26 February Friday, 11 March
Shares ex-dividend and ex-capitalisation share election rights on The Johannesburg Stock Exchange	Monday, 28 February
Circular and form of election posted to shareholders	Friday, 4 March
Last day to make election (12 00 local time) with no late postal forms being accepted	Friday, 25 March
Share certificates and dividend warrants posted	Thursday, 21 April
Payment date of dividend Listing of capitalisation shares commences	Friday, 22 April
Rate of non resident shareholders' tax	15 per cent
By order of the Board Highveld Steel and Vanadium Corporation Limited H Coehus - Company Secretary	8 February 1994

Registered office
Portion 29 of the farm
Schoongezicht No. 308 JS
District Witbank
(P O Box 111, Witbank, 1035)

Transfer Secretaries
Consolidated Share Registrars Limited
40 Commissioner Street
Johannesburg, 2001
(P O Box 61051, Marshalltown, 2107)

Implats's expansion costs robs bottom line of gains

ANDY DUFFY

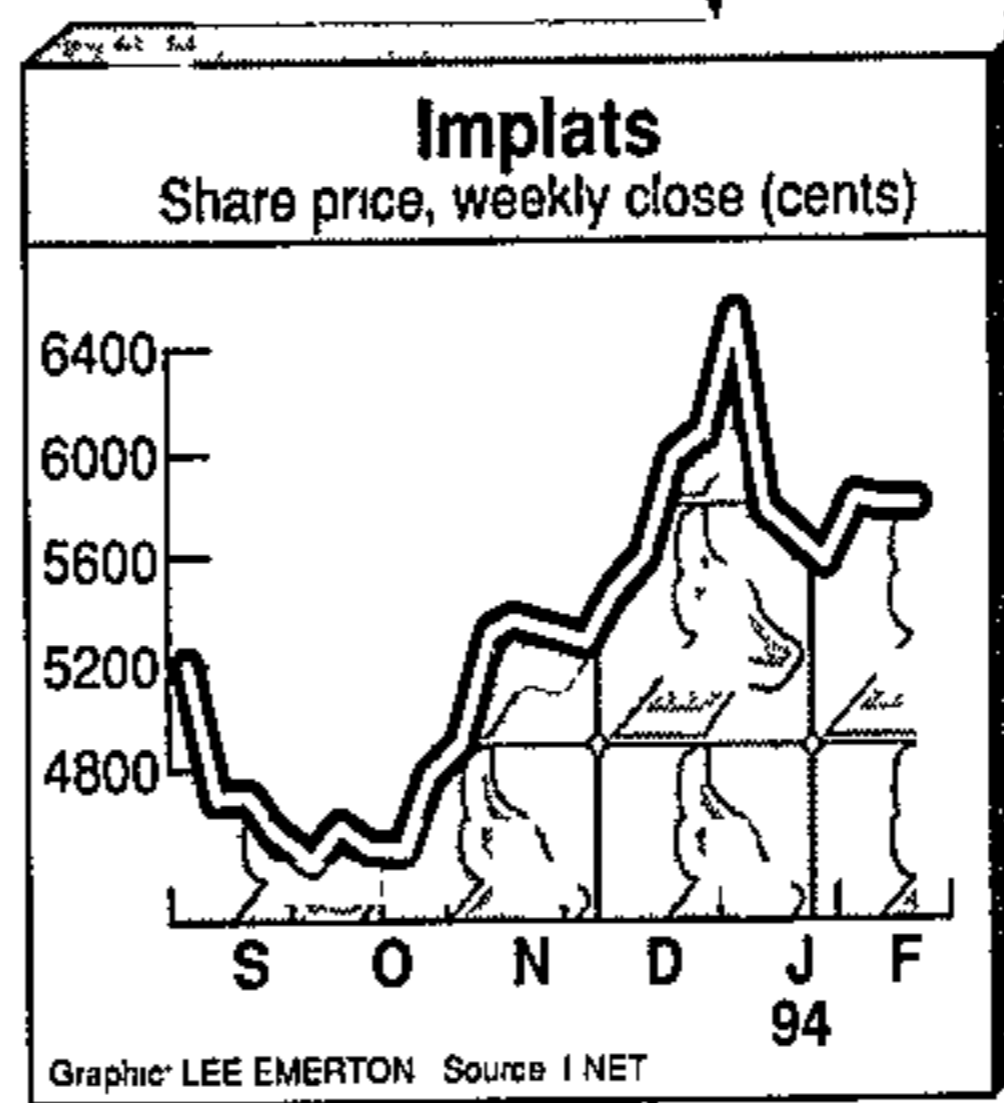
HIGHER revenues and low costs underpinned Impala Platinum for the six months to December, but a jump in expenditure robbed the bottom line of the gains.

Better platinum and palladium prices pushed the Gencor-owned company's turnover ahead 7% to R1,1bn, while a rise of just 2% in total costs left operating income ahead 22% at R188,5m.

But Implats's decision to take the brakes off expansion lifted the total expenditure burden 53% to R92m. Lower interest rates and a fall in earnings from forward selling cut interest income from R17,7m to R4,5m.

Attributable income slid to R83,3m (R84,6m), leaving earnings a share at 134c (136c). The interim dividend was unchanged at 45c.

Chairman Mike McMahon said weak market conditions would continue for the rest of the year. "The sky is falling on our heads in terms of prices," he said. This would leave full-year earnings lower than those



for last year. The final dividend was unlikely to be raised.

Implats relied heavily on platinum for higher revenues, with average prices ahead 9% at \$395/oz, and its contribution to turnover jumping 40% to R734m. Palladium also offered a strong showing. (217)

But Implats was hit by a rhodium price down 121% on the 1992 period to \$1 072/oz, cutting its revenues 118% to R146m. Nickel prices were also lower.

Unit mining costs were effectively static at R22 203/kg, in line with Implats' plan to keep costs below R23 000/kg. But the cost-cutting relied mainly on trimming staff. Around 3 000 jobs were lost, the bulk from Bafokeng South's merger with Implats' three remaining mines.

McMahon said yesterday that further cuts were seen as inevitable.

The results revealed a stronger balance sheet. Heavy debt forced Implats to scale back capex. Improved cashflow had helped cut debt from R221,6m to R66,9m.

Capital expenditure, which was cut to R157m last year, was likely to hit R200m this year — R40m less than Implats' estimate in November. McMahon said the capex was sufficient to maintain Implats's capacity, and to allow expansion at the previously planned rate.

Platinum prices this year would remain harnessed to gold's fortunes. Despite a recovery in the US vehicle industry, weak fundamentals would persist until Europe and Japan staged an economic revival.

Cost containment sees Implats over the worst

Start 10/2/94

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BY DEREK TOMMEY

Stringent cost containment in the face of lagging metal prices enabled Impala Platinum (Implats) to increase its operating income by 22 percent in the six months to December, says chairman Michael McMahon.

But rising capital expenditure on current and future capacity cut attributable income from last year's R59,1 million, equal 136c a share, to R53 million, equal to 134c a share.

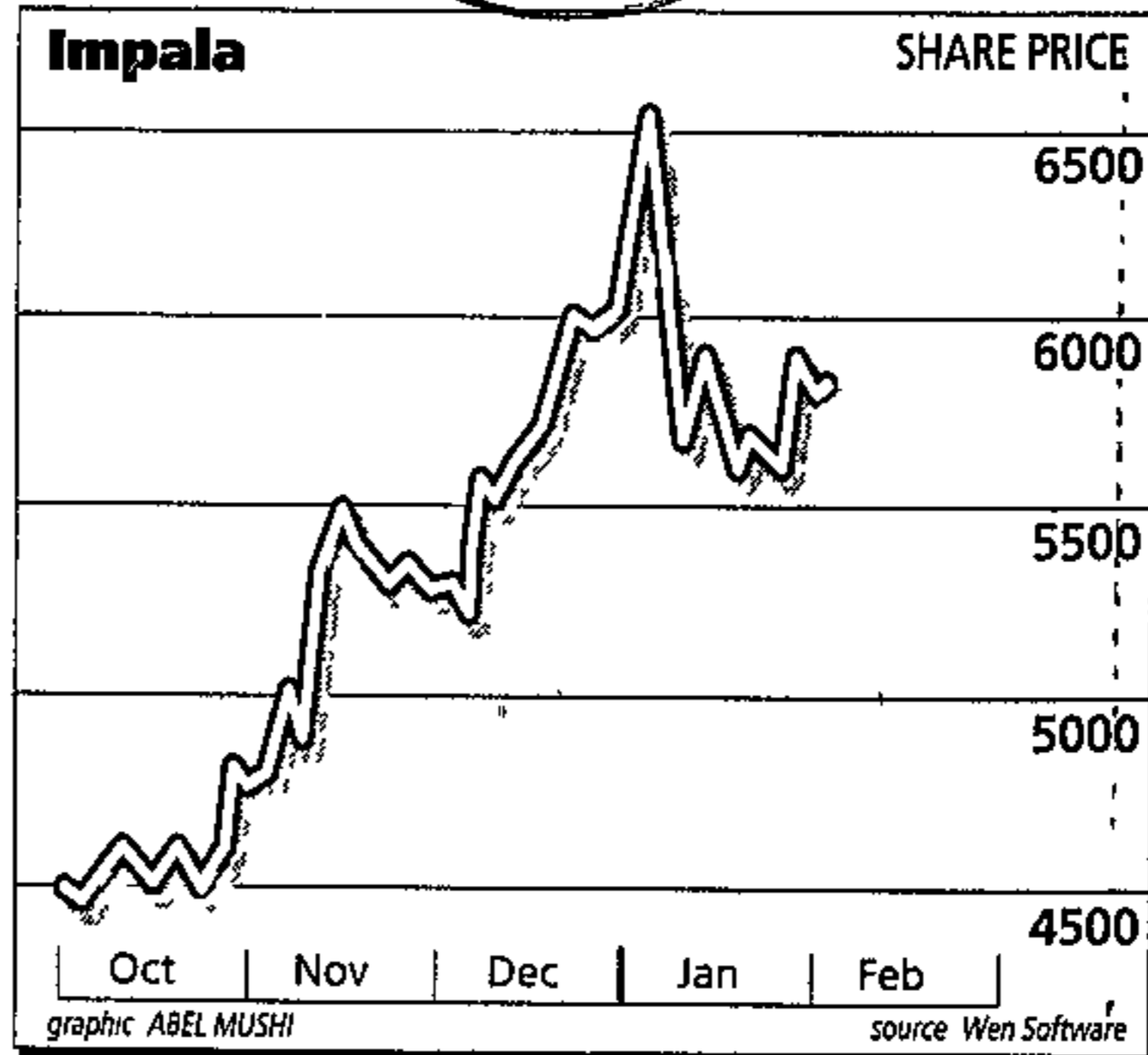
The interim dividend has been maintained at 45c.

McMahon says prospects for the next six months are dependent on metal sales. Metal stocks are at an all-time low and sales will reflect production achievements.

Unless there is a significant upsurge in prices, it is unlikely Implats will improve on last year's results.

Turnover rose seven percent to R1,1 billion, thanks to higher platinum and palladium prices, an increase in sales volumes and the weaker rand.

Partially offsetting the improvement was the fall in rhodium and nickel



prices, though nickel has shown some recovery recently.

Between January and December last year rhodium fell 78 percent and nickel 16 percent.

The cost of on-mine operations dropped from R742,3 million to R724,2 million after improved productivity and efficiency, while the cost of refining operations rose from R123,2 million to R130,5 million.

Unit costs of platinum group metals, ex-smelter, were unchanged at just over R22 200 a kg, and the cost of refined platinum was two percent higher.

Greater efficiency has enabled Impala to reduce its labour force by a third to 37 000 over the past two years. As further improvements are made, the number should fall further.

Capital expenditure on current capacity rose 69 percent to R44 million.

McMahon says Impala trimmed expenditure last year, but had to increase it this year.

Developments to reduce costs include the UG2 milling project, the commissioning later this month of the slag mill and the commissioning in November of the regrind programme.

was how much

Now the answer is known, its performance can be looked at in either a favourable or unfavourable light and, given the way the share has held up since last week, the JSE is choosing the bullish favourable view This is that CMI has done well to cut operating losses to R1,8m (1993 interim R16,8m) and attributable losses to R9m (R26,1m). Yet the share rates a buy because of its high gearing to the ferrochrome market when the expected turnaround arrives

HEAVY WEATHER

Six months to	Dec '92	Jun '93	Dec '93
Turnover (Rm)	125,7	100,5	118,2
Operating loss (Rm) ..	16,8	7,8	1,8
Attributable loss (Rm)	26,1	14,9	9,0
Attributable loss (c)	61,0	36,0	21,0
Dividends (c) ..	—	—	—
Net asset value (c)	373	348	333

The sceptical viewpoint is this. despite excellent cost control, CMI is going to end its 1994 financial year in the red and it will pass its dividend for the fourth year. Anyway, when is this market turnaround finally going to materialise?

Despite the strong economic recovery in the US, there is still heavy pressure on ferrochrome prices After holding steady for the last nine months of 1993, ferrochrome prices for delivery in the first quarter of 1994 have dropped by US1c-US1,5c/lb One reason for this is the aggressive marketing policies of the Western European stainless steel producers, who have stepped up exports to the expanding economies of China, the Pacific Rim and the US to compensate for their falling domestic demand.

These producers have used depreciation of their own currencies to gain a competitive advantage, which is why stainless steel and, therefore, ferrochrome prices have been squeezed even though stainless steel production rose 4,3% to a record 11,5 Mt in 1993 CMI marketing director Alan Kuhnert is predicting growth of 2%-2,5% in stainless steel production for 1994

"The stainless steel market is looking remarkably healthy considering the world recession," he says. "The ills of the ferrochrome industry and CMI do not lie with the demand, which overall is very buoyant, but with supply There is too much capacity," he says

On the positive side, Kuhnert forecasts demand for chrome units will climb with stainless steel production, but he does not expect a significant increase in CIS material reaching Western markets this year Availability of stainless steel scrap is expected to remain tight On the negative side, currency devaluations have improved the marketing position of a number of SA's competitors in Sweden, Finland, Turkey and India

He feels shrinking ferrochrome stocks should allow prices to improve in the second

half of 1994, but the stock overhang plus strong competition from spot market suppliers will limit producers' ability to raise prices.

You pays your money and you takes your pick Right now the market is betting on improvements to come

Brendan Ryan

CMI FM 11/2/94

Little relief yet

Given the depressed ferrochrome prices, it was certain Consolidated Metallurgical Industries (CMI) would lose money in the six months to December — the only question

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Fun 11/2/94

HIGHVELD

STEEL AND VANADIUM CORPORATION LIMITED

Registration No 60/01900/06
(Incorporated in the Republic of South Africa)

DIRECTORS L Boyd (Chairman), T E Jones (Managing), H F Boshoff W G Boustred, W F E Bragg (British), B E Bullett (British), J A Chegwidde H K Davles, R R Ellwood J Hall (British) M W King G Langton L Matteucci D M J Ncube M C O Dowd J Oglvie Thompson, N F Oppenheimer N S Park, Dr A J Pienaar G W H Rely, A J Trahar

ALTERNATIVE DIRECTORS P M Baum, C J Buys R M Godsell C J Hull B Sparke, C L Sunter (British) C W P Yates (British)

Abridged Chairman's Review and Final Dividend Declaration

~~1891~~ 217

*An increase in normal earnings can be
expected over those achieved in 1993, given
political and labour stability in South Africa during 1994*

Earnings in 1993 were an improvement on those reported in 1992. This arose from increased volumes, a weaker rand to US dollar exchange rate and higher US dollar export prices for most of the group's products, together with the positive effect of the reduction in the tax rate from 48 to 40 per cent which resulted in a deferred tax release of R57 900 000.

The earnings per share increased to 143,8 cents compared with 80,1 cents in 1992. The attributable income, including net interest of R34 043 000, was R127 190 000, after providing R62 553 000 for depreciation, R2 654 000 secondary tax on companies, a deferred tax charge of R17 451 000 and the deferred tax release as referred to above.

Following the decision by the Industrial Development Corporation to become an equal partner in the Columbus expansion, a one-sixth share of Columbus was sold to the IDC for R120 000 000 resulting in an extraordinary profit of R23 511 000.

Based on the results achieved, the Board has decided to increase the final dividend to 30 cents per share, making a total dividend for the year of 50 cents per share compared with 45 cents per share in 1992.

In view of the demand for cash for the Columbus development, shareholders will be given the right to elect to receive capitalisation shares as an alternative to the final dividend in respect of all or part of their shareholdings. The major shareholder has indicated its intention to elect to receive capitalisation shares in respect of its entire shareholding.

Steel

Apparent world steel consumption declined marginally in 1993. Whilst



consumption in the United States improved by 2 per cent over 1992, in the European Union it declined by 8 per cent.

Early in 1993 international steel prices improved as a result of substantial economic growth in China, however, this trend reversed in mid-year when China introduced stricter financial constraints to curb its overheated economy. It is worth noting that in 1993 China moved ahead of the USA and is now the world's second largest steel producer behind Japan.

In South Africa, steel consumption improved with the advent of several major capital projects. This, together with a buoyant agricultural sector and low steel merchant inventories, led to a substantial increase in domestic sales over those in 1992.

With improved domestic demand and the better export returns, arising from

somewhat better international prices and the weakening of the rand against the US dollar, the ironmaking facilities at the steelworks were progressively brought back to full capacity and steel production for 1993 was 960 637 tons compared to 833 572 tons produced in 1992.

A product enhancement programme comprising a major upgrade of the slabcaster and the installation of a ladle furnace to improve the quality of hot rolled flat products was successfully completed towards the end of the fourth quarter at a cost of R56 million.

Vanadium

Vanadium consumption continued at the poor levels reported last year. The world over capacity and the continued presence of large volumes of low priced vanadium pentoxide and ferrovandium emanating from Russia caused prices to decline to levels last seen during the recession of the early 1980s.

Towards year end negotiations were finalised for the purchase of the South African vanadium producer, Transvaal Alloys (Pty) Limited, which will gain Highveld entry into the small but important vanadium chemical market. World over capacity nevertheless remains and it is disappointing to note that the new Rhovan project is proceeding at significant capital cost.

The reactor for producing vanadium trioxide at the Vantra division was used in campaigns as dictated by the market and the increased capacity slag milling and reagent handling facilities for the kiln at



Vantra were commissioned The modifications made will enable Highveld to remain the world's lowest cost producer of vanadium products

Ferro-alloys

International ferrosilicon markets were affected by anti-dumping duties imposed by various countries, which resulted in diversions of material to non-traditional markets Chinese and CIS exports continued to play a major role in keeping prices depressed Nevertheless, Rand Carbide was able to increase sales to about 70 per cent of capacity during the year Demand for carbonaceous products showed a slight improvement over that in the previous year

The combination of a stabilisation in international prices for manganese alloys, reduced input costs and other operational efficiencies, allowed better capacity utilisation at Transalloys and resulted in a satisfactory performance from that division

Rheem

The Rheem aluminium can plant was commissioned during August 1993 Although this was later than originally scheduled, at the time of the first delivery to the customer production was already in excess of the rated line speed The high quality which has consistently been attained has resulted in exceptional market acceptance of the product

In Rheem's traditional business the year saw a further market contraction, particularly in the Transvaal, and some smaller customers moving to alternative packaging This, and the need to contain costs, led to some rationalisation of manufacturing activities and, regrettably, a reduction in the number of people employed

Columbus Steel

The existing plant performed well, achieving an all time record annual output Margins were satisfactory for most of the period but weakened significantly in the third quarter following low nickel prices and deteriorating markets in Europe and the Pacific Rim World production of stainless steel was again a record in 1993, surpassing the previous best achieved in 1992

The expansion project is proceeding according to schedule, both in terms of time and cost By year end a major portion of the earthworks and civil construction was complete as was much of the steelwork erection for the cold mill area, which is due to be commissioned in late 1994 The new steelmaking and hot mill facilities are planned to come into production in the first half of 1995 Total

Fm 11/2/94
expenditure on this project thus far has been R1 271 205 000

Future economic policy

With regard to the future economic policy to be pursued by the new South African Government, concern has to be expressed at the frequent, confusing and often contradictory statements made by the various ANC spokesmen This has undoubtedly led to great uncertainty and has had a negative impact on foreign investment in South Africa It is therefore encouraging that the ANC is now showing much greater attention to close consultation with industry and has jointly agreed to structured dialogue on minerals policy

Part of the debate on mineral rights involves the question of incentives for small mining ventures As mentioned earlier in this review, Highveld purchased Transvaal Alloys, which is the third small vanadium operation to fail financially in the past five years, the other two being USCO and Vansa The construction of the Rhovan vanadium plant will exacerbate the vanadium imbalance further These examples illustrate how easily the market for some commodities can be severely disrupted and the debate on incentives for small mining ventures should be viewed in this context In most of the base metals produced by South Africa there is no world shortage of capacity and, as a result, most producers are operating below capacity While it is important that free market principles apply, further ventures will only result in price reductions and reduced export receipts for the country

It has also been suggested that a Minerals Marketing Board be established for South Africa when this has clearly failed in other countries such as Zimbabwe The one thing the mining and metallurgical industry does not need is interference in its marketing policies by Government The idea that a government agency can market minerals better than the private sector is as poorly founded as the more general idea that government can run the productive economy better than private firms The lack of market incentives often quickly render government agencies inefficient Bureaucratic delay and overstaffing are normal Beyond these concerns is the danger that a government agency would attempt to cartelise production with possibly disastrous consequences for long-term market development and South Africa's share of the market

One other issue that is of concern to Highveld and the metallurgical industry generally is the suggestion through the National Electricity Forum that power consumers be levied in order to finance township electrification The need for this electrification is accepted However, the global competitive position of South Africa's power-intensive industries, such as

the ferro-alloy and gold mining industries, will be seriously impacted by an increase in one of the major cost elements, resulting in further job losses and lower foreign exchange earnings

It is important for the ANC to arrive at a clear and credible set of economic proposals, and for these to be promoted in a co-ordinated and consistent way The country desperately needs new investment in order to create jobs and everything should be done to encourage rather than discourage both local and foreign investors

Manpower

With higher operating levels the group strength at year end was 6 575 compared to 6 465 in 1992

Agreement was reached with all the unions involved on improved wages and other conditions of service for the July 1993 to June 1994 period

Outlook

The world's consumption of steel in 1994 is forecast by the International Iron and Steel Institute to remain at the same level as that of 1993 Further declines are foreseen in Europe, Japan and the CIS with compensatory growth in China, the Pacific Rim and South America It is expected that prices in dollar terms will hold at close to current levels

The consumption of vanadium is likely to continue at current levels, but prices will remain low The demand for stainless steel will be firm and it appears that prices have bottomed out following an upturn in the nickel price

A major positive factor for the group will be the contribution from the first full year of operation of the aluminium beverage can facility

Early 1993 represented a low point in business conditions for the Highveld group Given political and labour stability in South Africa during 1994, an increase in normal earnings can be expected over those achieved in 1993

General

The Corporation's financial results show an improvement over those for 1992 despite trading conditions for the group's products having remained difficult I thank the managing director, Trevor Jones, his management team and all employees for all their efforts and I am certain they will rise to the challenges of 1994

L Boyd
Witbank

8 February 1994



HIGHVELD STEEL & VANADIUM

Turnaround time

FM 11/2/94



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Shareholders will welcome chairman Leshe Boyd's message that 1993 was the nadir of Hiveld's fortunes, though they have that normally much maligned individual — the Receiver of Revenue — to thank for their higher dividends. Without the R57,9m that came through because of the drop in the tax rate to 40% from 48%, normal earnings would have dipped marginally to R69,3m (1992 R70,8m).

But Boyd has now called the bottom and expects normal earnings to improve this year, with the caveat that politics and labour remain stable. However, Hiveld still appears to be taking a conservative view on finances, as shown by the decision to offer shareholders scrip instead of the 30c final dividend. Amic, which holds 51%, has agreed to take the shares, so at least R13,8m of the R26,5m final payout will remain in Hiveld's coffers. The cash retention could be much higher given the popularity of these scrip dividends with institutional shareholders.

A year ago Boyd was confident Hiveld could fund its R715m commitment to the Columbus stainless steel project without recourse to shareholders, but the capitalisation issue appears to indicate some concern. Says Boyd: "We're just being prudent and we think Hiveld's current high share price offers us a good opportunity to conserve cash. We would not have done this if the share price was lower."

What has given him confidence for 1994 is a combination of better dollar prices for steel exports, with revenue further boosted by the weaker rand, and the strength of local recovery. "The recovery in the SA economy is continuing, it is real and it is meaningful."

Boyd says that by the end of 1993 Hiveld was running at full iron-making capacity for the first time in years. Steel production for 1993 rose to 960 637 t (1992 833 572 t).

The ferro-alloys business has also picked up, with Hiveld's production rising to 213 000 t (1992 164 000 t) though prices remain depressed. Domestic steel demand was boosted by several major capital projects and a buoyant agricultural sector.

"Steel merchants have also been replen-

ishing inventories, Rheem and Columbus operations account for between 8% and 12% each.

The share price, at 1 650c, has retreated from the 12-month high of R20 set early in January but could well appreciate given Boyd's bullish view.

Brendan Ryan



Hiveld's Boyd recovery is continuing

ishing inventories which they ran down during the recession," says Boyd. "This, plus the general improvement in consumer demand, added up to a double-whammy in our favour."

Another plus was the first income from the Rheem aluminium can plant. It started operations in August and has capacity to supply 20% of the local market for beverage cans which is now dominated by steel cans. The plant has moved immediately to its full production rate and Boyd is sizing up prospects for doubling production. He points out a second production line could easily be fitted into the existing building. Developments will depend on market growth and the action of potential competitors.

The trouble spot remains vanadium. The Vantra division — which was closed in June — has been started up again, but Hiveld MD Trevor Jones won't say how long the production run will last. Prices are back to levels last seen in the recession of the Eighties and could worsen once the Rhovan plant starts production later this year.

Jones declines to break down the sectoral contributions to Hiveld's profit and provides only a rough split on turnover contributions. Steel now accounts for more than half of turnover while the Rand Carbide, Trans-

SAMANCOR FM 11/2/94
Benefits from cost cuts

Confronted by bombed-out markets for ferrochrome and good demand but flat prices for manganese alloys, Samancor has delivered better than expected interim results through a rigorous cost-cutting programme and rationalisation of the chrome division.

The figures reflect executive chairman Mike Salamon's belief that markets for Samancor's main products have bottomed. On a 4% increase in turnover to R971,2m (1992 interim R930,9m) pre-tax profit increased by 57% to R101,7m (R63,4m) if the R54m abnormal profit item is stripped out.

The abnormal profit relates to the R79m settlement of a dispute with the Department of Trade & Industry in Samancor's favour, plus a R19m attributable profit on the sale of the Tubatse No 5 furnace partly offset by provisions of R44m. Provisions include a write-off of costs incurred in entering the medium carbon ferro-manganese market, as well as costs resulting from the restructuring of Silicon Smelters. Adding in those abnormal profits boosts taxed income 61% to R155,6m.

Salamon says the chrome division accounted for 46% of interim turnover compared with 41% a year ago. But ferrochrome prices remain under severe pressure despite the 4% increase in world production of stainless steel to 11,6 Mt in 1993, from 11,1 Mt the previous year, and a 6% rise in Western world ferrochrome consumption to 2,6 Mt.

After holding steady at about US42,5c/lb for the last three quarters of 1993, Salamon says, Samancor's prices for first quarter 1994 delivery have dropped by US1c-US1,5c/lb.

Ferrochrome capacity cut

The manganese side has taken off as Samancor has picked up business from ferroalloy plants forced into closure around the world, but prices remain depressed. Demand is such that it cannot be met from the group's Metalloys plant, five of Samancor's 19 ferrochrome furnaces have been switched to production of manganese alloys. Another two have been switched to ferrosilicon production. This has reduced Samancor's overall ferrochrome production capacity to

ABNORMAL IMPROVEMENT

Year to	Dec '92	Dec '93
Turnover (Rm)	1 488,8	1 685,2
Pre-tax income (Rm) ...	74,4	86,1
Attributable income (Rm)*	76,3	150,7
Earnings (c)*	80,1	78,3
Earnings (c)†	80,1	143,8
Dividends (c)	45,0	50,0

* After extraordinary item. † Including abnormal item. • Excluding abnormal item

Final 11/2/94

(1993) (217)

Results for the year ended 31 December 1993

CONSOLIDATED INCOME STATEMENT	1993 R'000	1992 R'000
Turnover	1 685 159	1 488 780
Income before taxation	86 052	74 380
Normal company taxation	14 108	3 595
Income after normal taxation	71 944	70 785
Secondary taxation on companies	2 654	-
Income after secondary taxation	69 290	70 785
Abnormal item - Note 1	57 900*	-
Attributable income	127 190	70 785
Extraordinary item - Note 2	23 511**	5 491
Attributable income after extraordinary item	150 701	76 276
Less Interim dividend no 38 of 20 cents per share (1992 no 36 of 20 cents per share)	17 689	17 686
Provision for dividend no 39 (final of 30 cents per share (1992 no 37 (final) of 25 cents per share)/ capitalisation share issue alternative	26 538	22 111
Retained income for the year	106 474	36 479
Weighted average number of shares in issue during the year	88 446 153	88 400 202
Earnings per share (cents)		
- excluding abnormal item	78,3	80,1
- including abnormal item	143,8	80,1
Dividend per share (cents)	50,0	45,0
Dividend cover		
- excluding abnormal item	1,57	1,78
- including abnormal item	2,88	1,78

* Note 1 The abnormal item arose as a result of the reduction in the company tax rate from 48 per cent to 40 per cent

** Note 2 The extraordinary item arose from the sale of one-sixth share of the Columbus Joint Venture to the Industrial Development Corporation for R120 000 000, resulting in an after tax profit of R23 511 000

ABRIDGED CONSOLIDATED BALANCE SHEET	at 31.12 93	at 31 12 92
Shareholders' equity	1 197 470	1 102 162
Deferred taxation	313 565	347 935
Long-term loans	276 373	-
Capital employed	1 787 408	1 450 097
Fixed assets	1 464 421	1 043 927
Investments	21 841	25 586
Cash and near cash	242 742	309 929
Net current assets	58 404	70 655
Current assets	563 060	535 184
Current liabilities	504 656	464 529
Employment of capital	1 787 408	1 450 097

FINAL DIVIDEND NO. 39 WITH ALTERNATIVE RIGHT OF ELECTION TO RECEIVE CAPITALISATION SHARES

As indicated in the accompanying statement by the Chairman, the Board of directors declared, on 8 February 1994, dividend No 39 of 30 cents per share to shareholders registered in the books of the corporation at the close of business on 25 February 1994 ("the record date") on those shares in respect of which the election referred to in the next paragraph is not made

Subject to the terms which will be published on 21 February 1994, shareholders registered on the record date will be entitled to elect to receive capitalisation shares in Highveld in respect of all or any of the shares held by them at that date as an alternative to such dividend

The dividend will accordingly accrue and be payable only on such shares in respect of which no election to receive capitalisation shares is received by Highveld

The capitalisation shares to be issued will not be registered with the Securities and Exchange Commission, Washington, D C for purposes of the share election or with the Canadian Provincial Securities Commissions and, accordingly, the share election will not be made to, or be open for acceptance by, shareholders with registered addresses in the United States of America, or any of its territories, or in Canada

Basis of share election ratio/price announced Monday, 21 February

Last day to register for dividend (and for changes of address or dividend instructions or to elect to receive capitalisation shares) Friday, 25 February

Registers closed from Saturday, 26 February to (inclusive) Friday, 11 March

Shares ex-dividend and ex-capitalisation share election rights on The Johannesburg Stock Exchange Monday, 28 February

Circular and form of election posted to shareholders Friday, 4 March

Last day to make election (12 00 local time) with no late postal forms being accepted Friday, 25 March

Share certificates and dividend warrants posted Thursday, 21 April

Payment date of dividend Listing of capitalisation shares commences Friday, 22 April

Rate of non resident shareholders' tax 15 per cent

By order of the Board

Highveld Steel and Vanadium Corporation Limited
H Cochius - Company Secretary

Witbank
8 February 1994

Registered office	Transfer Secretaries
Portion 29 of the farm	Consolidated Share Registrars Limited
Schoongezicht No 308 JS	40 Commissioner Street
District Witbank	Johannesburg, 2001
(P O Box 111, Witbank, 1035)	(P O Box 61051, Marshalltown, 2107)



JONSSONS

Natal Parks Board takes over control

St Lucia shores and forests change hands

Star 16/2/94

■ BY ANITA ALLEN
SCIENCE WRITER

Formal control of the much debated Eastern Shores of Lake St Lucia and the Dukuduku and Umfolozi State forests has been passed to the Natal Parks Board (NPB) after many years of negotiation.

The handover of these lands is well timed, following as it does the recommendations of the review panel appointed to advise the Government on mining and ecotourism proposals, according to an NPB statement.

The NPB, at its initial meeting this year, decided to form a liaison committee for the Greater St Lucia Wetland Park. This committee will receive technical and scientific expertise from the

St Lucia Scientific Advisory Committee, which has guided research at St Lucia for 25 years.

The liaison committee will be chaired jointly by NPB chairman Pat Goss and Professor Paul Luthuli. They will be supported by two other NPB members and senior staff. (217)

The NPB has also extended invitations to various groups to assist the new liaison committee. This includes tribal authorities, the Wildlife Society, Campaign for St Lucia, Wilderness Action Group, ZEAL, and the Tourism Association of Natal and KwaZulu

In addition, the NPB is inviting the public in Natal to propose organisations or persons that would be willing to serve on the committee or that possess ex-

pertise which would help achieve the goals of the committee.

"The new committee accords fully with the spirit and intent of the recommendations of Judge Ramon Leon's review panel, and its success will depend upon the firm belief that the park is an asset to our province and the country," the NPB statement said.

■ The Campaign for St Lucia is hosting a congress titled "St Lucia: The Way Forward" on February 19 and 20 at St Lucia. The organisers point out that the St Lucia issue is not yet resolved as the application to mine has not been withdrawn and the Government has not yet acted on the review panel's recommendations. Contact Lylie Musgrave at (031) 304-8935 for further information.



Star 17/12/94

Soweto 'good start'

■ BY JACQUELINE MYBURGH (217)

Almost 25 percent of the residents of Greater Soweto paid for municipal services in the first 12 days of this month, Soweto city manager Howard Veale said.

He told Soweto Crisis Committee this was "a very good start".

He hoped that after visible improvements in township services, payment level would increase from 23,4 percent to 50 percent.

Veale warned of council workers claiming arrears of R35 million, Eskom introducing an "actual service charge", police no longer guarding council installations.

Platinum hits \$400 in six-month high

Own Correspondent

JOHANNESBURG — Platinum held above \$400/oz yesterday — its highest level in more than six months — but industry sources warned that the price was not sustainable, and would offer little relief to the industry's battered earnings

The metal, for which Rustenburg Platinum and Impala Platinum are the world's leading suppliers, fixed at \$400.75 in London yesterday afternoon, a 25c gain on the previous day's close

Though demand from the autocatalyst and industrial sectors had shown signs of firming, market sources said platinum's ascent was being driven by US and Japanese investment funds

Industry analysts said gross oversupply in the market would not justify a platinum price much above the gold price this year, against an average \$20 premium over the last two years

But fears that political turmoil could disrupt the SA industry — which accounts for the bulk of the world supply — could see the metal bounce between \$380 and \$420/oz

The metal had punched through \$400 in London on Tuesday — its highest level since last August — on a combination of the Japanese yen's strengthening against the dollar and concern surrounding the SA political

process April delivery rates hit \$404/oz on the New York Mercantile Exchange yesterday morning

The platinum producers' index tends to lag the metal's movements, but Rusplats and Implats both notched strong gains on the JSE, lifted by overseas interest

Rusplats closed up 125c at R76.25, while Implats moved forward 150c to fix at R57.50

While analysts remain pessimistic, the companies were unable to shed much light on the chances of platinum remaining at current levels

"Like most market movements, we're loathe to read too much into it," Rusplats marketing director Todd Bruce said. But he added that a shortage of platinum sponge, used primarily in the autocatalyst and oil refining industries, had led to firmer prices.

US consumption had risen in tandem with the country's economic recovery, while industrial buyers in Europe and Japan were examining stock levels

The autocatalyst and industrial sectors are thought to account for roughly half world demand, estimated last year to have been around 4.02m ounces

Sluggish metal prices reined in the fortunes of both producers in the six months to December.

FM 18/2/94
the revised capital budget reveals that Implats' finances are still under severe pressure
Implats slashed its capex to R145,9m in the year, to June 1993 from R401,5m in financial 1992, postponing expansion plans and effectively converting some of the funds earmarked for expansion into money used to maintain current output. Chairman Michael McMahon acknowledged (*Leaders* November 5) that such cutbacks could not continue without "eating into the fabric of the company" and forecast 1994's capex would rise to R230m (217)

After R91,6m was spent in the first six months, the estimate for the year has been trimmed back below R200m because of revenue constraints. Those constraints are a result of the continuing slide in rhodium and nickel prices which have more than offset the modest gains in platinum and palladium prices.

That has been cushioned somewhat by the declining rand, so turnover was 6,8% up, but both the platinum group metals (PGM) prices and revenues are below budget.

The rhodium price received dropped to US\$1 072/oz in the six months to December 1993 (previous interim — \$2 365/oz) and will drop further in the current six months because the structure of Implats' contracts means there is a lag of several months before market prices are reflected in revenues.

Platinum sales volumes for the six months rose to 563 000 oz (514 000 oz), though production volumes dropped to 540 000 oz (559 000 oz). That reflected slightly lower current production, while Implats has now wrung out of its refineries the surplus metal previously locked up.

Under current market conditions, cost control is what counts. Here Implats management has really made gains, holding unit costs per kg of PGM produced in matte almost unchanged at R22 203/kg (R22 192/kg). This was achieved by improving productivity through sharp reductions in staff. Implats' record output of 1,1m oz of platinum was achieved in financial 1993 with 40 000 workers, compared with 50 000 in 1989.

Staffing will probably continue to shrink. McMahon points out Implats still employs more workers per ounce of platinum produced than either of its two main competitors Western Platinum/Eastern Platinum and Rustenburg Platinum (Rusplat).

Rusplat does not publish cost figures but Westplat/Eastplat does; their combined cost of PGM and gold produced in matte was R19 990/kg for the year to September. That's believed to be the lowest in the platinum industry. Implats' target is to get on a par with Westplats/Eastplats costs in about 18 months.

According to McMahon, the big change is that, where previously Implats was the most exposed of the three major platinum producers in terms of costs, it no longer is.

McMahon does not expect much to happen to improve PGM prices in the rest of the financial year and is predicting second-half

FOX

FM 18/2/94
earnings are unlikely to match those of the first half. That means lower full-year earnings and McMahon adds he already knows what 80% of the year's total income will be, because of the structure of sales contracts.
That raises the question of whether the final dividend will be maintained. Some analysts believe it will, because of Implats' excellent cost control and most of the plunge in rhodium prices is already reflected in revenues (217)

Even if the payout is maintained, Implats, like Rusplat, looks expensive at current prices and on dividend yields of 2,5% and 2,2% respectively.
Brendan Ryan

IMPALA PLATINUM
FM 18/2/94
Whittling down costs (217)

With Impala Platinum (Implats) shares on a paltry 2,5% dividend yield, it seems the market believes the profit outlook is a lot better than the interim results indicate. The maintained earnings and dividend show times remain tough in the platinum business, and

Westplats listing 'placed on hold'

(217)

OT 20/2/94

Own Correspondent

JOHANNESBURG. — The prospective listing of Lonrho's platinum producer Western Platinum (Westplats) would stay on the shelf until the company's debt was brought down, Lonrho SA chairman Terence Wilkinson said at the weekend.

Market sources believe an announcement on Westplats' listing is imminent, but Wilkinson said several options were on the table for refinancing the business.

These included a private placing of stock to eliminate the debt, which stood at R807,9m at the September year-end.

Lonrho SA was also considering calling on Westplats shareholders, including 27%-stakeholder Gencor, to recapitalise the business.

Wilkinson said Lonrho had not yet considered the timing of a possible listing. But with dividends ruled out until debts were cut to R200m, Lonrho would struggle to sell Westplats to investors.

Eliminating the debt would relieve Westplats of interest charges of around R110m a year, which could cover dividends, Wilkinson added. There was, however, no rush to refinance Westplats.

The borrowings combined with poor platinum prices to reduce Westplats' pretax income 10% to R92m in the year to September on revenues up 10% at R913,7m.

Analysts cautioned that a listing was predicted on recovery in the market. The platinum price rose above \$400/oz to a six-month high last week, but had fallen back by the weekend.

Wilkinson said the timescale for cutting the debt by cashflow, rather than refinancing, hinged on the market's direction.

Westplats' listing 'on shelf'

ANDY DUFFY

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The earnings disguised a strong operating performance. Production jumped more than a quarter to 30 650kg, while working costs dropped 8,2% to R19 807/kg.

Westplats' heavy capital expenditure programme — from which the borrowings mainly stemmed — had fallen to R110,2m (R295m), Wilkinson said.

Analysts cautioned that a listing was predicted on recovery in the market.

The platinum price rose above \$400/oz to a six-month high last week, but had fallen back by the weekend.

The metal price had been driven by fears of political turmoil disrupting SA production, rather than a surge in demand. **(217)**

Wilkinson said the timescale for cutting the debt by cashflow, rather than refinancing, hinged on the market's direction.

Platinum up on back of political worries

Star 2212194

BY NEIL BEHRMANN

London — Worries about the SA political situation and a volatile yen are boosting platinum.

Since SA is the world's largest miner of platinum and Japan the biggest consumer, uncertainty surrounding the two nations combined to push platinum quotes up by around \$20 to \$403 an ounce last week, the highest since last July.

By-product

Palladium, an important by-product of the mines, is trading at \$136 an ounce and is likely to keep bubbling over because Russia, the biggest producer, is in turmoil.

Ironically, platinum began to soar soon after SA producers issued cautionary statements about the strength of the market.

Yet most of the action is on the New York futures market where commodity fund managers have been regularly provided with violent TV footage and Zulu crowd scenes.

"The combination of SA strife and a surging yen is an exciting speculative story, so it is hardly surprising that both price and volume surged," says Andy Smith, London-based analyst at Union Bank of Switzerland.

While dollar platinum prices are rising ahead of the April election, a strong yen keeps the metal cheap for Japanese importers, says Smith.

"About \$20 of the recent platinum price rise is directly the result of fears about SA production," says Jeremy Coombes of Johnson Matthey's precious

metals division

SA annual platinum output is estimated at 3.25 million ounces, about three-quarters of world supplies.

Some funds bought platinum on the unlikely threat that platinum mines would be affected by a secession of Bophuthatswana, where some platinum mines are situated.

Coverage

The rush to platinum actually started when there was US press coverage of the homeland. Some New York dealers believe the homeland could use the mines as a bargaining ploy.

Although Nelson Mandela and leading ANC officials continually stress that they are no longer in favour of nationalisation of mines, dealers rightly fear radicals in the party

prefer at least part-ownership by the new government.

Annual Japanese imports of around 2 million ounces are the highest since the record year of 1991, says Coombes of Johnson Matthey.

The market in Japanese luxury goods is depressed, he says, but sales of inexpensive platinum jewellery are buoyant.

Nevertheless, prolonged strength of the yen would hurt an already depressed Japanese economy and demand for precious metals, say Japanese economists.

On the other hand, if the Federal Reserve Board (US central bank) loosened monetary policy to keep the dollar weak, demand in the US and elsewhere would bolster precious metals.

The signs, however,

point to gradual tightening of US monetary policy and small increases in interest rates.

Adds a Japanese metals dealer "If US commodity funds withdrew, platinum prices would weaken.

"Japanese merchants and importers are certainly not chasing prices and the market there is quiet."

Collapse

Instead, the collapse in US trade negotiations with Japan precipitated Japanese purchases of gold, he says.

While the higher yen lowers the costs of commodity imports, it is crimping exports of cars and other goods, says Stephen Briggs, a director of Metals & Minerals Services, a consultancy based in the UK.

Palabora denuded by low prices

MUNGO SOGGOT

PALABORA Mining Company, SA's largest copper producer, sustained a sharp fall in earnings for the year to December as operating improvements failed to cushion the effect of collapsing prices. Taxed profit before extraordinary items dropped 22% to R148,3m from R190,1m the previous year, equivalent to earnings a share of 523c (700c). A dividend of 600c a share was declared.

The London Metal Exchange (LME) copper price, which is the basis for Palabora's sales, averaged only 90c during 1993, compared with 105c the previous year.

Turnover figures were unavailable, but operating profit fell to R284,2m from R374,4m (217)

An interest payment of R706,000 compared with an interest credit of R16,7m the year before. An 8% drop in the tax rate meant Palabora paid 33% less in tax.

MD Frank Fenwick said the results had been "mainly affected by the copper price".

But he said operating costs had decreased in real terms, and production throughputs had improved in the last quarter, especially in the smelter. In 1993 the smelter produced 11 876 tons compared with 10 541 tons the previous year. 24/2/94

A feasibility study into mining underground was continuing, and Fenwick said the results should be finalised later this year.

HIGHVELD STEEL & VANADIUM

Time for the good news

Em 18/3/94

(217) (232)

Activities: Operates integrated iron and steel works, produces vanadium and manganese alloys as well as ferrosilicon products Manufactures drums, pails and crown closures and cans Has 50% in SA's only stainless steel plant

Control: Amic 52%

Chairman: L Boyd, MD T E Jones

Capital structure: 88,5m ords Market capitalisation R1,77bn

Share market: Price 2 000c Yields 2,5% on dividend, 7,2% on earnings, p e ratio, 13,9, cover, 2,9 12-month high, 2 000c, low, 1 000c Trading volume last quarter, 1m shares

Year to Dec 31	'90	'91	'92	'93
ST debt (Rm)	46	163	126	185
LT debt (Rm)	—	57	—	276
Debt equity ratio	—	—	—	0,02
Shareholders' interest	0,48	0,51	0,54	0,54
Return on cap (%)	10,1	3,5	1,0	2,0
Turnover (Rbn)	1,43	1,38	1,49	1,69
Pre-int profit (Rm)	157	72	20	52
Pre-int margin (%)	10,9	5,2	0,01	3,1
Earnings (c)	208,4	130	80,1	143,8
Dividends (c)	70	70	45	50
Tangible NAV (c)	1 031	1 205	1 246	1 354

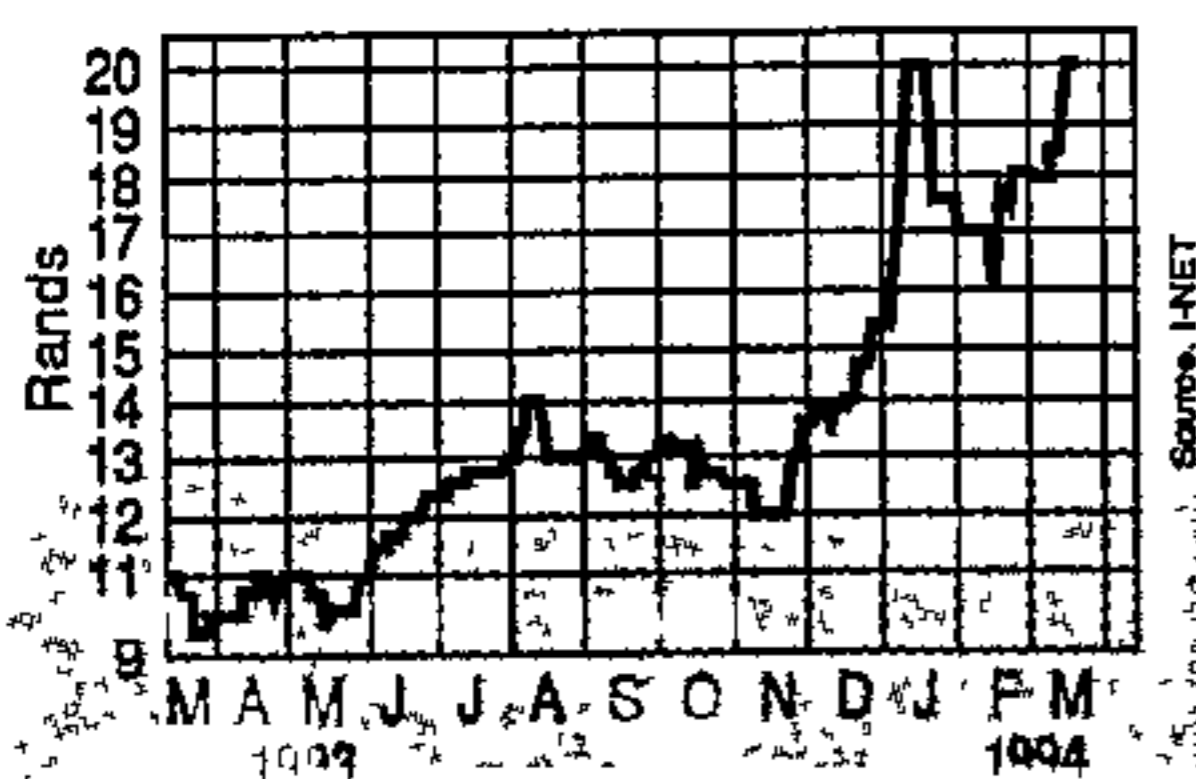
Despite substantially improved bottom line earnings, Highveld's annual report confirms chairman Leslie Boyd's prediction that 1993 would be a tough year

It was The company was rescued from a result which would have made even its hardest shareholders flinch, only by the generosity of the Treasury, itself anxious to prime the economic pump EPS were a handsome 143,8c compared with 1992's 80,1c However, 65,5c were contributed by the reversal of earlier tax provisions and this was brought about by the change in company tax from 48% to 40%

Put another way, despite a 13% increase in turnover, from R1,49bn to R1,69bn, Highveld's net position without the tax rebate would have been marginally worse than for 1992

However, those reviewing annual reports do tend actively to look for items which demonstrate hard times or unusual difficulties That can derogate from the good news In Highveld's case, there is plenty of it

Highveld Steel & Vanadium



Highveld Steel's Boyd .. committed to rapid growth

First, operating income more than doubled to R52m. Compared with 1992, the operating margin went to 3,1% from 1,34% In the context of the large turnover (R1,69bn) that may seem small beer, but it is an important indicator of a relaxation in the severity of competition That, in turn, means demand began to increase with a corresponding reduction in pressure on suppliers

Second, the cash hoard is awesome at year-end it stood at R428m, almost unchanged on 1992 It demonstrates Highveld's ability to fund a large part of its obligation to the Columbus stainless steel project without recourse to other methods. Boyd says expenditure on Columbus was R1,27bn There's about another R2,3bn to go and the cash drain will increase steadily over 1994 Indeed, this is the principal reason for the decision to implement a capitalisation issue in lieu of dividends, it doesn't add up to much but every bit helps

Third, the balance sheet reflects considerable strength, though the appearance for the first time of large long-term borrowings (R276m) may raise eyebrows Nevertheless, these need to be seen against the substantial cash holdings Net borrowing was a modest R33,6m, giving a debt equity ratio of barely 2% However, it is only fair to point out that the demands of the Columbus joint venture this year will certainly impose a severe test on Highveld's balance sheet

Vantra, Highveld's vanadium division and the world's largest vanadium producer (Highveld's origins are in vanadium pentoxide production), had a tough year World consumption is poor, there is overcapacity

and plentiful supply of low-priced product from Russia. Local competitor Rhovan is going ahead with its plant, which will come into production this year, and the development is causing Highveld's management some concern

A significant plus in the year was the commissioning of the Rheem aluminium can plant, which is competing in the beverage can market, up to now dominated by steel cans The plant began producing at its full rated capacity almost immediately, and Boyd certainly believes it is only a matter of time before additional production lines are added

Finally, Boyd says Highveld's ferro-alloys division is showing signs of picking up, sales and demand are rapidly approaching capacity

Highveld is an important constituent in Amic, Anglo American's industrial arm. The group's 1993 results offer clear evidence in all sectors of rising demand and an economy beginning to mend itself Boyd has committed himself to a period of rapid growth and Highveld's pivotal role in Columbus is evidence of that

For all these reasons it is easy to accept Boyd's view that 1993 was Highveld's nadir, and that the future will be a lot better. Highveld is trading at R20, its 12-month high Barely a month ago it was at R16,50 and the move signifies the market's acceptance that Boyd's judgment is probably right

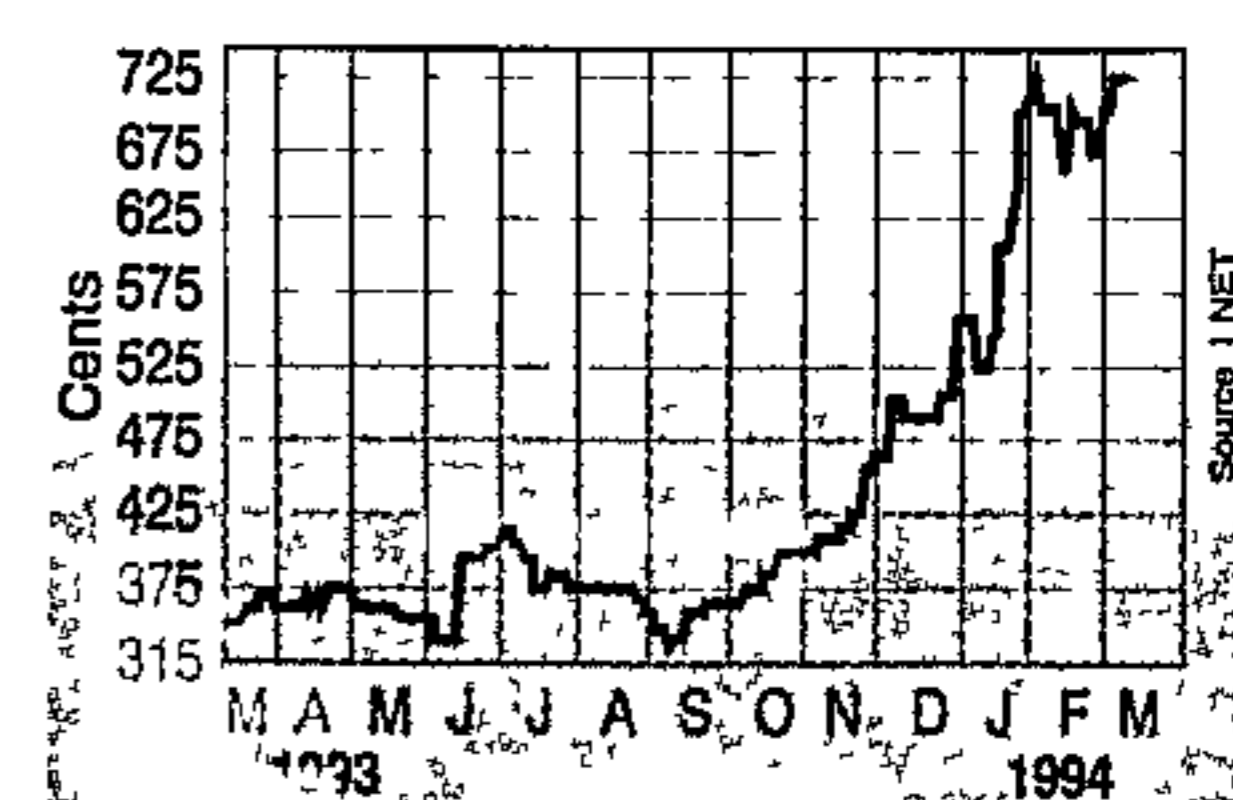
David Gleason

OTIS Em 18/3/94 Back to high returns

Rather like its products, Otis has had its ups and downs over the years, more recently its fortunes have been in the ascendancy and 1993 saw EPS establish a new peak at 75,6c, marking a full recovery from 1990's precipitous slide

The period of the profit collapse and subsequent recovery, and the reasons for both, have provided an interesting insight into a

Otis Elevator



Cost-cutting and higher sales give Assore a fillip

MINING and holding company Associated Ore and Metal Corporation (Assore) more than doubled its after-tax income to R12,3m (R5,4m) for the six months to December.

The company said yesterday its earnings a share, calculated after the transfer to the mining fixed asset reserve of R3,1m, rose to 658c in the period under review, against the 332c a share earned in the corresponding period in 1992.

An interim dividend of 150c — 50c up on the previous year — was declared.

Group chairman Desmond Sacco attributed the significant improvement to increased sales volumes in certain of the group's products and effective cost-cutting measures.

Another reason for the improvement was the favourable rand/dollar exchange rate.

The group also benefited from an increase in the equity-accounted earnings of listed associated company Associated Manganese Mines of SA (Assmang).

Assore holds 45% in Assmang, which is Anglovaal's base metal and manganese producer.

Assmang's results, which were pub-

JOHN DLUDLU

lished on February 18, showed an improvement in earnings, due to lower effective tax rates, despite lower profit.

Dividends received from Assmang, which are included in the net income, remained static at R4m for the six months under review, similar to 1992.

Sacco noted that during the period under review prices for manganese and iron ore and ferromanganese had remained stable, while the prices for ferrochrome had weakened further under pressure from low-priced CIS competition.

In his forecast for the financial year ahead, he said expected trading conditions to remain unchanged.

He expected this scenario to put pressure on the final results. "The results for the second half are therefore unlikely to exceed the results of the first half."

The group, with a market capitalisation of R238m, holds an 83,8% in Zeerust Chrome Mines which last year reported a sharp decline in net income because of sluggish prices.

The stock was trading at R155 on the JSE yesterday.

PANIES

Desolate sands hold a fortune for Namakwa

SI Times (Buss) 20/3/94

PREPARATION for mining of Anglo American's Namakwa Sands project — the north-western Cape's first major industrial development — will start early next month.

Arid land at Brand-se-Baai, north-west of Vredendal, will be cleared for 350m-long conveyor belts and the first sand should be reclaimed in August.

So far, R260-million has been spent and R587,7-million committed to a project expected to cost R1,4-billion by 1999.

Namakwa will produce high titania slag, pig iron, zircon and rutile. Its capacity is expected to be a fifth of the Richards Bay Minerals operation.

With more than 95% of revenue expected to come from exports, Namakwa should earn about R360-million in foreign currency a year.

It will provide 800 jobs, of which a quarter will be skilled.

The region's infrastructure will be upgraded and nearly 400 houses will be built.

Mining and concentration will take place in a 3 600ha area at Brand-se-Baai. Further separation will be done 60km inland.

Zircon (used in ceramics) and rutile (pigments and welding rods) will be railed to Saldanha for export.

A third mineral, ilmenite, will be sent to a new smelter 7km from the Saldanha Bay export terminal. It will be used to make high titania slag, a feedstock for pigments, and pig iron for foundries.

The project will be developed in two phases, starting with the production of mineral concentrates this year

By ZILLA EFRAT

and followed by commissioning of the ilmenite smelter in March next year. Full production from the smelter is expected by 2000.

Namakwa Sands chief executive Neville Keys says 4-million tons of material a year will be mined, rising to 12 million at full tilt. About 16-million tons will be mined in 2007 to counter declining grade.

Namakwa has sand reserves for more than 35 years. It is expected to export 196 000 tons of high titania slag a year, 119 000 of pig iron, 36 000 of rutile and 123 000 of zircon at full output.

Mr Keys says about 50 000 tons of anthracite may be imported each year from Vietnam for smelting once the project is at full capacity.

Vietnamese anthracite is of slightly better quality than SA's and costs no more than it to land at Saldanha Bay.

A R400-million loan, capitalised interest included, was secured from the Industrial Development Corporation for the project. The smelter at Saldanha Bay also benefits from the 37E tax allowances which should provide R180-million.

Namakwa is 80% owned by Anglo and De Beers holds 20%. Both have provided interest-free loans, leaving the door open for Namakwa to work out its equity structure in the future, says Mr Keys.

Mr Keys says that once the project is fully operational, further opportunities for adding value will be examined. They will be in titanium dioxide pigment and milled zircon.

Producing titanium dioxide pigment will involve investment in technology. DuPont, the US company which already buys Anglo American feedstocks, has the best technology of this type. (217)

Mr Keys says finely milled zircon for ceramics fetches good prices. There are, however, several marketing worries in this value-added step, an important one being that Namakwa would compete with its own customers.

The most environmentally sensitive aspect of the project is the mining site at Brand-se-Baai. The cost of rehabilitating one hectare is R15 000. In comparison, the farm land is valued at between R100 and R150 a hectare.

A small mineral-rich coastal dune-field will not be mined for environmental reasons.

A full-time environmental officer, Johan Grobler, has been employed. Mr Grobler says impact studies were done by 17 experts from different agencies. Among the aspects examined were mining's effects on flora and fauna, as well as tourism.

The experts also looked at dust and noise levels and social and regional impacts. The research showed there was no plant or animal life unique to the area.

Top soil containing most of the seeds and other organic material will be removed before mining. It will be stored and redeposited after mining. The area will be rehabilitated by "assisting nature in its own processes".

Mr Grobler aims to rehabilitate the mining area so that it has the same farming potential as before.

Punitive duties hit ferro-silicon exports

Biday 22/3/94

LONDON — Anti-dumping duties on imports of SA ferro-silicon, provisionally imposed by the European Union last September, will now run for five years

This will affect SA exports of ferro-silicon — used in steel making and alloys — worth R10m in 1992 ~~(R10m)~~

Provisional duties were slapped on SA and China — the world's biggest producer at 1-million tons a year — after European Community (EC) investigators found they were unfairly undercutting Europe's producers by 25,2% and 24% respectively

European groups complained in May 1992 and the EC found that their average losses had run at 34% of turnover, putting many out of business. Domestic output of ferro-silicon slumped from 190 000 tons to 102 000 tons between 1989 and 1992

During that time the combined imports from SA and China jumped from 9 000 tons to 31 000 tons, trebling their share of the market to 6%.

This week the EC confirmed the provi-

JOHN CAVILL

sional duties at 49,7% for Chinese imports, 47,4% for Samancor and Siltech, but only 34,7% for Highveld Rand Carbide

It confirmed that the high rate of duty of 47,4% was levied "in order not to reward non-co-operation" by the affected SA producers, and the same applied to China which also refused to co-operate with the investigation (217)

The EC rejected argument that the price competition would benefit steel consumers as ferro-silicon constituted "an average of only 0,2% of the cost of a ton of steel"

It has already penalised producers such as Egypt and Poland and is reviewing imports from the former Soviet Union, Venezuela, Brazil, Norway and elsewhere. Last December the US introduced anti-dumping duties, hitting sales by China and Venezuela.

An alloys analyst at Commodities Re-

□ To Page 2

Anti-dumping

Biday 22/3/94 Page 1

search Unit in London said the European duties would affect only a small proportion of SA's ferro-silicon exports.

"SA's main markets are Japan and the US, and Siltech, which has just come into full capacity production on 55 000 tons, is planning to sell most of its output to the Americans," he said.

SA production is estimated at between 130 000 tons and 140 000 tons with Highveld Rand Carbide accounting for 50 000-55 000 tons and Samancor for 30 000 tons. About 75 000 tons is consumed internally

In Johannesburg, Highveld Rand Carbide said its European exports were "fairly minimal" and the impact of the new duties would be small. (217) ~~(746)~~

Samancor chrome division GM Wilrich Schroeder said, "Since our sales into Europe are negligible, it will have very little effect."

Another industry source said the production of ferro-silicon in Europe was limited and the EU would have to source the material from somewhere else

NAMAKWA SANDS
FM 25/3/94
Well-timed investment

Good news from the R1,4bn Namakwa Sands project is that it is running on schedule and to budget, and there are encouraging signs the markets for some of its products are turning around

The heart of Namakwa Sands is the smelter which will produce high-grade titanium dioxide slag as well as pig iron from the ilmenite to be mined from the heavy mineral sands deposits around Brand se Baai in Namaqualand. The mining operations will also produce rutile and zircon, the zircon market in particular is looking much better than a year ago (217)

Namakwa Sands is held 80% by Anglo American Corp and 20% by De Beers/Centenary. Project director Neville Keys says at full production Namakwa is expected to earn annual turnover of US\$112m in 1992 money, of which slag will contribute 55,6%, pig iron 18,2%, rutile 10,2% and zircon 16%.

The zircon price has recovered from about Aus\$130/t-\$140/t last year to around \$200/t-\$225/t now. Thanks to burgeoning demand from China. In the last three years Chinese imports of zircon have risen from zero to about 130 000 t/year. "We don't know whether this market will continue to improve but we are trying to find out, like everybody else in the business," says Keys.

With mining to start in August, it's a welcome development. Keys also points out the decision by Anglo/De Beers to develop Namakwa has forced some of the competition in Australia to delay their plans.

"I believe the next new heavy mineral sands operation to be set up will be a BHP project in Western Australia and not one of the other deposits being looked at in SA, Mozambique and Tanzania," he says.

"The timing of our announcement was critical, because we got out of the starting blocks ahead of BHP which delayed their plans. We are hoping to bring Namakwa on line at a time of improving commodity prices. That will be a change from the normal pattern of developing a project during boom periods to start production just in time for the next slump," says Keys.

Keys still won't reveal crucial statistics

FM 25/3/94
such as the forecast rate of return on the investment in Namakwa Sands, or the estimated cost of producing a ton of titanium slag. Namakwa will be a higher cost producer than Richards Bay Minerals (RBM), now the world's only producer of high-grade titanium slag (217)

RBM has capacity to produce 1 Mt/year of titanium slag. Namakwa will produce 100 000 t/year from 1995 when the first furnace is in full operation and 200 000 t/year from 1999 when the second furnace kicks in.

Namakwa is using a different smelting technology to RBM, which it developed with Mintek. The success of the new smelter at Saldanha Bay will make or break the project. Keys is confident the new technology will work as expected, though he expects teething problems. It's only after the first smelter has been successfully commissioned in next March that Namakwa Sands can be declared an unqualified success and Anglo/De Beers may consider listing it. *Brendan Ryan*

PALABORA MINING

High-yield play

Activities: Mines and refines copper as well as a number of by-products including vermiculite, magnetite, uranium and zirconia

Control: RTZ 38,9%

Chairman: A J Leroy, MD F Fenwick

Capital structure: 28,3m ords Market capitalisation R1,7bn

Share market: Price 6 125c Yields. 9,8% on dividend, 8,6% on earnings, p e ratio, 11,7, cover, 0,9 12-month high, 7 450c, low, 5 100c Trading volume last quarter, 750 000 shares

Year to Dec 31	'90	'91	'92	'93
Copper prod (000t)	116	118	104	110
Copper sales (000t)	126	129	133	123
Copper sales (Rm)	853	856	831	749
Turnover (Rm)	1 016	991	992	1 098
Net profit (Rm) ...	226	227	190	148
Earnings (c)	805	825	671	525
Dividends (c) .	780	780	700	600

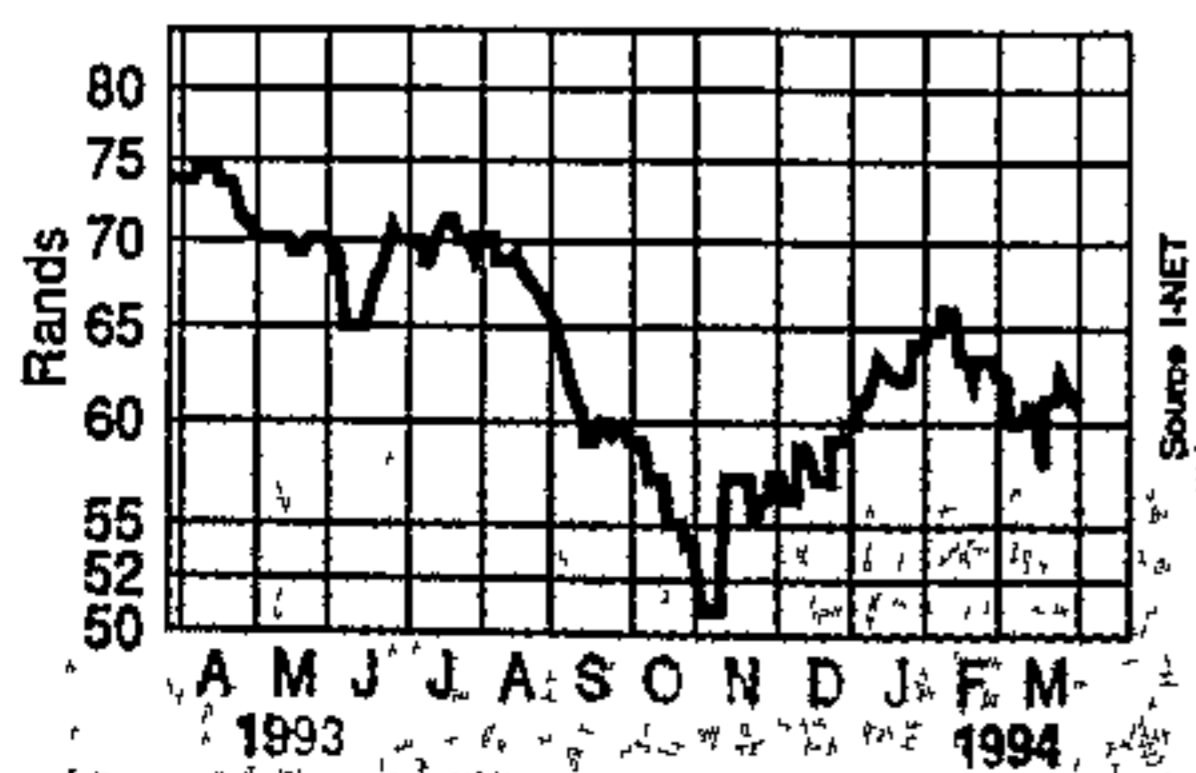
The copper market may be in the doldrums but Palabora Mining (Palamin) shareholders could be forgiven for not noticing as the mine continues to pay out to the hilt. The historical dividend yield is 9,7%.

The reasons are the continuing excellent operating performance at the mine, the favourable borrowings position and the high undistributed profits. These have allowed management to follow a full dividend payout policy and not retain earnings for the proposed underground project which will be a stand-alone venture and will be funded independently of the existing mine.

It implies the dividend party is going to continue until the end of the decade, but then it could well end if Palamin does not extend its life by moving underground when the open pit comes to the end of its economic life. A year ago, there was general optimism that Palamin would go underground, but some analysts are getting increasingly worried that this won't happen. Their fears are easily justified by reading between the lines in the review from chairman Al Leroy and MD Frank Fenwick.

A year ago, Fenwick said the feasibility study — on which R24m was spent during 1993 — would be completed by December

Palabora Mining Company



Palamin's Leroy ... feasibility study well advanced

and a decision would be taken on whether the project was viable. The board then had another six months to look at ways of funding the estimated capital cost of about R2bn before committing themselves.

Fenwick and Leroy now say: "By December 1993, the underground feasibility study was well advanced and will continue into the first half of 1994. A statement on the findings of this study will be made before the 1994 year-end. Underground mining is more expensive than surface mining and while there is no guarantee that the project will be viable, no effort will be spared to make it so."

Fenwick points out the economic life of the open pit has been extended by two years to 2002 by the latest long-range mine planning studies. "This gives me some more breathing space. I don't have to take a decision on the move underground at the moment," he says.

Analysts have turned sceptical on Palamin's underground project because controlling shareholders Anglo American Corp and RTZ both have access to copper deposits elsewhere in the world that are higher in grade and can be brought into production at lower capital cost.

Given its low grades the success of Palamin's present operations is due to the efficient mine management, which has held cost increases to the bare minimum over the life of the mine.

Tight cost control is continuing. Operating costs of R693m in 1993 were 9,5% up on 1992's R634m, but production of copper cathodes was 5,2% up on the previous year, which meant the unit cash cost of R3 424/t was only 1,5% higher in nominal terms and about 8% down in real terms. That wasn't enough to offset the drop in the copper price, with Palamin averaging 90 USc/lb last year compared with 105 USc/lb in 1992. The rand price was R6 497/t, down 10% in real

terms on 1992's equivalent R6 596/t

The welcome increase in cathode production shows management is getting on top of the problems in the smelter that have bedevilled production for the past few years. The average concentrate smelting rate of 941 t/day was 11,5% above the 844 t/day average of 1992, while the final quarter produced exceptional smelting rates with average throughput rising to 1 048 t/day.

Employees were cut by 4% to 3 119 at end-December from 3 245 a year ago through natural attrition, voluntary retrenchment, early retirement and tight control on recruitment. Management has decided to privatise some noncore services and is working towards a seven-day continuous mining operation. That will increase staff again but reduce capital expenditure.

With R290m in reserves, Fenwick says the policy of full dividend payouts is justified. That will make the share attractive to investors wanting high dividend returns over the next few years at least.

Brendan Ryan

St Lucia enters political fray

By RYAN CRESSWELL

St Lucia issue. 10/4/94

THE Campaign for St Lucia has sent letters to 16 political parties asking about their official policy regarding the famous wetland area.

Last year the campaign won a major battle against Richards Bay Minerals when a review panel recommended that a decision on plans to dredge-mine part of the ecosystem be stalled until after a new government was in place.

Now the conservationists are confronting the major political parties on the

Campaign chairman Dr Nolly Zaloumis claimed that as a coalition of over 120 environmental groups, the campaign represented hundreds of thousands of voters (217,000)

"We also have the avowed support of over 300 000 people who have signed the largest petition ever mounted in this country. Voters have a right to know where the parties stand on the most important environmental issue in South Africa," he said.

Palamin still studying underground mining plan

COPPER producer Palabora Mining (Palamin), which is controlled by Rio Tinto Zimbabwe, still had to determine whether it was financially viable to go ahead with the R2bn plan to start underground mining, MD Frank Fenwick said on Friday

He said the technical analysis of the viability plan of starting an underground operation for the open-pit mine had been completed

Fenwick said as far as he was concerned, no deadlines had been missed "The study is still on track. We just don't know whether we have an underground project or not. This will be determined by the outcome of the study and shareholders' response"

The mine was doing a financial appraisal of the plan and hoped to complete the study before the end of the year. The plan would then be

JOHN DLUDLU

presented to the board of directors for approval (217)

This comes in the wake of analysts' concerns that the underground project would not go ahead

Although Fenwick refused to speculate on the outcome of the study, he expressed confidence that shareholders would back the project if it showed potential of yielding good returns. Apart from RTZ, which holds a 38,9% stake in Palamin, another major shareholder is Anglo American Corporation with 19,1%

Fenwick believed the mine's history of a stable workforce, combined with healthy reserves of about R300m, would enhance the company's ability to attract foreign investors. "Foreign participation will also be determined by general stability in the country," he said

It was hoped that the underground operation would be funded independently of the existing operation

Fenwick said he was happy that the mine, with R1,7bn market capitalisation, had had its economic life extended by a further two years to 2002. "This will give us enough time to consider our decision of going underground carefully"

Regarding fears that Anglo and RTZ would concentrate on high grade copper deposit areas elsewhere in the world, he said "I think investors' support will be the result of debt-equity ratio and potential for returns"

Despite its low grades, the mine, which has R28,3m ordinary shares in issue, has scored some operational successes as a result of efficient management. Its healthy borrowings situation and substantial reserves have allowed management to continue with a full dividend payout policy

Polifin 'will not threaten' Sentrachem

PETROCHEMICALS group Sentrachem was confident it could extract conditions from rival producers Sasol and AECI to ensure that their joint venture plastics company Polifin would not damage Sentrachem's operations, the company said at the weekend (218)

The Competition Board's approval of the Polifin tie-up hinged on making sure that it would not threaten Sentrachem's performance in the plastics sector

"Discussions with AECI and Sasol are still in progress. It is a complex issue, but there are no stumbling blocks," a Sentrachem spokesman

MUNGO SOGGOT

said

Competition Board chairman Pierre Brooks said the formation of Polifin could have given rise to "restrictive practices"

Sentrachem had been concerned about Polifin, and the board had stipulated that the joint venture would have to honour the claims by plastics manufacturer Safripol — a joint venture between Sentrachem and Hoechst — "to an objectively justifiable portion of Polifin's monomer feedstocks"

The Safripol plant at Sasolburg is

totally dependent on Sasol — the only producer of ethylene in SA — for its ethylene.

Brooks said it was up to Sasol, AECI, Sentrachem and Hoechst to agree on what constituted "an objectively justifiable portion". However, if the parties were unable to come to an agreement, then Sentrachem and Hoechst would be able to approach the Competition Board

Brooks said the feedstocks would have to be supplied to Sentrachem and Hoechst "on a non-discriminatory basis". Polifin was not to give preference to companies with which it was vertically integrated

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Bright quarter for base metals

BARRY SERGEANT

GOLD FIELDS' base metal division yesterday reported its "best quarter for at least the past two years", said executive director John Hopwood

Unveiling results for the March quarter, Hopwood said base metal prices appeared to have moved contrary to fundamentals, but there had been a change in sentiment

In rand terms, copper had increased 14,3% quarter on quarter, lead had risen 17,9%, tin 13,8%, zinc 3,1%, and silver 17,0%

Hopwood singled out Black Mountain as the "star performer". The copper, lead, zinc and silver producer posted a R14,5m taxed profit (R5,7m) for the quarter

Copper producer O'okiep posted a R3,4m profit (R8m loss). Hopwood said O'okiep had experienced concentrate supply problems, and there had recently been a broad increase in demand for concentrates.

Hopwood said Gold Fields Namibia, a copper, lead and silver producer, remained a "problem child". It had also had problems with concentrate supply, and posted a R5m loss (R13m loss) for the quarter Hopwood said it was likely GF Namibia would post profits for the June quarter.

Zincorp posted a R9,7m profit (R7,4m), despite a planned maintenance shutdown. Zinc had shown the weakest price increase in the period Gold Fields Coal reported a 68,7% increase in profits to R6,7m, but Hopwood said the outlook for prices was mixed

Gold Fields shines despite problems

BARRY SERGEANT

THE broad improvement reported by Gold Fields' gold division for the March quarter was achieved despite labour and mechanical problems, the mining house said yesterday.

The division reported an 18,1% increase in pre-tax profit to R628,4m for the March quarter, against R530,2m in the December quarter.

But Driefontein, Kloof and Doornfontein were struck by a combination of labour and production disruptions.

Mining operations in the No 6 Tertiary Shaft area at West Driefontein were affected by a fire which started in January. The fire had been contained, Gold Fields executive director Alan Munro said.

Kloof division, which consists of the Kloof, Leeudoorn and Libanon operations, experienced some turmoil behind its overall taxed profit of R192,3m for the March quarter.

Repairs to Kloof's No 3 sub-vertical shaft, stemming from last October's infrastructure collapse, were progressing, and production had restarted down to 33 level.

Munro said the need for Kloof to draw on surface reserves was "being eliminated" Kloof experienced illegal stayaways during March which hit underground production, but surface reserves shielded the figures from the four-day stoppage.

Libanon, which reported working losses of R2,6m for the March quarter, experienced mechanical and labour hitches. Operations in the No 4 sub-vertical shaft were knocked by the failure of the rock winder drum shaft in January

The problem was solved after "an encouraging degree of co-operation in the mining industry" Libanon also experienced "certain confrontations between certain employee groupings". Munro said both problems had been resolved.

Libanon was expected to post a profit in the June quarter, "provided all other factors remain stable".

Doornfontein had welcomed last month's decision of the Labour Appeal Court in which an order to reinstate certain employees dismissed in December 1991 was overturned.

The court instead awarded the employees R6m, which would be costed by Doornfontein in the second quarter of 1994. Doornfontein had reported R13,2m in taxed profit in the first nine months of its current financial year, Munro said.

"Doornfontein is out of the woods, with a possible life of months, perhaps years," he said, and had the "prospect of building itself a longer-term future".

GOLD FIELDS March Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
East Driefontein	720	11,6	8 352	196,9	16 975	41 739	—	—	—
December	715	10,5	7 506	196,7	18 742	39 536	—	—	—
West Driefontein	660	11,4	7 492	234,1	20 624	42 357	228 813*	164 317*	80,6*
December	710	10,7	7 629	221,4	20 607	39 735	194 385*	107 168*	52,5*
Kloof	540	13,8	7 449	286,1	20 741	42 341	192 303*	129 299*	93,3
December	540	13,9	7 528	289,5	20 770	39 962	174 077	101 166	73,0
Leeudoorn	330	7,3	2 416	217,1	29 652	42 426	—	—	—
December	315	7,0	2 214	234,5	33 366	40 058	—	—	—
Libanon	386	5,7	2 183	247,3	43 722	42 535	—	—	—
December	465	5,8	2 685	209,3	36 239	39 907	—	—	—
Deelkraal	372	5,9	2 206	198,7	33 503	42 279	15 667	9 259	9,3
December	367	6,0	2 203	192,2	32 031	39 854	14 904	7 135	7,2
Doornfontein	301	2,9	884,4	111,4	32 922	42 460	4 274	5 201	13,0
December	328	2,9	949,4	106,3	36 707	40 182	4 331	8 333	20,8

* Driefontein/Kloof as a whole

Rhodium price bucks trend and remains low

B/Day 14/14/94

(217)

BARRY SERGEANT

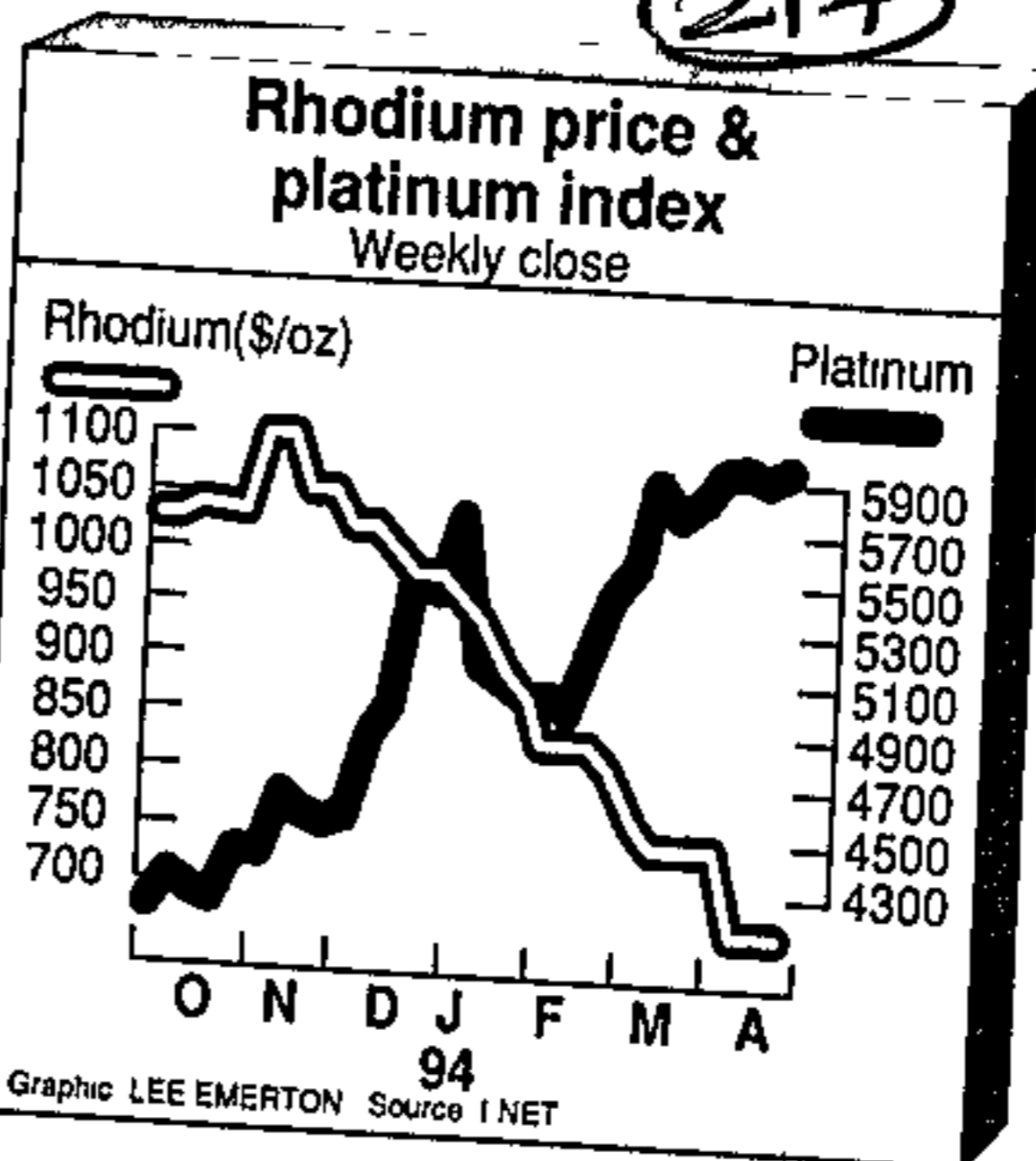
THE rhodium price was continuing to buck the upward trend of most metals, and was likely to remain a drag on platinum producers' earnings this year, market sources said yesterday.

The metal was languishing at \$650-\$725/oz in London yesterday — against \$7 500 in 1990 — and industry sources said it could take another two years for the metal to its accepted long-term trend price of \$1 200-\$1 400/oz.

The lacklustre performance was expected to feed through to 1994 earnings for Rustenberg Platinum, Impala Platinum and the Lonrho-owned Western Platinum. The rhodium price is heavily dependent on new automobile sales, particularly in industrialised countries with exhaust emission-control laws.

Sources differ on whether the rhodium price will consolidate at current levels, or whether it will drift lower. Industry information on rhodium stocks is sensitive, but there appears to be consensus rhodium stocks remain in surplus. The rhodium market is very thinly traded, and is quoted primarily by Johnson Matthey and Ayrtons, both in London.

A Johnson Matthey spokesman said



that rhodium did not attract speculative money because of its thin market, and its absence from futures markets. Many market participants said the recent upward drift in metal prices had been driven more by market sentiment than fundamentals.

Some 85% of rhodium demand is from the autocatalyst sector, and optimism has returned to the market given recent encouraging US auto sales.

But sources said it was not clear whether European and Japanese auto sales would see recovery this year.

Productivity slump hits top two Anglo mines

ANGLO American, unveiling its results for the March quarter yesterday, said it had experienced various problems at Vaal Reefs, Western Deep Levels and Freegold.

The quarter was characterised by revenues lifting an average 5%, but this was more than offset by a 7% cost increase MD Nap Meyer said productivity problems had hit Freegold and Vaal Reefs, the group's two biggest mines. As a result distributable profit for the group as a whole fell 4% to R263,5m.

Freegold's distributable profit fell 9,3% to R114,6m and Vaal Reefs' 8,4% to R65,9m, while Western Deeps' increased 12,1% to R47,5m, Elandsrands' fell 1,7% to R20m, and Ergo's lifted 27,5% to R15,6m

Gold and uranium division chairman Clem Sunter said all the mines' forward sales commitments were restructured during the quarter

In common with most gold mines, a number of Anglo American mines had benefited from an overall lower

BARRY SERGEANT

tax charge for the quarter, after the lifting of lease imposts.

Freegold's production for the quarter was 10,2% lower at 25 272kg (28 147kg), reflecting a 3,8% decline in tons milled and a 6,7% decline in the average yield to 4,33g/t (4,64g/t). Meyer said average quarterly production is expected to improve in the financial year to March 31 1995.

Meyer said gold production for the 1994-1995 financial year was now anticipated to be lower than that for the 1993-1994 financial year.

Freegold declared a final dividend of 200c for the year to March 1994. This makes a total distribution for the year of 390c, up 59,2% on the previous year's total of 245c.

Vaal Reefs' gold production fell 6,8% to 17 928kg, reflecting lower tons milled and a lower yield. Capital expenditure on the Moab project (Vaal Reefs No 11 shaft) was maintained at R34,6m

Regional GM Dick Fisher said the sinking of Vaal Reefs' No 11 main shaft was resumed during the quarter following the completion of the 1 200 level pump station. In the South Lease area, gold production fell 12% to 9 364kg (217) (217)

Western Deeps posted an 11,8% increase in distributable profits for the quarter. (247)

Elandsrand increased gold production slightly to 4 280kg. It posted the smallest increase in costs for the period of just 0,4%. It continued to move towards a fully taxed situation, with tax provision up from R2,9m in the previous quarter to R15,3m. It had milled an average of 178 000 tons a month during the quarter, and continued to drive towards the 200 000 tons a month "magic" level.

Ergo, the surface operation on the East Rand, treated 11,7-million tons of material during the quarter. Its gold production increased 13% to 3 677kg. After a 4% rise in the gold price received, pre-tax profits increased 73,8% to R33,3m

ANGLO AMERICAN March Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Freegold	5 833	4,33	25 272	156	38 050	42 431	179 332	117 700	99
December	6 066	4,64	28 147	150	32 341	40 177	167 674	127 003	107
Vaal Reefs	2 806	6,39	17 928	186	29 118	40 971	141 246	65 891	345
December	2 951	6,52	19 239	176	27 010	39 342	217 502	71 909	376
Western Deeps	1 617	6,27	10 138	179	28 549	41 206	110 261	47 400	171
December	1 688	6,64	11 210	183	27 486	39 728	118 929	42 340	153
Elandsrand	543	7,88	4 280	201	25 531	41 010	53 749	19 968	21
December	548	7,78	4 264	198	25 440	39 674	60 914	21 594	23
Ergo.....	11 693	0,31	3 677	—	—	41 076	25 762	15 580	30
December	11 583	0,28	3 255	—	—	39 517	17 185	12 225	24

Productivity slump hits top two Anglo mines

BARRY SERGEANT

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December	11 583	0,28	3 255	—	—	39 517	17 185	12 225	24

Platinum firms on SA jitters

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ZURICH — Precious metals ended firmer in lacklustre trading yesterday with investors largely sidelined because of the May Day holiday in London

had won a sufficient number of seats to ensure stable government

These fears were behind platinum's firmer close, \$6 up from Friday at \$401,50 an ounce, they said

Others said, however, that a two-thirds majority for the ANC would give it a free hand in shaping the country's

future, which would be interpreted as negative in the metals market

Gold followed platinum and ended at \$376,65 from a previous \$376,15 and in New York at \$376,45

Silver closed at 533c from 529c and palladium ended at \$139,75 from \$136,75 — Sapa-Reuter

Dealers were unsure how to interpret early South African election results with some questioning whether the ANC

COMPANIES

Gencor aims to settle dispute with Bafokeng

Biday 315194

BARRY SERGEANT

GENCOR's Impala Platinum was prepared to negotiate royalty payments with the Bafokeng tribe rather than resort to court action, chairman Mike McMahon said yesterday.

This development follows the return of Bafokeng leader Chief Edward Molotlegi from self-imposed exile in Botswana last week to square up for a R360m dispute with the administrators of the collapsed Bophuthatswana homeland.

He will also be seeking higher royalty payments from Impala Platinum and other mining and commercial operators on the tribe's property.

Molotlegi had previously claimed a percentage of turnover.

"If he is now requesting 20% of turnover, such a request is clearly out of the question," McMahon said.

"Impala's competitive situation must be taken into account. Royalty payments cannot prejudice other stakeholders. We believe the royalty agreements are fair and were conducted in good faith."

The Bafokeng tribe's legal representative, James Sutherland, says the

negotiations with Impala are "totally confidential"

He hoped a settlement would be reached before a court case to determine the validity of the appointment of George Mangope, erstwhile premier Lucas Mangope's brother, as Bafokeng acting chief.

The case is set down for August 1 for two months.

Last week George Mangope had agreed to step down.

Sutherland says the Bafokeng tribe also has a dispute with Impala Platinum — but the details are entirely confidential. "It is hoped the Impala dispute is resolved before August 1, as the validity or otherwise of contracts signed by George Mangope related almost entirely to contracts signed by Impala Platinum."

Impala does not agree that if Mangope's position is invalidated, it follows that agreements he signed are invalidated.

"This would have to be proven in court. If Molotlegi challenges these agreements, the company would

meet the challenge. But Impala is prepared to discuss with him any aspects of the agreements he finds problematic, rather than resort to action through the courts."

Due to sustained recent squeezes in platinum group metal prices, Impala's contribution to the trust fund has contracted from R74,6m in 1989 to R6,8m in 1992, but recovered to R12,0m in 1993.

Sutherland says an audit, which could take up to 18 months, will disclose many figures for the first time. It is claimed, for example, that the Bafokeng have never received formal notice of royalties paid.

He says it is estimated that about 95% of the R360m in the trust fund "belongs to the Bafokeng. Of that, Impala is estimated to have contributed about 80%."

Sutherland says due to total non-disclosure of the fund accounts, it is impossible to estimate the account's split between capital and interest.

Impala pays royalties of 14,94% of proportionate taxable income on the current lease and has negotiated with Acting Chief George Mangope to pay 16% on the Deeps.

Platinum mines lift production

31 May 315/94
BARRY SERGEANT

SA PLATINUM supply rose 383 000oz or 13.8% last year, far less than initial estimates indicated, new figures from precious metals marketer Degussa show.

Frankfurt-based Degussa said SA mine production increased from 2,781-million ounces in 1992 to 3,164-million ounces in 1993. Previous estimates by London-based marketer Johnson Mathey had put the rise at 28%, or 500-million ounces. (217)

The company said western world mine production increased to a new record of 3.4-million ounces in 1993, with SA mines producing 93% of primary world production. Gold Fields' new project Northam sold its first new platinum supplies early in 1993. PP Rust, the new JCI operation, brought its Platreef project on stream in May.

Degussa said the rise in SA production last year was achieved mainly due to a lack of major strikes and smelters and refineries operating without major disruptions.

The new SA capacity — totalling 321 510 oz a year — had not fully affected output figures. Northam was still contending with start-up troubles, while PP Rust did not reach full capacity until October.

The Platreef project is open-cast mined, with lower production costs than the Merensky Reef and UG2 reef. Degussa says this holds true despite a lower platinum content and a less favourable ratio of platinum to palladium.

VOGELSTRAISBULT

FM 6/5/94
Banking on base metals

(217) (217)
 Vogelstruisbult's (Vogels) share price has doubled this year; that keeps it neatly in line with markets for most base metals which,

COMPANIES

FM
Activities: Investment and share dealing company with holdings in base metal and platinum mines

Control: Gold Fields 49%, New Wits 21%

Chairman: A J Wright

Capital structure: 18,4 ords Market capitalisation R129m

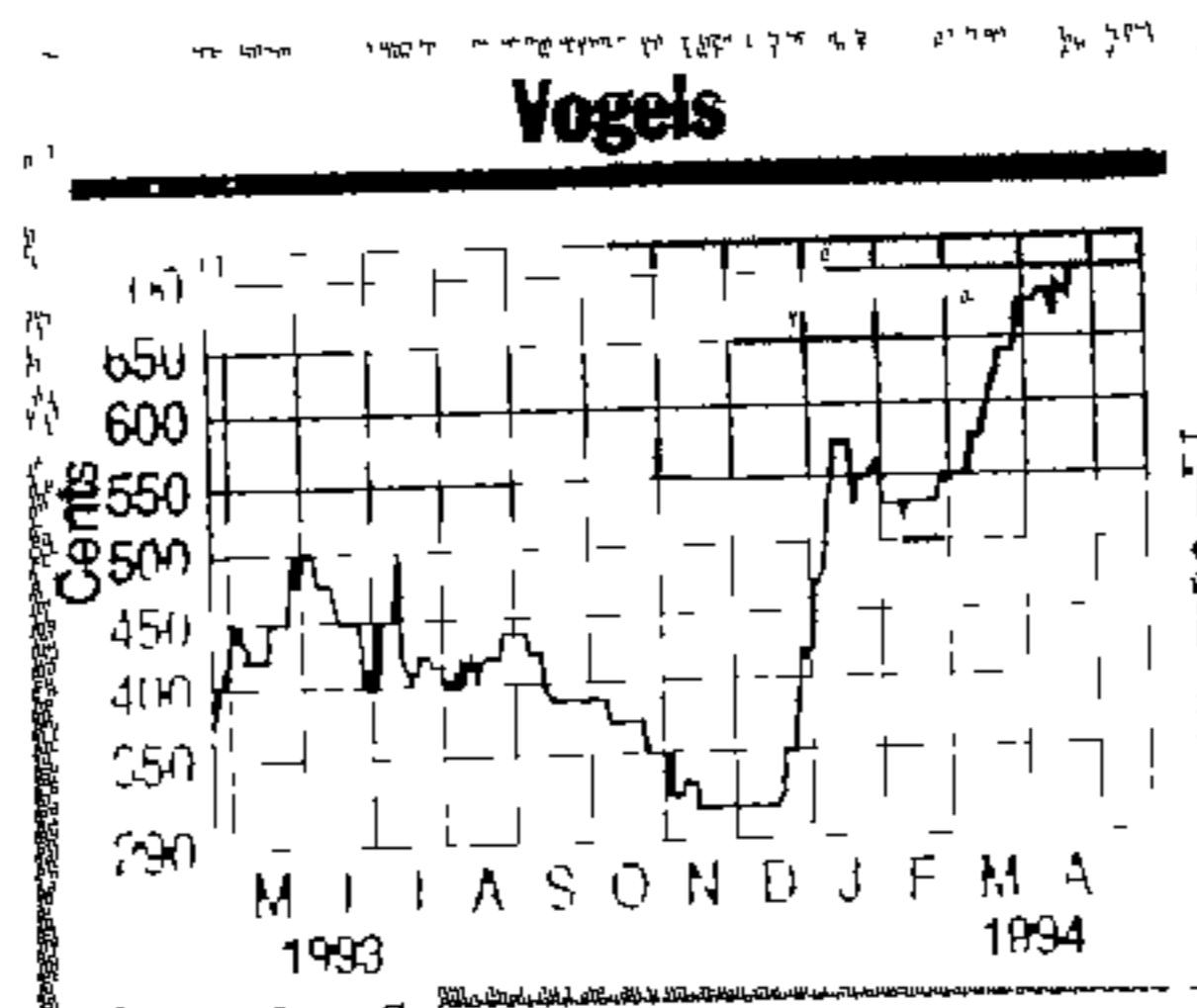
Share market: Price 700c Yields 5,0% on dividend, 7,9% on earnings, p e ratio, 12,7, cover, 1,6 12-month high, 700c, low, 310c

Trading volume last quarter, 206 000 shares

Year to Dec 31	'90	'91	'92	'93
Investments				
Listed (Rm)	48,8	59,0	44,1	47,2
Unlisted (Rm)	133,7	134,7	131,2	130,4
Taxed profit (Rm)	15,6	11,9	6,7	10,0
Earnings (c)	85	65	36	55
Dividends (c)	60	60	35	35
Tangible NAV (c)	1 030	1 066	976	1 006

after four years of false dawns, have at long last turned around.

Vogels has wide exposure to the various base metal companies controlled by parent mining house Gold Fields, and it stands to benefit handsomely as nearly all these producers returned to profitability in the first calendar quarter



After an extended time in the doldrums, the turnaround took many by surprise coming, as it does, hard on the heels of the doom and gloom picture Gold Fields painted in January when it released quarterly and financial year results for its base metal producers O'okiep lost R21,2m in the year to December, GF Namib lost R11,2m and Black Mountain R10,4m over the same period

Latest figures show all are back in the black except Gold Fields Namibia (GF Namib) which continues to be plagued by production problems Zincor, which runs SA's only zinc refinery and has remained profitable throughout the worst of the recession in base metal prices, increased its profits to R9,7m in the March quarter from R7,4m in the December quarter

The copper price rose to R6 400/t in the March quarter (December — R5 600/t) while the lead price moved to R1 650/t (R1 400/t) Increases in dollar prices are compounded by the renewed weakness of the rand which has fallen to around R3,65/\$1

Vogels holds 14% of Gold Fields Coal, 30% of O'okiep Copper and 38% of Zincor along with 1% of New Wits, 1% of Northam Platinum and 1% of Black Mountain

The Zincor stake is dominant, accounting

6/5/94 (217) (217)

for about 50% of Vogels' NAV and 67% of taxed profits Greatest potential for additional income this year to Vogels is from O'okiep should copper prices remain high enough to keep the mine in the black. There are some worries about this because copper is seen by some analysts as the most vulnerable of the base metals and Vogels chairman Alan Wright remains cautious about conditions in all the base metal markets

An embarrassment for Vogels is the amount (R24m in its books) it has ploughed into Northam Platinum on which it so far shows a large capital loss The chances of getting any returns on its investment are rather doubtful It is a definite weakness in Vogel's portfolio

Wright says that while the outlook for the year looks more promising he cannot make any specific predictions on earnings The share is at a 12-month high of 700c where it looks fully-priced, though it could appreciate if base metal prices continue to firm

Brendan Ryan

COMPANIES

Low costs 'may ensure Rhovan makes a profit'

Biday
MUNGO SOGGOT

LOW operating costs could help new vanadium plant Rhombus Vanadium (Rhovan), due to be recommissioned later this month, make a profit — but it would still be hit by depressed market conditions, sources said yesterday. *17/5/94*

Analysts said there was little chance of an upturn in the oversupplied vanadium market and "Rhovan will just add to that surplus".

The market had been hit by a slowdown in the global steel manufacturing industry — the main user of vanadium — so only a worldwide construction boom would breathe life into it, they said.

Estimates of Rhovan's cost of production ranged from \$1,26/lb to \$1,30/lb of vanadium pentoxide, compared with the market price of \$1,40/lb. *(217)*

Meanwhile, an analyst said the cautionary announcement issued last week by Rhombus Exploration (Rhoex), which has a major stake in Rhovan, probably related to the sale of some of its old assets.

Rhoex CE Rob Still refused to comment on Rhovan's future and would not confirm the estimates of its operating costs.

One source said it was possible that Iscor or Highveld Steel & Vanadium, SA's leading vanadium producer, would be interested in buying or securing a stake in Rhovan, although both denied this.

Highveld Steel & Vanadium chairman Leslie Boyd said the Amic company was not interested in Rhovan. He said Rhovan was a "bad business proposition," as there was no shortage of vanadium. "It is a waste of shareholders' money," he said.

Price will rise on back of higher demand

Platinum tipped to trade at \$400

Star 17/5/94

BY NEIL BEHRMANN

London — Platinum will average over \$400 an ounce this year because world demand is likely to rise sharply, forecasts Johnson Matthey

The precious metals refiner and agent for Rustenburg Platinum believes the range will be \$380 to \$430, even though violence has abated in SA.

The metal traded at \$398 yesterday, a premium of \$17 over gold.

Johnson Matthey estimates that supplies exceeded demand by 340 000 ounces in 1993, the biggest surplus in five years.

Yet the price averaged \$374, mainly because gold was firm and the market was jittery about SA, the world's largest producer.

Worries

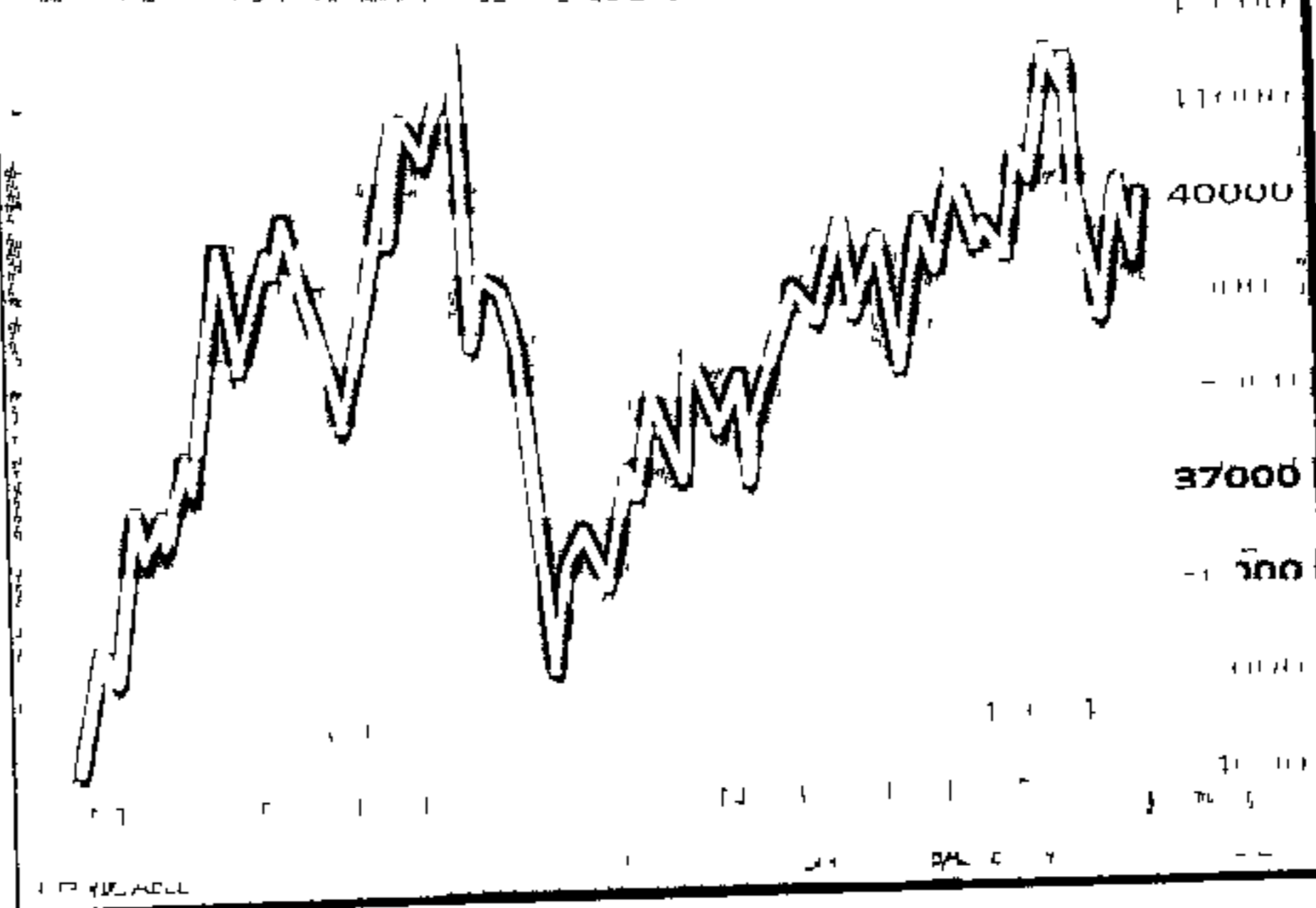
Despite market worries, SA platinum output soared by 610 000 ounces to a record 3,36 million ounces last year, estimates Johnson Matthey

Significant increases in SA supplies are now unlikely for the next two years, it says, and output might even decline if Northam is forced to close

So far, the mine, owned by GFSA, has failed to realise the potential grade of its ore

Supplies from Russia, the second-largest producer, fell to 680 000 ounces in 1993 from 750 000 ounces in 1992.

PLATINUM PRICE



Platinum is a by-product of nickel at Siberian mines where nickel output is well down.

Mainly because of SA, total world supply rose to 4,38 million ounces in 1993 from 3,82 million ounces the year before

Platinum is stronger than gold because it is backed by solid industrial demand, notably for anti-pollution auto catalysts.

Worldwide demand for auto-catalyst platinum rose to a record 1,7 million ounces in 1993 from 1,55 million in 1992 and is continuing to rise.

Demand from the motor industry rose sharply in the US and Europe

Tighter anti-pollution restrictions and rising North American vehicle production boosted orders on both continents

Recovery in Europe and Japan and more expansion in the US should boost demand further, says Johnson Matthey.

Despite a deflationary recession, platinum jewellery demand was buoyant in Japan, with the surging yen lowering prices for Japanese buyers

Sales of luxury goods are depressed in Japan, but consumers are still prepared to buy inexpensive quality items of platinum jewellery.

Japanese demand, which rose to 1,96 million ounces in 1993 from 1,87 million ounces in 1992, continued to surge in the first quarter of this year, says Jeremy Coombes, general manager, marketing, of Johnson Matthey

Imports jumped 27 percent over the same period last year to 556 000 ounces.

Platinum price set for \$400 range

217

CT 17/8/94

LONDON — The price of platinum is expected to average \$400/oz during 1994 — up 7% on 1993 — in spite of a 17-fold jump from 20 000oz to 340 000oz in the surplus of supply over demand last year, according to Johnson Matthey, refiners, fabricators and marketing agents for the precious metal

Presenting Johnson Matthey's (JM) "Platinum 1994" survey here yesterday, market research director Mike Steel said "We expect a price range of \$380 to \$430/oz for 1994 — assuming no unrest in SA or disruption in Russia — to give an average of \$400, compared with \$374 last year

"There is support for platinum at \$380-390 and the range of the first three months has been \$378-418 for an average of \$395"

Backing the JM outlook for this year Steel cited rising demand for platinum in autocatalysts, continuing strength in platinum jewellery sales,

especially in Japan, renewed investment buying, up 20% and a recovery in industrial usage

He pointed out that Japanese imports of platinum rose 27% in the first quarter of 1994 even though domestic car sales were 4% down

Total world offtake last year was 4,04m oz, up 6.3% and equal to the previous peak of 1991

The 340 000oz surplus — bringing the cumulative total for the past four years to 510 000oz — was entirely caused by expansion of SA output

A 22% leap in SA mine output to a record 3,36m oz lifted global supplies by 15% to 4,38m oz

JM, however, pointed out that SA's expansion was levelling off and other supplies were down

● Nymex platinum ended higher last night in sympathy with sharp gains in silver Active July platinum finished \$2,60 higher at \$405,50 an ounce.

Own Correspondent

DURBAN — Settlement of the rival land claims at St Lucia has been delayed yet again because of a legal technicality that hinges on who is responsible for deciding the issue

It now appears that Land Affairs Minister Derek Hanekom and Mineral and Energy Affairs Minister Pk Botha will be asked to appoint a new body to resolve claims by the Mbuyazi and Mkhwanazi clans, who were evicted

Legal hitch delays ruling on land claims

from the eastern shores of the lake between the 1950s and 1970s to make way for forestry plantations

Former Mining Minister George Bartlett announced shortly before the election that a decision could not be made on Richards Bay Minerals' application to mine St Lucia until rival claims were settled by the Commission for Land Allo-

cation (CLA).

St Lucia review panel chairman Judge Ramon Leon — who recommended that St Lucia should not be mined — also asked the CLA to investigate the matter.

However, CLA secretary Jan Barnard said yesterday that the St Lucia claims fell outside the mandate of the commis-

sion, which is empowered to deal with claims arising from forced removals under apartheid.

The CLA had asked former Land Affairs Minister Tobie Meyer (now Deputy Land Minister) to place the St Lucia claims within the commission's mandate — but Meyer had "elected not to do so" (S) (217)

Barnard said the matter had now been referred to the offices of Hanekom and Botha. Neither Minister was available for comment yesterday.

Platinum deal is struck

8/15/94
216/94
JOHN DLUDLU

ANGLO American, Impala Platinum and East Daggafontein had struck a deal by which platinum valued at \$24m could be extracted from an East Daggafontein slimes dam, the companies said yesterday. (217)

Under the terms of the deal, 1 000 tons of material would be removed from the East Geduld dam — owned by East Daggafontein subsidiary Dumpco — and pro-

cessed by Implats.

The companies said estimates suggested about 60 000oz of platinum could be extracted. Profits would be split between them.

The companies said gold-bearing material would also be extracted from the dam. Profits would be split between Anglo's Ergo and Dumpco.

Bullish rhodium market adds shine to platinum

MICHAEL URQUHART

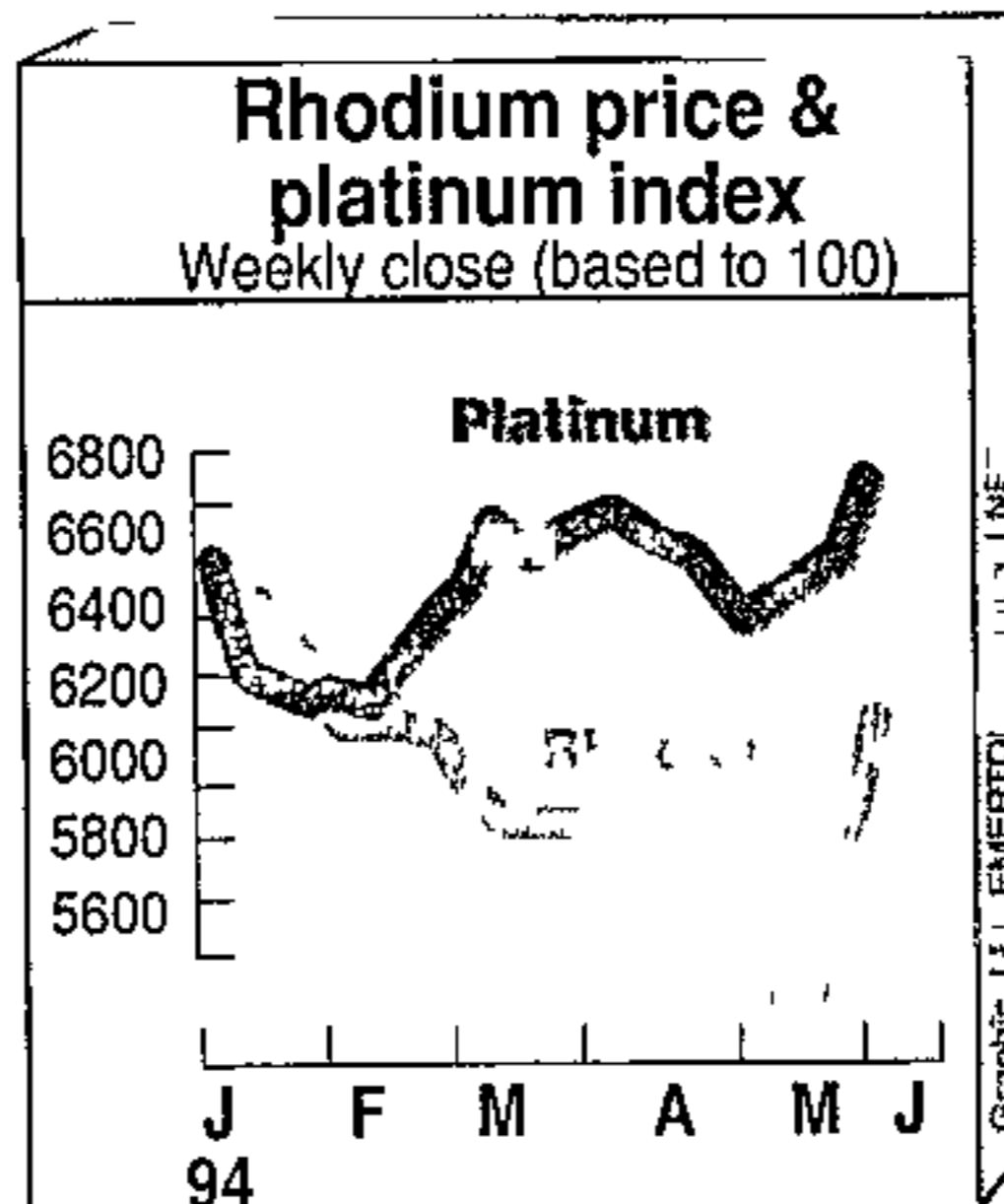
THE platinum producers' index hit a 12-month high on Friday as the market reacted strongly to the sharp increase in the rhodium price over the past few weeks

Rhodium was trading at a peak of \$875 on Friday, up from its May low of \$585

The bullish rhodium market has seen major platinum shares hit 12-month highs, with market leader Rusplat ending trading on Friday 100c up at R91.50. Implats ended trading 150c higher at R76, and Leplat was 10c up at R3.80

Companies most likely to be affected by the improved prices are Lonhro-owned Western Platinum and Impala Platinum, which get their platinum from the high rhodium content UG2 reef, and to a lesser extent Rustenberg Platinum

Analysts said rhodium prices were being influenced by buying from US hedging and commodity funds, as



well as demand from the car market. Robin Washer of Ed Hern Rudolph said the rhodium price should be seen against the backdrop of a long fall since 1991. During 1990/'91, under the threat of new car catalyst legislation in western Europe, panic buying by car manufacturers pushed the rhodium price above \$7 000/oz.

Since then the world recession and falling car sales had led to a dramat-

ic fall in the demand for rhodium.

But with the turnaround in the world economy and increasing car sales, car manufacturers' stocks were falling fast and, said Washer, the rhodium market "could take off".

He said rhodium could break the \$1 000/oz barrier this year and "due to the volatility of the market this could be a conservative estimate".

Washer also pointed out that the rhodium surplus, which had been 50 000oz in 1992, had fallen to 15 000oz in 1993, and if this trend continued there could be a shortage in the rhodium market in 1994. (217)

"There could be a speculative element to the price increases, but with the underlying demand this speculation could be justified".

Other brokers were also positive about rhodium, and the general feeling was that the price should rise above \$1 000/oz.

But there were some fears that the increase could not be sustained. Some brokers felt the demand was mainly speculative, and there was no fundamental reason for the price rise.

Rhodium price gives industry the jitters

Star 7/16/94

■ BY DEREK TOMMEY

The platinum mining industry is nonplussed by the rise in the price of rhodium, says Derek Engelbrecht, who heads Impala Platinum Mine's worldwide marketing operation.

In the past two weeks, rhodium, which is used in autocatalysts, has soared \$270 to \$860 an ounce.

Engelbrecht said yesterday the industry welcomed the higher price, but was nervous about it.

He said the rise was not backed up by any major fundamental change in demand.

He believed the price had been driven up as a result of buying by US funds and he did not think the metal had gone to safe hands.

There was a chance, therefore, that the price could drop as quickly as it had risen.

The price has been extremely erratic. In the 1980s, before the world recession, it traded at \$1 200. In the early 1990s, a shortage created a panic and buyers bid up the price to \$7 000.

217

Exhausts

But the recession and a 30 000 ounce annual increase in 1992 in Impala rhodium production depressed the price. Worldwide annual demand for rhodium is about 450 000 ounces.

Rhodium is used in conjunction with platinum to remove nitrous oxide (NOX) from car exhausts.

The improvement in the world economy is expected to buoy car sales.

Because of this and a tightening of exhaust gas regulations in the US and Europe, demand for rhodium and the other platinum group metals should rise strongly.

Rhodium amounts on average to about 10 percent of a mine's output of platinum group metals.

However, Impala produces slightly more than 10 percent and Western Platinum an even more.

But at Rustenburg, the world's largest platinum producer, the rhodium proportion is below the average.

Samancor buys 4% of France's UGINE

Star 8 Feb 1994

■ BY DEREK TOMMEY

Samancor, the world's major ferrochrome producer, and a 33 percent shareholder in Columbus, the giant stainless steel venture, is securing its relationship with UGINE SA, one of the world's major stainless steel fabricators, with a \$45 million (R163 million) investment in the French company.

Mike Salamon, executive chairman of Samancor, said yesterday that his company was acquiring a 4 percent stake in UGINE SA, in which the French government has a 96 percent stake

However, UGINE SA is completing a public offer of shares, which will substantially reduce the French government's stake

As the shares to be bought by Samancor come from "reserved" capital, the public share offering will make no difference to its percentage holding

Offshore

The \$45 million will be raised offshore in the form of loans

The transaction has the approval of the Reserve Bank.

The deal with UGINE SA will secure valuable long-term markets for Samancor's fer-

rochrome and Columbus's stainless steel

Columbus, will generate huge foreign exchange earnings when it starts production in 1996.

But before it can do this, it has to find markets for its huge output

UGINE SA has agreed to buy from July this year ferrochrome from Samancor and, from January 1996, stainless steel from Columbus

When both agreements are operational they are expected to generate revenue of around \$100 million (R500 million) a year at today's prices for the two companies.

(217) (852)

COMPANIES

Iscor plans R1bn titanium project

By DON ROBERTSON

ISCOR plans to develop a titanium slag-mining project and a 200 000-ton-a-year smelter near Richards Bay which could cost as much as R1-billion over six or seven years

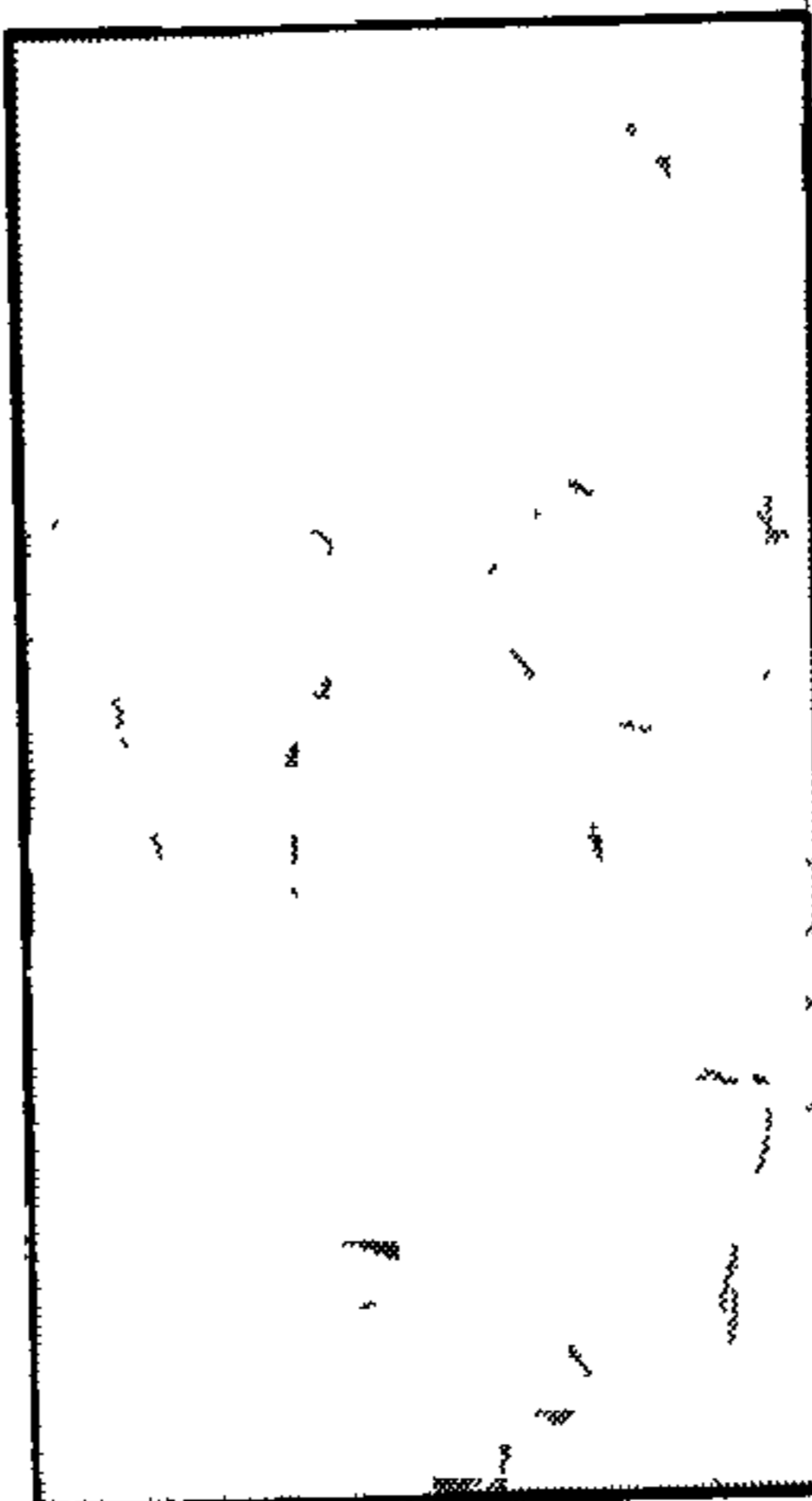
The titanium deposits, in KwaZulu-Natal and Transkei, were bought this week from Shell SA and Rhombus Exploration (Rhoex) for R30-million

The KwaZulu-Natal titanium deposits are inland and mining them is not expected to harm the environment. They stretch within a radius of 10km to 30km from Richards Bay, from Hillendale to Fairbridge. The Transkei deposit is at Wavecrest, near the Kei mouth. The reserves near Richards Bay have a life of about 20 years at the planned rate of recovery. Iscor also has titanium reserves near Phalaborwa.

The acquisition of these mineral rights gives Iscor most of the remaining titanium reserves in SA with low radio-activity — a major consideration in producing chlorinated titanium slag.

A R20-million, two-year feasibility study has begun, emphasis being on technology for the smelter. It will be at least five years before the smelter is commissioned.

Executive director, mining, Ben Alberts, says "We are one of the few SA organisations with the technical know-how, infrastructure and ability



BEN ALBERTS

to develop the smelting technology. We have conducted successful smelting trials with the material.

"We have done our own research and are confident we can develop the technology without resorting to a licensing agreement with an overseas partner."

It is planned to mine the easily recoverable sand deposits in the Richards Bay area for about 10 years. Only then will the Transkei deposits be con-

sidered. Titanium mined at Phalaborwa could require a second smelter.

The world has only a few producers of titanium slag. About 75% of it is used in paint (217)

Shell has handed the results of its extensive titanium market research to Iscor. The main marketer of titanium slag is Quebec Iron Company in Canada (218)

Iscor intends finding its own customers, as will Anglo American for Namaqua Sands output.

The main buyers are Dupont, SCM, Kronos Group, Kemira and Tioxide. The current price of chlorinated titanium slag is \$320 a ton.

The titanium project fits in with Iscor's new policy of developing more of its mines.

Iscor will start drilling next month at a 700-million-ton coking-coal deposit in Queensland, Australia. South Africa's coking-coal reserves are dwindling and about half of the Australian operation's annual output of 1.5-million tons will be for Iscor's use.

Iscor is also expanding Safore, a shipping venture with Safmarine. A 170 000-ton vessel is nearing completion in Romania and will join Safore's growing fleet. Subject to negotiation, Safore vessels could carry coal from Australia.

Iscor has invested R35-million in a depot in Qingdao port, China, which began receiving iron ore from Sishen in April. Ore exports to China are expected to increase to about 5-million tons this year.

Future seen for uranium

MICHAEL URQUHART

GOLD mines which produce uranium are unlikely to stop producing it despite prices languishing at a 13-year low, says Nuclear Fuels Corporation GM Charles Scorer. *8/20/94*

Three SA mines — Anglo American's Vaal Reefs, Anglovaal's Hartebeesfontein and JCI's Western Areas — produced uranium as a by-product of their gold operations. Other SA operations had moved out of uranium production.

Even at current market prices of \$9.20 to \$9.35/lb SA uranium producers were competitive, said Scorer. They were among the *216/94* lowest-cost producers in the western world, he said.

Scorer said the uranium market was nearing the bottom of a 15-year downward trend, as stocks built up in the 1970s were slowly depleted. *(217)*

Since 1989, demand had exceeded new production, he said, which had led to a gradual inventory draw-down. New western world production might be needed by 1997.

ISCOR

FM 24/6/94

Backing new mining ventures

(217)

IsCOR's venture into titanium mining and smelting is aimed primarily at capturing a slice of the lucrative export market, rather than securing a feedstock closer to its major works. The acquisition, effective July 1, of full rights to two mineral sand resources from Shell SA and Rhoex for R30m, will probably lead to the construction of a mine and smelter worth R500m-R700m at Richards Bay.

The announcement that, subject to the usual conditions, IsCOR will be buying Natal Mineral Sands and the Wavecrest site in the Transkei is a further step in its stated long-term strategy of concentrating on growth in its mining division, rather than steel. It shows similar thinking to that behind the recent foray into coking-coal mining in Moranbah, Australia, whereby IsCOR will use about half the 3Mt/year production for its steel mills and export the rest.

IsCOR mining chief Ben Alberts says with the new strategic path, growth in steel will be curtailed, with the possible exception of a stainless steel plant. "For some time we have been trying to find reserves of iron ore closer to our works. We get high-grade deposits from Sishen, but that's not really close to anywhere."

IsCOR has magnetite titanium reserves at Phalaborwa. The new sites, though, are closer to its operations and the port at Richards Bay.

"We were negotiating with Shell about a different matter when we found they owned titanium rights. After investigations, we decided it was time to look at titanium seriously," Alberts says.

Natal Mineral Sands is owned 60:40 by Shell and Rhoex. Rhoex — which recently, rather bitterly, announced it was moving out of mining exploration in SA and has been transferred from the exploration to mining holding board on the JSE — held the rights to the Transkei site. It will receive R12,2m.

The deal was probably precipitated by Gencor's bid for Billiton, which holds Shell's international mining rights. Rhoex, which has been trying to develop the sites since 1988, did not have enough capital for the projects and brought Shell in as a partner. It was agreed Shell would pay most of the costs of the design phase of Natal Mineral Sands, but this was shelved when Gencor began bidding for Billiton.

Rhoex, which pulled out of exploration because of what CE Rob Still said was lack of risk capital from risk-averse financial institutions, was clearly disappointed to have to sell. Last month it said that, while it had faith in both projects, and in IsCOR's ability to commercialise them, Rhoex lacked resources

to participate effectively in their development. IsCOR believes it can develop the sites and, towards the end of the decade, could export 200 000 t/year of titanium slag.

"The important part now is to develop the



IsCOR's Alberts can't ignore the opportunities

smelting technology. IsCOR has expertise, and preliminary work has been relatively successful. We have set a time for developing the technology of two to three years — if we have not perfected the smelting process by then, we might look for partners," Alberts says.

Market research shows increasing demand for titanium slag for the production of pigment for paint and paper making from Japan, Dupont in Canada and parts of Europe, Alberts adds. "To produce titanium slag, we will have to build a smelter, probably at Richards Bay. If we go ahead, the smelter will probably be commissioned towards the end of the century."

By that time IsCOR would be exporting about 200 000 t of titanium slag and about 3Mt of coking coal, worth about US\$141m for the coal and US\$64m for the slag at today's prices.

Mike Wuth, partner at broking firm Rice Rinaldi Turner, considers the Natal Mineral Sands project positive for IsCOR. The price is about in line with his estimates. "An important advantage of the site is that, because the dunes are inland and already covered with crops, you are not disturbing any pristine dune forests." He says demand for the more environmentally friendly chlorinatable slag, which will be produced, fetches a premium and is growing. Demand tends to grow with international GDP.

Development could be costly. Rhoex estimated that research into smelting technology at Natal Mineral Sands would cost more than R15m, and the rest of the project about R400m, in 1992 money.

IsCOR has spent R5m for exploration rights at Moranbah, and when drilling begins expects to spend roughly R6m a year. Alberts says a final capital estimate for the mine will be made once drilling begins. "The estimate can vary but could be about R600m-R800m," he says.

IsCOR also spent about R35m to secure a dedicated iron ore storage facility in the Qingdao Port complex in China.

These investments have been made when IsCOR CE Hans Smith wants to slash debt. Announcing a 72% increase in interim EPS, which supported the strong resurgence in IsCOR's share price, Smith said he planned to have debt down to R1bn by the end of 1994 from R2bn last June.

Alberts says that remains the debt target. "I have to negotiate these investments with Hans Smith. We will get debt down, but we can't ignore opportunities — we have to look constantly at growth."

Financial benefits from the Australian and local titanium acquisitions will probably not materialise much before the end of the century. But they could have a more immediate effect on the share price, which has run from 61c at the end of 1992 to 349c earlier this week. When annual results were reviewed last October the price was 119c, yielding 4,2% on dividend with a p/e ratio of 7,8; That's now 0,9% and 17,5.

Feasibility studies should reveal more details of the potential of both deals. A report on the Australian mine should be out by the end of the year, and on the titanium projects towards the middle of next year. Both developments show IsCOR actively seeking new areas of growth, instead of confining itself to the steel industry and therefore being largely at the whim of international and domestic prices.

Shaun Harris

LIBERTY LIFE

Raising foreign capital

Liberty Life's Donald Gordon has shown a knack for timing in raising capital, at home and abroad. Reasons for raising capital are often vague — Gordon once told the *FM* that running one of the best-capitalised insurers in the world made him sleep better at night — but such moves invariably take place when support is likely to be strongest and Liberty can get take advantage of its highly rated paper.

In 1991 Liberty pioneered an international issue of 12m new shares, at US\$11,95 a share. That raised US\$143m, used mainly to expand and support offshore operations through UK-listed subsidiary TransAtlantic

Opportunities missed by CMI — analysts

BIDAY 30/6/94

MICK COLLINS

UNLIKE competitor Samancor, ferrochrome producer Consolidated Metallurgical Industries (CMI) had not taken advantage of the "new corridors" available to SA suppliers on world markets, analysts said yesterday.

Competition from producers in the former Eastern Bloc and China appeared to be costing the company dearly in traditional markets such as the US and France, they said. But they said CMI Japanese contracts looked intact.

CMI chopped production to 50% of capacity last year in the face of cut-price competition and put in a sustained cost-cutting exercise which held operating losses to a minimum. It also stepped up debt control.

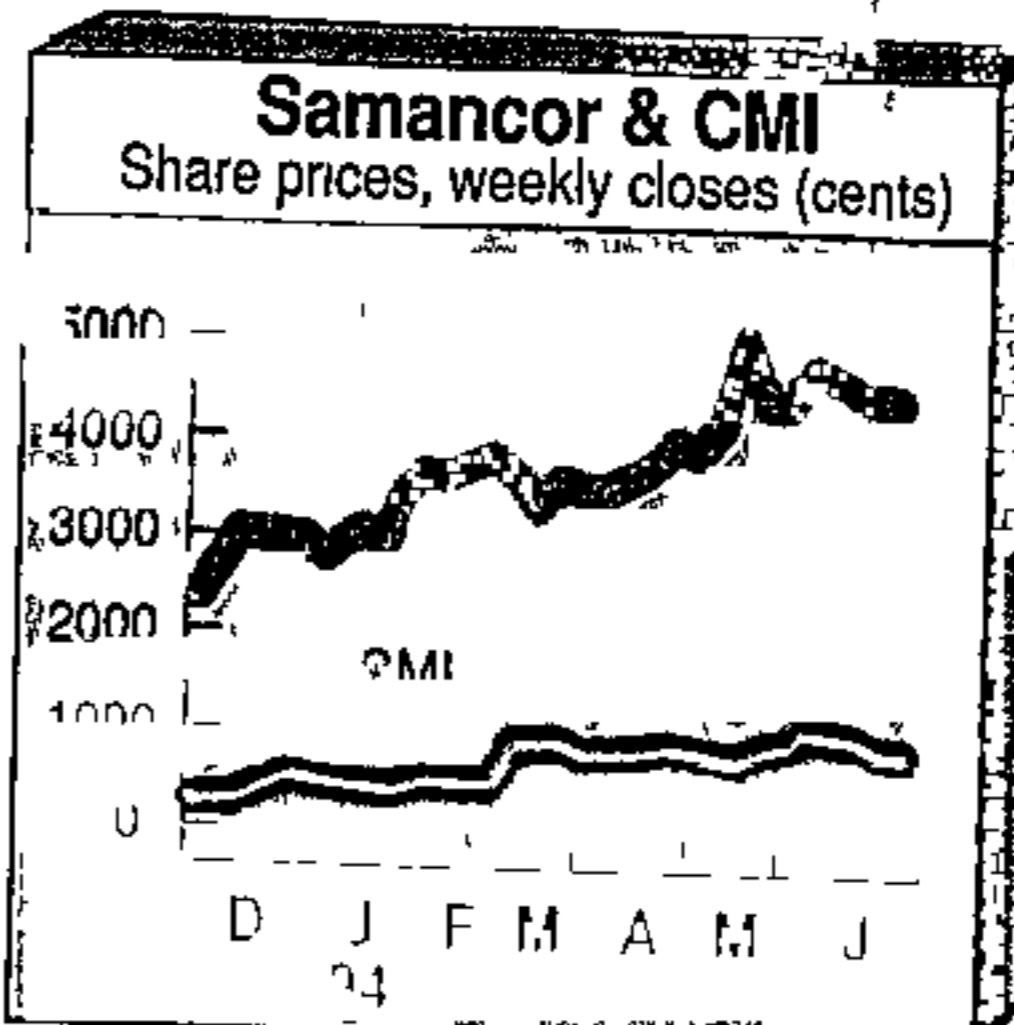
But Samancor, which recently signed a deal with French stainless steel producer Ugine to secure a dedicated 10-year agreement on ferrochrome exports, appeared to be going from strength to strength with international ties the "name of the game", an analyst said. The company also had a partnership with French ferro-manganese producer SFPO and an-

other with Nippon Denko in NST Ferrochrome.

The difference between the two was that Samancor had a much wider exposure — for instance in ferro manganese Samancor, with its surplus capacity for ferrochrome, was able to switch its furnaces to other ferro alloys. "Technically I see no reason why CMI couldn't do the same," an analyst said.

But CMI CE Sandy Wood said the company had always been interested in international deals. "We are talking to people but nothing has been established as yet."

Additional offtake would undoubtedly help the company and with CMI's large debt an investment such as an overseas deal with an interested party would help. But the need for dedicated offshore deals was diminishing as the market was turning with a greater demand for ferrochrome. He said CMI would not be saddled with large overseas commitments once the market recovered.



(217) (252)
"If you look at markets around the world the requirement for ferrochrome is increasing and we have the capability to get some of that business."

Wood said CMI had examined the option of switching furnaces to other ferro alloys carefully but decided the danger of contamination did not make the risk worthwhile.

Northam awaits new technical assessment

MICHAEL URQUHART

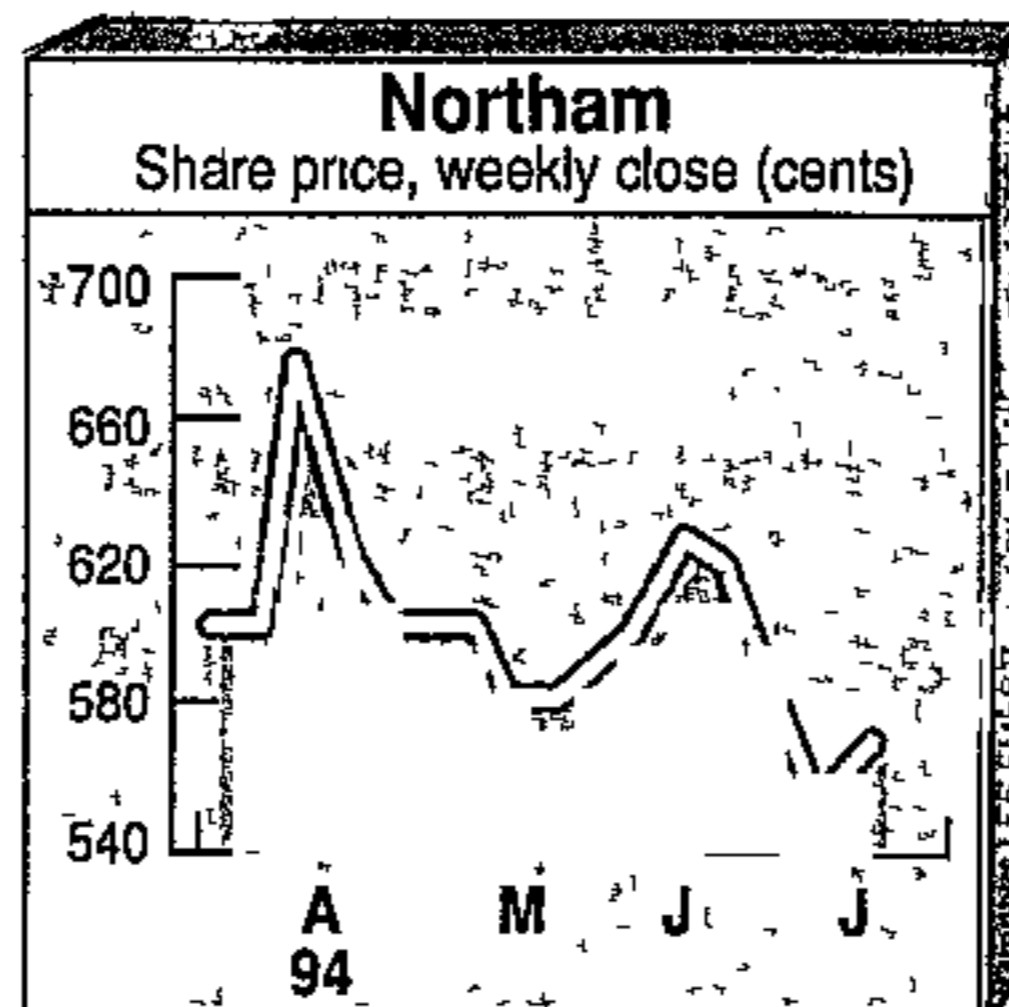
GOLD Fields of SA was unlikely to pull the plug on its troubled platinum operation Northam, but would instead bankroll the scheme until its new technical assessment was complete, sources said yesterday

Gold Fields executive director John Hopwood said yesterday that the issue of financing the mine would not be addressed until the in-house assessment was completed

Analysts said the mine would run out of money before the month-end and Gold Fields would have to provide bridging finance until further finance could be arranged

The mine raised a R220m bank loan last year to fund operating losses and capital expenditure

Technical problems have prevented the mine from achieving expected production targets and grades, leading to losses estimated at R10 000 a month. The mine has also been hit by labour unrest



The full extent of the damage to the mine's finances should be revealed in August when it unveils results for the 12 months to June

One analyst said Gold Fields could develop more of the reef to expose more face, but might keep encountering the same problems

Ore dilution due to secondary potholing meant expected grades were not being achieved, even though the grades were available

The technical assessment is expected to concentrate on the mine's geology to determine whether secondary potholing was limited. If so, said the analyst, Gold Fields might halt stopping operations until they hit the improved reef

Despite the problems encountered, analysts said Gold Fields could continue to operate the mine due to the costs involved in its closure

One analyst said the grades necessary for profitability were in the ground and production and low tonnage problems could be solved. He believed it was only a matter of time before the production problems were sorted out

Another analyst said the only way to improve grade and bring the mine to profitability would be to get out of the problem ground. He said the technical assessment would show Gold Fields if this was possible

He described the Northam shares, which were trading at R5,50 yesterday, as the classic scenario of high risk versus high return

Autocatalyst effects on platinum outlined

PLATINUM's growth phase in the autocatalyst industry was expected to end in 2000 when demand would come only from the developing world, the Minerals Bureau said in a report on the prospects of the platinum group of metals in SA.

After this growth phase, said the bureau, would come the "mature phase" lasting until 2010, when new technology would have been introduced into the transport industry. EMISSION control legislation in the developed world then would have become too severe for the internal combustion engine to meet.

The market was expected to become saturated after 2010, and a decline in the intensity of use of platinum would begin when new transport technology became prevalent.

But platinum consumption in the autocatalyst industry was expected to continue growing at an average annual rate of 5% a year to the year 2000, when the rate of growth would begin to slow as the industry reached maturity.

The bureau said this would occur assuming cheaper, more effective substitutes for platinum were not found for autocatalysts.

Current local production capacity of 2,1-million autocatalytic units would be sufficient to supply both domestic and export markets.

SA's producers — Johnson Matthey and Algorax — could cope with a forecast dom-

MADDEN COLE

estic demand for more than 200 000 new passenger cars by 1995 and could export the surplus of 1,9-million autocatalytic units. Biday 8/7/94

The bureau said SA held only a small market share by world standards but there were good prospects for expansion in this growing market. (217)

SA should look to supplying autocatalysts to Southeast Asia and Latin America, it said, where some countries already had legislation for emission control.

The bureau said South Korea, Brazil and Mexico, with growing vehicle markets, should be targeted.

The decline in use of platinum in petroleum refining had been reversed and was expected to rise with the expected market for unleaded petrol as emission control legislation came into effect in many parts of the world.

As refineries converted plants for unleaded petrol in Southeast Asia, Latin America and SA, there would be a surge in demand for platinum, but the bureau expected demand in this industry would decline as the last conversion projects reached completion.

Use of the metal in the industry would then resume its average 4,4% annual decline as the refinery requirements were met in the next one to two years.

Benefit from metal prices

MADDEN COLE

GOLD Fields base metal operations turned in a mixed performance for the June quarter as benefits from better metal prices were offset by higher costs.

Coal and base metals division executive director John Hopwood said yesterday the copper dollar price strengthened further and was about 15% higher than the previous quarter. *BDO*

The weaker rand/dollar exchange rate meant there was an improvement in all metal prices in rand terms, quarter on quarter. *12/17/94*

Black Mountain staged a strong recovery from its weak position six months ago and was back in a tax-paying position in spite of shaft and plant shutdowns for maintenance, Hopwood said. The mine reported an after tax profit of R11,9m (R14,5m). *(217)*

Gold Fields Coal was helped by higher prices and a lower tax rate with demand remaining firm.

Sales were little changed at R45m. The drop in tax to R2,4m (R4,9m) more than offset the transitional levy of R983 000, giving an after tax profit of R9,9m (R6,6m).

Platinum surge leaves gold even further behind

MICHAEL URQUHART

THE premium between platinum and gold prices had been widening steadily over the past few weeks as the white metal surged on the back of the world economic recovery, analysts said.

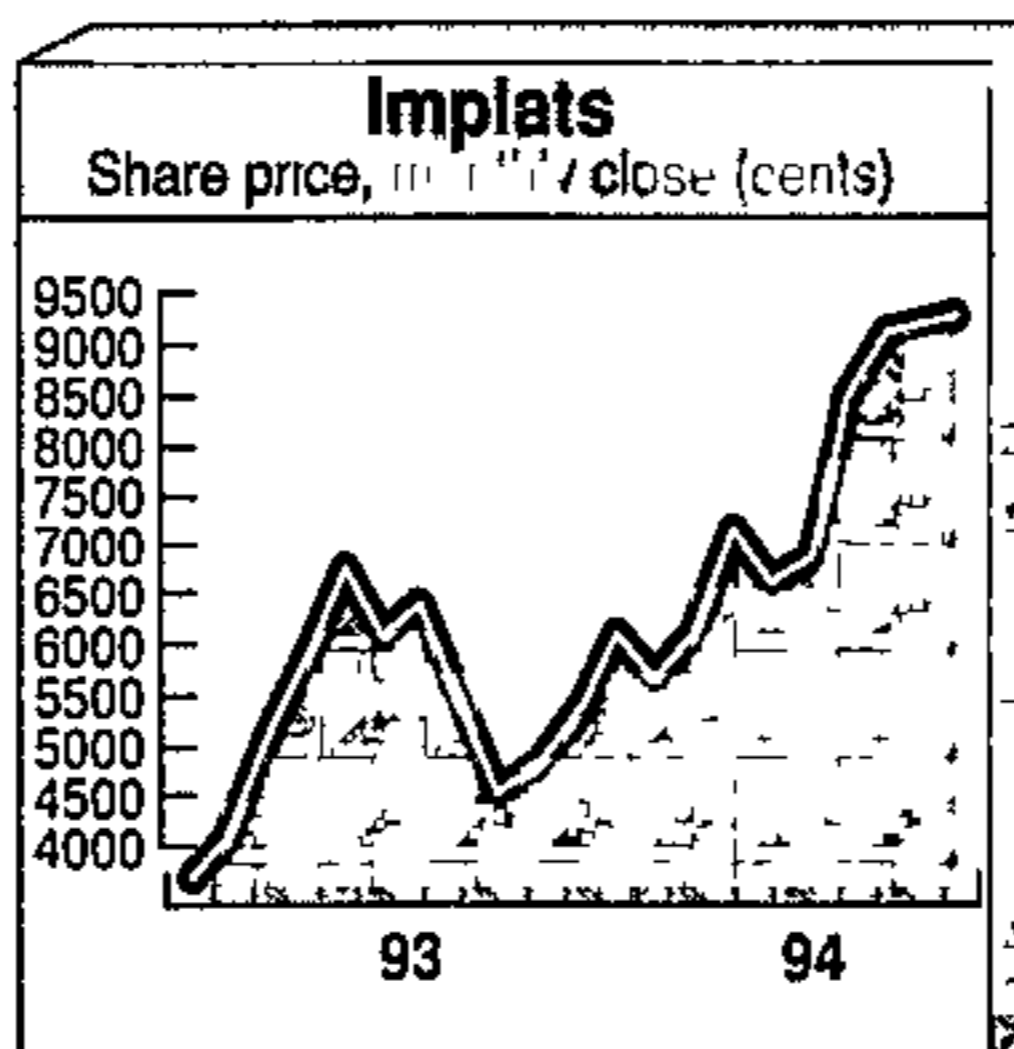
Platinum was trading at \$408,25/oz on the London Metals Exchange yesterday, while gold continued to languish at the \$384,65/oz level.

Analysts said yesterday they expected the premium to open further as the recovery gained steam, and were predicting a premium over gold of between 10% and 20%.

Platinum shares have been rising strongly due to improved platinum prices, with star performer being Impala Platinum. The share closed at a record high of R93 yesterday, 170c up on the previous day. This was after Implats fell to a low of R38 in 1992.

Implats chairman Mike McMahon said that with the incorporation of Bophuthatswana into SA, a "political discount factor" had been removed from the share price.

He said strong efforts to control costs, which included a reduction in



the workforce from 49 000 to 34 000 while maintaining levels of production, had improved the profit potential of the company. (217)

In addition, the improving platinum prices in dollar terms, combined with the depreciating rand, meant improved revenues.

Analysts were also positive about Implats, saying its low profit margin meant it was very geared to take advantage of any improvements in the platinum price.

The sale by Implats of Ayreton Metals meant that any Implats debt had been wiped out, leaving Impala in a cash flush position.

Lonrho mines, in which Impala has a 27% interest, were also turning around, and there had been improvements with the company's refining.

Implats's focus on grade control, and the use of a process called geo-valuation to optimise grades from the Merensky reef, showed that management attitude had changed from quantity to quality, one analyst said.

Technical changes at the concentrate plant could also push up concentrate recoveries by as much as 10%.

As a marginal mine, Lebowa Platinum was in a good position to take advantage of the higher platinum price. One analyst estimated that Lebowa would turn an 8c/share loss into a 5c/share profit.

In addition, the mine had the potential to expand production from 70 000 tons to 100 000 tons, and also had large ore reserves it could access.

Rustenberg Platinum was expected to keep performing well, but the share price would not improve as much as Lebowa and Implats, which were coming off a lower base. PP Rust's high profit margin also meant that it would not benefit from the higher platinum price to the same degree as the more marginal mines.

Base metals market continues its surge

BIDAY 18/7/94

MICHAEL URQUHART

THE base metals market continued to surge this week because of investment fund buying and industrial demand.

Nickel, copper and aluminium stocks on the London Metals Exchange continued to be drawn down as a result of increasing demand for base metals. An analyst said the decreasing level of stocks should be seen against the background of low consumer and producer stocks.

One analyst said consumers of base metals were moving toward a just-in-time inventory system, leading to low consumer stocks. They then used options to secure metal supplies for the future.

Analysts said the major factor driving base metal prices was increased world economic activity. Commodity prices and the world economic cycle were closely linked, they said.

Russian supplies of base metals had been drying up over the past few years after extensive Russian dumping of materials had depressed world prices.

An analyst said continued demand would continue to push down LME stocks, but current prices seemed to have taken this into account.

Strong demand from China and a big downturn in stocks had been the main factors pushing the copper price to \$2 477/ton, after a low this year of \$1 821/ton.

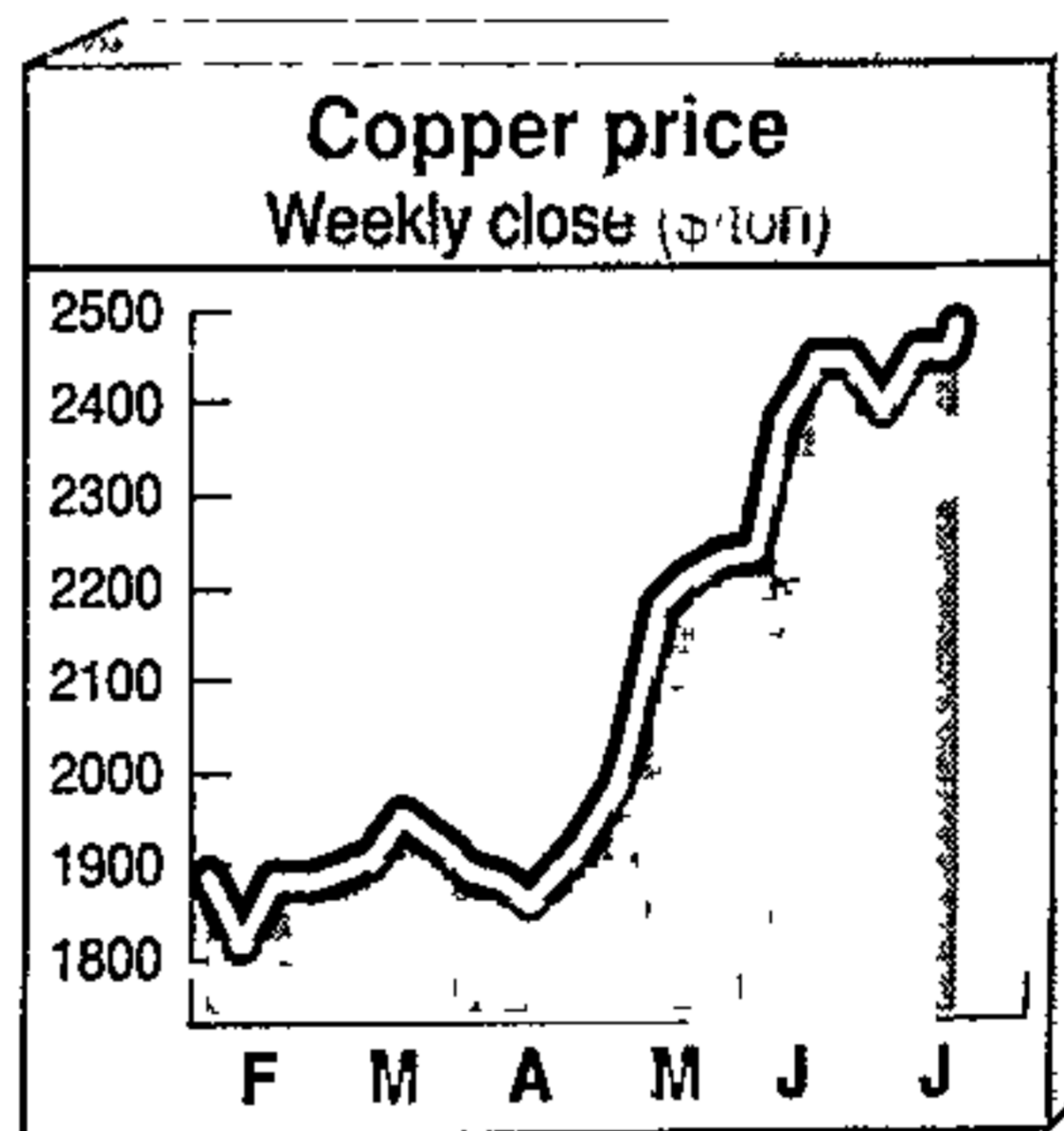
According to the Minerals Bureau Bulletin, copper smelting capacity was increasing at a faster rate than mine production, with major increases in the US, Europe

and Australia. It said Western world smelting capacity was expected to increase 600 000 tons to 7.8-million tons by 1996, about 300 000 tons higher than forecast mine output.

Aluminium prices were also climbing steadily, from a low of \$1 019/ton in November to its current level of \$1 534.50/ton, the highest for three years.

Tin, lead and zinc, however, continued to buck the trend, with the London-based World Bureau of Metal Statistics saying that these metals were in a supply surplus situation.

The zinc price continued to languish at \$985/ton.



Rhovon could expand new plant

RHOMBUS Vanadium (Rhovan) would consider expanding its newly established plant to convert vanadium pentoxide into ferro-vanadium, the company said at the weekend

Analysts said the vanadium market was characterised by many vanadium pentoxide producers — such as Rhovan — and many ferro-vanadium users, whereas there were only a few “converters” in the middle.

One analyst estimated the addition to the plant would cost R400m-R500m, which meant Rhovan would go ahead with the project only if its current operations were running “very smoothly”.

Rhovon CE Rob Still said Rhovan’s commissioning had been proceeding for 10 weeks and was making “good progress”

He said: “All the material produced to date has been of superior specification and has been sold.”

Rhovon’s exclusive marketing

8 Nov 2.57/1940
MUNGO SOGGOT

agent was US metals firm AIOC, a major stakeholder in Rhovan

Still said there had been some “modest improvements” in the vanadium price in recent months and this could continue over the next year. But he said prices were “unlikely to return to normality without further

industry rationalisation”

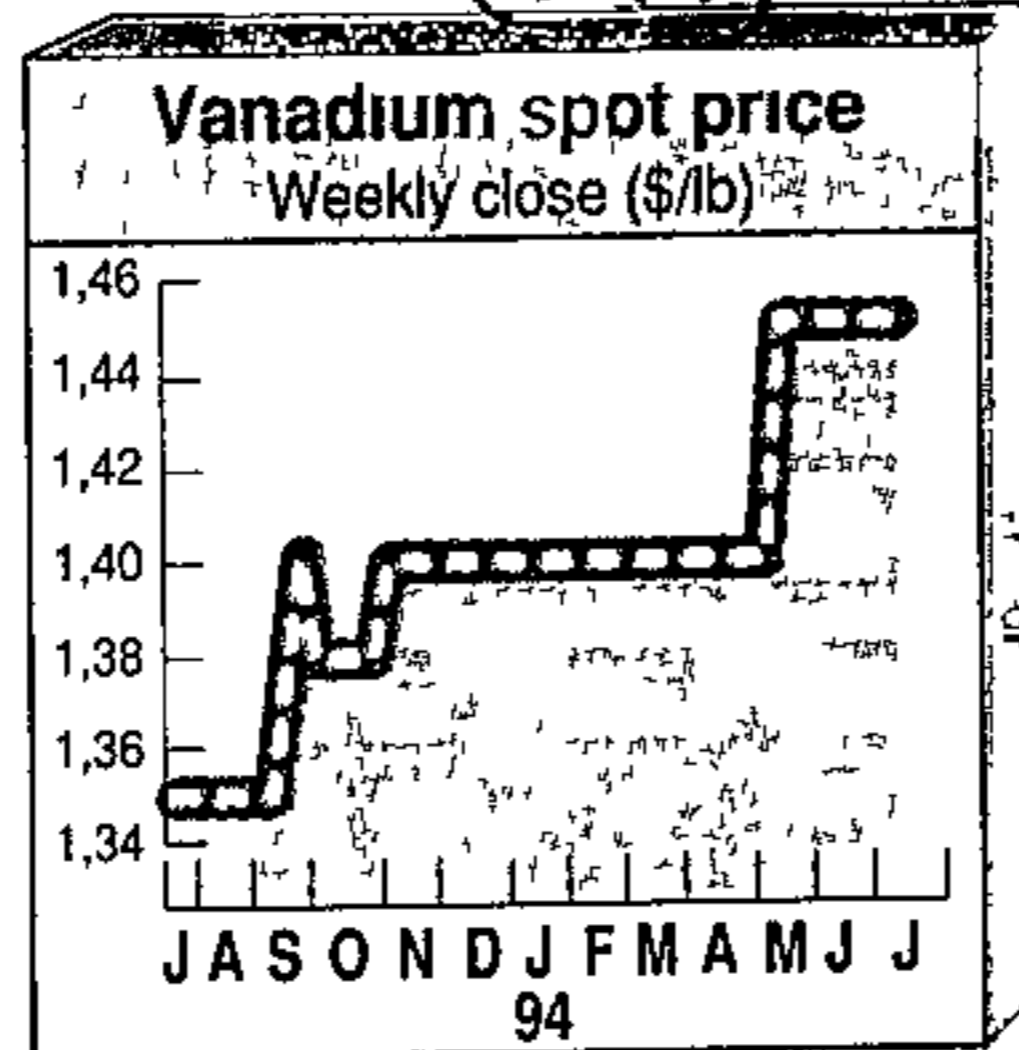
One analyst said there was a shortage of ferro-vanadium in Europe — exacerbated by production problems faced by Russian producers — which had pushed the price upwards

But this had done little to improve vanadium pentoxide prices

However, the price of vanadium pentoxide had risen between 5c/lb and 10c/lb over the last few months.

Before Rhovan was commissioned, analysts had warned that Rhovan would just add to a surplus in the oversupplied vanadium market which had been hit by a slowdown in the global steel manufacturing industry — the main user of vanadium.

But if the price of vanadium pentoxide rose above \$1,50/lb in the next year — which now seemed possible — then both Rhovan and Rhoex, another major stakeholder in Rhovan, would have been “significantly undervalued”, one analyst said



Alloy producers push up capacity

B/Day

MICHAEL URQUHART

SA ferrochrome producers are steadily pushing up their production capacities as the market recovers from its four-year slump. Industry sources said yesterday that production capacity utilisation had increased by 20% since the beginning of the year. **26/7/94**

Estimates of the capacity being utilised currently range from 70% to 85%, well up on the 55% utilisation towards the beginning of the year.

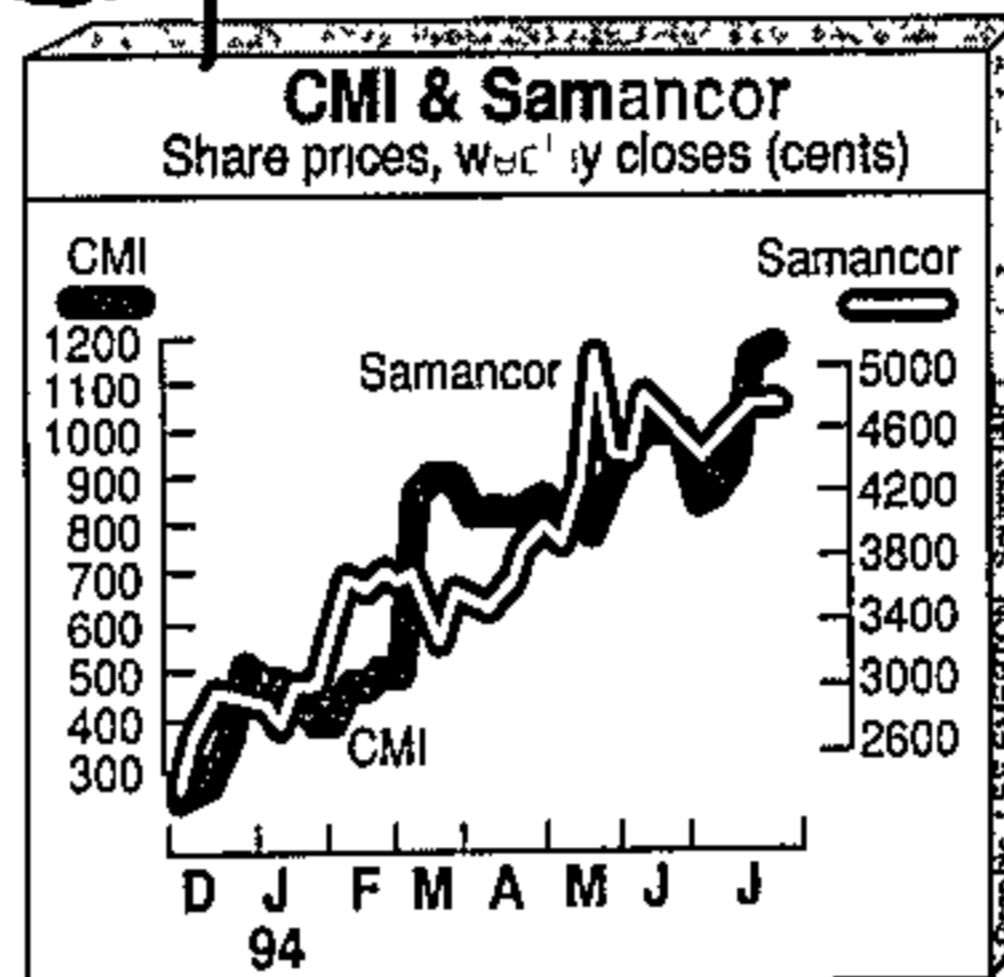
During the slump in the early 90s, SA producers — led by Gencor's Samancor and JCI-owned Consolidated Metallurgical Industries (CMI) — cut production to bring the supply and demand equation into equilibrium.

Ferrochrome, which is a major component in stainless steel, is expected to show a strong growth in demand over the next 18 months.

Stainless steel production has been hitting record highs, with world production in 1993 at 11.5-million tons. Production this year is likely to top 12.2-million tons. **(217)**

The alloy last peaked in 1989 at a producer price of \$0.84/lb. Since then the world recession, a large capacity overhang and a turndown in demand has pushed the price to its current level of \$0.40/lb.

Analysts said the overhang in capacity was likely to hold back ferrochrome capacity, despite a predicted growth in world demand of 7% this year and 5% next year.



It was estimated the price could hit \$0.50/lb this year.

To cope with the overhang, Samancor had switched five furnaces to ferro-manganese production.

CMI marketing director Allan Kuhnert said although there was a lot of excess ferrochrome capacity, the majority of the overhang was in SA, and CMI in particular.

He said CMI was operating at 70% of capacity.

The outlook for the stainless steel market was good, as it had gained substantial market share when its price crashed.

Although there was no capacity overhang in the ferro-manganese market, there was likely to be little increase in price, analysts said.

One analyst said the demand for carbon steel, the production of which was the main use of ferro-manganese, would not grow at the same level as that of stainless steel.

Negative factors neutralise platinum producers' profits

SA's MAJOR platinum producers were expected to post flat profits at best for their 1993/94 financial year, with higher prices neutralised by a range of negative factors, analysts said yesterday. **81 Day**

Rustenburg Platinum and Impala Platinum have battled the same factors which have hit the gold mining industry — labour unrest, rising costs and a one-off tax to pay for the country's election costs, levied on company and individual taxpayers

Rusplats kicks off the reporting period for the year to June next Tuesday, with others following over two weeks.

Analysts said earnings for both Rusplats and Implats would be little changed, and their forecasts covered a wide range slightly below and above previous figures.

Rusplats' share earnings for 1992/93 were 224.6c. It recently declared an unchanged dividend of 165c for the full year

Impala posted share earnings of 323c in the previous year. Analysts forecast a full year dividend ranging from 135c to 160c versus a previous 140c.

"Their profit margins are under enormous pressure," said Rodney Yaldwin of stockbrokers Simpson McKie.

Despite a major drive to improve efficiencies including retrenchments, labour unrest over the elections disrupted production, adding further upward pressure to rising costs. **2717194**

Higher average prices were received for most of the platinum group metals during the year compared with the previous year.

The price of platinum averaged \$388/oz in the past year — up from \$366.

But Dean Cunningham of Fergusson Bros noted that the price of base metals only started to turn upwards last November and that there had been a steep fall in the price of rhodium, to which Impala was most exposed. **(217)**

The major alleviating factor was the depreciating rand to the dollar which boosted local earnings, analysts said.

Cunningham said producers would only benefit from the recent surge in the price of platinum, currently trading at \$415/oz, in the current financial year to June 1995, when long-term supply contracts caught up to the price increase.

Northam Platinum, the troubled developing mine owned by Gold Fields, was expected to show another heavy operating loss in its second half to June as hoped-for geological and mining improvements failed to materialise, analysts said.

Northam said recently that talks on refinancing to take it to break-even point would depend on a technical assessment of whether it would ever achieve profitable production.

As in the gold and coal mining industries, separate platinum industry wage talks for the year from June are deadlocked after the National Union of Mineworkers (NUM) declared a dispute and served notice it would apply for conciliation board mediation. — Reuter.

Gencor 'biased towards aluminium'

GENCOR's acquisition of Royal Dutch/Shell's mining and metals arm Billiton would leave it dependent on aluminium for 61% of its business, Gencor chairman Briar Gilbertson said yesterday.

This could make the company vulnerable to fluctuations in the aluminium price, but this was at the bottom of a downward cycle.

Billiton assets would show a profit at the current level of aluminium prices of about \$1 450/ton, but if the price recovered to its 1989 level of above \$2 000/ton, cash flows would be huge, he said.

If the company became worried about aluminium playing too large a role, it could either put all the aluminium assets in a separate company, or list Billiton as a separate international company.

Gilbertson said 400 000 tons of Bil-

Bilbey 27/7/94
MICHAEL URQUHART

lition alumina would go into Alusaf, which was being expanded for production of 646 000 tons. Nickel from Cerro Matoso in Colombia would also be used in Alusaf.

Gilbertson said there could also be synergies in terms of exploration, marketing and trading.

The acquisition would make Gencor the world's fifth largest player in the aluminium market, including the company's interests in Alusaf. The acquisition was "good value at today's commodity prices".

The R5,5bn acquisition leaves Gencor in control of a large number of bauxite, alumina, aluminium, gold, silver, zinc and nickel mines worldwide, and smelters and refineries.

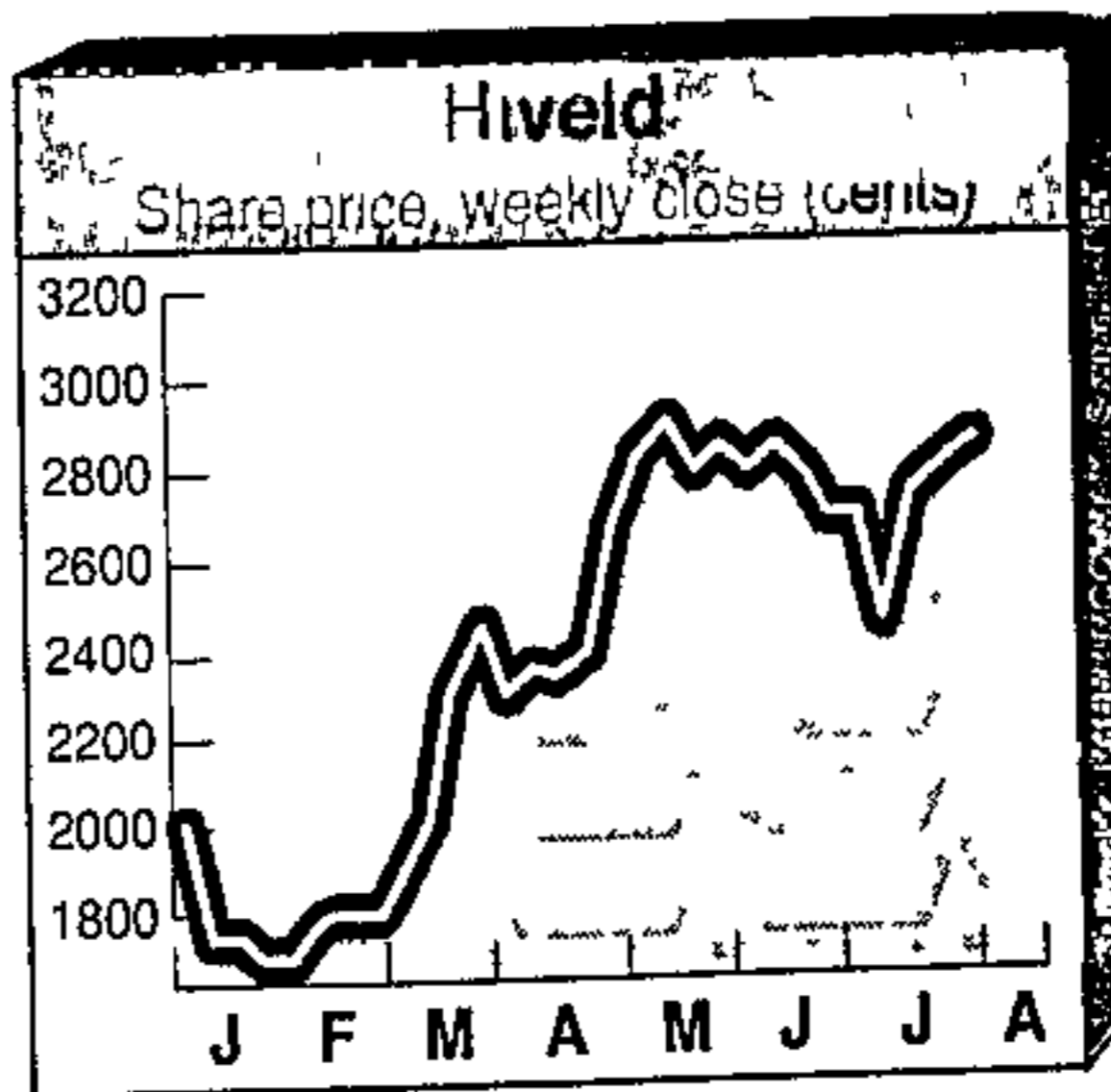
The transaction gave Gencor aluminium interests in the Worsley

bauxite mine in Australia, the Trombetas bauxite mine in Brazil, the Boke bauxite mine in Guinea and the Onverdacht and Onoribo and Accaribo bauxite mines in Surinam.

On the processing side, Gencor now had interests in the Worsley alumina smelter, the Alumar refinery and smelter in Brazil, the Aughinish refinery in Ireland and the Paranam refinery in Surinam.

In other metals, Gencor now controlled the Selbaie zinc, copper, gold and silver mine in Canada, the Cerro Matoso mine, the Bogosu gold and silver mine in Ghana, the Prima Lirang gold mine in Indonesia and the Pering zinc and lead mine in SA.

Gencor had transferred its 50% stake in Richards Bay Minerals and 82% stake in the Sao Bento gold mine in Brazil to Billiton International



Buoyant demand boosts Highveld

By Day MICK COLLINS 218194

BUOYANT domestic steel demand drove Highveld Steel & Vanadium's attributable earnings up 50% to R56,2m for the six months to June

Turnover at R927,8m was 25,8% higher than in the same period last year because of burgeoning capital projects, while operating profit rose three-quarters to R60,5m. Tax increased to R11,4m (R6,5m), but a reduction in the rate meant a windfall of R7m, which contributed to earnings as an abnormal item. Earnings a share after the abnormal item increased to 62,3c (42,5c).

During the period the Amic-owned company closed newly acquired Transvaal Alloys in a bid to balance world vanadium supply. Chairman Leslie Boyd said vanadium prices bottomed towards the end of the first quarter, improving slightly in the second. World supply and demand appeared to be levelling out after consumption improved, Transvaal Alloys closed and Vametco terminated its mining operations. (1844) (217)

Because of the Columbus development's continued demand for cash, shareholders were offered capitalisation shares in lieu of dividends. Shareholders who declined the offer would receive an interim dividend of 23c (20c) a share. Amic indicated it would accept the capitalisation shares in respect of its entire 52% shareholding.

Highveld's portion of capex for the Columbus expansion in the period came to R192,2m, of which R110,7m was financed by long-term loans raised within the joint venture. The corporation's total commitment in respect of further capex was R550,7m (December 1993 R743m), which

□ To Page 2

Highveld Steel

By Day 218194

□ From Page 1

would be financed by long-term loans, tax allowances, available cash resources and "other appropriate funding".

Boyd said local steel consumption improved partly as a result of major capital projects such as Columbus, Alusaf and Namakwa Sands. (217) (1844)

International steel prices remained under pressure, with structural and billet prices declining to "almost uneconomical levels", while plate and hot rolled coil prices showed encouraging signs towards the end of June. Chinese steel consumption improved after financial constraints im-

posed last year were lifted and steel capacity in the US continued at about 90%. Germany recorded a turnaround in output, while Japanese production for the year to date had declined about 9%.

With the exception of Japan, the major world economies had turned around. While the negative effects of erratic supplies from the former Soviet Union would remain, they were becoming less disruptive, Boyd said. "The prospects for most of the group's products have improved and operation at full capacity, with the exception of vanadium, is envisaged."

COMPANIES

Hiveld reopens its Vantra plant

HIGHVELD Steel and Vanadium (Hiveld) had reopened its Vantra vanadium pentoxide plant following a stabilisation in world supply, the company said yesterday.

The Amic-owned company said the Vantra division would mainly use vanadium slag instead of iron ore as a raw material, which would further improve the world supply/demand balance. *BIDAY*

Hiveld marketing director Jeff Cheg-widden said the plant had been in operation for several months but the market's current "fragile balance" could well be disrupted by the planned commissioning of the Rhovan plant in Brits. *318194*

The Vantra plant was closed in May last year in the face of world oversupply. The plant operated intermittently in October and November.

Hiveld also said yesterday that in an attempt to maintain a balance in world supply it had closed primary operations at Transvaal Alloys. This, coupled with the termination by Vametco of its mining op-

MICK COLLINS

erations, would help balance world supply.

"The termination of mining and primary operations at Wapadskloof (Transvaal Alloys) further improves the supply/demand balance worldwide," Cheg-widden said.

He added that the fact that the company was not utilising iron ore meant primary units were not being used.

The price of vanadium — used mainly for high strength steels — has been in freefall since early in 1991.

But analysts said yesterday prices appeared to have bottomed. Vanadium pentoxide moved from a low earlier this year of \$1,20/\$1,25/lb V205 to the present price of around \$1,40/\$1,50/lb V205.

One analyst said: "Ferrovanadium was trading at \$7,20 to \$7,50 per kgv and now with the market improving following better consumption in the US, Japan and western Europe, the market price has risen to about \$9 per kgv." *(217)*

PP Rust shows early profit

BIDAY 8/8/94

MICHAEL URQUHART

THE world's largest platinum producer, JCI-owned Rustenburg Platinum, saw its three mines produce improved profits for the year to June.

Lebowa Platinum (Leplat) came back into profit, mainstay Rustenburg (Rusplat) had a 2,1% increase in distributable profit and Potgietersrust Platinums (PP Rust) reported a profit for its first nine months.

The mines benefited from higher dollar prices for platinum and palladium, but JCI platinum division MD Barry Davison said this was offset by a fall in rhodium and nickel prices.

Rusplat increased distributable profit to R287,4m (R281,4m). It kept a tight lid on working costs, with on-mine costs increasing 4,3%. But smelting performance was below plan, as smelters underwent a mo-

dernising programme. Davison said with new capacity in place, stockpiles would be smelted by the end of this year.

Low-cost opencast operation PP Rust declared a final dividend of 35c, bringing the total dividend to 45c, off earnings a share of 64,3c. Davison said the mine could afford to be generous with its dividend as it was not yet paying tax. It was mining at the planned rate of 200 000 tons a month and had no plans for expansion.

Leplat increased production 13,3%. Tonnage was unchanged, but the company had concentrated on mining higher grade ores. This helped it turn last year's R9,9m loss into a R9,4m profit. Stringent controls de-

□ To Page 2

Rustenburg

BIDAY 8/8/94

□ From Page 1

creased costs 2% which, combined with the higher grade, led to a 13,5% reduction in the cost of platinum mined (217)

Capex remained low at R300 000, and Davison said there would be no significant increase until JCI was certain that the

mine was back on a sound financial footing. It would not have to repay all its borrowings before paying a dividend, but would have to get its borrowings down to a manageable level. There were no plans for a rights issue to reduce Leplat's debt

Rusplats treads water

CT 3/8/94 (217)

JOHANNESBURG — Rustenburg Platinum, the world's leading platinum producer, yesterday reported a marginal increase in distributable profits to R287,4m for the financial year to end June from R281,4m the previous year.

Owners JCI said revenue gains from platinum and palladium during the year were offset by sharp falls in the prices of nickel and particularly rhodium.

The result for Rustenburg was a slight 5% increase in net sales revenue to R2,956bn from R2,815bn, while the cost of sales increased by just over 8% to R2,282bn from R2,105bn.

Profits on metal sales were down 5% to R675m from R710m

due mainly to a decrease in the value of the stock account.

Earnings per share climbed 2% to 229,4c and a final dividend of 102,5c was declared lifting total dividend for the year to 165c.

Lebowa Platinum showed an improved performance turning a R9,9m net loss into a R9,4m profit in its financial year to end June.

Although production was unchanged at 70 000 tons a month, improved grades saw platinum output increase by 13,3% on the previous year, which allowed the company to repay a portion of borrowed ounces and also increase the quantity of platinum sold.

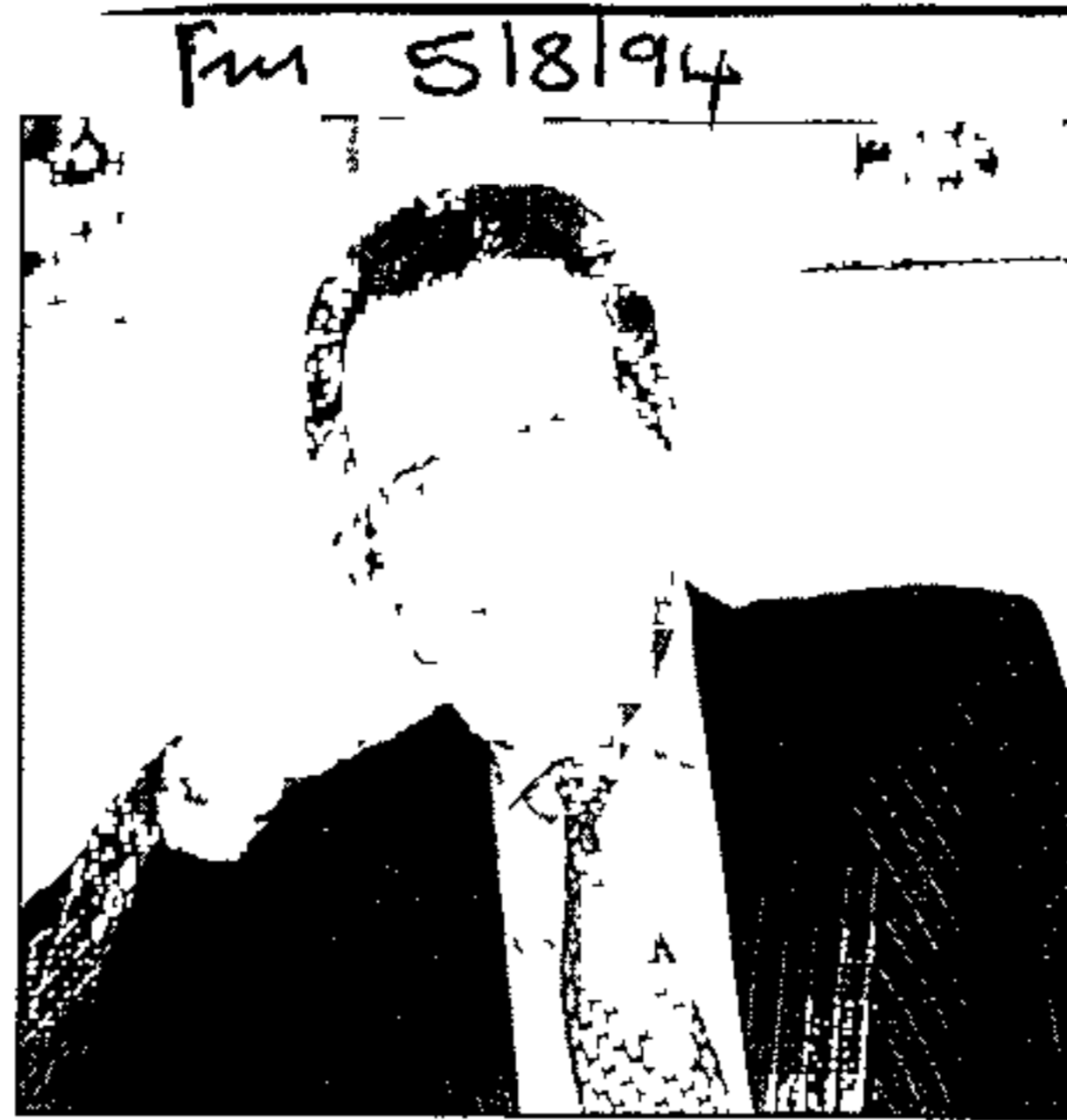
JCI platinum division MD Barry

Davison said production at Lebowa would remain at the current rate as the company was still "in a risky financial situation".

The new Potgietersrus Platinum mine reported a good financial year with distributable profits at R77,4m and total dividends at 45c a share.

Davison said the platinum division's wage negotiations with the NUM were still in dispute.

On the platinum market he said prospects for demand were improving on a daily basis; especially in the US where motor vehicle demand was on the increase, while jewellery demand was still good — Sapa



Highveld's Boyd giving nothing away

Amic has again chosen to follow the route of a capitalisation share issue in lieu of the increased Highveld interim dividend of 23c. If all shareholders elect to receive new shares instead of the dividend, the effect will be to add R20,7m to Highveld's capital base. As chairman Leslie Boyd observes: "It's a cheap way of giving effect to a rights issue." And the record in this area is impressive: the last capitalisation issues in Amic and Highveld both attracted nearly 100% support.

However, this is a move which invites examination. Highveld's balance sheet is strong, the interim abridged version (with few details) shows long-term loans of R542m and cash of R236m. On the assumption that current liabilities of R403m contain no short-term loans, Highveld's net borrowing is, therefore, only R306m. So, on shareholders' equity of R1,28bn, the gearing is 24%.

Cash hoard intact

In a company which has substantial obligations to the Columbus stainless steel joint venture project (R192,3m current, R551m projected), this isn't a borrowing commitment to cause concern. And, as Boyd observes, Columbus's capex requirements have been contained significantly within the project itself, an ability which has kept Highveld's cash hoard pretty well untouched. All of which leads me to wonder, therefore, why it is necessary to mount such a small increase in the equity base. (217)

Boyd observes that Highveld's half-year was characterised by the return to full operating capacity of every operating division except Vantra, the vanadium pentoxide producing unit (about which Highveld exhibits some nervousness). Included in this list is the Rheem can division, which commissioned its first aluminum can production line only a year ago. As domestic consumer demand is rising, it is reasonable to assume the country's can producing capacity may soon be used fully. On that basis, someone will have to install another line shortly. Will it be Highveld? Boyd gives nothing away when he says it is an option under constant examination.

Supported by a substantial increase in domestic steel demand — much of it from major capital projects such as Alusaf, Na-

Fm 518/94

HIGHVELD STEEL
Using more capacity

An improvement was certainly expected, but the size of Highveld Steel & Vanadium's first-half increase in attributable profit took some observers by surprise. An important element in Anglo American Industrial Corp (Amic)'s portfolio, Highveld's strong performance, suggests that the parent's results, due out next week, will be better than the market expects. (217)

Turnover soared to R927,8m (1993 R737,4m), a 27% increase. But the operating profit improvement of 77% to R60,5m illustrates clearly the impact of better vol-

ON A ROLL

Six months to	Jun 30 '93	Dec 31 '93	Jun 30 '94
Turnover (Rm)	737,4	947,8	927,8
Operating profit (Rm)	34,1	52,0	60,5
Attributable (Rm)*	37,6	89,6	56,2
Earnings (c)*	42,5	101,3	62,3
Dividends (c)	20,0	30,0	23,0

* After abnormals

umes coupled with improved margins. At this level, the operating surplus is already nearly three-quarters as large as 1993's full profit (R86,1m) and it indicates the extent to which the company benefits from even modest improvements in demand.

The tax charge was only R11,4m. After writing back deferred tax provisions from previous years of R7m, attributable profits rose nearly 50% to R56,2m. Given this result, it's hardly surprising Anglo should want to trumpet the company's success.

Fm 518/94

makwa Sands and Columbus — the next six months certainly appears promising. My guess is another 30% improvement in attributable earnings to take the bottom line to EPS before abnormals of about 126c. That puts the counter on a forward PE of 22,6 (currently 28). Provided you believe in continuing economic recovery, this is a stock which demands accretion. (217) David Gleason

JCI PLATINUMS

Little excitement

fm 5/8/94
Investors will be right to describe Rustenburg's results for financial 1994 as steady but boring. The platinum giant's EPS of 229c are almost exactly in line with market expectations.

And, as CE Barry Davison warned at the half-year, it's not much changed on last year's result: 225c. For the second year, the dividend is 165c — a long way off the heady high of 350c in cash in 1991.

Gross sales revenue was marginally higher at R3,118bn (1993: R2,968bn), but some of that comes from an unusually large movement in stocks. Cost increases were held at acceptable levels — a modest 8%. That translates ultimately into a working cost per ton milled of about R139 (assuming 16Mt milled, though Rustenburg doesn't disclose this). *(217)*

Net operating profit declined to R707m (1993: R754m) but that was offset by lower renewals and replacements. The final outcome is pretty well on a par with 1993's result. However, that shouldn't detract from one feature: Rustenburg says it experienced difficulties with its smelter performance. What appears to have happened is that pilot autogenous smelting technology was translated into commercial application and the transition wasn't as smooth as hoped. Rustenburg was obliged to toll smelt some of its material through a competitor (who could that be?).

By contrast, PP Rust produced what one analyst described as "a very pleasing result." EPS at 64c was better than expected and the 45c dividend took almost everyone by surprise. The truth is that the mine has struck some unusually high grade reef and is producing platinum group metals (PGM) at an unexpected rate. It is a low-cost producer; at about R98/t milled, it is well able to gear up its share price to make the most of the falling rand.

Lebowa Plats turned in what one analyst says is "a welcome but expected turnaround," and what another describes as

FOX

PREDICTABLE

Year to June 30	1993	1994
Turnover (Rbn)	2,97	3,12
Net operating profit (Rm)	754	707
Attributable (Rm)	281	287
Earnings (c)	224,6	229,4
Dividends (c)	165	165

fm 5/8/94
"rather better than I expected." EPS of 7,8c are certainly better than many predicted: a straw pole shows the range of forecasts between 2c-6,5c. Working costs appear on the high side, however, improved grades and excellent cost controls all helped towards a result which turns the company around from last year's bottom line loss of 8,3c a share.

Organisational change *(217)*

This group is in the process now of substantial organisational change over the next 18 months or so, Rustenburg, along with Lebowa and PP Rust, will form part of a separate platinum mining company in the Anglo American stable. While the change is unlikely to make for any major differences in Rustenburg's immediate management style and form, the unbundling will unsettle long-established policies and traditions.

Meanwhile, short-term prospects for the country's platinum producers centre around rising dollar prices for PGM's combined with the continued fall of the rand. If that happens, investors won't mind the high prices: 45 for Rustenburg, 54 for PP Rust and 65 for Lebowa. If it doesn't, present prices are high. The better option probably is to switch into parent JCI, now offering a nice discount on its underlying assets.

David Gleason

Star 5/8/94

A strong turnaround for CMI

■ BY DEREK TOMMEY

These are exciting times for the economy

The recovery in the world economy from its four-year recession is increasing demand for the many raw materials of which SA is the principal supplier

The result is often substantially improved earnings for the producers and a boost to the economy as a whole

The latest company to report strong gains from the upturn in demand for its product is Consolidated Metallurgical Industries (CMI).

It is the world's second-biggest producer of ferro-chrome, the raw material for the rapidly growing stainless steel industry

CMI reports a remarkable turnaround in its operations

following a strong rise in US stainless steel production — and also a significant decline in the value of the rand against the dollar, which lifted its rand earnings

Depressed conditions in the commodity markets in 1992-93 led to CMI registering a working loss for this 12 months of R17,0 million

But an improvement in the ferro-chrome market in the six months to December last year changed CMI's fortunes and it finished with a working profit of R1,9 million

A further improvement in the market in the six months to June helped increase CMI's working profit to R18,6 million. This brought the working profit for the full year to R20,5 million

However, loan costs, tax and preference dividends took all

the working profit and left an attributable loss of R377 000 for the 1993-94 year. Nonetheless, this was a decided improvement on the attributable loss of R41 million incurred in the previous financial year

Contributing to these higher profits was an increase in capacity utilisation from 50 to 66 percent. Continued favourable developments in the ferro-chrome market have led deputy chairman and chief executive Sandy Wood to expect a further increase in earnings in the current financial year following a further substantial increase in capacity

It is likely that before the end of the year another furnace, at present mothballed, will need to be brought back into operation.

But Wood does not expect CMI to resume dividends until 1995-96

Marketing director Alan Kuhnert says Western production of stainless steel reached a record 11,5 million tons in 1993, despite the disappointing performances of the Japanese and European economies

This year stainless steel production is again breaking records, aided by signs of improvements in the German, French and Japanese economies

At the same time, the ferro-chrome market has suffered from a drop in supply from Russia and Kazakhstan. But spot price increases have been capped by increased production by other producers

Kuhnert says increased demand for ferro-chrome is likely to be met by higher production rather than an increase in the price — at least in the short term

CMI returns to profit on commodity wave

MICHAEL URQUHART

JCI-owned ferrochrome producer CMI rode the commodity wave back to profit for the financial year to June 1994.

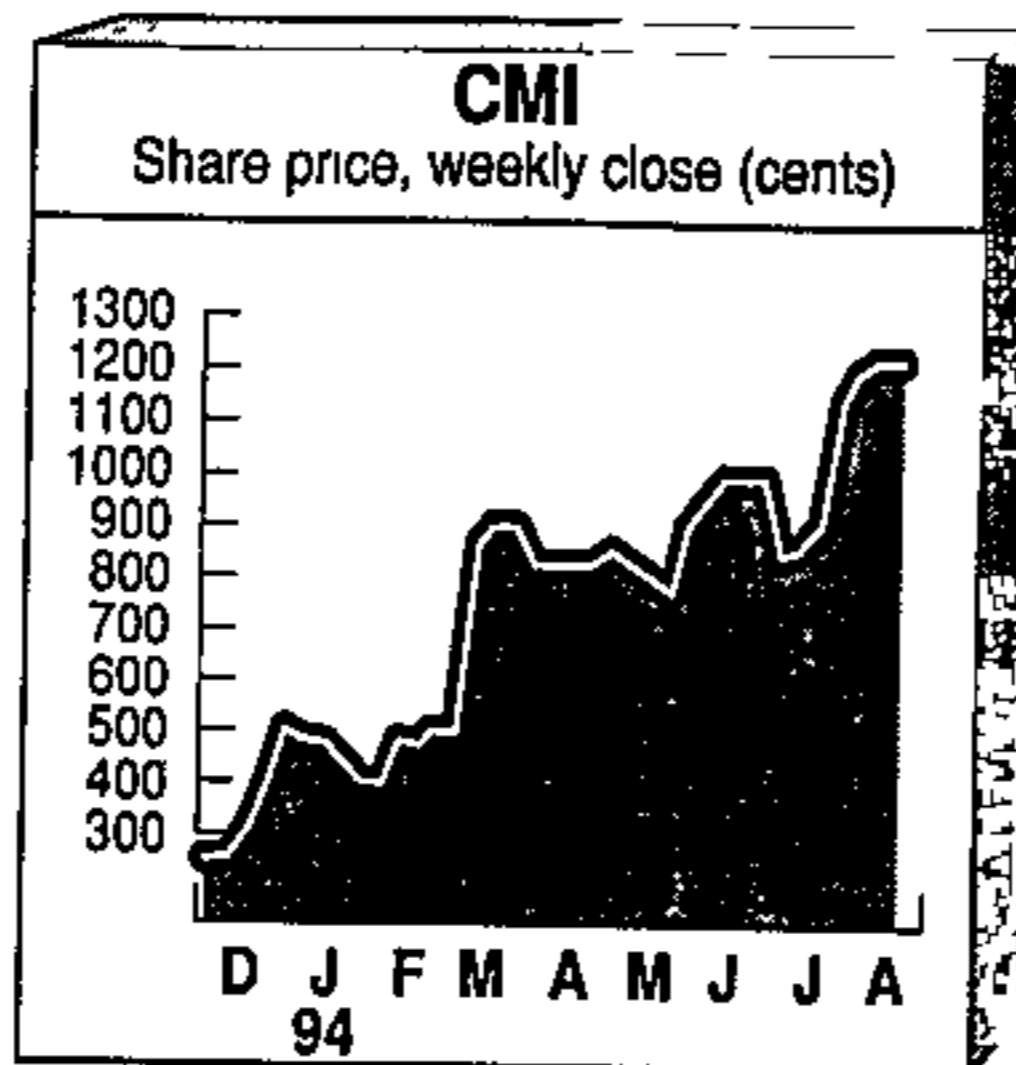
The company posted an after-tax profit of R9,9m, a healthy R41m swing from the R30,8m loss posted to June 1993. But a preference dividend of R10,3m left it with a small attributable loss.

The company had been running at a loss since 1990 after the collapse of the ferrochrome market.

Deputy chairman Sandy Wood ascribed the turnaround to the stabilisation in the dollar selling price of ferrochrome, and a significant devaluation in the rand.

Capacity utilisation, which was cut back during the ferrochrome slump in the early 1990s, had been increased during the year from 50% to approximately two-thirds.

Both the Lydenburg and Rustenberg plants had improved capacity due to better process control and oth-



er factors Lydenburg had increased capacity from 220 000 tons to 240 000 tons, and Rustenberg from 110 000 tons to 120 000 tons.

Unit working costs were 14% down on the previous year, which Wood attributed to greater production and increases in productivity.

But the debt-equity ratio of CMI had continued to deteriorate, creeping up to 0,71. The company would start paying interest on the R131m long-term debt during the current

financial year. A rights issue to decrease debt had been considered, but Wood said the company favoured trading its way out of the debt.

Despite the improved results, Wood said the company would probably not pay a dividend until the 1996 financial year. (217)

Ferrochrome is used in the production of stainless steel. CMI marketing director Alan Kuhnert was bullish about stainless steel production prospects, forecasting production would hit 12,2-million tons during 1994.

This was after a record production figure of 11,5-million tons produced in 1993. CMI would bring its production up to full capacity as the market demanded it.

Possible demand from China, which could turn into a net importer of ferrochrome, could provide a further boost to stainless steel over the next five to 10 years.

He predicted world ferrochrome consumption would rise to 3,3-million tons by 2000, from its current level of 2,6-million tons.

Samancor makes great leap forward

BY DEREK TOMMEY

Samancor, the world's biggest ferro-alloy producer, staged a remarkable recovery in the year to June.

Helped by higher sales, greater efficiency and a weaker rand, Samancor doubled pre-tax income from R187,2 million to R374,1 million, says executive chairman Mike Salamon.

Distributable income rose 57 percent from R172,4 million (93c a share) to R272,3 million (148c a share).

The final dividend has been increased by a third from 30c to 40c, bringing the total to 65c — an increase of 30 percent on last year's 50c.

Salamon expects Samancor to further increase earnings this year.

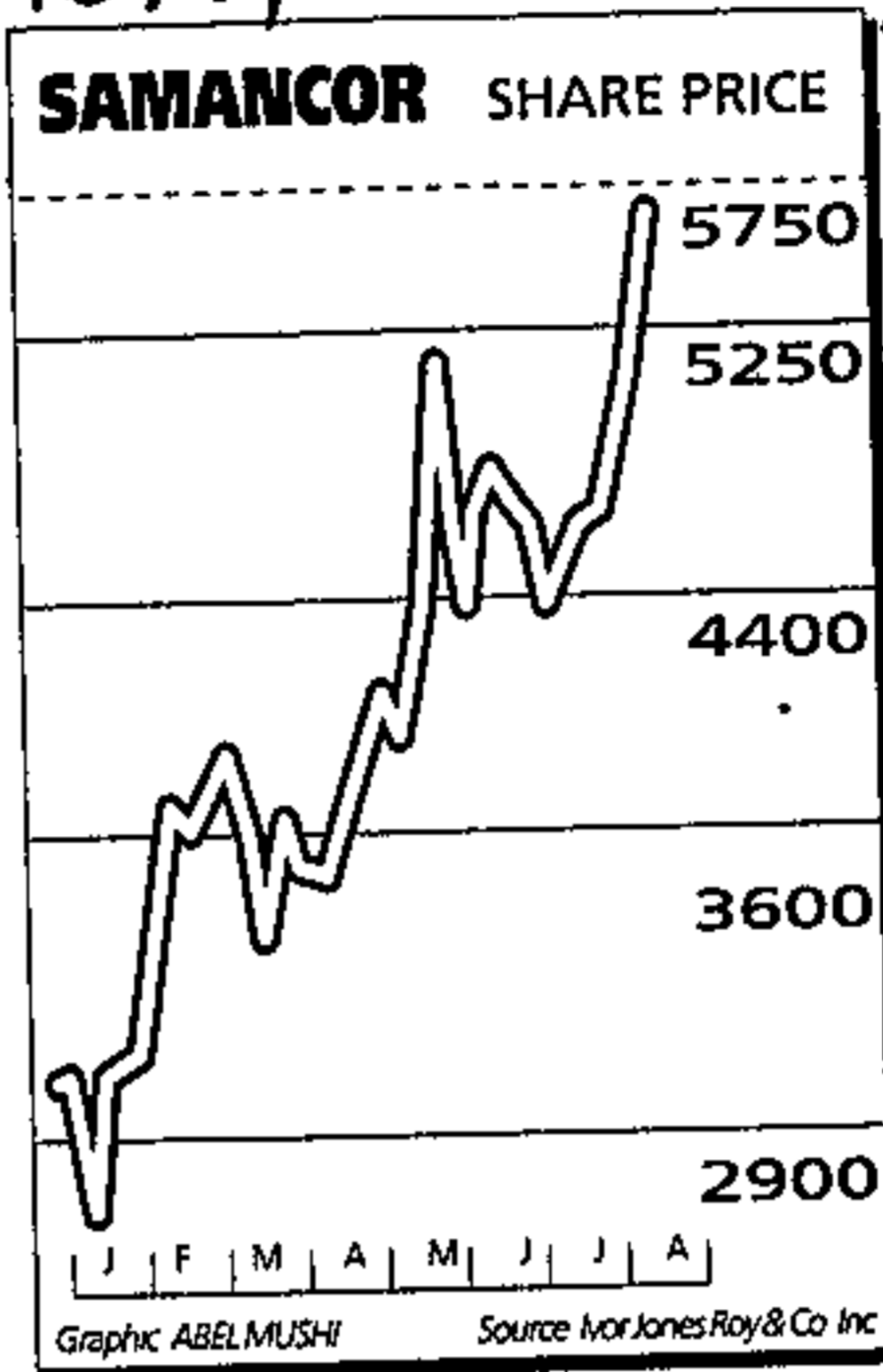
He says Samancor received R78 million from the Department of Trade and Industry in respect of an export claim relating to 1987 and 1988. (2/7)

Samancor provided R83,4 million to cover its estimated liability arising from future medical aid contributions for retired employees and the past services of present employees.

Salamon says this is required by generally accepted international accounting standards, but that few SA companies had yet made the provision.

Samancor continued its strategy of entering into alliances with certain key customers and producers to secure a more sustainable market share.

Since January, Nippon Denko Corporation (NDC) has



been supplying its traditional customers in Japan from Tubatsi in the Eastern Transvaal, from a company jointly owned by it and Samancor.

Samancor has acquired 5 percent of the French manganese producer SFPO and with it plans to establish a medium-carbon ferro-chrome joint venture in Boulogne.

It has also bought a 4 percent stake in French company Ugine, the world's largest stainless steel producer, and will supply it with about \$110 million worth of ferro-chrome and stainless steel a year.

Other moves include a stake in a venture to establish a multi-product ferro-alloy plant in Saudi Arabia and a stake in a Hong Kong venture to market manganese in China. These moves have been funded by \$96 million in offshore loans.

Samancor's capital expenditure will amount to more than R1 billion between now and 1997.

Samancor turns in polished figures

BIDay 9/8/94

MICK COLLINS

CHROME and alloys company Samancor drove net income up 60% to R280m, after abnormal items, in the year to June following a strong performance by its manganese and chrome divisions

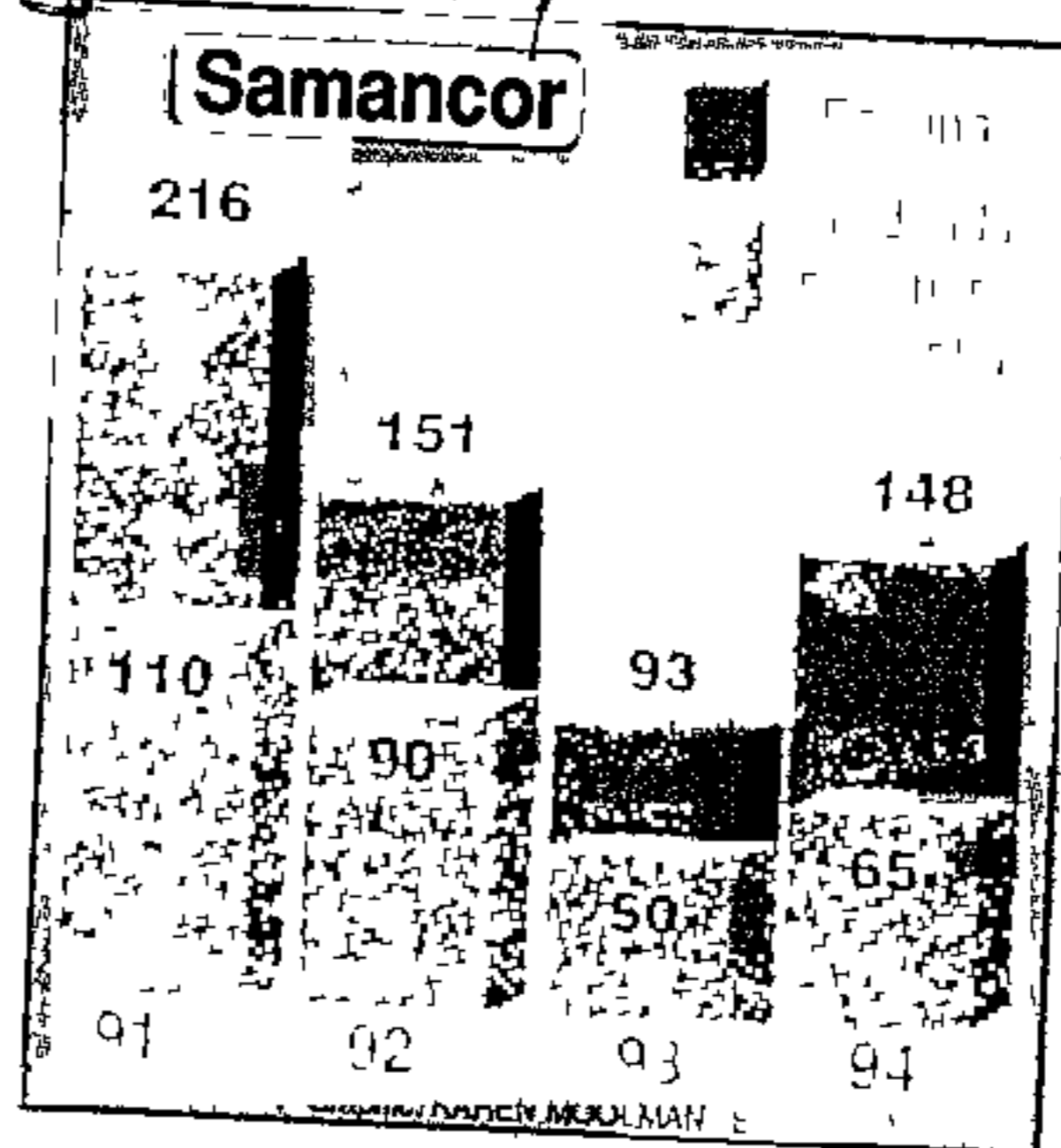
Turnover at the Gencor-owned company climbed 22% to R2,19bn, mainly through increased manganese alloy sales.

Pre-tax profit doubled to R374m (R187m) and after-tax income before abnormal items rose 86% to R222m. With abnormal items and associates' income, net income came in at R295m (R185m).

Earnings a share rose nearly 60% to 148c and a dividend of 40c (30c) was declared, giving a total dividend of 65c (50c).

Abnormal profit included R78m from settling a Trade and Industry Department claim over beneficiated products exported in 1988/89, R20m profit on the sale of the Tubatse No 5 furnace and a R13m reduction in deferred tax provisions due to the reduction in tax rate. (217)

These were partly offset by the 5% transitional levy and other abnormal expenses. The latter included costs relating to entry to the medium-carbon ferromanganese market, expenses from restructuring silicon smelters and costs from forming strategic alliances.



Executive chairman Mike Salamon said the improved results reflected the continuing shift from ferrochrome to manganese alloy output. Samancor switched idle ferrochrome furnaces to the production of high-carbon ferromanganese, silicomanganese and ferrosilicon. The manganese division benefited from improved world steel consumption in 1993, the first gain in five years, and a shift in demand from low-grade manganese ore to

□ To Page 2

Samancor

BIDay 9/8/94 □ From Page 1

high-grade ore and higher value alloys on international markets. (217)

The previous year's restructuring of the chrome division improved its performance. Costs were cut 1%. A more favourable exchange rate, as well as a less disruptive effect on international commodity prices by sales from the Commonwealth of Independent States and China, also added to the performance.

Cash balances remained at a high level and income from interest contributed R68m. Cash resources, before taking into account R240m in offshore loans, rose from R612m (R528m).

Salamon attributed the increase in cash resources to improved operating results, cash inflows from abnormal items and a R59m reduction in tax due to the utilisation of Columbus-related tax allowances. Funding on the Columbus project came to R196m. A further R450m would be invested during the next three years.

Salamon said the group had entered alliances with key customers and producers.

One, the acquisition of the No 5 furnace at Tubatse by NST Ferrochrome — 50% held by Nippon Denko and 50% by Samancor — saw Nippon Denko servicing its traditional Japanese charge chrome customers through NST

The group had also taken 5% of French manganese alloy producer SFPO with the intention of establishing a medium carbon ferromanganese joint venture at SFPO's Boulogne facilities, which would consume 80 000 to 160 000 tons of Samancor's manganese ore a year.

Apart from the recent acquisition of 4% of the world's largest stainless steel producer, Ugine, at a cost of \$45m, Salamon also disclosed that the group had taken a minor role in a joint venture to establish a multiproduct ferroalloy plant in Saudi Arabia. A Hong Kong-based joint venture to market manganese in China was also on the cards. To fund the developments — apart from NST — Samancor had raised offshore loans of \$96m

Samancor's manganese bet pays off

SI Times (BUS)

(217)

SAMANCOR's share jumped to a year's high of R65 this week on a 60% leap in attributable income to R280-million for the year to June 1994.

A move early last year to switch idle chrome-production capacity into manganese and allied facilities proved to be a good one. Not only did production costs of ferrochrome fall in rand terms by 1% and in dollar terms by 16% to make chrome a significant profit contributor, but the higher global demand for manganese alloys could be met by Samancor.

Manganese alloy sales climbed 23%. Samancor was also able to enter the medium-carbon ferromanganese market by using a converter designed for intermediate-carbon ferrochrome.

The exchange rate slid from 299c to the dollar last year to 346c to help Samancor receipts. Turnover of R2,2-billion was 22% up and pre-tax income doubled to R374-million. The group's cash — R612-million at yearend — earned interest of R68-million and Samancor also benefited from a R59-million tax reduction due to 33%-held stainless steel company Columbus's allowances.

Reviewing the manganese market, Samancor executive chairman Mike Salamon says although world crude steel produc-

By JULIE WALKER

tion rose by only half a percent to 725-million tons in 1993, there were significant shifts between the producers. China's output grew 12% to 90-million tons and Korea's 18% to 33-million tons. The big loser was the former Soviet Union, whose steel production fell 16% to 95-million tons and which has been toppled from the number one spot by China.

Demand for manganese alloys grew at the expense of ore requirements. The ore is a raw material for alloys and its price should also be climbing, but Japanese steel producers who traditionally set the prices are already squeezed by a strong yen and look to their raw-material suppliers for co-operation. The price of manganese ore for 1994/95 is down a further 9% on top of 1993's 24% reduction.

Growth of 3% is expected in the chrome market after five flat years. The Western world's stainless steel production grew 4% to 11,6-million tons but total demand was flat at 12,9-million tons in 1993. Production is forecast to reach the 1988 level of 13,3-million tons this year.

Nevertheless, the ferrochrome market remains fundamentally over-supplied. Stainless steel producers had a torrid year in 1993. They in turn put pressure on their suppliers

and ferrochrome prices fell 8% in dollars.

Idle ferrochrome capacity is unlikely to be taken up until the price far exceeds 50c/lb (currently 41c).

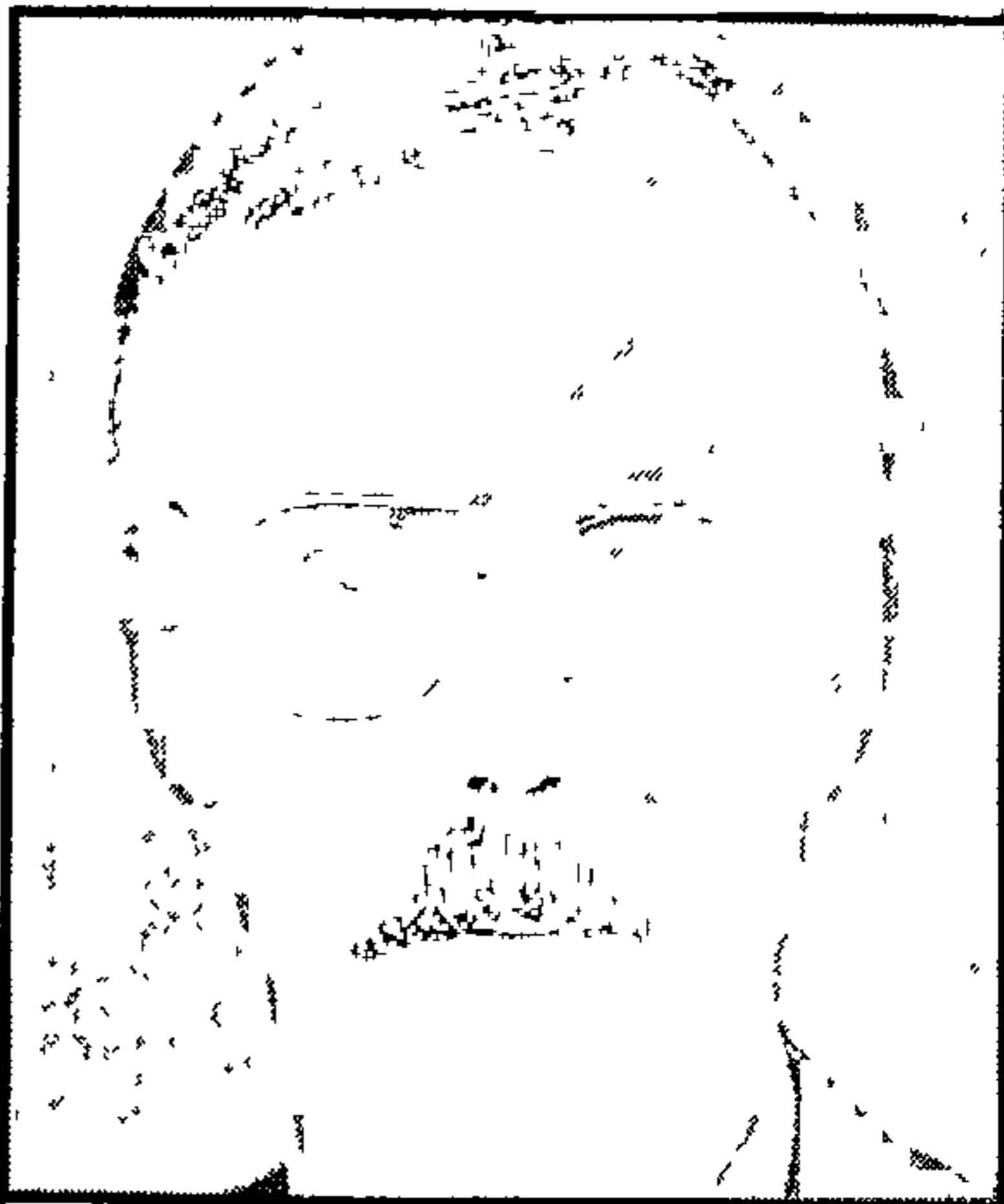
Samancor entered joint ventures during the year in a bid to secure markets. It effectively sold half the Number Five ferrochrome furnace at Tubatse to Nippon Denko of Japan. This led to a R20-million abnormal profit for Samancor as well as securing sales to Nippon Denko's customers.

Samancor bought 5% of French manganese alloy producer SFPO with a view to establishing a medium-carbon ferromanganese joint venture to use between 80 000 and 160 000 tons of Samancor ore a year. 14/2/94

Samancor also paid \$45-million for 4% of French group Ugine, the world's largest producer of stainless steel, which in turn will buy ferrochrome and stainless steel hot band from Columbus for ten years.

Samancor also took a minor stake in a venture to establish a multi-product ferroalloy plant in Saudi Arabia and bought into a Hong Kong operation selling manganese to China.

Mr Salamon says it will be difficult, but not impossible, to match 1994's attributable income in the current year. At R60, Samancor rates an historic price-earnings ratio of 40 — high if one considers it might not do better this year.



MIKE SALAMON ... chrome demand expected to rise

Sale a bonus for Farm-ag holders

By JULIE WALKER

A BONUS for Farm-ag shareholders, rather than a knock for pyramid company Rale, is how Richard McElligott — a director in both — explains an apparent anomaly in the sale of Farm-ag's stake in Sana-chem to Sentrachem.

Sentrachem, which already owns half of Sana-chem, has offered 140 Sentrachem for 100 Farm-ag in the R238-million deal. Alternatively, Farm-ag shareholders can renounce their right to Sentrachem shares and Sentrachem will buy their Farm-ag's at R16,45. A combination is allowed.

Farm-ag's assets outside Sana-chem are housed in Strand, both book and market value 90c. Shareholders will receive one Strand for every Farm-ag.

At current market prices, 140 Sentrachem at R14 are worth R19 600 whereas 100 Farm-ag are worth R16 750

and 100 Strand R90.

Mr McElligott explains that the original sale of Sana-chem, scheduled for February 1995, allowed for a cash settlement. When the deal was renegotiated a month ago, Sentrachem was faced with the problem of securing an underwriter who would be at risk for perhaps six weeks if Rale as well as Farm-ag members were to be offered the scrip alternative. With the benefit of hindsight the underwriter would have got money for jam because Sentrachem shares are climbing.



Pedestrian year for Impala

Star 16/8/94

BY DEREK TOMMEY

Impala shareholders will receive unchanged dividends of 140c for the year to June, even though tough conditions in the rhodium and nickel markets together with reduced platinum sales and increased capital expenditure, depressed distributable earnings

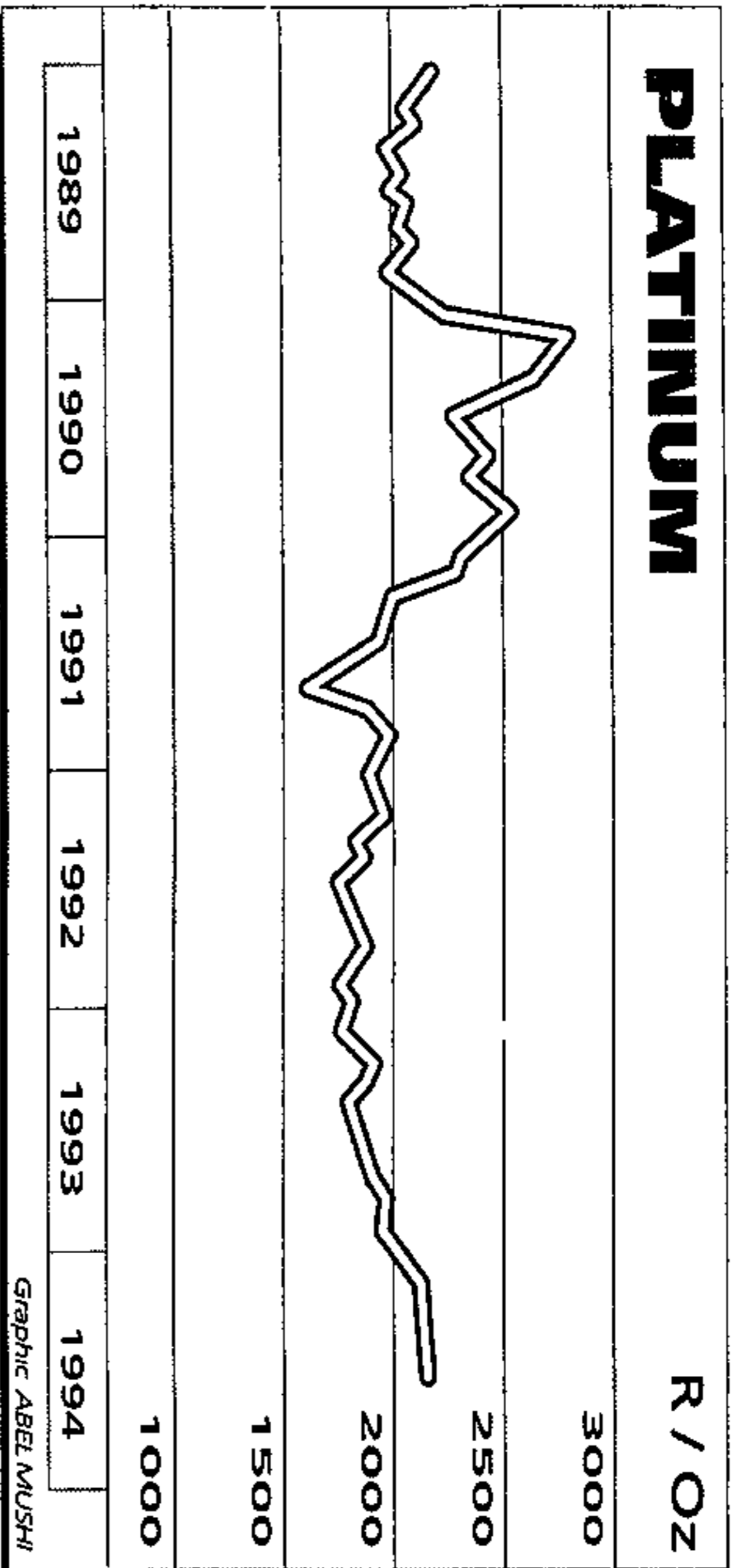
Chairman Michael McMahon says that the benefits of higher platinum and palladium prices and the effects of the 15 percent depreciation of the rand on mining income were offset by the weakness of nickel, the halving of the rhodium price and lower platinum production

The outcome was that income from metals fell by R15,8 million, or 4,2 percent, to R359,7 million

Platinum sales were down by 50 000 ounces, because of reduced mine output after cost-savings efforts, including the closure of the high-cost No

PLATINUM

R / OZ



Graphic: ABEL MUSHI

11 Shaft, and because of under-achievement over the many public and political holidays Total income from platinum was down 8 percent

Pre-tax income was 16 percent lower at R288 million, attributable income was 15 percent lower at R170 million, and distributable income was 39 percent lower at R66 million The dividends cost R87,1 million McMahon says the sale of Ayrton Metals for

R62 million helped convert last year's net debt of R120 million to net cash of R21 million

Impala's cash position will depend on the metal price over the next three years when it will be spending R425 million upgrading the refinery.

Total capital expenditure in 1993-94 rose 27 percent to R199 million

McMahon says the 1994 financial year had been one of industrial

peace in an atmosphere of political neutrality

Impala was the only platinum mine not to have a strike, despite the revolution in Bophuthatswana and the distraction of the elections

McMahon is cautious about prospects He sees the revival in the Western world and North American automotive industry, in particular, as positive indicators for the platinum industry

He says 69 percent of Impala's platinum is used in autocatalysts and 53 percent of sales are in the US (21F)

But while he expects a 6 percent to 8 percent increase in the use of platinum in autocatalysts, he cautions that the increased use of palladium in could keep the growth in platinum usage below the growth in production

The prospects for nickel — which at one time was Impala's second-biggest source of income, but now accounts for only 10 percent — are exciting

But palladium's prospects are dull.

Consumption outstripped production, but a steady supply of the metal from the Russian stockpile capped the price.

McMahon says Impala's 1994-95 performance should be moderately better than in the year just ended

Implats' mines will stay on hold

MICHAEL URQUHART

IMPALA Platinum yesterday ruled out reopening its Messina, Kennedy Vale and Crocodile River mines at prevailing platinum group metal (PGM) prices **8/Day**

Implats chairman Mike McMahon said the price of a basket of PGMs from these mines was lower than when the mines were closed.

Pumping at Crocodile River mine was stopped in August last year, and the water level had reached 75m below surface **16/8/94**

In addition, the high voltage supply agreement with Eskom had been replaced with a low-cost rural supply agreement. This had incapacitated the smelter and had set back any reopening scenario by three months.

Messina had an attributable income of R2,5m (R2,2m) for the year to June. Income before tax was slightly better at R5,4m (R3,5m), thanks to a better performance by the Premier equipment group.

Profit for Premier was up from R1,5m to R4m, but was offset by a higher tax charge of R2,4m (R0,3m).

Barplats's revenue of R2,4m (R13,3m) was drawn solely from the lease of residential property and sale of land and equipment **(217)**

But this revenue would be insufficient to cover care and maintenance costs and service of the debt for the coming year. Implats and PGM Investments would be approached for equal funding of the shortfall.

Implats' income falls 15%

MICHAEL URQUHART

THE world's second-largest platinum producer, Impala Platinum, sustained a 15% fall in attributable income to R170m for the year to June, brought down by lower platinum sales and a higher capital expenditure burden. **BIDay**

Income from platinum mining fell 8% to R271m, with sales down 50 000oz to 1,052-million ounces. Capex 27% higher at R199m also helped lower the Gencor company's bottom line **16/8/94**

Implats blamed the fall in output to cost-saving measures, particularly the closure of the high-cost No 11 shaft, as well as the many public holidays in the second half. Chairman Mike McMahon said stronger

platinum and palladium prices were offset by a halving of the rhodium price and a fall in the nickel price

Despite the fall in attributable income, expected moderate increases in rand prices had led the directors to maintain an unchanged dividend of 140c **(217)**

The sale of Ayrton Metals for R62m helped pull Impala from a net debt position of R120m to a cash-positive position

McMahon said cash was likely to be maintained at R21m, as the Precious Metals Refinery would be upgraded over the

To Page 2

Implats

BIDay 16/8/94

From Page 1

next three years at a cost of R425m.

The closure of No 11 shaft stemmed from geological problems which had resulted in unacceptably high costs and poor operating capacity. But development was continuing to establish sufficient ore reserves to reopen the shaft should market conditions improve **(217)**

Impala has cut its workforce by a third — from 49 500 at the start of 1991 to 32 000 — but said further decreases would be through natural attrition.

Subsidiary mines — Barplats' Crocodile River and Kennedy Vale, as well as Mes-

sina — remain mothballed. They are likely to remain so for the foreseeable future

McMahon hoped the platinum group metal prices had hit the bottom of the cycle and were now on an upward trend. But he was not overly bullish, warning that there was still an oversupply of platinum, while palladium prices would be kept down by the sale of Russian stocks.

He said the outlook for nickel was exciting, as it was linked to the commodity boom in stainless steel

● See Page 17

Falling platinum sales take toll on Impala

Own Correspondent

JOHANNESBURG. — The world's second-largest platinum producer, Impala Platinum, sustained a 15% fall in attributable income to R170m for the year to June, brought down by lower platinum sales and a higher capital expenditure burden.

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UNAUDITED GROUP RESULTS

Income statement	Six months to		Year
	30.6.94	30.6.93	1993
	R 000	R 000	R 000
Turnover	620 282	520 421	1 098 829
Operating costs/depreciation	444 880	358 976	814 686
Operating profit	175 402	161 445	284 143
Dividends received	508	502	1 023
Interest received	2 190	1 038	6 354
Foreign exchange gains	2 231	415	3 851
Interest payable	(6 761)	(4 335)	(10 882)
Profit before taxation	173 570	159 065	284 489
Deduct Taxation and lease consideration	94 010	80 934	136 178
Profit after taxation	79 560	78 131	148 311
Add Extraordinary item	6 350	10 595	21 556
Net profit	85 910	88 726	169 867
Balance sheet	Six months to		Year
	30.6.94	30.6.93	1993
	R 000	R 000	R 000
Employment of capital			
Fixed assets	547 051	496 934	512 704
Deferred expenditure	144 556	164 142	154 193
Investment	10 500	10 500	10 500
Current assets	495 824	420 913	401 609
Current liabilities	(210 426)	(168 462)	(263 324)
Provision for close-down and restoration costs	(31 000)	(20 000)	(25 000)
	956 505	904 027	790 682
Capital employed			
Ordinary shareholders' funds	408 059	406 121	344 827
Deferred taxation	334 703	353 744	332 704
Borrowings	213 743	143 028	113 151
Other long-term debt		1 134	
	956 505	904 027	790 682

Selected statistics

Production and sales	Six months to		Year
	30.6.94	30.6.93	1993
Material mined (millions of tons)	19,4	17,8	37,8
Copper in concentrate (thousands of tons)	63,5	61,6	126,4
Cathode produced (thousands of tons)	59,5	53,8	109,6
Contained copper sold (thousands of tons)	60,6	59,4	105,8
Average rand/dollar exchange rate	3,53	3,16	3,27
Average copper price received per ton (SAR)	R6 814	R6 692	R6 497
Average copper price received per ton (US\$)	\$1 930	\$2 118	\$1 987
<i>All tons are metric tons</i>			
Capital commitments (R 000)			
Approved expenditure at end of each period	84 035	87 223	65 000
Contracts placed at end of each period	65 886	26 339	20 000
Earnings per share, based on the net profit after taxation before extraordinary item	2,81	2,76	5,25
Dividends per share	2,30	2,10	6,00
Net asset value per share	14,42	14,34	12,18
Share capital			
Ordinary shares of R1 each	28 316	28 316	28 316
Dividends paid			
1993 final dividend 260 cents per share (1992. 310 cents per share)	73 620	87 778	
1993 total dividend 600 cents per share			169 893
1994 first interim dividend 100 cents per share	28 316	28 316	

COMMENTARY

Turnover surpassed that for the first half of 1993 by R100m due to a higher volume of cathode sales, 60 622 tons compared with 54 377 tons, and a higher Rand copper price of R6 814/ton against R6 692/ton in 1993. By-products, principally zirconia, vermiculite and precious metals within anode slimes exceeded 1993 sales by R49m.

Group profits after tax for the first half of 1994 were R85,9m, slightly lower than those achieved for the equivalent period last year due mainly to the impact of a higher tax rate. The 5% transition levy added R7,0m to the tax charge.

Operating costs including depreciation at R444,9m were 24% above last year's equivalent. This was a consequence of higher cathode and by-product production and an increase in depreciation charges following the completion of the smelter upgrade, and the installation of process controls in the concentrator.

The average cash cost of cathode delivered in the first six months of 1994 at R3 263/ton decreased by 5,7% compared with the same period in 1993.

The extraordinary item of R6,3m relates to the release of deferred tax following the June budget in which the company tax rate was lowered to 35%, offset by an increase in secondary tax on companies from 15% to 25%.

Production of copper cathodes increased from 53 848 tons to 59 485 tons, reflecting an improvement of production performance in all areas and particularly the smelter.

Production at Palabora by open pit methods is scheduled to continue until the year 2002. As a consequence, Palabora has been conducting studies on the viability of underground mining beyond the life of the open pit operations. The most recent study was based on copper production being maintained at current levels by mining 60 000 tons per day of ore from the underground mine. Unfortunately, this option has not proved economic, principally because of high capital cost and a lengthy pre-production investment period. However, lower production options have, on a preliminary analysis, shown more encouraging results. The definition of an alternative project and the ability to develop this project economically is under investigation.

Copper prices have improved in the last three months and forward markets indicate that the position may well hold for the latter part of the year. If so, this would reflect positively on results for the second half.

A. J. Leroy *Chairman*
F. Fenwick *Managing Director*

Declaration of Dividend

Notice is hereby given that Dividend No 109 of 130 per R1-share, being the second interim dividend for the year ending 31 December 1994, has been declared payable to shareholders registered in the books of the company on 2 September 1994.

The dividend is declared payable in the currency of the Republic of South Africa. Dividend warrants will be posted on or about 30 September 1994.

In terms of the Republic of South Africa Income Tax Act 1962, as amended, Non-Resident Shareholders' Tax at the applicable rate will be deducted by the company from dividends payable to shareholders whose addresses in the Share Register are outside the Republic of South Africa.

The Transfer Books and Register of Members will be closed from 3 September to 16 September 1994, both days inclusive.

By order of the Board

RIO TINTO MANAGEMENT SERVICES
SOUTH AFRICA (PTY) LIMITED
Secretaries
per K LENDRUM

17 August 1994

Directors:

A J Leroy*(Chairman), F Fenwick***(Managing Director),
B R Aitken**, T N Chapman, R L Clifford**, A D Deuchar**,
B D Farmer***, N J Keys** (Alt D G K Fish), R D Macpherson,
Z W Ntuli, M P Randolph*, N R Shutt, Prof N E Wiehahn.

*American **Australian ***British ****New Zealander

Transfer Secretaries
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South Africa Limited
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Johannesburg 2001

Registered office
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Rio Tinto House
122 Pybus Road
Sandton
2196

~~27~~ 27 star

Western Platinum Mine boost for RDP

■ BY THABO LSHILO

The RDP got a boost this week when Western Platinum Mine made available 120 ha of land and R3,5 million for township development in Marikana in the North-West province

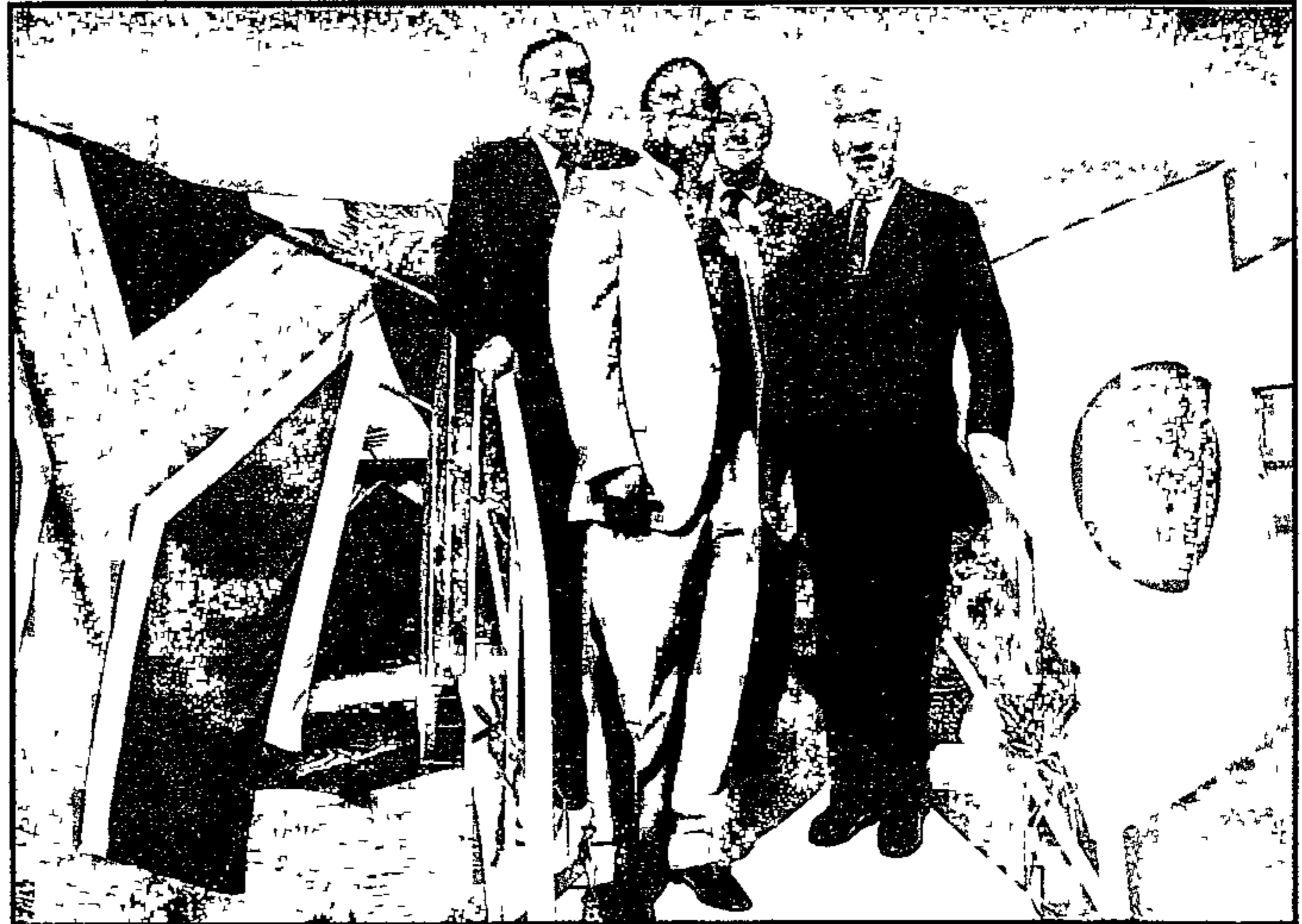
Western Platinum is a subsidiary of Lonrho

The donation was announced by Lonrho chairman and MD Terence Wilkinson at a luncheon held at the mine

The function was in honour of visiting president of Japan's Mitsubishi, M Makihara.

The occasion was addressed by the region's Premier Popo Molefe and Mineral Affairs Minister Pik Botha.

Molefe welcomed Lonrho's commitment to the RDP as "the beginning of a process of giving dignity to the poor by giving them a roof over their heads and creating jobs to make their lives better".



Seen at the function . . . (from left) Pik Botha, Popo Molefe, Terence Wilkinson and Mitsubishi's M Makihara.



Palabora Mining

Company Limited and its Subsidiaries

(Incorporated in the Republic of South Africa) (Reg No 56/02134/06)

Interim report for the six months ended 30 June 1994

MARKING TIME

Year to June 30	1993	1994
Turnover		184
Operational		
Attributable (Rm)		
Dividend		
Earnings		
EPS		

For 19/8/94
 lower sales volumes, platinum down 4,5%, palladium 5,6%, rhodium 4,2% and nickel 4,6%. But the year's success is in the containment of costs down R14m or nearly 1% to R1 824m — which is no small achievement

Unfortunately, the human cost is high. Impala has reduced its work force by about a third. Between end-1991 and mid-1994, it has shed about 16 000 employees without any perceptible reduction in production capability. It demonstrates how much better SA workers can perform when led by intelligent managers bent on making the best use of capital and human resources.

EPS are 15% reduced on 1993 at 273c (323c), the dividend is pegged at 140c.

However, I am left wondering where Impala goes from here. Plainly, it is in for a long spell of fairly serious capital spending. Impala's refinery is a major disadvantage to a company seeking to lower its cost profile. A major upgrade is scheduled at a cost of R425m, spread over the next four years. Capex peaked in 1992 at R411m, then fell in 1993 to R157m. Over financial 1994 it is R199m, and will probably be about R250m in 1995. Investors must expect this profile to expand and then stabilise over the next few years as the refinery work ends and expenditure is then switched to the first Deeps shaft.

Another matter is the unsatisfactory state of the company's relations with the Bafokeng tribe. Impala's lease areas are centred largely on land owned by the tribe and the company has been at the centre of a long confrontation between the former Bophuthatswana government and the tribe's chief, Edward Lebone Molotlegi.

He went into exile in 1988, but has returned, understandably, perhaps, he has questioned Impala's royalty agreements with the Bafokeng, negotiated in his absence. For the last two months, negotiations between the parties have been taking place under mediation. McMahon won't provide any other information.

Impala's fortunes are reliant on the western world's economic revival, that will stimulate demand for cars and, therefore, for catalysts; increased discretionary incomes will enhance demand for jewellery. Finally, supplies from the Russian Federation may reduce or at least be tempered by sensible selling policies. If you believe all these will happen, you will be happy with the price of nearly 37 but it is not supportable in my book.

David Gleason

IMPALA PLATINUM

Rand gives succour

For 19/8/94
Chairman Michael McMahon puts a brave face on it but not much can be done to bestow gloss on the frankly pedestrian performance in financial 1994. (217)

Impala produced less for a basket of metals priced at only 6% more in rand terms than in 1993, there's more than a grain of truth in the statement that Impala's outturn this year owes much to the rand's inexorable depreciation. This contributed 15% to earnings. It is comforting for mine bosses to know they can rely — when the going gets tough — on the quicksand foundations of our currency for succour.

Turnover at R2 184m is marginally lower than in 1993, principally because of

Future of Northam in balance

Star 19/8/94
BY DEREK TOMMEY

The future of Gold Fields' R1,5 billion Northam Platinum mine is in the balance.

Chairman John Hopwood says the mine had a loss of R129,7 million for the 12 months to June (loss of R37,8 million for the six months to December).

Financial results continued to be affected by production being significantly less than planned. Weaker rhodium and nickel prices, also had an impact.

The company has exhausted its cash resources and its loan facility of R220 million has been largely utilised.

With the company continuing to operate at a loss, a further loan of R25 million has had to be arranged to finance losses.

(217) Situation

In the light of this situation, a technical assessment is being carried out to determine the future of Northam.

What does seem clear is that the mine cannot achieve the planned production rate of 150,000 tons of ore a month in the short-to-medium term.

This has led to alternative production rates, with appropriate labour and cost structures being examined.

The results should be available by October and will show whether Northam has a future or not.

Greater geological faulting than expected is the main reason for production being lower than planned.

High-yield water fissures have affected plans to offset the loss of stope face caused by geological disturbances.

The company has also had staff problems, including a high turnover of skilled workers, the resignation of Zulu machine operators, and a 10-day unofficial strike.

However, good progress has been made in reducing the stoping width, which averaged 100cm during the June quarter, with a head-grade of 5,8g/t.

Gold Fields might close Northam

BIDAY 19/8/94
GOLD Fields was considering closing Northam, the struggling platinum mine which had soaked up more than R1,7bn, the mining house said yesterday.

Unveiling Northam's R129m attributable loss for the year to June, chairman Ron Hopwood said geological and labour problems would prevent the mine reaching its planned production rate of 150 000 tons a month — the target it had been scheduled to reach more than a year ago.

The technical assessment on the Zonderende mine would be complete by October and the decision would be taken then. But the assessment had already shown

MICHAEL URQUHART

that the targeted production rate was unattainable in the medium term. Even if Gold Fields chose to keep the mine going, operations would be scaled down, with job losses among its 7 500-strong workforce.

Hopwood said the platinum price, which has recently strengthened, would have to jump 25% before Northam broke even at current operating costs (217)

Sales revenue stood at R236,4m, but costs were R364m. The loss was compounded by a R10m finance charge, bring-

□ To Page 2

Northam

BIDAY 19/8/94
ing the mine's accumulated loss to R180m.

Grades were static at 5,5g/t, but Hopwood said production at 1,1-million tons was well below planned levels. This was mainly attributable to geological hitches. High water levels had stymied attempts to offset this with additional stoping (217)

Northam also suffered labour problems which disrupted its production build-up (217). The mine — which called a rights issue of R350m in 1992 — had exhausted its cash

resources and a bank loan of R220m, and was running on R25m bridging finance supplied by Gold Fields. At the current rate of losses the bridging finance should last till the end of October, Hopwood said.

Should Gold Fields decide to keep Northam going, the mine would approach shareholders for funding. Gold Fields had already written off R663m of the value of its 60% stake in Northam, in line with the mine's poor JSE performance

□ From Page 1

Rusplats rise widens gap as Implats falls

B/Day 21/8/94

MICHAEL URQUHART

THE discount between the share price of Impala Platinum and Rustenburg Platinum widened further yesterday as Rusplats made gains while Implats fell

Rusplats gained 275c yesterday to close at R105. Implats lost 50c to close the day's trade at R96,50, a discount of 8% to Rusplats. Platinum yesterday was trading at \$411/oz on the LSE.

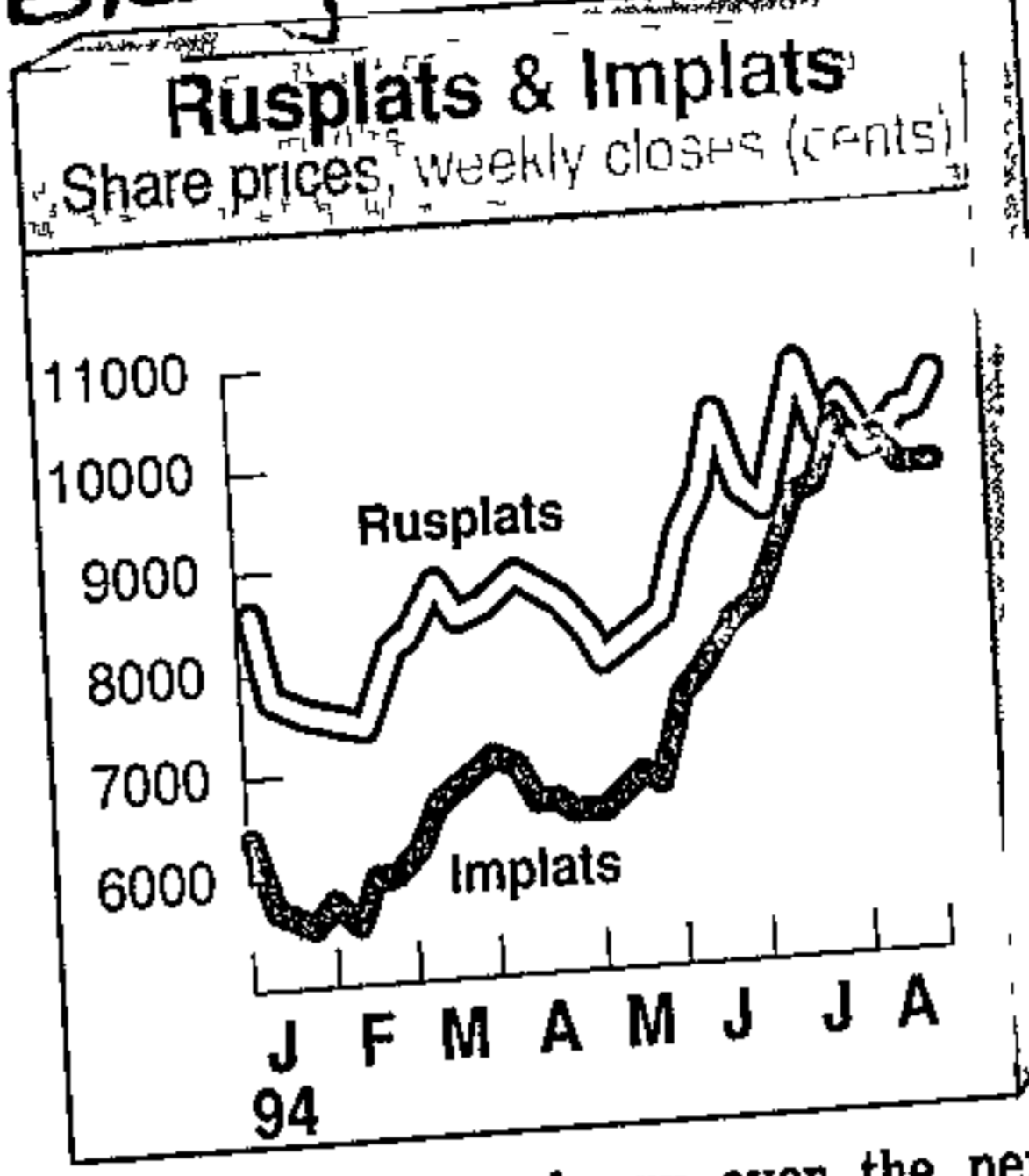
Implats, which hit a low of R32 in 1989, has lagged behind Rusplats since 1989. But the counter surged ahead of Rusplats as investors were attracted by its gearing to a resurgent platinum market (217)

The share price had been buoyed by strong efforts to control costs, including reducing the workforce, and the incorporation of Bophuthatswana into SA.

But analysts said the resurgent share price had been knocked by Implats' poor results, which had shown a 15% net decrease in attributable earnings.

Earnings a share had come in at 273c, lower than most analysts' predictions and well below the 323c from last year

One analyst said the R425m which Implats expected to spend on upgrading its



precious metals refinery over the next three years, and possible expenditure on sinking new shafts, could mean a large proportion of income would be swallowed by capex

But analysts said in a bull platinum market Implats should reduce the discount due to its higher gearing to the platinum price. A depreciating rand would contribute to this.

Alusaf expects R1bn from smelter

ALUMINIUM producer Alusaf said yesterday its Hillside smelter should generate R1bn in cash in its first full year of production to June 1997. **2518194**

Even with an aluminium price of \$1 540/ton, the company's financial robustness should enable it to service its loan obligations and make dividend payments should the aluminium market's recovery take longer than expected.

Announcing its yearly results, Alusaf said the smelter's construction had been 25% completed by June 30. It was on target to be completed five months ahead of the original schedule. Production of first metal should start in the middle of next year with full production of 466 000 tons achieved a year later. **(217)**

A review of the project's capital cost — including a contingency of R353m — estimated this at R5,46bn, R930m less than the

MICHAEL URQUHART

original budgeted cost of R6,39bn. Further savings had been made since, indicating that total savings could exceed R1bn.

The company said the reduction in capital cost and lower interest rates meant that at peak funding the level of debt should be 45% of funds employed, against an original budget of 54%.

Alusaf said R2 25bn of the R3bn committed equity and convertible loan had been received by June 30. The last tranche would be received on December 30.

It did not expect a recovery in the aluminium market before 1997 unless production cuts of at least 1-million tons a year were made worldwide, or consumption in the Commonwealth of Independent States increased. But Alusaf believed an aluminium price of \$1 650/ton was realistic.

Nickel futures ⁽²¹⁷⁾ soar on strike fears

REC-11/9/94

NEIL BEHRMANN
LONDON. — Nickel futures have surged on fears of an impending strike at Falconbridge, the major Canadian producer.

This is good news for Rustenburg, Impala and other platinum companies because nickel is an important — and during booms — a very profitable by-product.

“After the summer doldrums, major nickel users, notably stainless steel industries, are also actively buying,” said William Adams, an analyst at Rudolf Wolff and Company, a metals firm. Dealers and some

funds that sold nickel short in the hope that they would profit from a price fall also frantically re-purchased the metal, said Mr Adams.

Nickel, historically the most volatile metal on the London Metal Exchange, experienced a roller coaster ride in the past year. From its nadir of \$4 030 a ton in September, 1993, its price soared to a peak of \$6 930 in May, before tumbling to \$5 580 a ton mid-August.

In the past two weeks the price rose rapidly to \$6 125 on expectations of a labour dispute at Norilsk, the huge producer

based in Siberia. More recently, wage negotiations at Falconbridge came into play, said Karen Norton, metals analyst at Billiton-Enthoven, metals merchants.

Nickel bulls contend that prices would continue to soar even if production was not disrupted.

Prices could trade up to \$6 800 a ton forecast Ted Arnold, Merrill Lynch's London based metals analyst, in a recent report. Western stainless steel production was growing by leaps and bounds, he said. Metals merchants, industry and funds were

buyers when the price dipped, he said.

Nickel performed well when economic cycles turned up, contended Mr Adams. Since Asia, Europe and Japan were following the United States and reviving, “nickel is in the early stages of a bull market,” he said. Three months ago nickel futures exceeded \$18 000 a ton in 1989 during a stainless steel boom.

“While the prospect of greater demand is promising, there are more than sufficient supplies to balance the market,” countered Ms Norton. For a start,

LME stocks totalling 138 000 tons were at exceptional heights and could meet several weeks of purchases.

Moreover, any supply disruptions were likely to be temporary and major producers Falconbridge and Australia's Western Mining were set to raise output, she said. Supplies from Russia were also likely to rise dramatically.

In tandem with nickel, quotes of copper, lead and tin also jumped. Metals prices tend to rally in the Northern hemisphere's autumn, when factories gear up for Christmas.

IMPALA PLATINUM

Marching on the spot

Activities: Mines, beneficiates and markets platinum group metals, nickel and copper

Control: Gencor 46,5%

Executive Chairman: J M McMahon

Capital structure: 62,2m ords Market capitalisation R6,1bn

Share market: Price 9 800c Yields 1,4% on dividend, 2,8% on earnings, p e ratio, 35,9, cover, 1,95 12-month high, 10 400c, low, 4 450c Trading volume last quarter, 2,7m shares

Year to June 30	'91	'92	'93	'94
ST debt (Rm)	399,5	487,2	78,0	4,1
LT debt (Rm)	28,7	235,7	328,1	302,7
Debt equity ratio	0,21	0,30	0,16	0,12
Turnover (Rm)	2 269	2 264	2 214	2 184
Cost of sales (Rm)	1 429	1 671	1 838	1 824
Attributable profit (Rm)	309	256	201	170
Earnings (c)	504	411	323	273
Dividends (c)	275	170	140	140
Tangible NAV (c)	3 386	3 871	4 111	4 287

The kindest remark — and therefore probably the cruellest cut — is that Impala is biding its time. For investors scanning the essential statistics, this company, probably the second biggest producer of platinum group metals in the world, presents a picture of marching on the spot.

An extraordinary 1992 excepted, borrowings, at R307m, are now at a low for some years and the debt equity ratio is at a comfortable and conservative 0,12. A straightforward balance sheet indicates adequate inherent strength to handle most events — though not, it should be noted, massive capital expenditures without taking strain. Impala is now net cash positive, a good indication of careful husbandry, though this position was helped by the sale of Ayrton Metals for R62m.

It is in earnings and dividends that Impala attracts investor criticism. The high point was in 1991, when EPS were 504c and the dividend was 275c. Since then, it has been downhill with EPS now at a low 273c and the dividend a modest 140c. There are sound reasons for this, few of which inspire confidence where it matters — in the bank.

An interesting, though depressing, feature of calendar 1993 was the extent to which platinum demand and supply were out of balance.

Impala chairman Michael McMahon says demand was 4,44m oz against supply of 4,81m oz, leaving a net surplus of 365 000 oz. For calendar 1994, he predicts a substantial increase in demand and a



Impala's McMahon refining is capex priority

small increase in supply, resulting in a net surplus of only 80 000 oz.

SA producers — by far the world's largest and most important — have complained consistently about Russian destocking in recent years. In 1993, though, autocatalyst demand for platinum rose 16% and jewellery demand rose 7%, a total increase of 365 000 oz. SA producers rushed to the rescue with increased production of 465 000 oz — the kind of sensible planning which leaves investors with unanswered questions.

Impala has managed to contain costs. At the best of times, it is difficult to control efficiencies and money used in large-scale mining. That the company was able to

contain the cost increase of its platinum group metals production in matte to only 4% speaks volumes of a determined technical management. Part of the price paid for this excellent result is that the company has reduced its workforce steadily. Since 1991, Impala has shed about 16 000 employees,

nearly a third of its labour complement.

The big issue over the next few years will be its capital expenditure programme, which McMahon has clearly directed first at the refining process and then at the

mining end of the business. Curiously, McMahon doesn't deal with this important aspect compositely. Instead, references to future expenditure are dotted about his annual statement. He has targeted refining as his priority because Impala is at a disadvantage with competitor Rustenburg in this area, R425m will be spent over the next four years to bring the refinery to what McMahon calls "world class standards".

While that is happening, Impala will begin sinking a major shaft into the Deeps in financial 1997. Major expenditure will begin to be incurred in 1998. This is part of a programme to ensure a production profile of 1,2m oz of platinum a year.

Three matters remain to be discussed. The first is the unsatisfactory state of Impala's relations with the Bafokeng tribe, on whose land much of its mining is conducted. Unfortunately for Impala, it has been in the centre of a pull-push confrontation between the tribe and the former Bophuthatswana administration and president Lucas Mangope.

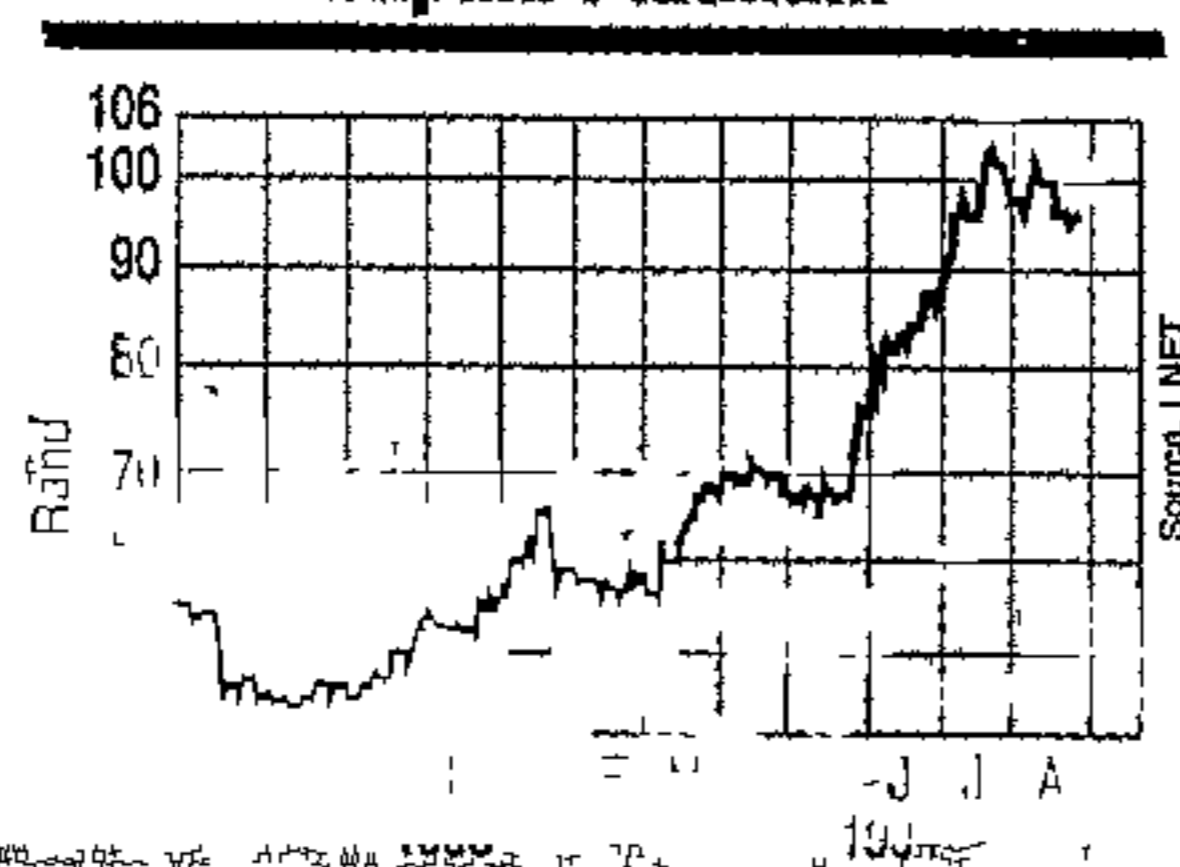
In the process, Chief Edward Molotlegi went into exile breathing opposition. Acting chief George Molotlegi has since resigned. Now Impala and Chief Edward, who has returned victorious, are locked in negotiations superintended by independent mediation. It is a classic example of private enterprise being dragged helplessly into convoluted political machinations beyond its control.

The second is that Impala and McMahon make much of the company's accession to important aspects of the UK's Cadbury Report on Corporate Governance, the principles of which, says McMahon, Impala endorsed last year. It sounds impressive. But a key feature of Cadbury was its insistence that the roles of chairman and CE must be separated. This has not been applied at Impala.

Lastly, there is Impala's growing participation in autocatalyst salvage in the US. A privately owned US company, A1, is linked to Impala by arm's-length supply contracts and will soon move into the European market. The business operates on low margins — probably 2% — but it is stable and risk-free. For Impala, the potential could be as much as R40m a year down the line and its involvement is an enterprising move.

Impala is a world player in its business. But its immediate capital expenditure programme will take some swallowing. Unless there is a dramatic and sustained increase in the price of its products, helped no doubt by the continued depreciation of the rand, I cannot see how it can be valued at a p e

Impala Platinum



COMPANIES

Fun 2/9/94
of 36 The valuation looks like wishful thinking but then that seems to apply to the industry (217) (232) *David Gleason*

STOCKS & STOCKS LTD
Fun 2/9/94
Diversifying profit base

Stocks & Stocks Ltd (SSL) now stands on a p e of 11,4, indicating a steep and favourable rerating since the interims were released in October, when the p e was 3,3. The price is now at a hefty premium to NAV, a year ago it was at a discount. The change has resulted from investor appreciation of SSL's diversified activities and the potential earnings growth resulting from low-cost housing programmes. But the impressive 47% increase in

Fun 2/9/94
earnings, from R18,9m to R27,8m, did not come from benefits of improved business confidence and increased activity. Work on hand improved only marginally to R1,5bn, the industry has received no major investment injection yet. Rather, says chairman Reg Edwards, the

DIVISIONAL MIX (%)

	Turnover		Income	
	'93	'94	'93	'94
Construction	74	66	43	51
Property	13	21	37	39
Leisure	3	3	11	8
Steel				
reinforcing & trading	5	5	7	5
Info technology	5	5	2	(3)
Total	100	100	100	100

Activities: General building, residential construction and development, civil engineering construction, property, resorts, hotel and timeshare, steel reinforcing and trading and information technology

Control: Stocks & Stocks Holding 65%

Chairman: R A Edwards, MD A H Dorrestein

Capital structure: 80,4m ords Market capitalisation R313,6m

Share market: Price 390c Yields 2,3% on dividend, 9,0% on earnings, p e ratio, 11,1, cover, 3,9 12-month high, 475c, low, 77c Trading volume last quarter, 3,69m shares

Year to April 30	'91	'92	'93	'94
ST debt (Rm)	56,0	25,6	61,5	56,4
LT debt (Rm)	17,9	18,3	35,8	36,4
Debt equity ratio	0,38	0,18	0,20	0,11
Shareholders' interest	0,29	0,29	0,31	0,29
Int & leasing cover	3,6	4,4	2,5	3,8
Return on cap (%)	7,5	6,7	6,6	6,7
Turnover (Rm)	1 347	1 439	1 104	1 334
Pre-int profit (Rm)	44,6	53,1	38,9	48,9
Pre-int margin (%)	3,3	3,7	3,5	3,7
Earnings (c)	31	25	24	35
Dividends (c)	10	10	7	9
Tangible NAV (c)	189	203	216	249

NINIAN & LESTER HOLDINGS LTD

Reg No 68/02769/06

ANNOUNCEMENT TO SHAREHOLDERS

The Unaudited Group Trading results for the six months ended 30 June 1994, are as follows

	Jan-June 1994	Jan-June 1993	Jan-Dec 1993
TURNOVER	115 476 000	108 866 000	240 685 000
TRADING INCOME	8 426 000	7 794 000	20 819 000
DEDUCT	5 607 000	6 013 000	12 519 000
Depreciation	3 868 000	3 677 000	7 367 000
Interest	1 644 000	2 210 000	4 760 000
Finance Leasing Charges	95 000	126 000	392 000
INCOME before Taxation	2 819 000	1 781 000	8 300 000
Taxation	1 313 000	766 000	3 416 000
INCOME after Taxation	1 506 000	1 015 000	4 884 000
Outside Shareholders' Interest	(12 000)	(585 000)	(1 356 000)
INCOME attributable to Members	R 1 494 000	R 430 000	R 3 528 000
Number of Shares in Issue	3 219 000	3 219 000	3 219 000
Earnings per Share	R 0,46	R 0,13	R 1,10
Dividend per Share — Interim	R 0,14	R 0,04	R 0,04
Dividend per Share — Final			R 0,30
ABRIDGED BALANCE SHEET			
Capital Employed — Shareholders' Funds	54 153 000	51 119 000	53 123 000
— Outside Shareholders	14 450 000	14 440 000	15 081 000
— Deferred Taxation	1 796 000	1 283 000	1 796 000
— Loans	9 000 000	9 000 000	9 000 000
Total Capital Employed	R79 399 000	R75 842 000	R79 000 000
Represented by — Fixed Assets	28 685 000	27 224 000	26 079 000
Land and Buildings	8 779 000	8 819 000	8 799 000
Other	19 906 000	18 405 000	17 280 000
Net Current Assets	50 714 000	48 618 000	52 921 000
Current Assets	121 912 000	119 200 000	99 651 000
Current Liabilities	(23 861 000)	(34 254 000)	(13 720 000)
Interest Bearing	(47 337 000)	(36 328 000)	(33 010 000)
Other			
Total Employment of Capital	R79 399 000	R75 842 000	R79 000 000

Results for the first half of the year were satisfactory notwithstanding the stayaways in Bophuthatswana and the cost and loss of production arising from paid holidays over the election period. The profits for 1994 should exceed those of 1993 given a stable labour environment.

DECLARATION OF DIVIDEND No 41

Notification of the declaration of a dividend of 14 cents per share in respect of the six months ended 30 June 1994 has been declared payable to shareholders registered in the books of the company at the close of business on 9 September 1994, and dividend warrants will be posted to shareholders on or about 20 September 1994.

Transfer Secretaries
Mercantile Registrars Ltd
PO Box 1053
Johannesburg
2000

By Order of the Board
G W Rahmer, BCom, MBL, CA (SA)
Secretary
Durban
23 August 1994

restructuring started several years ago, and the reduced reliance on local construction activities as the main source of income, are behind the earnings boost. Though construction regained its position as the principal income contributor, Edwards says this division's importance will be diminished by good growth in contributions from leisure and property development.

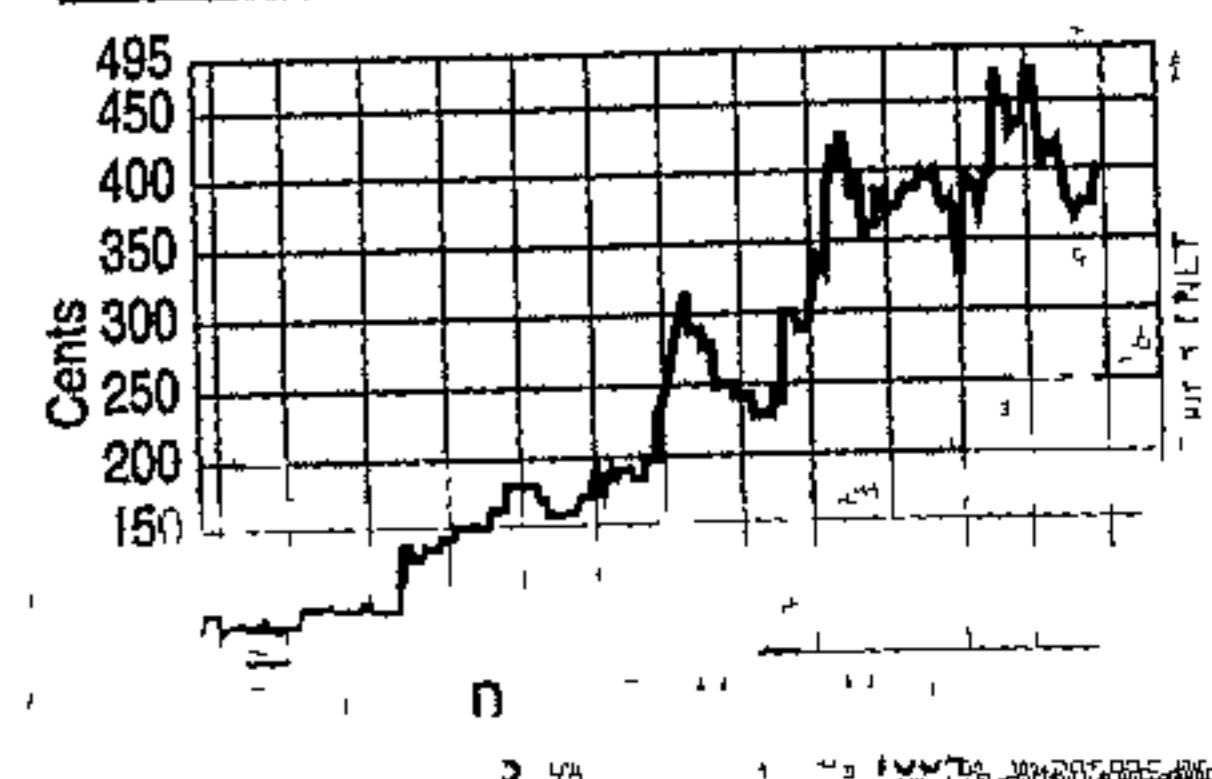
Previously, the leisure division comprised only timeshare management and sales. Development of a fully fledged hotel owning and management operation has been swift. The hotel arm is to open four new facilities by the end of calendar 1995. Edwards says locations chosen are Cape Town, Sandton, Windhoek and Swakopmund. Management is pinning its hopes on tourism growing into one of SA's largest industries and has positioned itself accordingly.

A revival in demand for office and industrial space, prompted by economic upturn, should benefit SSL's property development activities. The formation of a vehicle, possibly to be listed, to hold strategic income-earning properties indicates the optimistic outlook in this area.

Turnover increased a creditable 21% to R1,33bn, operating income rose 26% to R48,9m, the margin widening from 3,5% to 3,7%.

The group has emerged from the recession with its balance sheet in good shape. At end-April it had R69m cash,

Stocks & Stocks Ltd



Hiveld drives 'phenomenal' gains in steel and allied sector

MICK COLLINS

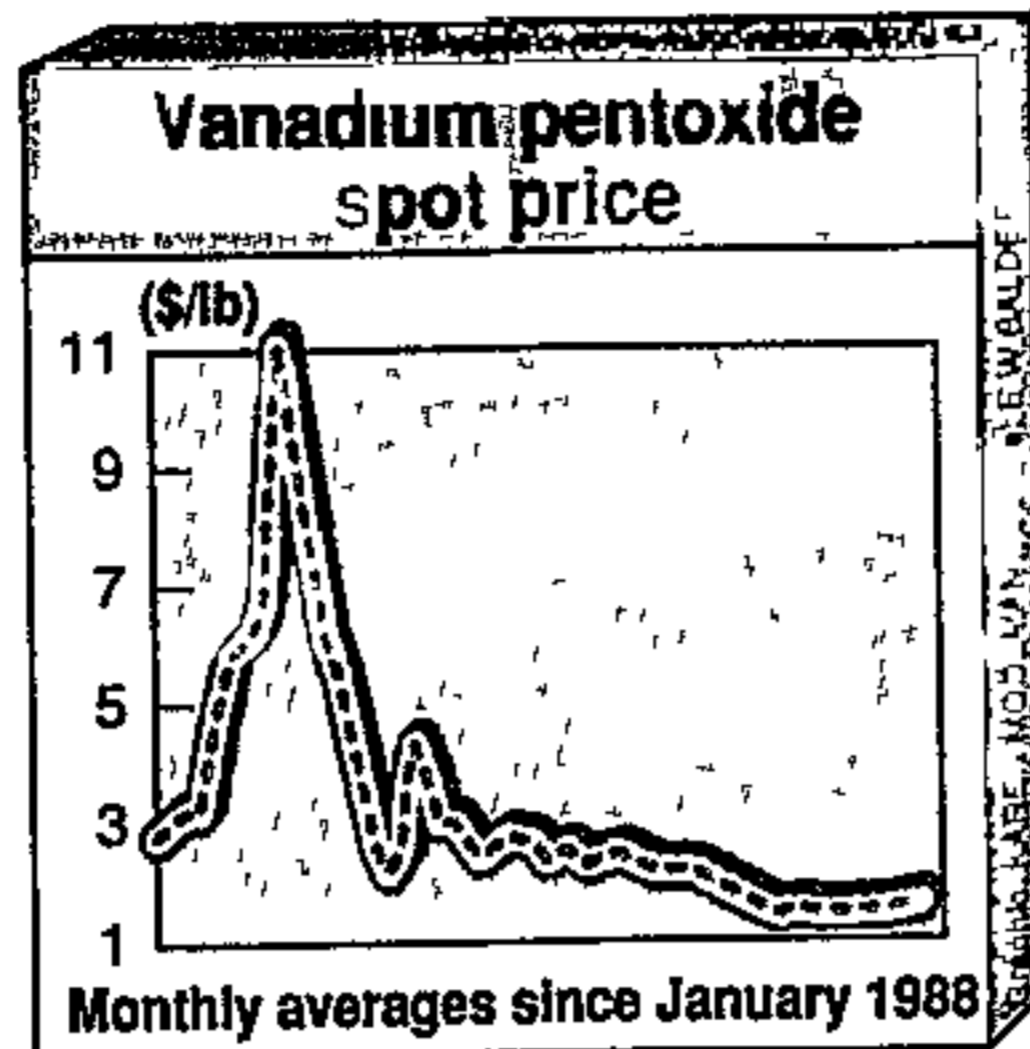
MASSIVE gains in the JSE's steel and allied sector had been brought about mainly as a result of the strength of index stocks Highveld Steel and Vanadium (Hiveld) and Iscor, analysts said at the weekend.

A report by stockbrokers EW Balderson Inc said while the steel and allied division had been expected to perform well during the past 12 months, "its performance has been remarkable". The index displayed "a phenomenal 194% compound annual growth to April 1994, while the overall index climbed just 50%".

Hiveld's earnings before extraordinary items for the six months to June rose 78% to R49,2m on the back of increased local demand for steel and a bigger contribution by the new aluminium can plant at Rheem.

Balderson Inc said Hiveld's structure had changed in recent years to diversify out of the highly cyclical vanadium market and to move into the more lucrative steel and value added product market.

Hiveld financial director Luigi Matteucci said the company would always remain in vanadium production but it was selling less slag and moving into more value added products. "We have even seen a bit of an improvement in ferrovandium



prices from \$8/lb to \$9/lb. The Vantra kiln is working flat out and we are not stockpiling" (217)

But Balderson Inc said although Hiveld was the world's largest producer of vanadium pentoxide and vanadiferous slag, these products did not offer expansion potential. "Rather Hiveld will continue to expand its steel production, which we believe accounts for about 50% of turnover at present."

World vanadium production was less than 60% of installed production capacity. Installed capacity was estimated at 110 000 tons of vanadium pentoxide and 1993 production was about 58 000 tons.

In the unlikely scenario of a sustained and substantial price rise, the return of idled capacity and potential

new capacity would most likely result in the improved price outlook being short-lived.

SA is the world's leading producer accounting for more than 40% of world production and 60% of Western production. World trade in vanadium is dominated by SA with a share of more than 80%.

The Vantra division of Hiveld, Vametco and Transvaal Alloys — with a combined capacity 15 000 to 20 000 tons a year — had stopped producing pentoxide directly from ore and instead was obtaining feedstock from vanadium rich slag produced at Hiveld's steel plant.

Analysts said monthly vanadium pentoxide spot prices were hovering around \$1,40/lb to \$1,50/lb. The peak price of nearly \$11/lb was reached in February 1989.

"Although it appears that vanadium pentoxide prices will remain under pressure for probably this decade, recent industry rationalisation in SA should help elevate prices slightly."

Assessing Hiveld's future, the report said that "the importance of steel cannot be expounded enough" and the company was expected to further increase this division, while diversifying out of vanadium and related products. The manufacture of aluminium cans at Rheem was an example of this diversification.

Star 6/19/94

Union Mines still talking about manganese rights

■ BY DEREK TOMMEY

Union Mines, which is developing a manganese mine at Kapstevl in the Northern Cape, is still negotiating with other parties to extend its manganese rights, says chairman and controlling shareholder, Nic Lotterie

He says in a statement to shareholders that they will be informed as soon as the negotiations are completed.

The company has iron ore reserves of about eight million tons and is negotiating to supply ore to a buyer in Europe.

"This will contribute a considerable amount to the profits and can also increase the dividends of the company," he says.

The company has entered into a prospecting agreement to acquire 50 percent of the mineral rights on the adjoining property, Welgevonden

It has also appointed AJ Scoggins to produce a geologi-

cal report which summarises the results of the exploration programme, including an executive summary of recommendations regarding the viability of the proposed copper mine.

Lotterie says the existing copper reserves on the old tin mine show a value of over 1 percent. The old slimes dams contain about 5 percent copper ~~(217)~~ (217)

The whole region will benefit from the new venture, which will create a large number of jobs, he adds

Union Mines bought the Kapstevl deposit by issuing 17,6 million shares, worth at that time R7 million. This increased its issued share capital to 20 million shares

At the time of the acquisition in 1993 the Kapstevl deposit was expected to produce 40 000 tons of manganese in the first year and 130 000 tons in the second year of operation.

Cape mine looks to expansion

DEREK TOMMEY

JOHANNESBURG — Union Mines, which is developing a manganese mine at Kapstevl in the Northern Cape, is still negotiating with other parties to extend its manganese rights, says chairman and controlling shareholder Nic Lotterie

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At the time of the acquisition in 1993 the Kapstevl deposit was expected to produce 40 000 tons of manganese in the first year and 130 000 tons in the second year of operation

■ In the past six months the share price of the Loraine gold mine has risen more than 50 percent — from 1500c to 2350c.

The reason for the spectacular gain is that recent developments have transformed prospects

Not so long ago it was seen as a marginal short-life producer

Now it is being regarded as a mine with good prospects for

increased earnings and with a life of 11 years — possibly longer if, as much of the share market expects, it is merged with the adjoining Target gold mining venture

Broking firm EW Balderson recently issued a bullish report prepared by Jens Jacobsen and Nick Goodwin on the mine's prospects

They said that at the current gold price Loraine shares offered value

The mine is shifting its centre of operations to the No 3 Shaft complex where high-grade Basal Reef ore reserves have been opened up

It is also likely that additional ore will be mined along the western margin of the lease area and that the operational life will continue for at least the next 11 years

AR 6/9/94 (217)

ZCCM's copper and cobalt output lower

LUSAKA — Zambia Consolidated Copper Mines (ZCCM), in which Anglo American has an indirect stake and board representation, posted copper production at 88 550 tons for the June quarter, against 102 741 tons for the same period last year ^{819/94}

The company said yesterday it made a profit on metal trading of 23-billion kwacha (\$32,86m) for the quarter, compared with 35-billion kwacha last year, while net profit was 7-billion kwacha (12-billion).

Total sales revenue rose 13% to 170-billion kwacha.

Copper sales out of ZCCM's own production at 95 637 tons were 13 300 tons lower than last year. ⁽²¹⁷⁾

In the past two financial years ZCCM's copper production has been less than its forecasts. It produced 392 000 tons in the 1993/94 year against a forecast of 420 000 tons. The decline in production has been caused by a combination of factors, including poor ore grades, production costs and lack of spare parts. Cobalt production fell to 735 tons for the quarter from 988. Sales rose to 817 tons from 510. — Reuter.

SAMANCOR

Expecting too much

Activities: Produces base-metal ores and alloys including ferromanganese and ferrochrome

Control: Gencor

Executive Chairman: M Salamon

Capital structure: 189m ords Market capitalisation R11,4bn

Share market: Price 6 050c Yields 1,1% on dividend, 2,5% on earnings, p/e ratio, 41, cover, 2,28 12-month high, 6 600c, low, 2 025c Trading volume last quarter, 937 000 shares

Year to June 30	'91	'92	'93	'94
ST debt (Rm)	—	—	—	240
LT debt (Rm)	13	11	8	114
Turnover (Rm)	1 806	2 064	1 791	2 190
Pre-tax profit (Rm)	567	381	187	374
Attributable profit (Rm)	362	277	176	280
Earnings (c)	216	151	93	148
Dividends (c)	110	90	50	65
Tangible NAV (c)	795	1 089	1 108	1 192

In a classic example of a truly potty market, Samancor's share price now returns a p/e of 41 to put that into perspective, it means anyone buying the stock now is prepared (willing, even) to wait 41 years to get his money back

The only thing mildly dafter is the p/e relating to the platinum shares. When markets like the JSE move prices to these levels they are accused of intemperate behaviour. Well, no-one puts a pistol to buyers' heads and forces their hands into their pockets; I can only conclude those buying at these prices are either fools motivated by greed or they know something the rest of us don't

Samancor, the country's most important producer — perhaps even the world's — of manganese, chromes and their alloys, has just recorded a pretty good year: turnover was nearly R2,2bn, pre-tax profit at R374m was nearly double last year's R187m and EPS was 148c. It all has a cheerful note about it, but then so it should: shareholders have taken a beating over the last five years. They deserve some congratulatory warmth.

The key for Samancor, as for its holding company, mining house Gencor, is the commodity cycle. Samancor's business is in supplying those components which, crucially, rely on world economic trends, principally stainless steels and motor cars. A downturn in either, invariably seen together, is bad news for companies like Samancor.

Nor is it simply the global economic cycle which plays a part. This time round,

the bad news included the fall of the Berlin Wall which meant freedom for millions, but heightened economic trouble for others. As the military machines of the former eastern bloc countries slid into slumber, so internal demand for chromes and manganese reduced perceptibly (217)

But the plants kept on producing, which meant a flood of material poured into Western markets. The result was inevitable: prices nailed to the floor against a background of a world economy in hibernation.

Samancor's business falls into three distinct compartments. The first, the original core, is manganese for which the key — at least for Samancor — is the switch from ore production to alloys. Progressively over the year, Samancor turned five unused ferrochrome furnaces to manganese alloy production. At first glance it sounds logical enough, but chairman Mike Salamon says it wasn't achieved easily and each furnace presented unique technical difficulties.

A feature of financial 1994 was the extent to which the industry was restructured around the world. For the first time in five years, crude steel production rose, though by a small 0,5%. That masked, however, the extraordinary degree of change between major producers: the biggest loser was components of the former Russia, down 16,4%. The biggest gainer was China (up 11,8%), which this year may become the world's largest producer of carbon steels.

Accompanying this, the destocking cycle appears to have ended with more internationally traded manganese being used. Unfortunately, the benchmark prices for raw materials used

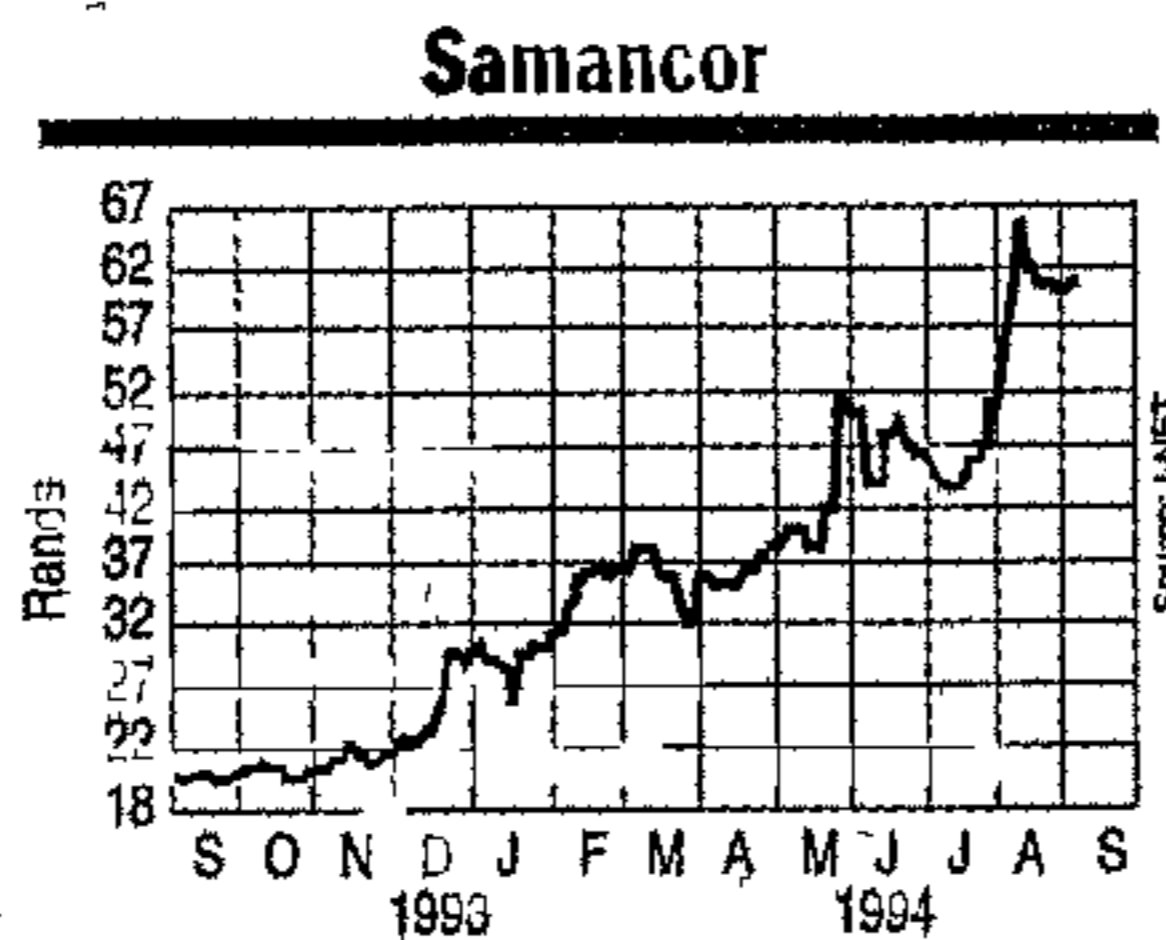
in making steel are negotiated by the Japanese producers: they had a tough time because of the strength of the yen and that meant another fall in the price for manganese — 9% down in 1994 after a 24% fall in 1993. Reacting smartly to these perceptible alterations in the international balance of

the world industry, Samancor's managers have increased their production of value-added alloys wherever possible, including through a joint venture with Societe de Ferromanganese de Paris-Outreau in France, and in China.

Chrome operations returned to profitability in financial 1994, despite continued difficulties in world trading. Though ore supplies from Kazakhstan and stainless steel scrap exports from the CIS were lower, the international market was dominated by a supply overhang. This demonstrates another interesting fundamental: producers insist that the three components of the steel business — chrome, manganese and nickel — operate independently. Perhaps they do. Over 1994, however, when nickel plunged, it dragged stainless steel



Samancor's Salamon unique technical difficulties



down with it. Chrome wasn't strong enough to resist the same pressure and Samancor got 8% less on average than in 1993.

Samancor's defensive response was to enter into two alliances with customers: a joint venture with Nippon Denko, effected by the sale of its Tubatse No 5 furnace, and a 10-year supply agreement with Ugine, cemented by acquiring 4% of the equity for US\$45m.

The silver lining in all this is that it is doubtful much of the current idle ferrochrome capacity will ever be brought back on-stream. It was introduced originally to cash in on what was perceived to be a good thing, but the prices it requires must now be impractical. The law of diminishing returns is certainly in operation in this area.

This leads me to Samancor's third activity and one in which it is uninvolved in the sense of management — stainless steel production and the Columbus joint venture. Samancor holds a 33% participation in this operation, now far advanced with its R3,5bn expansion programme. The site is seething, says Salamon, with 4 900 construction workers, despite this vast level of interference. Columbus is producing at record levels with sales of 140 000 t. The project has two important implications for Samancor: first, at full capacity, it will use

P.T.O.

COMPANIES

200 000 t/year of Samancor-sourced ferrochrome (50 000 t currently), second, Samancor's investment will be around R1bn and Salamon, not unnaturally, says his primary objective now is to ensure an adequate return.

I have been looking at some comparative prices diamonds at 15, golds at 22, Anglo American at 20, even Gencor at only 18. These mean Samancor is grossly overpriced to get down to a respectable price of 20, Samancor's EPS must rise this year from 148c to 302c. It is a good company, with a strong balance sheet and clear-visioned managers. But asking for a doubling in net after-everything earnings is a bit strong. (217)

Don't hold your breath

David Gleason

PREMPHARM

Returns still rising

Activities: Makes and distributes pharmaceutical, consumer, vision care and animal health products

Control: Premier Group 58,7%

Chairman: P G A Wrighton MD P Nortier

Capital structure: 107,3m ords Market capitalisation R2,47bn

Share market: Price R23 Yields 1,9% on dividend, 4,1% on earnings, p/e ratio, 24,7, cover, 2,2 12-month high, R24, low, R16 Trading volume last quarter, 63 000 shares

Year to April 30	'91	'92	'93	'94
ST debt (Rm)	—	—	—	5,6
LT debt (Rm)	69,8	17,5	19,1	18,6
Shareholders' interest	0,44	0,50	0,61	0,53
Int & leasing cover	5,1	22	n/a	n/a
Return on cap (%)	33,1	40,2	28,4	35,6
Turnover (Rm)	493	477	456	506
Pre-int profit (Rm)	81,7	115,2	117,8	138,8
Pre-int margin (%)	16,6	24,2	25,8	27,5
Earnings (c)	39,2	59,3	77,8	93,2
Dividends (c)	16	25	34	43
Tangible NAV (c)	109,5	149,0	241,3	194,0

Premier Pharmaceutical (Prempharm), the smallest of the three listed pharmaceutical groups in terms of assets, now has the highest market capitalisation at R2,47bn.

It overtook its rivals during the course of the year as the share price gained 35%, compared to SA Druggists' 19% and Adcock Ingram' stagnant price.

Some growth came from acquisitions, most notably Zurich Health Care & Pharmaceuticals, and Laser. But these only contributed to results for the last few months of Prempharm's financial year, the mainstay pharmaceutical division provided the crucial advance in market share, sales and profits, going against the sluggish trend in the health-care market.

The most significant line in Prempharm's results is probably the 11% increase in

turnover, achieved when most of the industry is battling to show growth in sales and reversing a three-year decline for Prempharm (see table). Against this is a steadily widening pre-interest margin, the result mainly of strict cost control, which allowed operating profit to grow by 18%.

CE Phil Nortier says the only one of Prempharm's four divisions to report decreased profitability was the Consumer division, reducing its contribution to group turnover to 27%. Generally, it's a result of the depressed economy which, despite some encouraging signs, is still not showing any uptick in consumer spending.

Exposed largely to the black consumer market, any increase in private consumption expenditure should result in immediate benefits for the division.

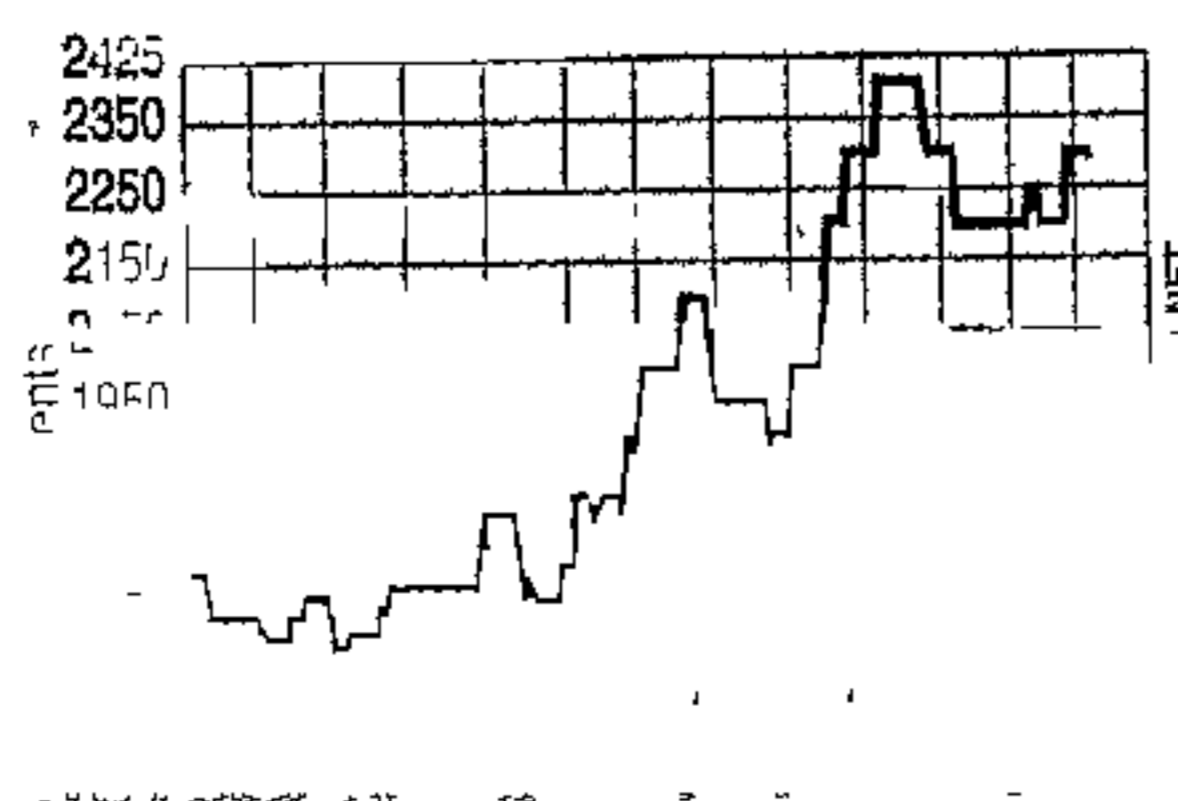
Chairman Peter Wrighton, due to retire from the controlling Premier Group at the end of the year (succession is not yet clear), notes, however, a recent upturn in consumer confidence and spending. He believes under the new government trading conditions will continue to improve.

Since year-end, Prempharm has also taken action to improve prospects for its Animal Health division, by forming a joint venture with Sentrachem's Agrihold animal health division.

Chief financial officer Hymie Shapiro says the joint venture should have little effect on results in the short term, though rationalisation should increase profitability. Contributions from the new business will be proportionally consolidated, he says, while the formation of the new company will be settled by loan account and should result in little movement in cash.

Prempharm's cash pile has been whittled down to R68m from acquisitions, though the group is still earning interest income of R10m and remains ungeared. Shapiro says interest income will decline this year, though the group will remain cash positive. Acquisitions — locally and abroad — will continue to be sought. But there is nothing concrete at this stage, Shapiro says, and it seems more likely that financial 1995 will be a year of consolidation for Prempharm as the acquired businesses are integrated.

Premier Pharmaceutical



Despite continuing uncertainty in the health care industry the outlook for Prempharm seems relatively stable. Firstly, full benefits of acquisitions will come through this year. That should ensure growth in profits, even off the present high base.

More important, though, is Prempharm's positioning in the market. As the *FM* has argued before (*Leaders*, January 28), by focusing on generics and over-the-counter medicines, the group appears to have chosen the most

likely growth areas of the future. Coupled with its relatively low exposure to the distribution business, Prempharm should be able to weather any disruptions in the market or changes to health-care policy, perhaps better than its competitors.

On a price of 24,7, the share must be considered expensive. One also wonders if the appreciation of 35% can be sustained. Still, while there may be few compelling arguments for investment now in the pharmaceutical sector, Prempharm should continue to show steady growth.

Shaun Harris

DELSWA

Waiting for decisions

Activities: Makes and distributes a wide range of branded products in the clothing and allied industries

Control: Jaff-Delswa Investments 46,9%

Chairman & MD: S H Jaff

Capital structure: 6,96m ords Market capitalisation R11,8m

Share market: Price 170c Yields 4,7% on dividend, 15,7% on earnings, p/e ratio, 6,4, cover, 3,3 12-month high, 285c, low, 80c Trading volume last quarter, 264 000 shares

Year to April 30	'91	'92	'93	'94
ST debt (Rm)	8,4	8,2	9,0	9,2
LT debt (Rm)	3,0	4,0	4,0	4,0
Debt equity ratio	0,48	0,47	0,47	0,40
Shareholders' interest	0,56	0,58	0,57	0,61
Int & leasing cover	3,7	3,6	2,8	3,3
Return on cap (%)	21,8	15,4	10,2	10,2
Turnover (% increase)	2	2	1	8
Pre-int profit (Rm)	9,3	7,0	5,0	5,1
Earnings (c)	54,4	40,6	26,5	26,7
Dividends (c)	10,0	9,0	6,0	8,0
Tangible NAV (c)	338	373	399	435

The old adage adapt or die has never been more poignant than in its relevance to the clothing and textile industries today. Though heated debate will decide their future over the next few months, the tough conditions experienced by the industries during years of recession, political unrest and distorted market forces are clear in the financial results.

Clothing manufacturer Delswa is an example. Earnings of R1,86m are almost unchanged from 1993's R1,84m. March and April are critical for Delswa's production and delivery of winter ranges. The period is characterised by the various paid holidays associated with the election.

Operating income grew by only 2% to R5,1m — which seems a small number, considering the group has been in business since 1947. Some relief, however, came in the form of a smaller finance bill, which saw pre-tax profit rise 11% to R3,6m, though these benefits were all but eliminated by an increased tax rate of 48% (43%) which denied shareholders a solid return on their investment.

Regrettably, though, analysis remains problematic as management still refuses to state turnover aside from reporting the percentage increase — and this is despite

Star 10/9/94

(212)

Uranium might be area's salvation,

reports Science Writer Anita Allen

BOOM times lie ahead for the uranium industry in South Africa, with Beaufort West in the Karoo set to become the capital of the new Klondike

This has been a well-kept secret among a comparatively elite few, but was first discussed behind closed doors a year ago by a team of scientists from the Atomic Energy Corporation

As the sole custodian of uranium prospecting information, one department at the AEC synthesises all this information to get an overall picture, and a potential lift-off of the uranium industry worldwide in the not too distant future has been signalled

The AEC report, made available to WeekendStar in a private briefing, focused on the economically depressed Karoo as a new source of uranium

The report highlighted the fact that worldwide demand is exceeding production. The demand is steadily increasing and at present is about 66 percent greater than current production

Supplies of uranium are being met from civilian stockpiles left over after an expected increased demand for uranium in the 1970s did not materialise. Since 1979 there has been a steady decline in the market price, but that is set to change in the very near future as civilian stockpiles run out, says the AEC

With disasters such as Three Mile Island and Chernobyl, and the whole worldwide nuclear weapons debacle, the man in the street is understandably mistrusting about the value of uranium. But this wonderful element has a multitude of almost indispensable peaceful applications affecting the daily lives of everyone. Perhaps most importantly, it is a source of clean energy, an alternative to coal with its acid rain and greenhouse gas pollutants



lite bodies in order to establish their operations," the AEC team says. The Karoo is extremely depressed after the worst drought in living memory, and a project of this nature would create job opportunities and stimulate economic growth. But because it is not a large-scale, capital-intensive project it requires a paradigm shift in current South African mining thinking to be successful

The team looked outside this country for an economical model for mining the uranium deposits of the Karoo. They cite China as one example where small mining was allowed to make an enormous contribution to the economy

In China, the State grants special loans at discount interest rates for production projects with small investments. The State gives technical and economic guidance and aid to individual companies and community-run small mines, and special machines and tools are also made available by the State for small mining concerns

At present, China's small mines in the coal mining industry produce only 39 percent of the gross output but employ 70 percent of the labour. "It's an example of a partnership between government and industry where the government has created a climate within which the small miner can survive and make a contribution to the national economy," says the AEC

"What is needed in the Karoo is a benevolent climate conducive to small mining created by the regional or centralised government. This could involve the environment, health safety, infrastructure, tax incentives and development loans, among others."

Of these, environmental considerations must be a priority, not least because the Karoo sediments carry the

Karoo primed

for a boom

Star 10/19/94

217

WORE and more decision-makers believe that sooner or later the world will have to move to greater utilization of nuclear power, which augurs ill for uranium-rich South Africa — it especially for the people of the Karoo, who are experiencing the worst extended drought in the area's history.

The presence of uranium in the Karoo was first noted when Soekor drilled holes in a search for oil and gas in 1967, and the first effective discovery of uranium was by Union Carbide Corporation geologists in 1969. They started work in the area around Beaufort West because of the geological similarities to the Colorado Plateau area in the U.S.

The oil crisis in 1973 triggered a boom in the uranium price and resulted in extensive exploration activity throughout the Karoo basin. But after the Three Mile Island accident, public opinion turned against nuclear power. Exploration activities in the Karoo ceased in 1985, which reflected the changes in uranium prices.

The distribution of uranium in the Karoo is scattered and discontinuous, with few seams exceeding a few kilometres in extent. Their thicknesses range from a few centimetres to a maximum of about 7 m.

An important factor from an economic point of view is the presence of significant amounts of molybdenum in the uranium ore. A feasibility study in one of the most significant deposits at Ryskukul shows that molybdenum metal could contribute about 10 percent of the total revenue generated by the exploitation of this deposit.

Molybdenum does not occur as a metal in nature. It is silvery-white, very hard, but softer and more ductile than tungsten, and has a very high melting point. It is a valuable alloying agent and contributes to hardening and toughness of tempered steels. It is also used in nickel-based alloys which are heat resistant and corrosion resistant to chemical solutions. Molybdenum also oxidises at high temperatures and has applications as electrodes for electrically heated

glass furnaces. The metal is also used in nuclear energy applications and for missile and aircraft parts. It is valuable as a catalyst in the refining of petroleum, and is used as a thiamine material. It is also an essential trace element in plant nutrition and some lands are barren for lack of this element in the soil.

The Ryskukul area is therefore of major interest, and lies south-east of Beaufort West surrounded by a cluster of other known uranium deposits. "This would be the obvious starting point for any attempt to develop and exploit the uranium resources of the area. Other of the larger deposits such as Rietkukul, Vinkukul and DR3 would be considered at a later stage," says the AEC.

The team notes that the distribution curve and the size and grade of the individual deposits indicate that few of the deposits would be economical on their own, but clusters of smaller deposits, centred on a larger deposit and processing plant, could well be exploited economically.

"The small size of the individual deposits makes them unattractive from a large mining company view point, but their clustered nature provides possibilities for applying more unconventional approaches to exploiting them," according to the AEC report.

A labour-intensive small worker-type approach with centralised processing facilities may well make these deposits economical, and provide employment opportunities in an economically depressed part of South Africa.

"We feel that the Karoo uranium deposits could be exploited on a competitive basis if their development is not approached in a classical way. The nuclear fuel cycle has a number of value-adding stages and if an integrated service is offered to clients, the mining of uranium in the Karoo may become economically attractive. This, allied with possible employment and export incentives from the Government, would enhance the viability of mining the Karoo uranium deposits."

The AEC team envisages a central plant based at the Ryskukul deposit, which would supply the primary feed, with input from smaller satellite bodies.

"The satellite bodies are where the major employment opportunities would exist as these would be exploited by independent small workers, paid by the plant as and when they deliver their ore. The central facility could be funded and operated by a consortium of international firms, the Government and departmental agencies. Low-interest loans could be given to miners of satellite

uranium deposits.

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the world of the period 280 million to 180 million years ago. It is a palaeontological treasure house as yet largely undiscovered, and strict environmental protection will have to be in place to protect these treasures and minimise damage to the extremely sensitive ecological systems and biodiversity of the area.

THE AEC report goes on to recommend that technical assistance to the small-scale miners should involve innovative new techniques, a combination of medium and small-size mining to exploit the different sized ore-bodies. This could possibly also imply a change in the mineral rights laws.

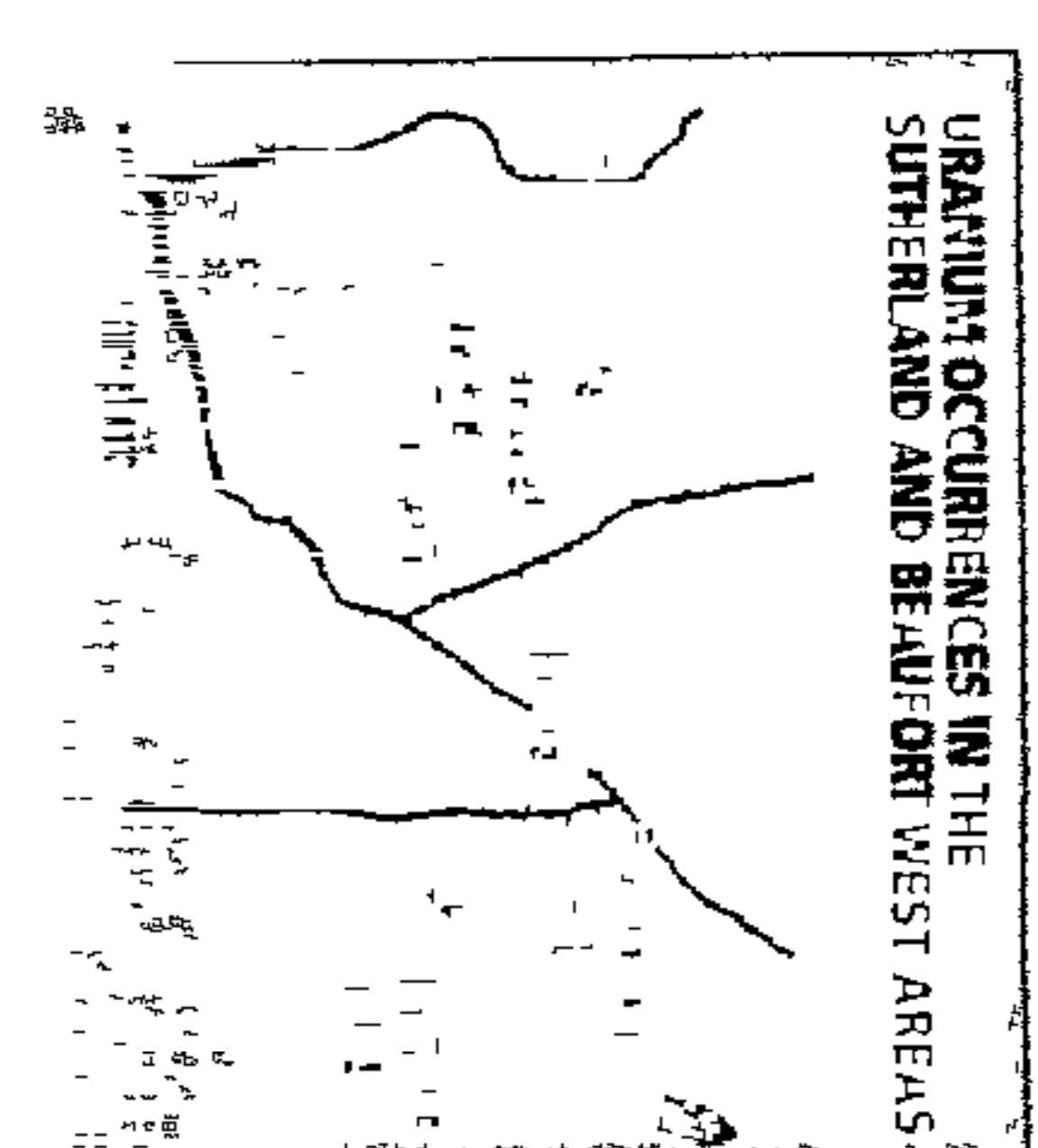
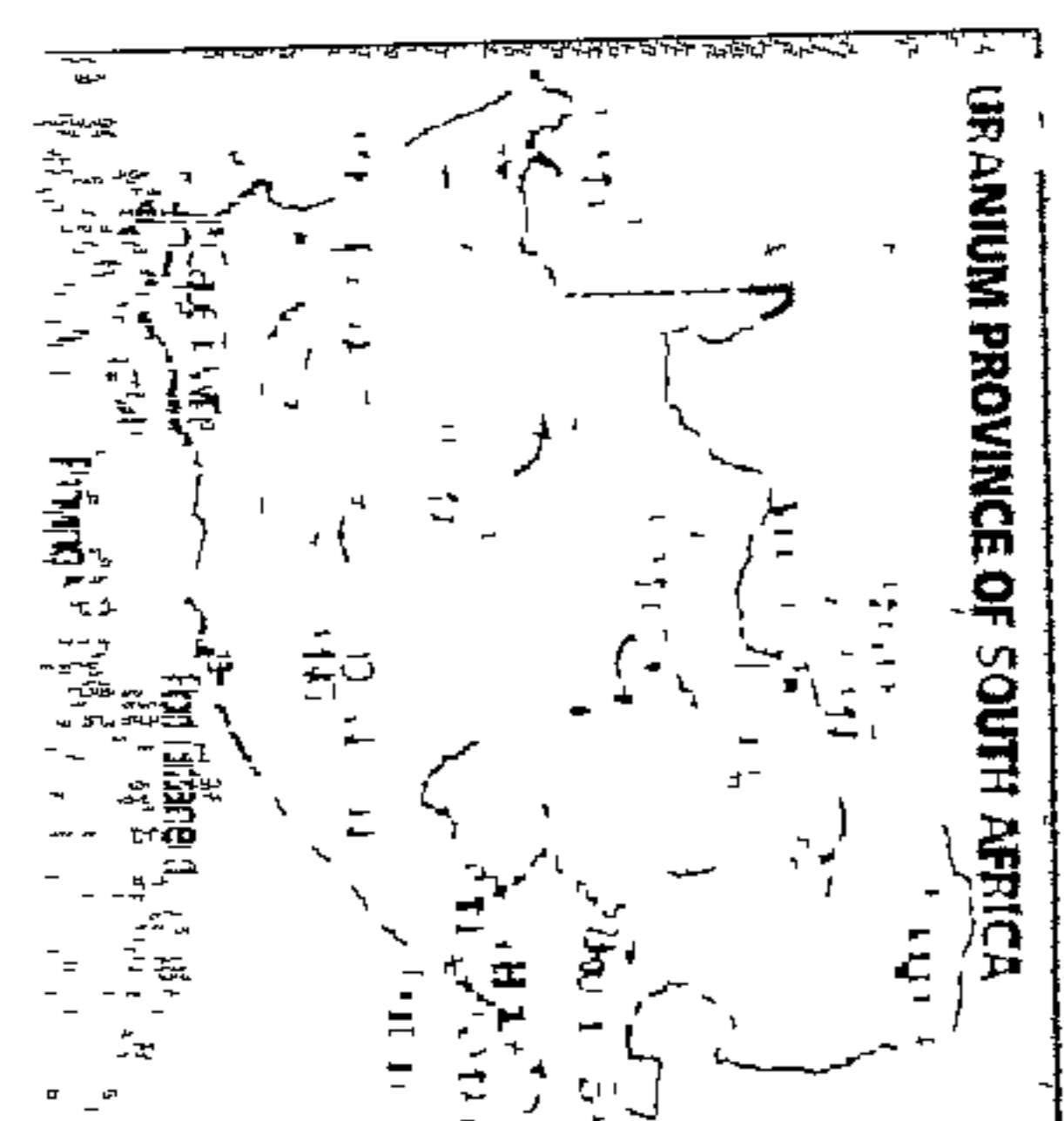
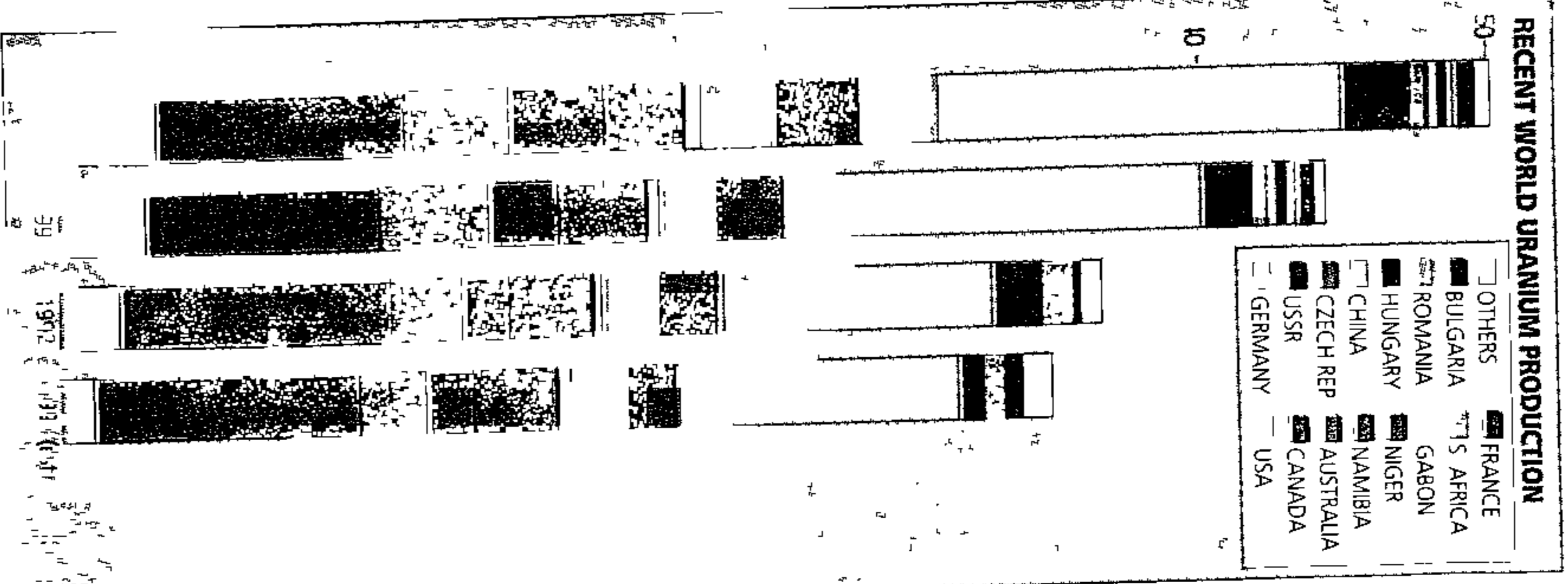
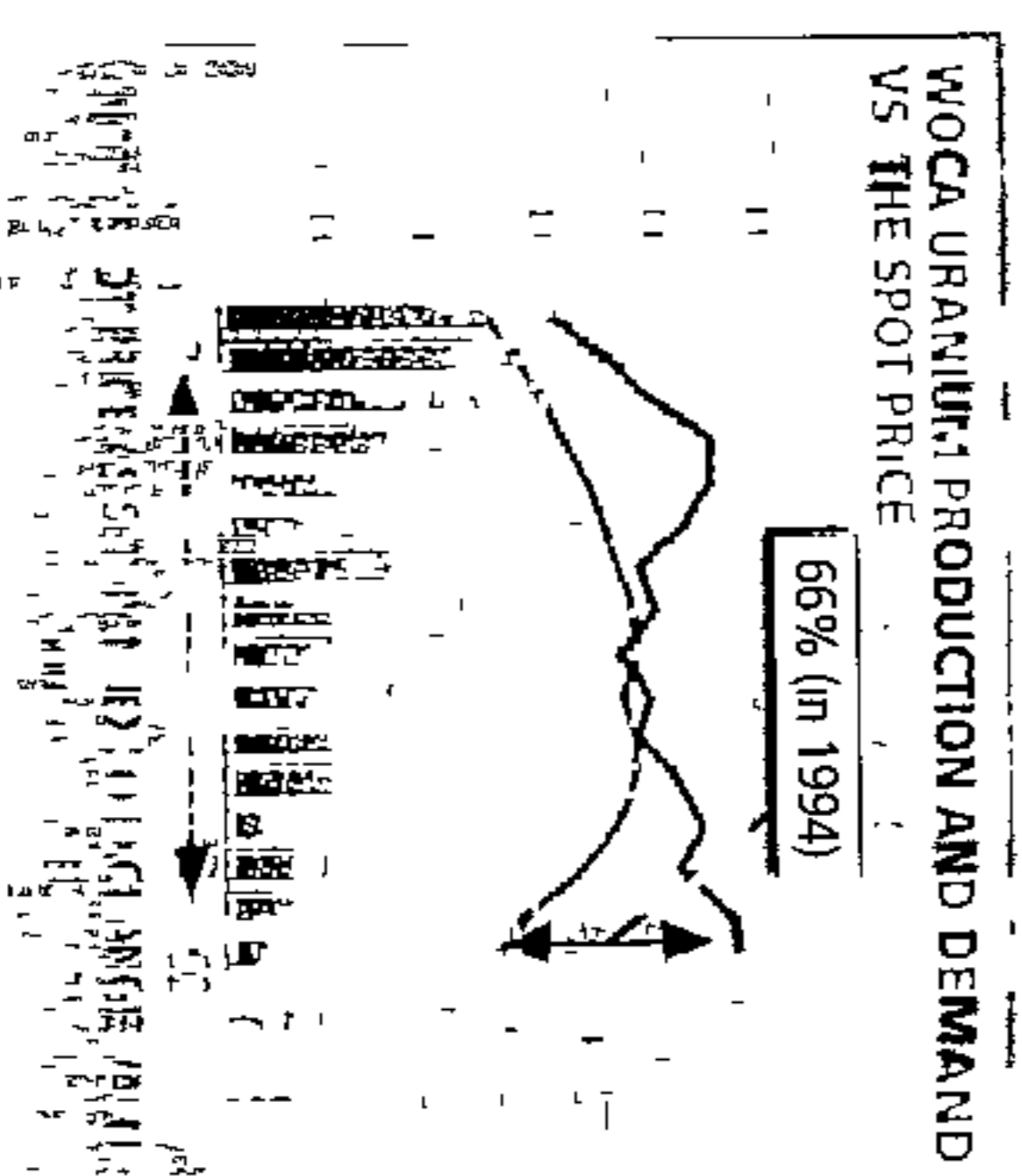
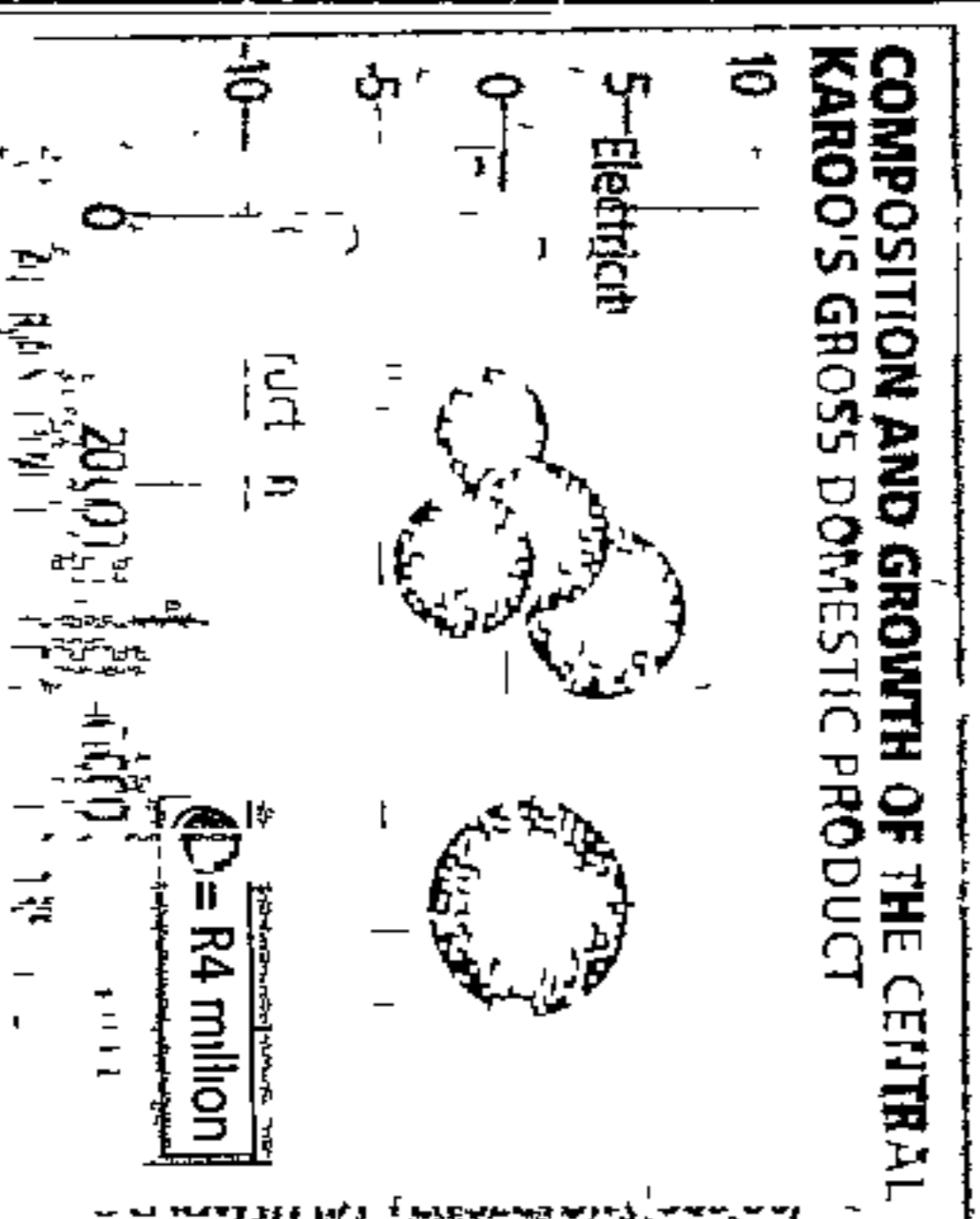
"On the technical side, a central plant could be situated near the Ryskukul deposit which could be mined by a medium-sized company to provide a constant base load for the plant. Ore buying stations could be set up at strategic places and government involvement in the transport infrastructure would be advantageous.

"The radiation protection of workers would be a critical factor which should be handled centrally. Environmental pollution could be tackled by linking pollution abatement to tax incentives."

The growth rate in the Karoo district has been less than 1 percent for the past few years and the total income was R153 million for 1990. The farmers have had to reduce livestock drastically because of the drought. The population has not fluctuated much from 68,000 in 1991 to 73,000 last year. There has also been considerable urbanisation with people moving off farms.

After years of deprivation, farmers in the Karoo area may be tempted to see out to the first bidder, but it is possibly the worst time for them to throw in the towel and give up either their mineral rights or their farms.

Main source The Potential Development of a uranium mine in the Karoo and associated satellite mining ventures by L C Arnstle, R Heard and B B Hambleton-Jones



Anglo American's plans for ZCCM stay on hold

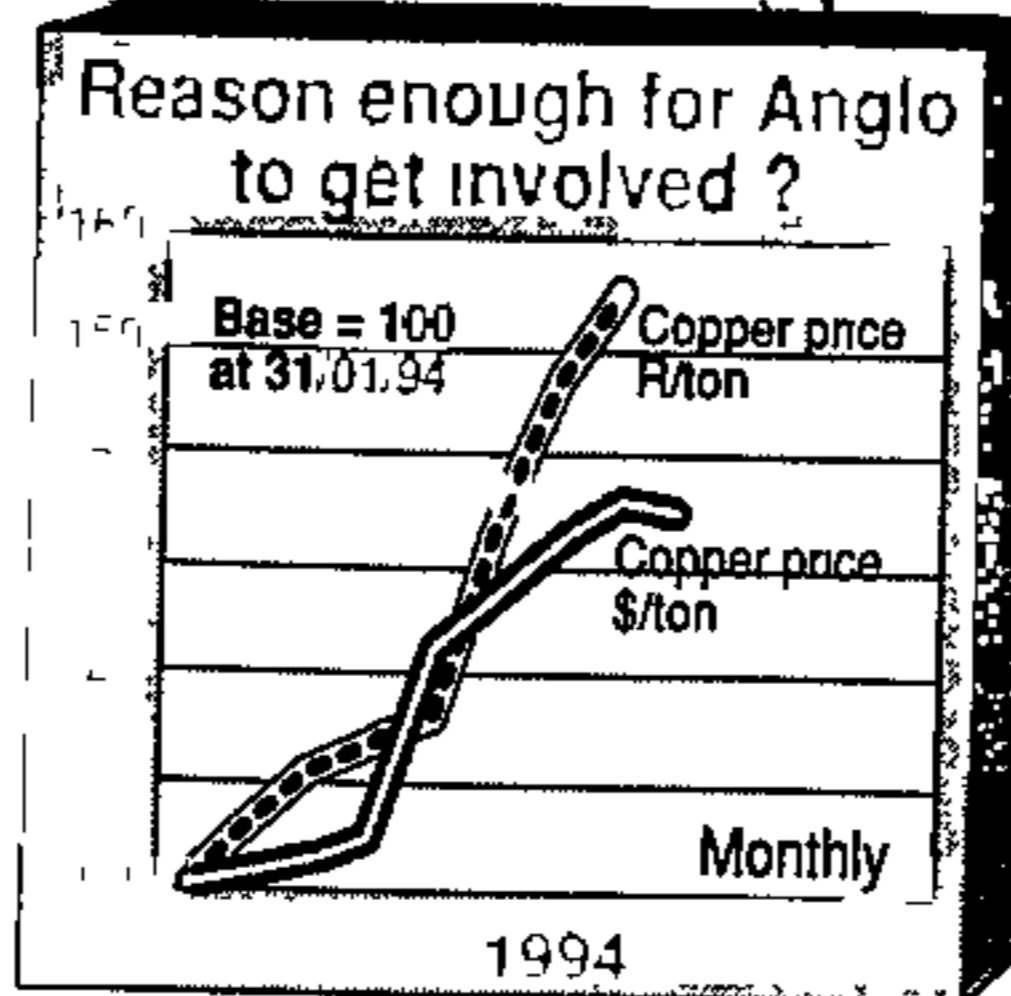
MICHAEL URQUHART

ANGLO American's plans to increase its stake in state-owned Zambia Consolidated Copper Mines (ZCCM) will remain on hold, in spite of the Zambian government's statement last week that ZCCM would be privatised as a single entity.

Anglo, which has always supported keeping ZCCM as a single entity, said last week it would be happy to lead a consortium of investors in the Konkola Dip project, on which it had submitted a joint venture proposal to the government.

But director Jack Holmes said the company was not prepared to commit itself until it had clarity on the government's plans. Anglo had to know whether the government planned to spin off Konkola as a separate operation.

Anglo was also undertaking a due diligence investigation on Konkola, which was on hold until the necessary cost figures were received



from the Zambian government.

The government had made clear its intention to privatise the mine, he said, but there had been little clarity on how this was to be achieved or what sort of stake the government would retain.

Despite President Frederick Chiluba's announcement on Friday that the government had decided to privatise ZCCM as a single entity, there was still dissension within the government, he said.

Zambian Deputy Mines Minister

Mathias Mphande said yesterday he favoured privatisation of ZCCM in separate operating units as recommended by German consultant Kienbaum Development Services.

The deputy minister said neither the government nor any single investor would be able to raise the estimated \$3bn needed by the company in the next 10 years for rehabilitation and new projects.

The government had to choose what was right for investors, workers and ZCCM managers.

The government did not have the \$3bn needed to fund the mine, he said, and Anglo American could not raise the money alone.

Mphande said ZCCM had reported \$135m in losses between October 1993 and March this year, which he described as "very worrying".

ZCCM's copper production for the quarter to June 30 was 88 550 tons compared with 102 000 tons in 1993. Production for the 1993/94 financial year was 392 000 tons, when 420 000 tons was the target. (217)

Ferrochrome prices expected to rise slightly in this half of year

MICK COLLINS

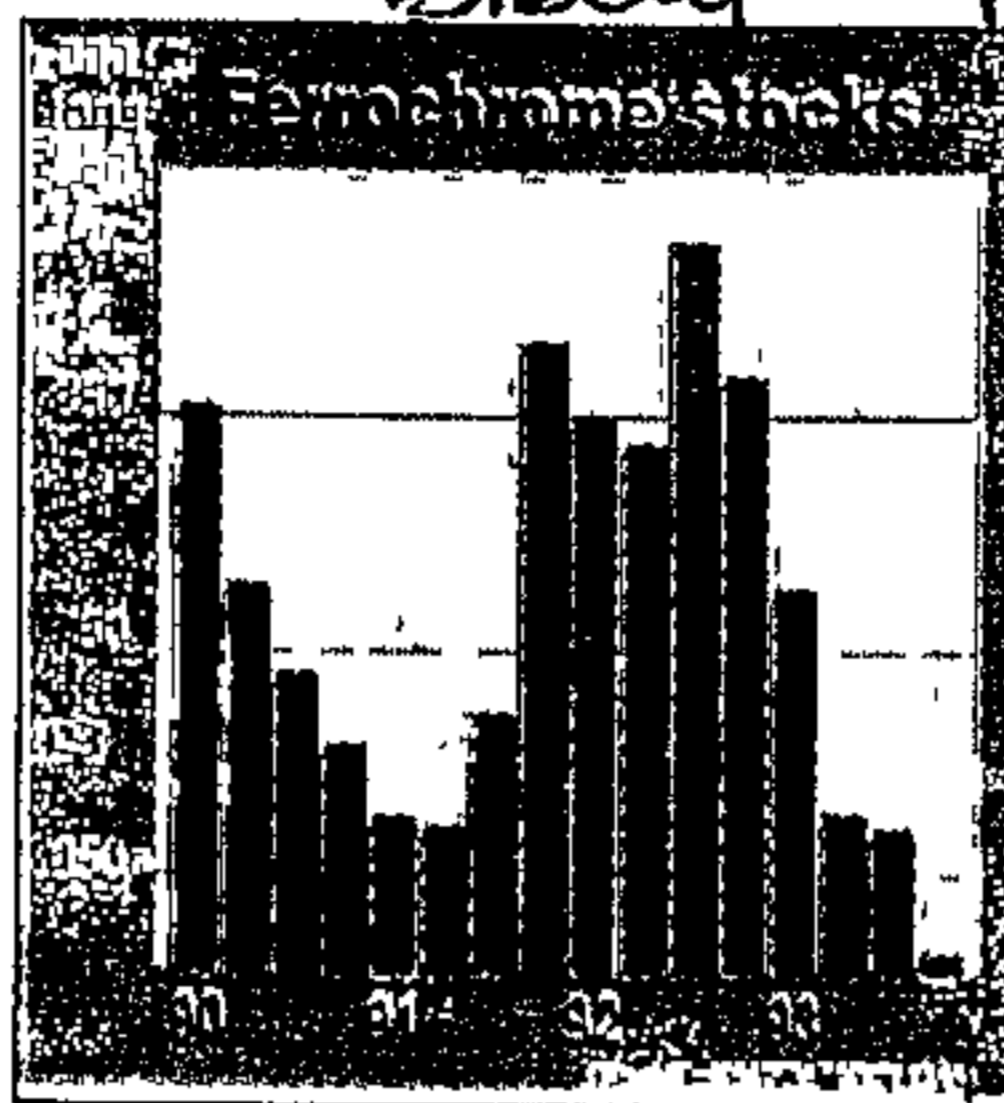
A MARGINAL increase in ferrochrome prices was expected during this half of the year, industry sources said yesterday.

They said as both stainless steel scrap and ferrochrome exports from the CIS appeared to be abating, world demand for ferrochrome was expected to accelerate.

Samancor MD Mike Salamon said the company was "in the middle of pricing for the fourth quarter" Stainless steel production and demand was running above expectations and capacity utilisation in the ferrochrome industry was relatively high with low stock levels.

Addressing a Metals Bulletin conference in Stockholm, Samancor GM Wilrich Schroeder said efficient utilisation and a benign capacity growth outlook in the sector worldwide were likely to push up prices.

In the SA Minerals Industry report for the previous financial year the Minerals Bureau said Western production of stainless steel was expected to grow to about 12-million tons this year, which would require 3,5-million tons of ferrochrome at last year's levels of scrap usage, or 4,3-



million tons at 1990/91 consumption.

It said forecasts by various international analysts of a reduction in western world stainless steel output last year proved to be pessimistic. "Indeed western world production was up 5,3% to 11,67-million tons compared with the previous record of 11,08-million tons reached in 1992."

Last year demand for chrome ore dropped 25% and demand for ferrochrome declined 6,4%. Chrome ore traded within a range of \$55 to \$67 a ton FOB while ferrochrome dropped to \$0,33/lb. SA chrome ore exporters realised \$58,65 a ton FOB, while ferrochrome exporters averaged \$0,36/lb, down 10,3% and 17,7% re-

spectively from 1992

In SA, total rated ferrochrome capacity last year was reduced to 1,67-million tons (excluding the chrome direct reduction furnace at Middelburg), as Samancor converted several furnaces to produce silicomanganese. But production increased 8,2% to 833 000 tons - about 50% of capacity. (217)

Exports slumped 20% to 589 000 tons, leaving some stockpiles.

Prices for the first two quarters of the year had remained soft with an average R1 361 a ton or \$0,33/lb

Local production fared better than last year with output for the half year amounting to 472 000 tons of which 346 000 tons were exported.

The Bureau cautioned that world demand for chrome ore was expected to remain in the doldrums and abundant supplies from the CIS would constrain an improvement of prices in the short to medium term.

About 80% of world chrome ore output was consumed in ferrochrome. In turn, 80% of ferrochrome went into the fabrication of stainless steel "Demand for chrome ore is therefore generally dependent on the production of these processed commodities," the bureau said.

EXECUTIVE QUITE

Billiton's debt is first priority for Gencor

MICHAEL URQUHART

GENCOR, because of the acquisition of Billiton, was unlikely to spin off its aluminium assets as a separate entity in the near future, analysts said yesterday.

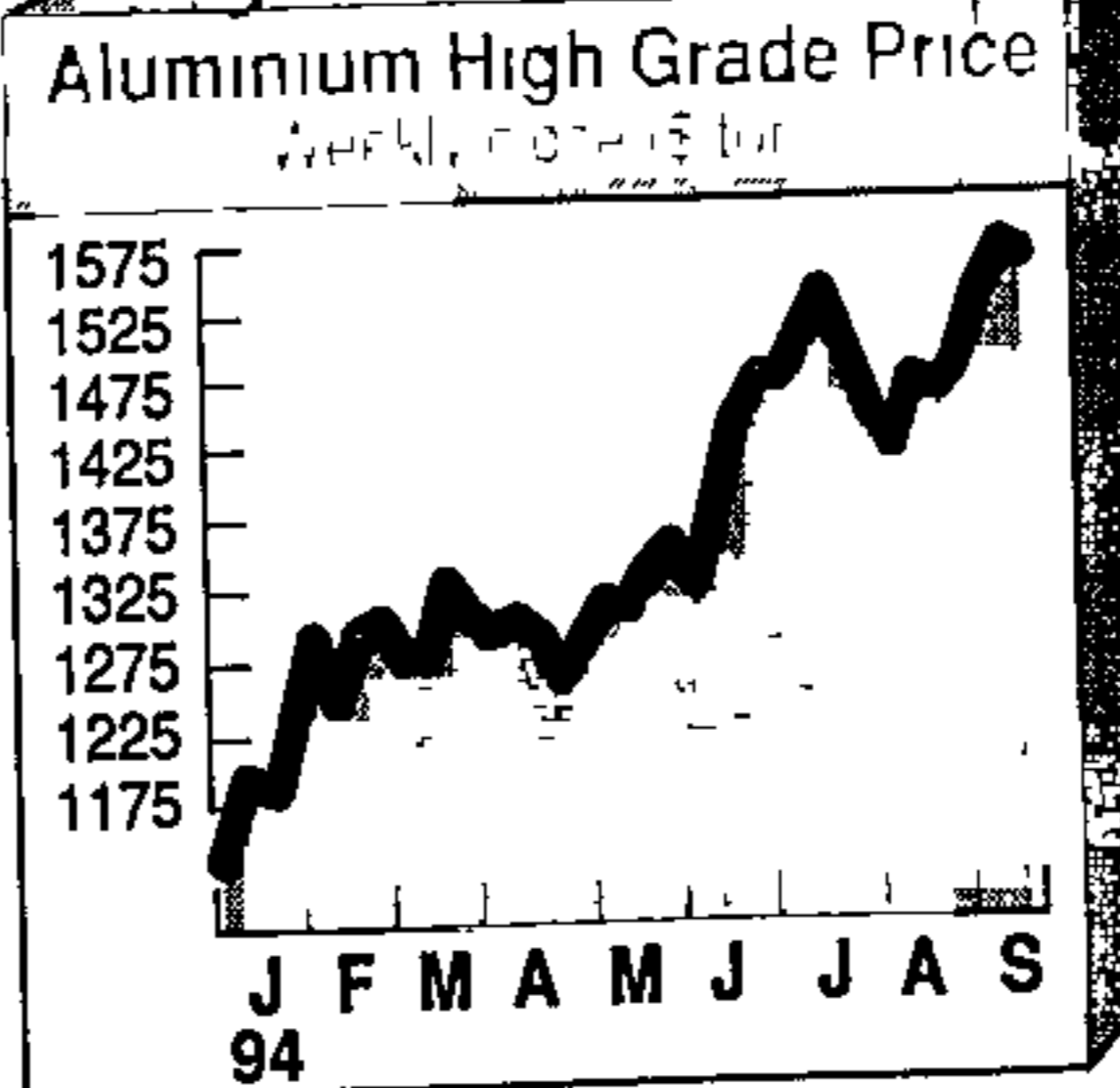
They said the first priority would be for Gencor to restructure Billiton's debt, and Gencor would not consider a separate listing until this had been achieved.

Foreign exchange controls meant the acquisition of Billiton for \$1.2bn was achieved without the use of capital from Gencor, and had left Billiton with a level of gearing which Gencor chairman Brian Gilbertson had said he was "not familiar with". He said the bank debt of \$430m was expensive, and something would have to be done to restructure it.

An analyst said this bank debt, and the emphasis on restructuring it, meant a separate listing of Billiton's aluminium interests was very much second on the list.

Gencor was unlikely to list its aluminium assets in the short term, he said, and would list it only if aluminium became too great a component of Gencor's earnings.

If Gencor did decide to unbundle Billiton, it could either break Billiton into an aluminium and other division, or add Alusaf as a downstream aluminium asset, he said. But Gencor would probably consider this only if the price of aluminium broke



the \$2 000 a ton barrier.

Another analyst said if the aluminium assets were spun off separately, then this would be done to unlock value and to help repay the debt.

As the aluminium price was on the upward cycle it would make business sense to delay the listing until the aluminium price was closer to the top of the cycle.

Any listing would depend on how Gencor progressed with restructuring the debt, he said.

If Gencor tried to spin off the aluminium interests separately now, it might run into problems from the bankers who had supplied the debt to Billiton as a single entity.

Worldwide aluminium surplus 'still growing'

Biday 4/10 1994

MICK COLLINS

THE bid by aluminium producers across the world to shore up the market by cutting capacity had so far failed to reduce world stocks, sources said yesterday

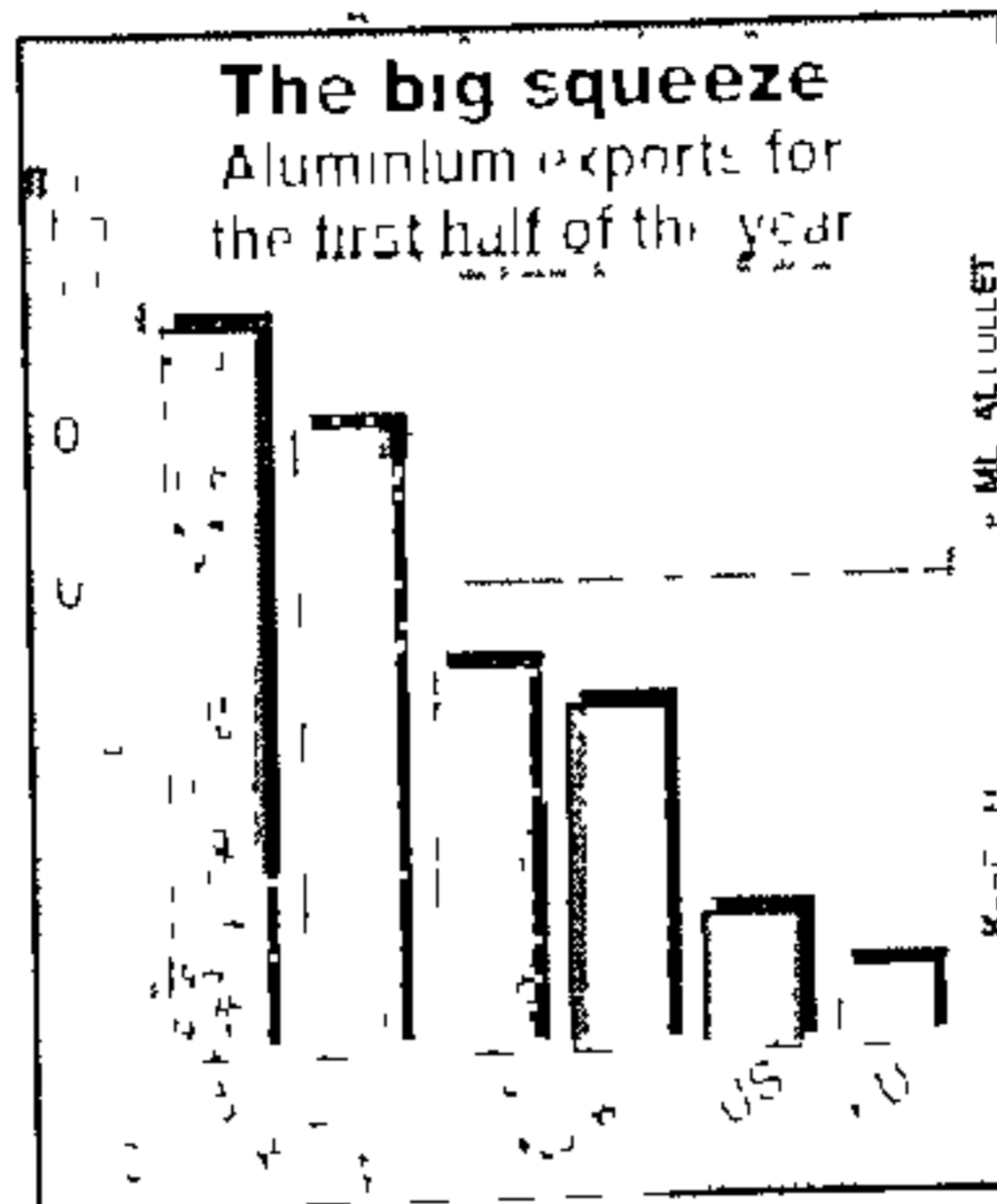
They said the world surplus continued to grow. While production cuts for the first seven months of the year totalled 943 000 tons, this was still far below the 1.5-million-ton surplus on the market

Initial statistics from the working group brought together under the memorandum of understanding on aluminium indicated production cuts were way below those expected

Russia, the US, Canada, the European Union and Australia are the six signatories to the memorandum, which seeks to limit production and cut the huge stock overhang.

In its latest edition the Metal Bulletin said the group was aiming to seek ways to increase market transparency through the exchange of statistical information on production and trade in primary aluminium

The group said it had used the best available information provided by the memorandum's participants. But the final statistics may not be directly comparable to other established sources of aluminium figures such as



the International Primary Aluminium Institute.

In the first seven months of this year the group reports that the EU produced 1.16-million tons, while Norway produced 502 100, Russia 1.56-million, the US 1.92-million, Canada 1.31-million and Australia 779 200 tons.

The group uses November 1993 as the base month and, when compared with July 1994 on an annualised basis, the group statistics indicate that production cuts total 943 000 tons, which is still less than half of the 1.5-million tons of metal which the memorandum states is surplus to the market

The figures show that Russia has

cut 282 000 tons on an annualised basis by July this year. Russia has agreed to cut 300 000 tons by the end of April and a further 200 000 by the end of June

"Russia was not able to supply any hard figures on exports or imports of aluminium during this year. If anything else, the Russians are getting into the swing of sharing information," one industry analyst said

The group estimates that Russia exported 800 000 tons of aluminium in the first six months of this year. In the same period the EU exported 102 700 tons, Norway 437 900 tons, the US 173 600 tons, Canada 934 400 tons and Australia 489 800 tons

In the January/June period this year the EU imported 759 200 tons, Norway 77 600 tons, the US 1.03-million tons, Canada 72 900 tons and Australia 7 000 tons

Meanwhile, the US Aluminium Association reports that US primary production continues to fall, with output averaging 8 855 tons a day in August compared with 8 886 tons a day in July, and 9 727 tons a day in August 1993

The annual rate of US production in August was 3.21-million tons compared with 3.55-million tons a year ago, and 3.24-million tons in July 1994. The US produced 3.69-million tons in 1993

(217)

Columbus may increase nickel imports

COLUMBUS Stainless Steel might import between 10 000 tons and 15 000 tons of nickel a year when its R3,5bn expansion project was finished, CE Fred Boshoff said yesterday

Boshoff said nickel accounted for between 30% and 40% of input costs at the Columbus Stainless operation in Middelburg, in which Samancor, the Industrial Development Corporation and Highveld Steel & Vanadium are joint stakeholders

The expansion project, which is

MUNGO SOGGOT

due to be commissioned in March, will boost Columbus's output from a forecast 177 000 tons in 1995 to 307 000 tons in 1996 and 600 000 tons in 1999

Engineering News reports that by 2000 SA may have to import 40 000 tons of nickel a year to feed a surge in stainless steel production 12/10/94

It said Iscor — which announced last month it intended converting its Pretoria Works to produce stainless steel in 1996 — was also considering

importing nickel.

Local nickel resources amounted to 32 000 tons a year, ranking SA among the world's top producers and that by 1996 Iscor and Columbus would need about 30 000 tons a year

Columbus already takes up a third of SA's nickel and by 1996 the expanded operation would have doubled this consumption, Engineering News said

Nickel was currently being sold at about R16 000 a ton on the international market (217)

Black Mountain is on a high

MADDEN COLE

GOLD Fields' coal and base metal operations reported overall increased productivity for the September quarter after a further strengthening of copper and lead prices, with zinc and silver prices remaining relatively unchanged. 12/10/94

Coal and base metals executive director John Hopwood said yesterday Black Mountain Mineral Development Company was the main contributor to the division's improvement. The company, which nearly doubled operating profit to R28,3m (R14,9m), had become the fourth most profitable mine in the group.

Profit after tax increased to R17,6m (R11,9m) on sales of R72,4m (R50,3m).

Production at O'okiep Copper Company benefited from the absence of labour problems. (215)

Profit after tax rose to R4,2m from the previous quarter's R1,2m.

Zincor's results were hit by high cost of sales resulting from lower production after a major planned maintenance shutdown of the No 2 acid plant during the quarter.

Profit after tax was sharply down at R4,4m (R8,3m) with both zinc production and sales recording decreases to 20 681 tons and 24 343 tons respectively. (217)

Demand for coal remained firm, and Gold Fields Coal saw production and sales increases. Profit tax came in at R5,5m (R9,9m) on sales of R48,7m (R45m). Cost of sales moved up to R47,7m (R38,8m).

Gold Fields of Namibia continued its good performance at the Tsumeb mine. Production was back to normal at the Kombat mine. Otjihase mine reported an improved mill throughput. Copper grades at Kombat and Otjihase remained below expectations and lead grades at Tsumeb and Kombat were poor. After-tax profit fell to R6,2m (R8,3m).

Non-gold mineral exports 'must rise'

BIDay 18/10/94

CAPE TOWN — SA needed to reduce its dependence on gold exports while increasing exports from the rest of its vast mineral wealth, Mineral and Energy Affairs director-general Piet Hugo said yesterday.

Hugo told a parliamentary select committee on the reconstruction and development programme (RDP) that SA had relied too heavily in the past on gold for revenue from export.

"The heavy dependence on gold is like oil ... and copper for some countries up north. We should not be that dependent on gold alone."

A major slice of the world's mineral resources was situated in SA, but this did not mean instant wealth, Hugo said. Minerals had to be recovered and exploited.

"The only way to really do this is to increase mineral exports. The dilemma we face is that the outside world can take only a certain amount of precious metals," he said later.

In 1993, 896 mines and quarries in SA exploited about 60 different minerals which had been exported to about 81 countries. The total sales value of the minerals — including gold — was R46,9bn. Exports were in the region of R36,8bn.

Hugo said one of the major problems faced by SA was a lack of trained engineers and geologists.

The low level of technical expertise was linked to low rates of mineral beneficiation, he said.

The RDP could benefit from a sustained

effort to increase the rates of beneficiation of the country's minerals.

Housing director-general Billy Cobbett told the committee that Housing Minister Joe Slovo would make a series of major announcements on the government's housing plans in the next three weeks.

Cobbett hinted at changes to the housing subsidy scheme to benefit the "poorest of the poor". (217) (174)

New subsidy arrangements would apply more widely, and he hoped to get the banking sector involved again, he said.

Later this week, the department's budget vote is to come before the National Assembly and the Senate.

Slovo will meet ministers responsible for housing in the nine provinces today to finalise a national strategy document which would clearly delineate areas of central and provincial responsibility.

The strategy document is part of the housing White Paper to come before Cabinet on November 9. A national housing summit will be held at Botshabelo, outside Bloemfontein, on October 27.

Cobbett's presentation was the first in a series of departmental presentations to the RDP committee. Evidence will be taken from the public next week.

Housing policy aimed to stabilise areas where local government had broken down and local communities were not paying for services. Banks had consequently withdrawn from lower income housing — Sapa-Reuter.

Nickel imports to rise

Biday 20/10/94

SA's expanding stainless steel production is likely to exhaust local nickel output within the next two to four years and companies will have to import some of their supplies, industry analysts say

They estimated that up to 50 000 tons of nickel imports a year would be needed by the combined Iscor and Columbus stainless steel operations once they were running at capacity.

But the expected increased demand could well see the opening of a new nickel mine in SA, James Allan of Anderson Wilson Partners said.

The most likely new nickel producer was Anglovaal's Slaaihoek project, on which a feasibility study was under way, he said

IsCOR, which plans to

start stainless steel production in 1996, said it expected to import about 3 000 tons of nickel a month to produce a targeted 40 000 tons of stainless steel a month

SA produced about 32 000 tons of nickel a year, but much of it was committed to contracted exports, analysts said (217)

The Columbus Stainless Steel expansion project in Middelburg said it would eventually need 40 000 tons of nickel on full production of 600 000 tons of stainless steel in 1999.

A spokesman said imports for Columbus over the next few years were seen at between 10 000 and 15 000 tons a year as production was built up, with the local supplies coming from Rustenburg Platinum Holdings and Impala Platinum Holdings. — Reuter.

Duiker posts 81% rise in earnings

JOHANNESBURG. — Lonrho's coal, anthracite and gold producer, Duiker Exploration, yesterday posted an 81% rise in earnings per share to 390,9c (216,1c) for the year ended September 30, on a marginally increased number of shares in issue

Duiker Coal (formerly Agipcoal) accounted for R7,1m of the improvement in mining income to R48,8m (R34,0m) and total income from operations for the year almost doubled to R85,8m (R43,5m)

Income before taxation rose 61% to R87,5m (R54,3m), although disposal of the company's investment in Eastern Gold Holdings in November 1993 reduced the pre tax income from associated companies from R10,8m in 1993 to R1,6m for 1994.

After tax income for the year rose 81% to R56,2m (R31m) on lower company tax and the utilisation of tax losses in Duiker Coal

After an interim dividend of 50c, a final dividend for the year of 70c and a special dividend of 200c have been declared.

'Alusaf listing will be in shareholders' interests'

MICK COLLINS

WITH aluminium producer Alusaf set to become a major player on world markets, it would be in the interests of its shareholders to seek a stock exchange listing, chairman Fred Roux said yesterday.

In his annual report Roux said although a decision on the specific timing had not yet been taken, the listing would happen in due course.

Roux's statement came against a background of surging world aluminium prices.

The metal was fixed on the London Metals Exchange (LME) yesterday at a five-year high of \$1 730 a ton.

Roux said Alusaf was exploring various upstream and downstream integration possibilities both locally and offshore.

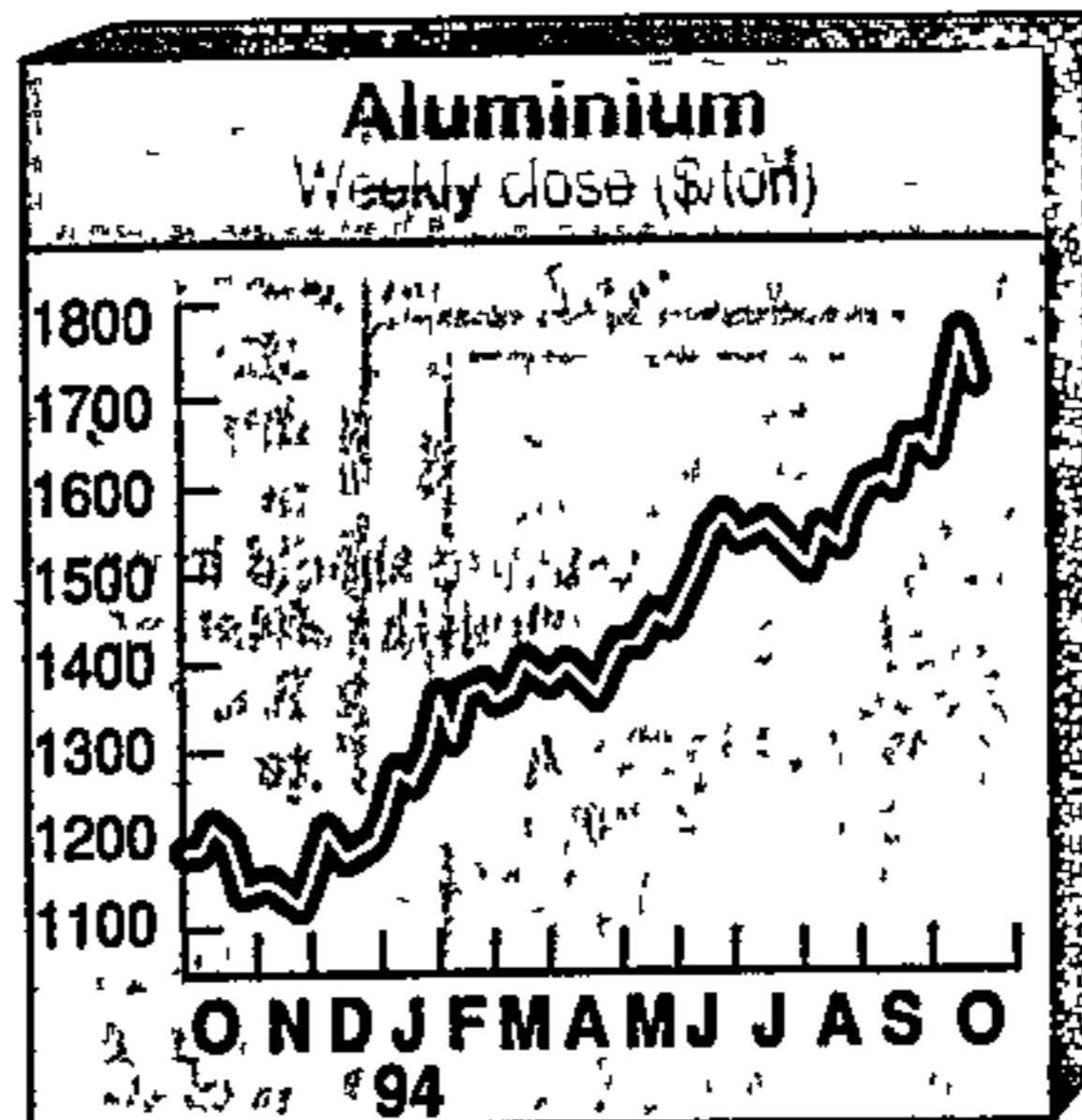
A portion of the Hillside smelter's production had been reserved for possible downstream value added opportunities

"The acquisition of Billiton by Alusaf's major shareholder Gencor also presents a possible opportunity in that Billiton has significant upstream interests in both bauxite and alumina."

The combined production capacity of the existing Bayside smelter and the new Hillside smelter would amount to 636 000 tons a year or about 3% of world output.

"The efficiency and the expected high level of productivity of the Hillside smelter, together with the LME linked long-term supply contracts for power and alumina, should ensure a competitive position for Alusaf in the world primary aluminium smelting industry."

Roux said the listing was unlikely to happen before the production capability of the Hillside smelter had been proven and



the aluminium market had achieved a more balanced situation.

"Although the recent upturn in the LME price is encouraging, the sustainability of these higher prices for the remainder of the year is questionable." (217)

A critical factor in maintaining permanently higher prices would depend on whether production cutbacks were maintained until stock levels were reduced to more normal levels of about 2-million tons.

Despite recessionary conditions "it is noteworthy that between 1990 and 1993, demand for aluminium in the Western world did not decline", Roux said.

"Western world demand increased from 15.1-million tons to 15.6-million tons during this period.

"With the economies of certain major aluminium consumer countries showing positive signs of recovery, estimates for Western world demand indicate that a further increase of 500 000 tons in 1994 is possible."

COMPANIES

Northam likely to be scaled down

NORTHAM Platinum, the troubled Gold Fields venture which had consumed R1,7bn in development costs — R1,5bn of which was shareholders' funds — was likely to remain open in a scaled-down form, analysts said yesterday.

There had been fears that the mine, which had dented Gold Fields' credibility, would have to close after it had failed to reach production of 150 000 tons, targeted for more than a year ago.

Difficult geology and labour problems had interfered with the mine's plans, and it had run down its cash resources and a R220m bank loan.

At the August unveiling of the company's year-end results, which reflected a R129m loss, Gold Fields base metals division head John Hopwood, said Northam would be unable to reach its target output level. It would either have to be scaled down or closed.

He had said a technical assessment being carried out on the mine would be completed by the end of October, and a decision on its future would be taken then.

But analysts said they believed Gold Fields would not close down the mine but

MICHAEL URQUHART

would keep it going at a production level of about 100 000 tons. Gold Fields would have to cut back substantially on overheads, which would probably mean an extensive reduction of the Northam workforce

Northam had a high labour turnover, so it could use natural attrition to reduce its workforce, or retrench staff or transfer them to other mines *Eden*

An analyst said at the current platinum price a scaled-down Northam could break even. If the platinum price rose, the mine would be able to repay its debt

He said it made sense for the mine to remain open, as the capex had already been spent to develop it. Northam would have to operate in survival mode until it could overcome its problems, similar to the experience of JCI's HJ Joel gold mine

It was unlikely that Northam would be able to go back to its shareholders to raise further funds, but Gold Fields might be prepared to bankroll it until its problems were over, he said. *27/10/94*

Hopwood was not available for comment yesterday. *(2/7)*

Chrome producers settle higher

BiDay 27/10/94
MICK COLLINS

SA charge chrome producers' fourth-quarter contracts had largely been settled higher with Japanese and European consumers, market sources said yesterday.

One analyst said both Samancor and Consolidated Metallurgical Industries (CMI) had been able to pick up small increases for fourth quarter shipments

Samancor's chrome contracts had been settled with Japanese consumers at \$0,46,5c/lb, he said.

"They have been saying that from the fourth quarter on they could push up prices. The market talk is that if it were not for SA producers trying to retain market share, prices would have risen long ago."

Samancor had been looking for a \$0,15c/lb increase to \$0,47c in Japan, with no discount available, he added. But Samancor GM finance Chris

Norval said. "We are still talking in the East and expect a price increase of about \$0,1c/lb" He added that fourth quarter contracts in Europe had been settled at \$0,1c/lb higher. One market commentator said the ferrochrome spot price had recently kicked up. (217)

CMI CE Sandy Wood said CMI had achieved price increases of \$0,1c to \$0,15c/lb across the board with both Japanese and European customers.

"We anticipated this uptick about six months ago when we realised the CIS countries were having trouble producing and had revoked some of their exports. There has been a shortage of ore coming out of Kazakhstan and we don't believe their problems have an easy solution. This has led to less ferrochrome being available."

Wood said the quantity of exports from the CIS was down as was the quantity of scrap available. Scrap containing nickle and ore was readily available last year but supplies had dried up

Added to this was the lack of availability of chrome units, with demand for virgin chrome units increasing with stainless steel demand

He added that European stainless steel producers had switched exports to the US because the market there was booming.

"Demand for chrome has definitely increased. We will now wait and see if the CIS countries can get their act in order. It's going to be difficult for them as they have experienced huge increases in transport and power costs — the situation is now more realistic as both transport and power subsidies ... have fallen away."

RUSPLAT/PP RUST/LEBOWA

Dangerous territory

RUSPLATS

Activities: World's biggest producer of platinum group metals

Control: JCI and Anglo American (56%)

Chairman: P F Retief MD B E Davison

Capital structure: 125m ords Market capitalisation R14,5bn

Share market: Price 11 600c Yields 1,4% on dividend, 2,0% on earnings, p e ratio, 51, cover, 1,4 12-month high, 12 600c, low, 6 500c Trading volume last quarter, 1,7m shares

Year to June 30	'91	'92	'93	'94
Turnover (Rm)	3 425	2 910	2 968	3 118
Pre-tax profit (Rm)	1 520	757	459	455
Taxed profit (Rm)	608	407	286	287
Earnings (c)	482	321	225	229
Dividends (c)	350	*230	165	165

* Plus 249c dividend in specie

LEBOWA PLATS

Activities: Produces platinum for the Atok mine

Control: JCI

Chairman: B E Davison

Capital structure: 120m ords Market capitalisation R678m

Share market: Price 565c Yields 1,4% on earnings, p e ratio, 63, cover, n/a 12-month high, 600c, low, 130c Trading volume last quarter, 7,4m shares

Year to June 30	'91	'92	'93	'94
Turnover (Rm)	112	112	133	148
Pre-tax profit (Rm)	15	(27)	(10)	9
Taxed profit (Rm)	10	(29)	(10)	9
Earnings (c)	8,5	(24,1)	(8,3)	7,8
Dividends (c)	—	—	—	—

PP RUST

Activities: Operates an open cast platinum mine near Potgietersrus

Control: JCI

Chairman: B E Davison

Capital structure: 120,3m ords Market capitalisation R4,4bn

Share market: Price 3 650c Yields 1,2% on dividend, 1,8% on earnings, p e ratio, 57, cover, 1,2 12-month high, 4 100c, low, 1 475c Trading volume last quarter, 1,8m shares

Year to June 30	'93	'94
Turnover (Rm)	—	247
Pre-tax profit (Rm)	—	93,4
Taxed profit (Rm)	—	77,4
Earnings (c)	—	64,3
Dividends (c)	—	45,0

When the world's largest platinum producer, in company with its two surrogates, releases its annual report analysts scurry for their pencils.

This year is no different the simultaneous publication by Rustenburg, Lebowa and Potgietersrust (PP Rust) of their results for financial 1994 spark the same interest — though this time for a different reason next year they will have a new home, and what that may presage is of consuming

Potgietersrust Platinum



Fun 28/10/94

curiosity to users, producers and investors

Rustenburg is the colossus which bestrides the industry. However, and despite its dominant position and the intelligent use of assets, its performance over recent years is unlikely to engender deep investor satisfaction.

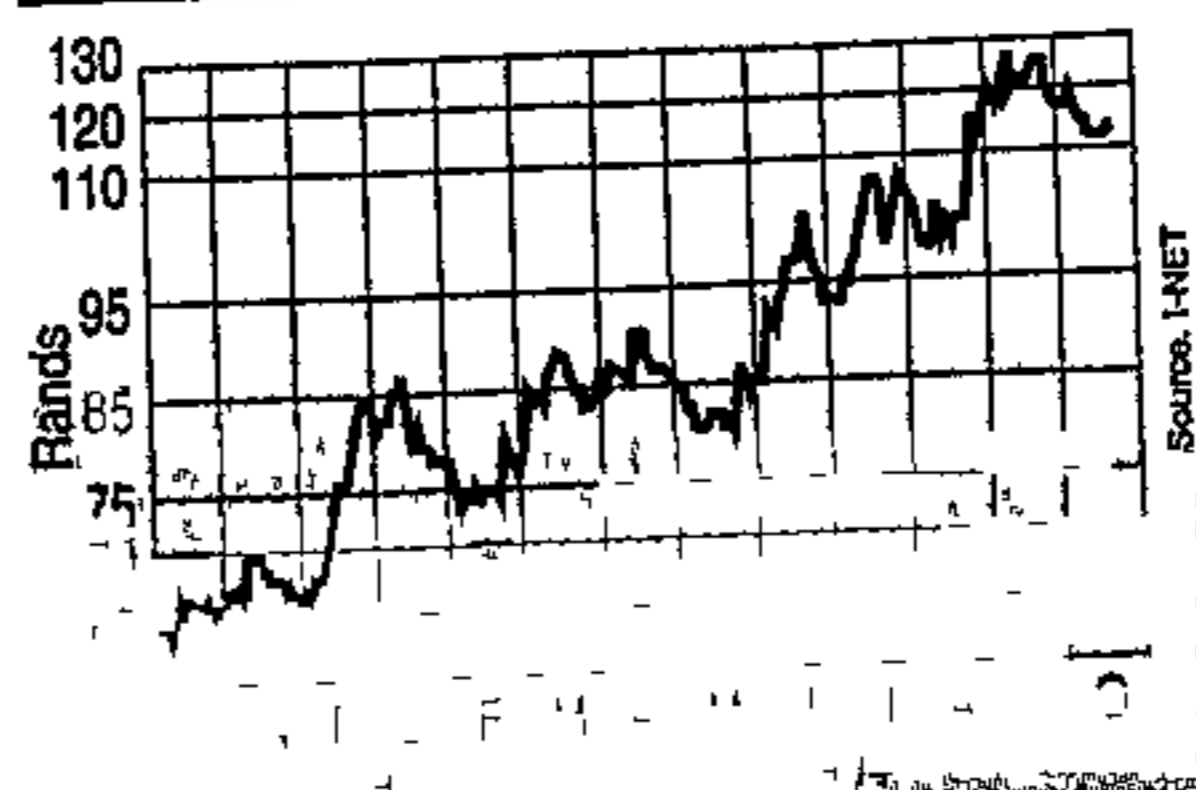
Trading margin — profit on metals sales expressed as a percentage of gross sales revenue — has dropped from its peak of 49,7% in 1989 to 1994's pedestrian 21,6%. The dividend has fallen from 350c to 165c (ignoring the exceptional *in specie* contribution in 1992). Earnings show the way 482c a share in 1991, then 321c, 225c and 1994's tiny improvement to 229c.

These statistics warn of difficulties and they are not concerned solely with the end price for platinum group metals (PGMs) over which producers exercise little control. They speak of a long battle to contain costs. In 1985, Rustenburg's costs were R649m on revenues of R1,06bn (61%), in 1994, these were R2,28bn on revenue of R3,12bn (73%). This is the arithmetic which really matters in the end, though the operation is vastly larger than in 1985.

It would be remiss of me not to comment on the fees paid by Rustenburg to parent JCI: in 1993 R93m, in 1994 R91m. I cannot be persuaded — whatever JCI's special expertise — that payments of this magnitude can reasonably be justified. This aspect of the SA mining industry structure, based on fees flowing through to the houses, is attracting increasing international criticism. It is certainly demanding of mature reassessment.

It is also important to draw attention to Rustenburg's powerful balance sheet. There are no borrowings (though there is a loan of R99m in Lebowa's books), there is R393m cash and debtors of R473m; shareholders' equity has advanced to R2,05bn

Rusplat



For 28 110 194

(1993 R1,86bn).

Rustenburg's business — and that of Lebowa and PP Rust — is the production and sale of PGMs, and the last part of that equation depends on demand, in turn dependent on global economic conditions. The short-term outlook for the six metals is, on balance, substantially better than for many months.

Platinum demand appears set to improve on the back of growing jewellery and autocatalyst offtake, especially in Europe where car sales are running about 5% better than in 1993. Palladium is having improved demand from electronics and autocatalyst manufacture. In the remaining areas — rhodium, ruthenium, irridium and osmium — the demand cycle is neutral in the face either of adequate stocks or assured supplies. All this indicates the critical supply-demand ratio is changing in favour of producers. A characteristic of the industry in recent years has been oversupply, no longer. Analysts expect 1993's surplus to fall considerably, perhaps to zero.

Depending on Russian production and the fate of Northam, there may even be a small shortage. Given ever-tightening legislation in the northern hemisphere about emission controls, the chances are good that demand for PGMs will continue to strengthen.

Meanwhile, the PP Rust operation has proved particularly successful. This open-cast mine has been brought to full operation at a capital cost of only R390m — R165m less than the original forecast. This is a

and PP Rust, will be hived off to form a separate entity within the ambit of Anglo American Corp (217)

How that is achieved, and the extent to which Rustenburg's character will then change to conform with Anglo's different culture and management style, will be watched with consuming interest. The process will require the utmost delicacy from chairman Pat Retief and CE Barry Davison.



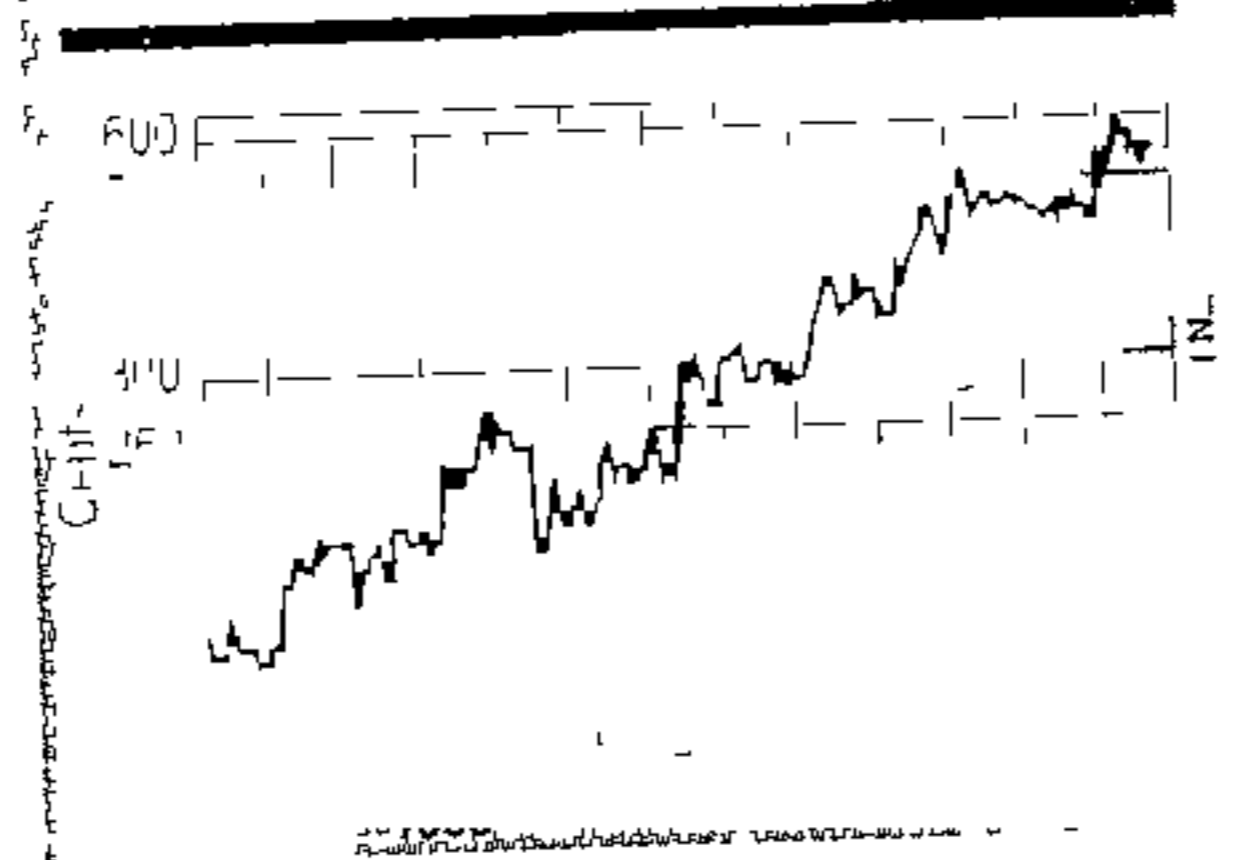
Davison

Second, the share prices of the three companies over the past seven years the platinum sector p e has ranged from a low of 6,0 to a high better than 40. It is now 50, which fascinates me because it means investors are willing, apparently, to wait 50 years to get

their cash back — at least, as measured by historical profitability. Since investors are rarely, as a body, that innocent, they must expect something of moment to change, either a surge in end prices or huge cost reductions, or both.

For Rustenburg, for example, a p e of 20 will require earnings over 1995 of 570c, a performance it has never even remotely approached, and about 2,5 times better than this year. Investors may be applying a different yardstick (what?), nevertheless, share prices which reflect such huge p es signal dangerous territory. *David Gleason*

Lebowa Platinum



remarkable achievement though the early estimates may have been a trifle overstated. The mine has already moved into profitability. It has produced an EPS of 64,3c and a maiden dividend of 10c at interim was followed by a final of 35c.

Finally, there is Lebowa, which operates the Atok mine where financial 1994 saw a welcome return to profitability after two years of losses.

Two matters remain to be commented on. First, the plans to change radically the nature of mining house JCI have already received widespread comment and analysis. The Rustenburg group, embracing Lebowa

Fm 28/10/94
Going the right way

If the annual report does anything, it confirms Consolidated Metallurgical Industries (CMI)'s excessive exposure to debt and its reliance on a recovery in ferrochrome demand, prices and fortunes

None of this detracts from a sterling effort by management, indeed, this year's profit of R9,9m (before a preference dividend of R10,3m) has to be seen in comparison with 1993's dreadful after-tax loss of R30,8m which rose to R41m after the pref dividend *(217)*

However, the balance sheet attracts most attention. It shows interest-bearing debt of R147m and this year's finance charge was R11,7m. With shareholders' funds of only R209m, gearing is 70%, high in a SA mining company

CE Sandy Wood is relatively unperturbed — which is not the same as saying he is sanguine about the situation. CMI depends on a recovery in world ferrochrome demand, that, in turn, has been hit by high chrome ore exports from Kazakhstan, much of it exported to China, where it is converted into ferrochrome. Now the situation

Fm 28/10/94

Activities: Produces ferrochrome
Control: JCI 35,3%
Chairman: B E Davison MD A I Wood
Capital structure: 42,7m ords Market capitalisation R747m *(217)*
Share market: Price 1 750c Yields nil% on dividend, n/a on earnings, p e ratio, n/a, cover, n/a
 12-month high, 1 850c, low, 250c Trading volume last quarter, 511 000 shares

Year to June 30	'91	'92	'93	'94
Int bearing debt (Rm)	216,2	137,8	139,8	147,0
Equity funds (Rm)	151,7	248,9	207,9	208,5
Debt equity ratio	1,43	0,55	0,67	0,71
Turnover (Rm)	274	306	226	269
After-tax profit (Rm)	(24,7)	4,2	(30,8)	9,9
Earnings (c)	(58)	(120)	(97)	(1)
Dividends (c)	—	—	—	—
Tangible NAV (c)	357	417	348	349

appears to have changed a little. Kazakhstan's major producer has run into mining difficulties and transport problems, so less chrome ore is reaching China.

Meanwhile, demand for stainless steel is growing — not by huge percentage increases, but going the right way. That has bolstered ferrochrome prices for the current quarter. Wood says CMI was able to secure small improvements, about 1,5c a lb. It doesn't sound much; indeed, on a base of 40c it's less than 4%, but, says Wood "It's the first time I've seen a price increase while I've been in this industry"

This explains his approach to CMI's balance sheet; the gearing to higher product prices is massive. In his own words "CMI is capable of spinning a lot of cash when prices turn". Clearly, Wood expects the improvement to continue. Provided it does, CMI will be able to trade its way out of its borrowing difficulty. The chances of a rights issue appear to be receding

Fm 28/10/94

On the other hand, Assmang chairman Basil Hersov doesn't expect the improvement in ferrochrome prices to impact particularly over financial 1995. It leaves me feeling the ferrochrome producers' time hasn't yet arrived. Perhaps 1996 will be their turn *(217)*
 Investors should take note *David Gleason*

Rooiberg Tin

winds down

By Day 28/10/94
MICHAEL BRUGHART

ROOIBERG Tin is to dispose of the majority of its assets in view of the low tin price, it said yesterday

Rooiberg, recently taken over by Metorex, said the medium-term outlook for tin remained neutral to negative, but it would keep shareholders informed.

It yesterday reported an attributable profit of R770 000 for the quarter to September, against a loss of R43 000 for the previous quarter. The company had net sundry revenue of R1,2m (R87 000 loss), earned entirely from the sale of assets and interest.

Earnings a share were only 37c (2c loss), but the company declared a dividend of 80c as it felt it was appropriate for a portion of its R7,1m cash reserves to be distributed.

CMI Fu 28/10/94
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 It leaves me feeling the ferrochrome producers' time hasn't yet arrived Perhaps 1996 will be their turn (217)
 Investors should take note David Gleason

Amic planning R1,5bn plant

B/Day 2/11/94

MICK COLLINS

ANGLO American Industrial Corporation (Amic) is investigating the building of a new R1,5bn aluminium sheet plant to produce aluminium cans for the local beverage industry.

Amic chairman Leslie Boyd said yesterday that talks were under way on the construction of the plant.

If the go-ahead was given, the new plant would be situated at the Maritzburg premises of Hulett Aluminium. Amic holds a 43,5% stake in Tongaat-Hulett. Boyd said the plan included the establishment of a new hot mill which could supply stock to Amic's Rheem aluminium beverage-can plant at Wadeville.

"This is something we have been looking at for some time, but the exercise won't be completed until the year's end. We haven't fine-tuned the project as regards finance, tonnage or the possibility of a joint venture yet. We are very serious about the

project and all possibilities are being considered."

He added that an announcement could be expected in the new year.

The R150m Rheem can plant, which was commissioned in August 1993, has the capacity to manufacture 500-million cans a year. The company is a subsidiary of Amic's Highveld Steel & Vanadium Corporation.

The body stock for Rheem's all-aluminium can was initially imported, but Amic said at the time that once upgrade projects had been completed by Hulett's and Alusaf, most — if not all — of the aluminium required by Rheem would be locally sourced.

Amic's decision to go ahead with the Rheem plant was influenced by government reducing the import tariff on aluminium from 25% to 5%.

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R500-m aid for Northam

Star 15/11/94

■ BY DEREK TOMMEY

Gold Fields is planning to throw its loss-making Northam Platinum Mine a lifebelt of up to R500 million.

Analysts say that without this assistance Northam would probably have to close.

The lifebelt will bring the amount of money put into Northam by its shareholders to more than R2 billion.

Gold Fields is Northam's major shareholder, with a 65 percent stake.

Northam, a new platinum mine, was listed in 1987 and was expected to be self-financing by 1992. But the mine has yet to show a profit.

In the year to June it had an operating loss of R125,7 mil-

lion, which it attributed to difficult geology and labour problems.

Gold Fields said yesterday that after consideration of a comprehensive technical assessment, it had decided to re-finance Northam.

At the same time, the production rate is to be reduced from the planned 150 000 tons a month to 110 000 tons a month and a lower operating cost structure is being put into place.

The attainment of these objectives should result in Northam reaching a break-even cash position, Gold Fields said.

An equity injection of up to R500 million was considered necessary to retire outstanding debt and see the company

to the self-financing stage.

Gold Fields said the plan was not without risks.

But the conclusions of the technical assessment, taken together with its substantial platinum metals resources, had decided it to go ahead with the plan.

Discussions are taking place with the company's advisers over appropriate financing arrangements.

Gold Fields said it fully supported the decision to re-finance Northam and had agreed to provide bridging finance until such time as the financing arrangements had been completed. (217)

Shareholders will be informed as soon as possible of the outcome of the discussions.

Northam seeks further R500m to stay open

MICHAEL URQUHART

NORTHAM Platinum, the Gold Fields platinum mine which has been threatened with closure, is to seek up to R500m in funding to keep it open with production at a scaled down level of 110 000 tons a month.

Gold Fields base metals division chairman John Hopwood said yesterday Northam — which had already swallowed R1,7bn and had been returning consistent losses — would seek the money to fund the mine until it could become self-financing.

The decision was taken after considering a comprehensive technical assessment, the company said. This had shown that the original target of 150 000 tons a month was not achievable in the near term. A revised target of 27 000m³ of development on reef a month, equivalent to about 110 000 tons of production, was set. *BIDay*

The company said attaining the revised targets for metal production, productivity and operating cost performance should result in a breakeven cash flow position.

Hopwood said debt would not be considered as a form of financing, but declined to comment further on the refinancing. But if shareholders were asked to cough up another R500m in a rights issue, it would mean a more than double dilution of the share capital. Northam shares were valued at R5 yesterday, giving it a market capitalisation of R409m. *(217)*

Hopwood was also not prepared to elaborate on how productivity and cost performance targets would be attained, or what in the technical assessment had prompted Gold Fields to keep the mine open. This would be disclosed later. Yesterday's announcement was aimed at removing uncertainty about the mine's future, he said. *15/11/94*

The cost-saving measures included reducing the workforce from 6 400 to less than 6 000 workers.

Northam was unable to meet its original

Northam

BIDay *15/11/94* *From Page 1*
target as geological faulting and problems with water fissures led to a lower than expected recovered grade, and tonnages below the level needed for the mine to break even. It had to go back to the market for R350m in December 1992, and then raised R220m in bank loans late last year.

The mine got R25m in bridging finance from Gold Fields to carry it through the

period needed to complete the technical assessment. Hopwood said further bridging finance had been supplied by Gold Fields to carry the mine until it had raised the next batch of finance. *(217)*

Hopwood said Northam was still in an area of geological faulting, but hoped this would be cleared as development moved out of the transitional zone.

Platinum price 'set to rise'

B/D Day 16/11/94

MICHAEL URQUHART

PLATINUM was set to move to \$450/oz within six months — from its levels below \$420 — as demand rose to a record 4,32-million ounces this year, Johnson Matthey said in its interim review yesterday.

The world surplus was expected to fall to 65 000oz from last year's 360 000oz

Supply would be slightly down, which, with booming demand from the autocatalyst manufacturers and the Japanese jewellery fabrication sector, would lead to a slashing of last year's surplus.

In a presentation to analysts, Johnson Matthey analyst Jeremy Coombes said vigorous growth in North American vehicle production and a modest increase in western Europe would lead to 10% higher demand from the sector.

Japanese jewellery fabrication demand would rise 6% to 1,43-million ounces. Although retail sales would remain static,

demand would rise as the industry stocked up on new jewellery products consisting of almost pure platinum. The strength of the yen meant the price of the jewellery remained relatively stable in yen terms, despite a rising dollar price. (217)

Total investment demand, boosted by accumulation plans in Japan and fabrication of bullion coins in North America, would rise 25% to 380 000oz, he said.

Industrial demand would lag other sectors, as it took off later in the upward cycle because industries first used up their stocks. Industrial demand would probably rise only 3% this year to 715 000oz

Coombes said labour disruptions associated with the elections, the closing of a shaft by Impala Platinum and minor pro-

To Page 2

Platinum

B/D Day 16/11/94

From Page 1

duction problems would see SA platinum production fall 4% to 3,24-million ounces. SA mines were selling all they could produce, resulting in SA stocks remaining low. This would be offset by an 18% increase in Russian sales to 800 000oz. (217)

Demand for the other platinum group metals was also expected to show a good increase, with palladium demand likely to rise 12% to 4,7-million ounces and rhodium 4% to 376 000oz. Palladium was being used in an increasing portion of autocatalysts in Europe, as European car manufacturers moved to meet new legislation aimed at

limiting emissions of autocatalysts

Production of ceramic capacitors, the main use of palladium in the electronics industry, had rocketed from 50-billion to 70-billion units a year with the explosion in the use of mobile phones, Coombes said.

Palladium supply would rise 14% to 4,87-million ounces, as Potgietersrust Platinums came into full production and Russian sales increased 500 000oz to a record 2,9-million ounces.

Rhodium supply would rise in tandem with demand, leaving a relatively stable surplus of 26 000oz this year.

Platinum, palladium outlook brightening

Start 16/11/94

■ BY DEREK TOMMEY

A higher price for platinum — SA's second most important precious metal export, which is already earning R4,56 billion a year — seems to be in the offing.

The outlook for palladium, another major metal export which brings SA around R800 million a year, is also most encouraging.

Jeremy Coombes, divisional general manager at Johnson Matthey, one of the world's major platinum fabricators, is forecasting that on current supply/demand considerations, the platinum price, currently around \$416 an ounce, should trade between \$400 and \$450 in the next six months.

The palladium price, which is trading around a five-year high of R156, could increase further if Russian shipments fail to match the growth in demand, he says.

Discussing Johnson Matthey's latest review of the platinum market, he says the sustained world economic recovery is expected to lead to a 7 per-

cent increase in demand for platinum this year to a new peak of 4,32 million ounces.

Main reasons for growing demand are increased use in autocatalysts as more countries introduce new or increasingly stringent regulations to curb atmospheric pollution, and higher purchases of platinum jewellery in Japan.

Platinum used in autocatalysts is expected to rise by 160 000 tons to 1 840 000 ounces (217)

Jewellery demand should rise by 85 000 to 1,7 million ounces.

Coombes reports an increased investment interest in the metal, especially from American funds.

However, they are doing most of their trading in the futures markets, and the total value of platinum futures contracts traded on the New York market this year is expected to be the highest for five years.

The Japanese are also continuing to make major investments in platinum, while Americans are buying an increasing number of platinum coins.

Altogether, total investment demand is expected to grow by 25 percent to 380 000 ounces.

Supplies of platinum this year are expected to remain around 4,38 million ounces, which is virtually the same as last year, resulting in an estimated surplus of 65 000 ounces.

However, the surplus might not be that large because more use of sophisticated hedging instruments such as warrants and over-the-counter options ties up substantial amounts of physical metal, says Coombes.

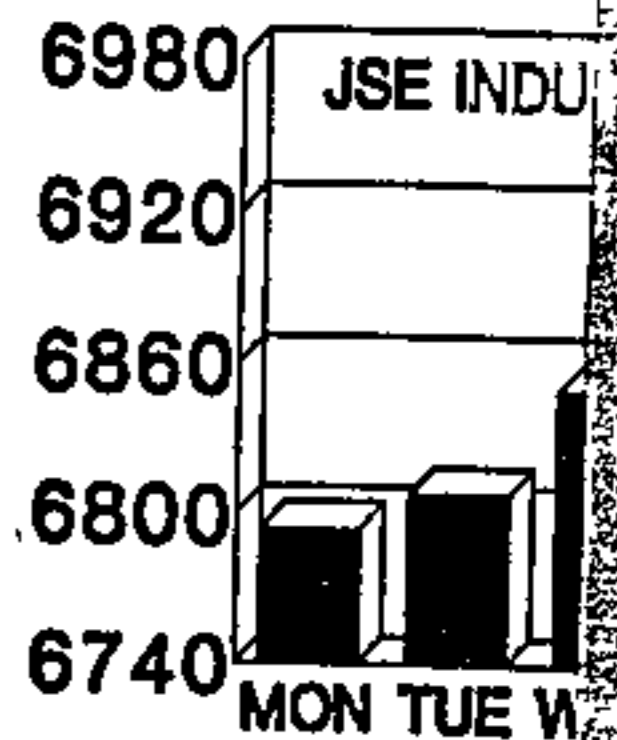
Demand for palladium for electronic components is expected to grow by 275 000 ounces to 2,24 million ounces this year, while palladium usage in autocatalysts should rise by 195 000 to 895 000 ounces.

While demand for rhodium will rise, so will supply, and little change in the rhodium price is expected.

Russia will continue to be a major supplier of platinum and palladium, though some of the metal will be coming from Treasury stocks as sales exceed production.

SINCESS

The Star



Edited by John Spira

We make market and keep it, competitors told

No easy pickings, warns Rustenburg

Star 21/11/94

BY DEREK TOMMEY

Rustenburg Platinum Mines, the world's largest producer of platinum, has warned its competitors not to expect to benefit from its efforts to expand the platinum market.

Chief executive Barry Davison expects Rustenburg's promotional activities to result in a substantial increase in demand for platinum for jewellery.

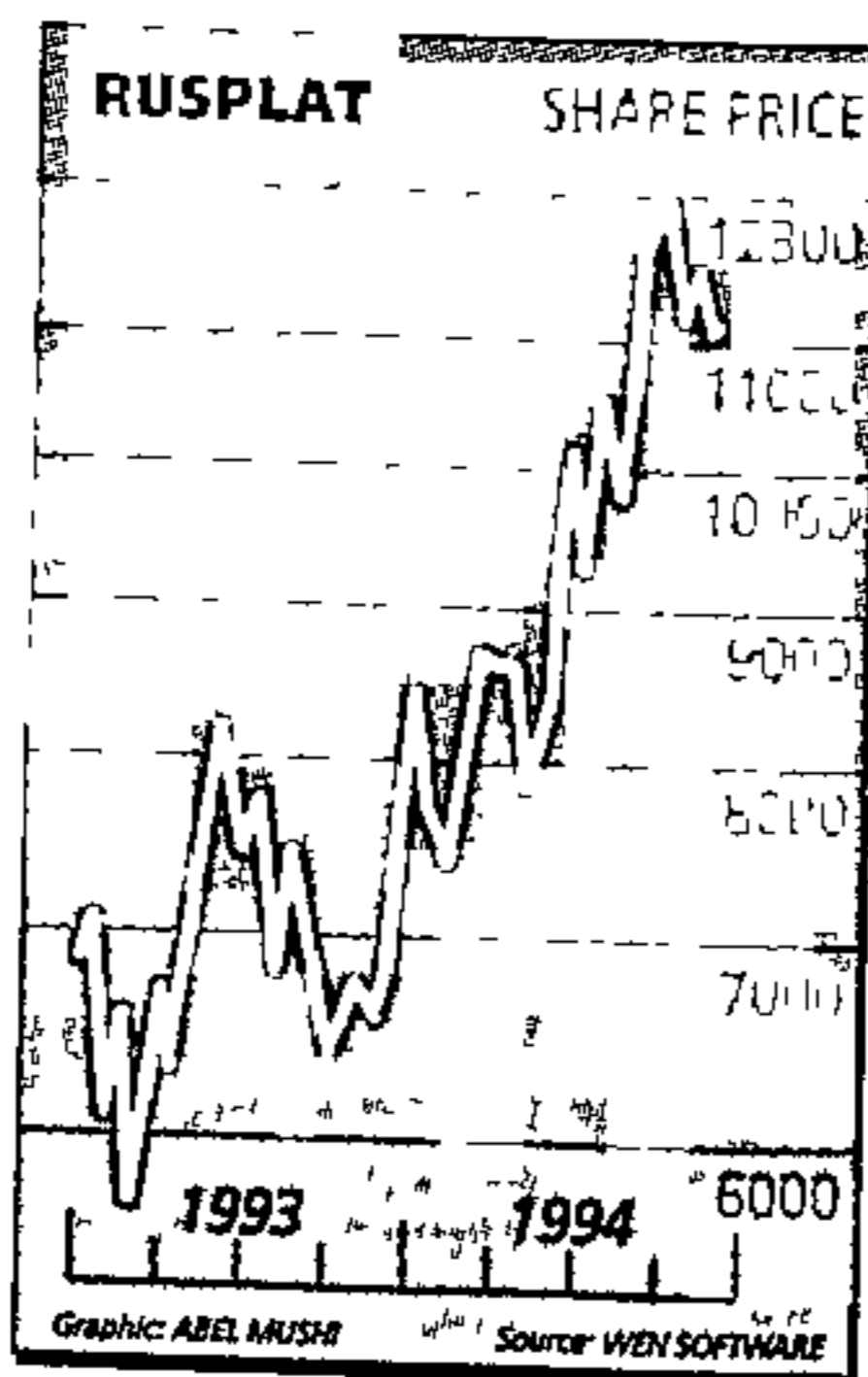
However, Rustenburg has no intention of letting its competitors ride on its back to share in higher sales.

As sales rise, Rustenburg will expand production.

"If our competitors want to expand, they must be satisfied they can compete."

Davison told a group of mining analysts attending a presentation on Rustenburg's jewellery marketing efforts at the weekend that it was increasing its 1995 promotional budget to \$22.7 million (R78 million), most of it to be spent in Japan, Germany and the US.

Rustenburg financed between 80 and 85 percent of total promotional expenditure



by SA primary producers

"Therefore, at least 80 percent of the resultant growth in sales belongs to Rustenburg and nobody else."

Davison emphasised that while Rustenburg's first priority was to improve safety, the second was to reduce costs.

"Rustenburg will not embark on any new project unless it takes us down the cost curve," he said.

He said the company would not get pushed into anything that was not as good as what it was doing today.

Sales of platinum for jewellery are expected to grow this year by 85 000 ounces to 1.7 million ounces.

The increase is second only to the 160 000-ounce rise to 1.84 million ounces for autocatalysts.

Biggest increase in jewellery sales is expected in Japan where the Platinum Guild International (PGI), Rustenburg's jewellery marketing arm, has been operating for some years. Demand should rise by about 65 000 ounces.

A strong rise is expected in Germany, while sales in the US, where PGI has been established only a short time, are expected to rise by 15 000 ounces this year after a 10 000-ounce growth last year.

Davison said Impala and Western Platinum were contributors to promotional activities in the US.

A representative of PGI said if other platinum producers chipped in, Rustenburg could promote platinum jewellery in China.

A great deal of white jewellery was on sale there and he believed the Chinese market could rival the Japanese one.

The Chinese programme should be launched without further delay.

Rustenburg's ability to expand into the market has been heightened by major expansion work at the smelter plant, which has raised capacity 39 percent and made provision for a total capacity increase of 78 percent.

On the production side, the Boschfontein mine, which used trackless mining methods and was closed last year because of high costs, may be reopened shortly, making use of conventional methods.

An analyst said Rustenburg's apparent decision to seek profit growth in greater sales at current prices (though it would obviously be happy if the platinum price were to rise) was the only way for the company to operate in present circumstances.

It would lead to a more stable platinum price and market.

Rustenburg shares would become less speculative and look more like those of a commercial manufacturing concern, thereby increasing the market rating of its shares and benefiting its shareholders.

Northam fails to meet targets

CT 16/12/94

(217)

JOHANNESBURG — Northam Platinum Ltd's current production remained well below recently revised targets, chairman Johan Hopwood said in his annual review.

Northam said last month it would need up to R500m in refinancing and it reduced its monthly production target to 110 000 tonnes, or the equivalent of 27 000m³ from an earlier 150 000 tonnes.

"Current production levels, hampered by vacancies in the miner/shiftboss positions and low morale as a result of the uncertainty surrounding the future of the mine, are well below this revised production target, with 105 000m³ having been broken in the five months to November," he said.

This translates into 6 000m³ a month below the new target.

"The decision to refinance will give management time to eliminate the engineering and mining constraints to meeting the revised production target," Hopwood said.

However, a separate technical advisers' report in the annual re-

Bridging loan from Gold Fields

view said attainment of the new target was unlikely before the end of the current financial year to end-June 1995.

Hopwood also disclosed that owner Gold Fields of SA Ltd had given it a R100m bridging loan facility since the June year-end, of which R52,8m had been used by December 2.

Gold Fields earlier said it would continue to provide bridging finance until the refinancing arrangements had been complet-

ed. Details on the refinancing are expected this month or early in 1995.

He said steps were being taken to counter two new problems that hit production in the financial year to June 30, 1994 — serious manpower problems and the lack of development in the mine's eastern sector.

He said it had been hoped that new stopes could have been opened up to improve the prospect of meeting production targets once development had moved through a structurally disturbed corridor to the east of the shaft complex.

However, fissure water continued to be intersected and no stopes had yet been established, he said.

Apart from previously-stated labour unrest, labour turnover was unacceptably high especially in critical positions, he said.

Although an improvement in the mine's operations would help to stabilise the situation by improving morale, Northam was considering a share option scheme for mine management.

This was still subject to shareholder approval, he said. — Reuter

Union Mines to beneficiate manganese ore

Business Staff

UNION Mines, which extracts manganese from a northern Cape mine, is to expand its operations into beneficiation next year.

Chairman Nic Loterie is talking about sales of R90 million a year from ferro manganese production and iron ore mining.

In an interview with Weekend Argus Business Mr Loterie said a pilot scheme for the manufacture of high carbon ferro manganese at the Postmasburg mine would start early next year and by the third quarter the group should be producing 30 000 tons a year.

The ferro manganese would be produced in a low-cost smelter and production could be increased in lots of 30 000 tons by the addition of further smelters.

The beneficiation of ore reserves should improve profits and extend the life of the mine considerably, he said.

Union Mines would start mining iron ore in March and expected to produce 50 000 tons a month with a grade of 67 percent. A feasibility study for the building of an iron ore furnace was being done.

The group's expansion programme would be financed through the private placing of 2 million shares

Mr Loterie said Union Mines was still negotiating with an overseas group with a view to a possible joint venture.

"For the moment we want to do this on our own. The smelter is not very expensive and the trials have been very good.

"But sometime in the future, as production increases, we may need foreign partners."

Most of the ferro-manganese would be exported, he said.

So far manganese produced by the mine had been sold in South Africa. The first foreign order, of 5 000 tons to an Italian buyer, would be delivered in the New Year and

(217) AUG 24/12/94
buyers in Norway were interested

A small trial order was being delivered to a customer in Peru.

Union Mines had also sold the sand and stone on its Naboomspruit property to a consortium for the production of bricks

Revenue from the sale, staggered over several years, was estimated at R30 million. The first consignment would be delivered in February

The group had retained rights to copper and tin reserves in the sand dumps and rehabilitation work was taking place on the property

Mr Loterie said private investors and a financial institution — which he would not name — had expressed interest in the shares.

Union Mines shares are currently trading at 75c, having risen rapidly earlier this year to a high of 80c from a low of 20c in February.

But Mr Loterie said he hoped to place the shares at R1 or R1,50.

Net asset value of just under 75c did not reflect the mine's true worth, he said

"If you count the iron ore and copper reserves and the value of the sand and stone in Naboomspruit, net asset value is more like R1,50 or R2," he said.

In the 14 months to February this year, Union Mines reported net profit of R545 000 compared to a loss of R468 000 the previous year.

■ BRUSSELS — The European Union has imposed provisional anti-dumping duties on ferro-silico-manganese imports from Brazil, Russia, South Africa and Ukraine

Details in the EU's Official Journal said it had imposed 57.4 percent duties on product from Russia, 52.8 percent on Ukraine product, 40.6 percent Brazilian product and 55.6 percent for all South African product bar that of one producer

Duty of 45.3 percent will be due on product from Highveld Steel and Vanadium Corporation, the journal said

EU action follows a complaint by Euroalliage, a liaison committee of EU producers of the metal alloy. — Reuter

MINING — OTHER

1995

JAN — DECEMBER

New metal

reserves

STON 5/1/95
possible

217

■ OWN CORRESPONDENT

South Africa could be on the brink of expanding the known reserves of platinum and palladium following the discovery of higher than normal concentrations of the metals during a routine geochemical survey north of Pretoria.

Minister of Mineral and Energy Affairs Pik Botha said there was a possibility this might lead to significant discoveries of platinum and palladium similar to those of the Merensky Reef.

Factors which indicate that this possibility could be a strong one are that the platinum/palladium ratio, as well as the concentrations of the two minerals in the new samples are very similar to that of samples from the Merensky Reef.

Indications are that the new reserves, if they are proved, will run alongside the full length of the other two known reefs of the Bushveld Complex: the Merensky Reef and the UG2 Chromitite Seam.

However, Botha warned that the full implications of the discovery would be known only after exploratory drilling and follow-up research had been carried out.

The Council for Geoscience made the discovery of the platinum and palladium concentrations during a routine geochemical survey carried out north of Pretoria.

The sampling and analyses were carried out as a joint-venture research project between scientists at the council and the Human Institute for Geochemistry in China.

Platinum find could add 30% to SA reserves

MICHAEL URQUHART

(217)

A PLATINUM find in the Bushveld Igneous Complex could add 30% to SA's platinum reserves should it prove to be mineable, Council for Geoscience CE Nok Frick said yesterday. *BDS/P/95*

Mineral and Energy Affairs Minister Pik Botha said yesterday the Council for Geoscience had discovered higher than normal concentrations of platinum and palladium during a survey north of Pretoria. This could lead to significant discoveries of platinum and palladium, similar to those on the Merensky reef.

Botha said the platinum/palladium ratio, as well as the concentrations of the two minerals, were similar to that of samples from the Merensky reef. "The possibility exists that we are on the brink of a significant development of the world's known platinum and palladium reserves."

Currently two reefs are mined in the Bushveld Complex, the Merensky and the UG2 Chromite Seam.

Frick said indications were that the new find followed the stratigraphy of the complex, and probably occurred right around the complex along the full length of other seams, but this had not been confirmed.

The anomalies had not been discovered before because they were not associated with sulphites like the other two reefs and occurred in a part of the Complex where one would not expect to find platinum.

Frick said mineral rights in the area were mostly held by the state. It would now be up to individual mining houses to establish on what specific horizons the platinum occurred, to define what contained the platinum and to determine whether it would be mineable.

With the scrapping of sanctions, foreign mining companies would also have a chance to explore the areas, but Frick said SA mining houses had the advantage as they had expertise and knew the area well.

The sampling and analysis was carried out as a joint venture research project by the Council for Geoscience and the Human Institute for Geochemistry from China, using technology developed by the Chinese.

Funds, ⁽²¹⁷⁾speculators put the screws

JOHANNESBURG. — Commodity funds and other speculators are placing pressure on platinum even though dealers say that the fundamentals are sound. This week the price plunged \$15 to current levels of \$403, despite strong physical offtake, said Trevor Pitts, GM marketing at Standard Bank London's precious metals division. According to Standard Bank which last year acquired Ayrton Metals, Impala Platinum's agents, Japanese jewellery importers were active buyers at present depressed levels. However, shrewd Japanese traders were sellers at higher prices.

^{CT 6/11/95} Funds are selling platinum, gold and silver on even the hint of potential bad news, said George Milling-Stanley, metals analyst at Lehman Bros in New York. He said that they were disenchanted with the poor price performance in the past few months. The prospect of another US interest rate hike at the end of the month continues to dampen enthusiasm for precious metals as an investment, added traders. The cost of carrying gold, platinum and silver rose steadily throughout 1994, while the price remained largely stagnant.

Some of the more gloomy dealers contend that higher interest rates will curb economic growth which in turn will dent industrial demand for silver and platinum. An economic and currency crisis in Mexico, a major silver producer, is also making traders jittery. Most precious metals consultants believe that platinum will right itself and recover. Higher US interest rates are expected to bring about a slowdown in the US economy only in the second half of the year and even then growth will be solid.

- The discovery of new deposits of Platinum

on platinum

Group Metals (PGMs) in the Bushveld igneous complex could herald the introduction of foreign competition to the local platinum market, industry sources said yesterday.

Nok Frick, CE of the state-run Council for Geoscience, said the find presented new opportunities for foreign mining companies to enter the local market.

- Nymex platinum futures were higher at midday, as the market managed a modest bounce after surviving an early test of a key support level, traders said. April platinum was up \$2.30 at \$408.00 an ounce. — Business Staff, Own Correspondent

RUSTENBURG PLATS (217)
Stealthy disappointment

FM 6/1/95

Almost by stealth and largely unheralded, Rustenburg Platinum Holdings (Rusplats) announced its interim dividend last week, a day ahead of the year-end, to a market which had all but gone to sleep.

This is a repetition of the declaration of a final dividend ahead of last June's fi-

nancial year-end, before the preliminary results MD Barry Davison said the reason was to tidy matters ahead of the formation of a new holding company, apparently to be called Amplats, linked directly with Anglo American.

This year, controlling mining house JCI will be unbundled into three distinctly separate companies, one meant as a vehicle for black entrepreneurial entry into the mining industry.

A dividend of 68c per share is less than analysts expected "It implies," says a broker, "that first-half earnings were not as good as investors had expected." Attributable profit of R145,5m produces EPS of 116c compared with 106c last interim (December 1993), the increase of 9,4% is disappointing and may stem from a rise in stocks which, in turn, hits costs

This may be misleading, however; Rusplats is vigorously cutting costs and the key to its true performance won't be revealed until actual cash working costs are published later this month

Also, Rusplats may have been hit harder than expected by its toll smelting contract with Impala. This arises from the commissioning by Rusplats of a new smelter. While this was under way, there was a build-up in concentrates. The only solution was toll smelting through Impala. Though a temporary expedient, it was sufficiently embarrassing for Rusplats to avoid publicly admitting it had dealt with Impala.

Subsidiary Potgietersrust Plats (PPRust) has also announced an interim dividend behind a full capitalisation issue. The interim is an effective 30c a share on EPS of 48c against notional earnings of 38c a

Subdued response to platinum find (217)

BS 6/1/95

PLATINUM producers yesterday played down reports of a possible major new platinum find in the Bushveld Igneous Complex, saying further study would be needed to determine whether the reserves were mineable.

Mineral and Energy Affairs Minister Pik Botha said this week that discoveries of anomalies in a survey by the Council for Geoscience could lead to significant finds of platinum and palladium.

But Impala Platinum chairman Michael McMahon said the study was very superficial and no drilling had been done. It was impossible to come to any conclusion and Impala would wait for further research.

JCI platinum division chairman Barry Davison said he would need greater detail

MICHAEL URQUHART

on grades and the nature of the ore before he could comment on JCI's approach

An analyst said even if the finds turned out to be massive, there would be no rush to develop them as the mining houses already had significant reserves of mineable ore. They were not developing these as they did not want to disrupt the market. A major new platinum mine would put heavy pressure on the platinum price.

If JCI and Impala wanted to expand their production it would be cheaper and less risky to expand an existing mine's production, he said. Even if the find proved substantial, it would have little immediate effect on the platinum market.

Pressure on platinum price just temporary

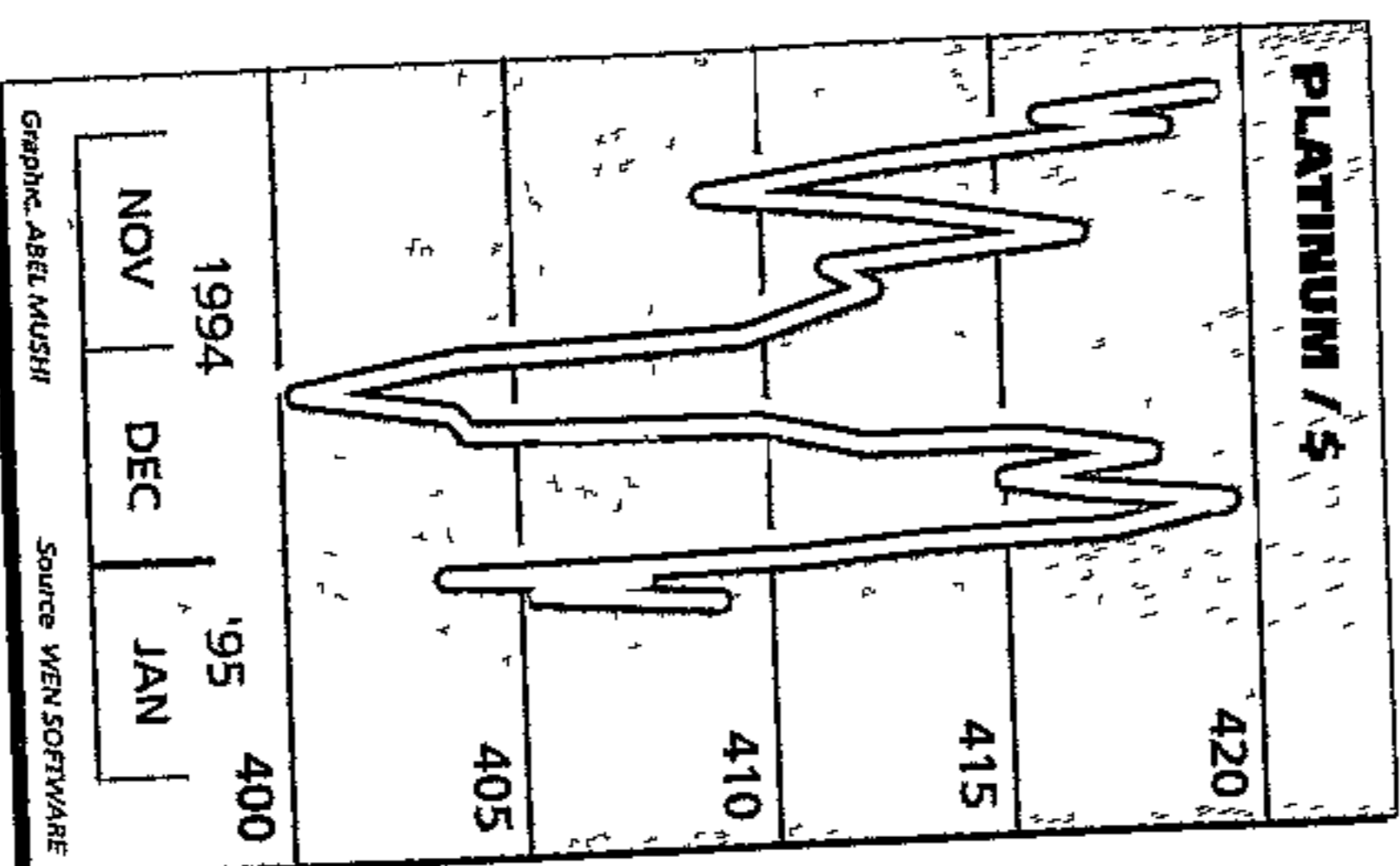
BY NEIL BEHRMANN

London — Commodity funds and other speculators are placing pressure on platinum even though dealers say that the fundamentals are sound.

The price has plunged \$10 to current levels of \$408, despite strong physical offtake, said Trevor Pitts, general manager marketing at Standard Bank London's precious metals division.

According to Standard Bank which last year acquired Ayrton Metals, Impala Platinum's agents, Japanese jewellery importers were active buyers at present depressed levels. Earlier however, shrewd Japanese traders were sellers at higher prices.

Dealers are not quite sure why funds have decided to desert platinum and other precious metals so soon in the new year. Funds are selling platinum, gold and silver on even the hint of potential bad news, said George Milling-Stanley, metals



analyst at Lehman Bros in New York. He said that they were disenchanted with the poor price performance in the past few months.

The prospect of another interest rate hike in the United States at the end of the month continues to dampen enthusiasm for precious metals as an investment, added traders.

The cost of carrying gold, platinum and silver rose steadily throughout 1994, while the price remained largely stagnant. Some of the more gloomy dealers contend that higher interest rates will curb economic growth which in turn will dent industrial demand for silver and platinum.

An economic and currency crisis in Mexico, a major silver producer, is also making traders jittery.

There were unfounded rumors that Mexico's central bank was selling silver. In any event a plunge in silver prices to 4.61c an ounce from last year's high of 5.77c had a disastrous impact on sentiment in the platinum market.

Most precious metals consultants believe that platinum will right itself and recover. Higher

US interest rates are expected to bring about a slowdown in the US economy only in the second half of the year and even then growth will be solid.

Meanwhile European and Japanese economies are reviving while Asia is still motoring ahead.

In a report towards the end of last year, Johnson Matthey, Fortenbury Platinum's agent, forecast that platinum prices would trade between \$400 to \$450 in the first half of this year.

"Platinum in Japan is gaining market share over gold," said Jeremy Coombes, general manager, marketing at Johnson Matthey.

South East Asian demand is also growing rapidly, he said and presently accounts for about 10 percent of total world demand.

Meanwhile consumption by motor vehicle manufacturers who use platinum for anti-pollution exhaust catalysts, is expected to remain strong.

217

Jan 12/1995

RHOVAN/RHOEX

Time to lighten

FM 27/1/95

RHOEX

Activities: Mining holding company involved in coal and vanadium mining.

Control: Directors

Chairman: A G Fletcher

Capital structure: 34m ords. Market capitalisation: R153m

Share market: Price: 450c. Yields: 0,5% on earnings, p.e ratio, 187,5* 12-month high, 450c, low, 80c Trading volume last quarter, 3m shares.

Year to September	'91	'92	'93	'94
ST debt (Rm)	11,9	2,4	1,1	1,8
LT debt (Rm)	0,1	2,4	0,9	40,8
Turnover (Rm)	11,3	†	9,5	8,9
Operating profit (Rm)	7,6	3,2	2,2	0,9
Earnings (c)‡	13,3	4,1	13,6	2,4

* Abnormal earnings excluded † Not disclosed ‡ Fully diluted

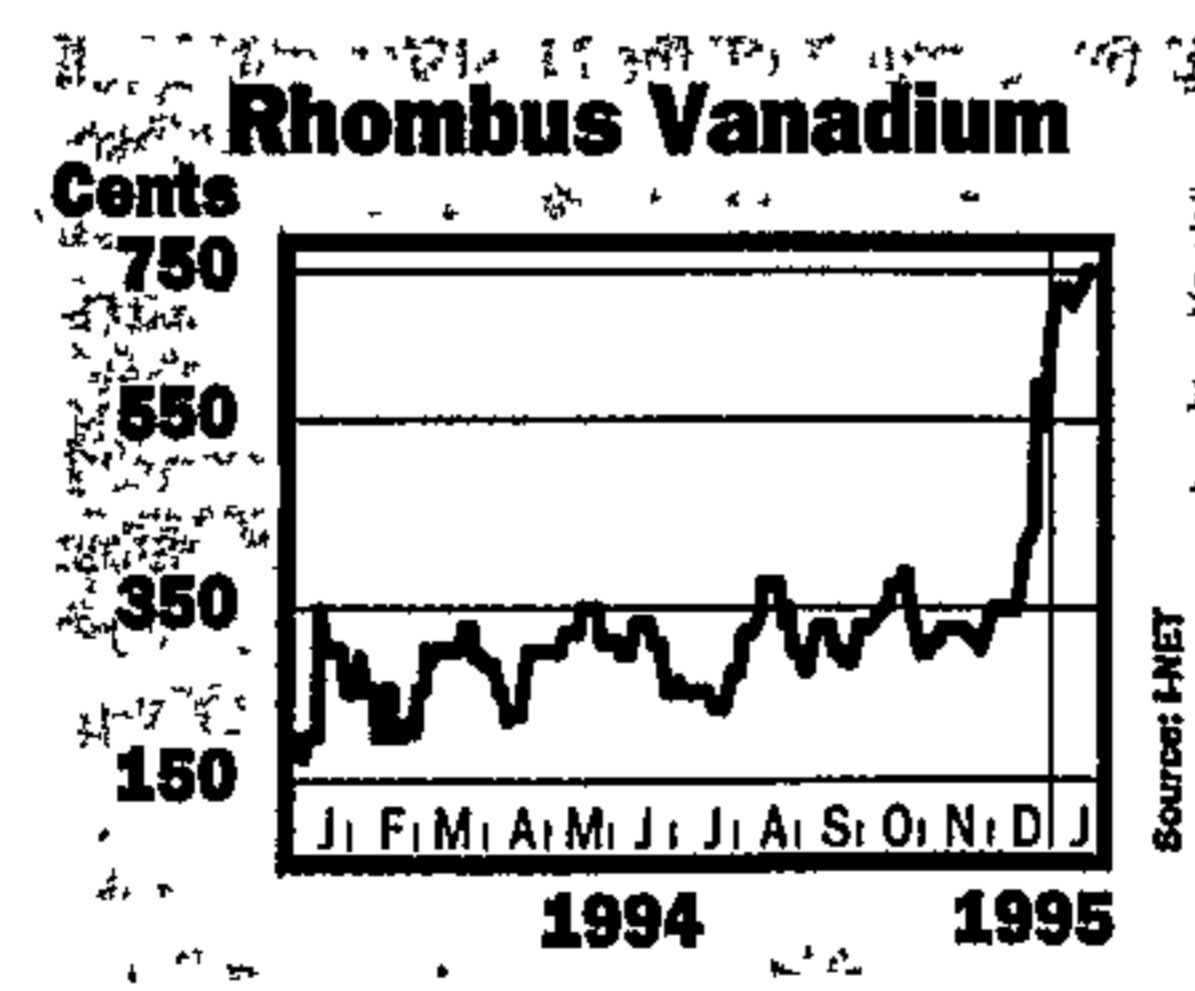
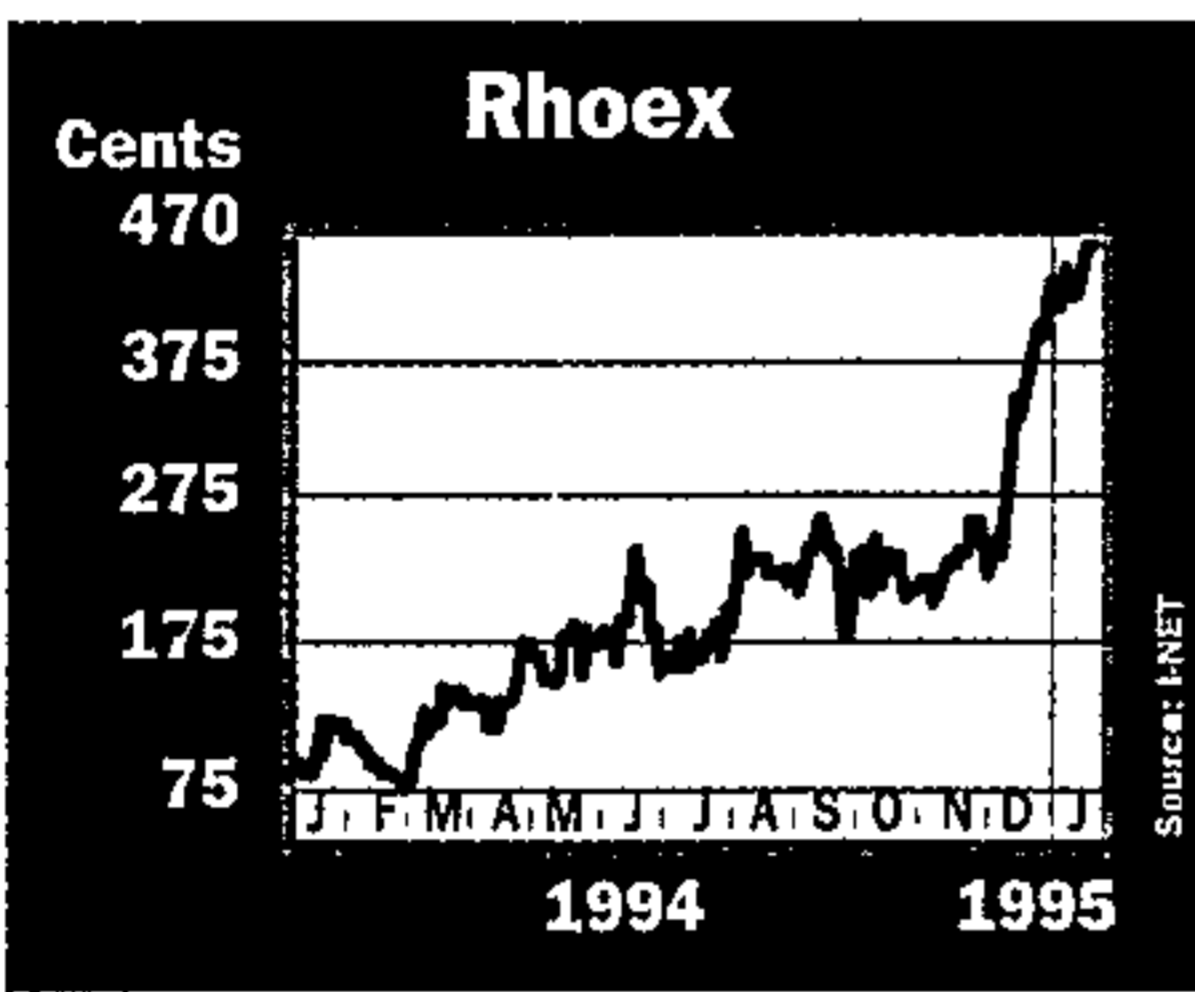
Investors will be forgiven for the occasional confusion about these companies:

Rhoex was formerly Rhombus Exploration (also Rhoex) and owns 62% of Rhosco which, in turn, holds 87% in Rhovan.

Rhoex was re-listed last year as a mining holding company, more appropriate than its previous slot in exploration since it has disposed of most of its interests in this area. When the company closed off its books for financial 1994 (end-September), it held about R31m in cash or near-cash financial instruments, R13,3m of which comes from its sale of Natal Mineral Sands and Transkei Mineral Sands to Iscor. Chairman Anthony Fletcher says the company is looking for new investment opportunities.

These disposals leave it sitting on a 50% holding in Taaboschspruit Colliery, a negligible holding in Rhombus

Exploration, an important stake in Rhovan and a strong balance sheet, though it has long-term borrowings of R40,8m, largely from the Bophuthatswana National Development Corp (R10m) and the IDC (R28,3m).



RHOMBUS VANADIUM

Activities: Mines and processes vanadium near Brits

Control: Rhoex and AIOC 87%

Chairman: F P Kotzee

Capital structure: 25,2m ords Market capitalisation R189m

Share market: Price: 750c. 12-month high, 750c, low, 215c. Trading volume last quarter, 421 000 shares.

Taaboschspruit is a different matter: the mine is in its third year of full production but it failed to contribute to group profit in 1994 after R1m in 1993. Causes include absenteeism during the elections and operating difficulties, excuses which don't offer much encouragement, though the mine is expected back in the black this year.

Former MD Rob Still left Rhoex and Rhovan during August, apparently over strong differences of opinion about the group's direction. He has established an exploration company called Pangea Minerals in association with Canadian interests and concentrating on exploration in Tanzania. Analysts now say the market overreacted to his departure at the time.

Rhovan is owned by Rhoex in partnership with AIOC Metal Holdings, a New York-based metal trading company with a last reported turnover of US\$1bn. Rhovan established a vanadium mine near Brits in

1991 and has been through some stormy waters, notably the long argument with Usko, which backed away from its process agreement. That cost it R19m cash and a large part of the process plant, since erected by Rhovan at the Brits mine.

When the plant is fully operative, expected in the first six months of calendar 1995, Rhovan will be capable of producing

10,5m lb of vanadium pentoxide — about 12% of total world supply. The biggest producer is Highveld Steel, with annual production capacity of about 37m lb.

Obviously Rhovan's fortunes depend on the price of vanadium and its ability to maximise

production. Assuming the company is not able to maintain production at rated capacity over financial 1995 and achieves an average selling price of about US\$2,70/lb (spot price now over \$4), then earnings will be about 110c a share. Assuming a con-

servative p/e of 10, this implies a share price of about R11 for Rhovan (now R7,50) and about R5,70 for Rhoex (now R4,50).

On this basis, some lightening of holdings in both counters now seems appropriate

David Gleason

Lebplats boosts

profits

(217)
JOHANNESBURG —
Lebowa Platinum Mines
yesterday reported an
increase of R8,1m in dis-
tributable profit

Lebowa's interim re-
port stated the increase
of R28,1m in net sales
revenue attracted addi-
tional cost of sales of
R19,8m "The difference,
after allowing R0,2m for
renewals and replace-
ment capex led to an im-
provement of R8,1m in
distributable profits,"
Lebowa Platinum said

Lebowa's net borrow-
ings reduced by R21,2m
since last year to
R79,0m The long-term
borrowings plus the
short-term portion of the
loan currently amount to
R95,3m

In view of the extent of
the borrowings, no divi-
dend was declared

Production increased
by 7,1% as a result of im-
provement in head
grades Higher sales vol-
umes, improved dollar
prices and a weaker
rand combined to boost
net sales revenues by
44,3% to R91,5m. A large
portion of the increase in
platinum sales volumes
as reflected in revenue
follows the sale of all
platinum production
Last year a number of
ounces were used to re-
pay platinum borrow-
ings — Sapa

PP Rust may mine own pit

JOHANNESBURG — Potgietersrust Platinums said it was considering undertaking its own mining and offered a capitalisation share award for the first half as a precautionary measure to conserve cash.

PP Rust uses outside contractors to mine its open-pit. (217) CT 8/2/95

"We're considering mining the pit ourselves," director Barry Davison told analysts and media after presenting interim results

But, he added, it had not yet taken a decision

Such a move would entail a "significant" investment of about R300m in plant and equipment, and the board would have to be "strongly convinced" it would make a handsome return, he said.

Developing PP Rust posted share earnings of 48,3c for the six months to December 31 versus 19,4c in the previous three-month-period in 1993.

It declared an interim capitalisation share award, the terms of which are due to be announced on February 20, but shareholders can still elect to receive the cash dividend of 30c versus 10c

The mine started operations in the second quarter of its financial year to June 31, 1994.

The mine posted an after tax profit of R58,1m for the six months ended December, an improvement of R4,0m over the second half of last year's financial year, which was also the first full six months operating period for the new mine

Higher net sales revenues compared to the same period of R57,0m were reduced by a R53,3m increase in the cost of sales and other positive variances amounting to R0,9m — Sapa-Reuter

The interim report stated the first half of the 1995 financial year saw a further improvement in dollar prices for the major metals except rhodium which declined marginally and a slightly weaker rand

Rusplats continues to slice expansion capex

JOHANNESBURG. — Rustenburg Platinum Holdings said capital expenditure on current expansion projects would continue to fall in its second half to end-June and any decision on new expansion would be dictated by future market conditions.

Rusplats approved significant expansion projects in 1989, all of which were now on stream, director Barry Davison told analysts and media after presenting half-year results.

Rusplats' spending on expansion

projects, mainly to increase smelter and refinery capacities, fell to R91,6m in the six months to December 31 from a previous R131,8m.

Spending on renewals and replacement, incurred primarily on shafts at the Amandelbult and Rustenburg sections, increased to R182m from R52m.

Rusplats posted first-half share earnings of 116,1c versus 106,1c and declared an interim dividend of 68c versus 62,5c.

Prices received by Rusplats for the

first-half were ~~\$413~~ ⁽²¹⁷⁾ an ounce for platinum versus \$379 in the previous period, \$153 for palladium versus \$129, \$748 for rhodium versus \$929, and \$2,97/lb for nickel versus \$2,19.

The currency exchange rate was R3,568 to the dollar in the first-half versus R3,353 in the corresponding 1993, he said.

Prices received for platinum group metals at its other producer companies showed only marginal differences, he said.

Davison said the general industrial relations climate was stable al-

though difficulties had been experienced over the Christmas/New Year period in achieving planned production.

The planned unbundling of parent company Johannesburg Consolidated Investment was scheduled for mid-May, when Rusplats and its other platinum interests would become a separate company under an Anglo American platinum logo, he said.

The company posted a 9,4% improvement in distributable profit to

R145,5m for the six months ended December from R133,0m a year ago.

The interim report showed the increase of R223,2m in net sales revenue was reduced by a R125,2m increase in the cost of sales, a R52,1m increase in renewals and replacement capital expenditure, a further R37,6m in tax and lease and other positive variances amounting to R4,2m.

Operating profit of R410,8m improved 30,6% over the same period last year (R314,6m). — Sapa-Reuter

Black-owned mining company established

(217)
A BLACK-owned platinum mining exploration company has been formed by Trojan Exploration and a variety of black groups in Mokopane near Potgietersrus.

The company, Mokopane Mining — believed to be the first of its kind in SA — is 42% owned by Trojan with the other 58% held by the Mokopane Civic Association, the local ANC branch, a group of local black businessmen known as the Khaas group and the Mokopane royal family.

Mokopane Mining director Martin Brink said the company had applied for 5 000ha of platinum mineral

BO 7/2/93
MICHAEL URQUHART

rights in the area, which was on the Bushveld Igneous Complex.

He hoped the rights would be granted within the next six weeks.

Initially Mokopane would aggressively prospect the properties. This exploration work would be funded by shareholders.

If the results were positive, the company would start mining operations with a joint venture partner. Brink said an international partner had been identified.

The company would consider a list-

ing on the JSE, or on a foreign stock exchange in conjunction with its international partner.

The company said once mining operations started the Potgietersrus community and black businessmen would benefit, while mining would also contribute to the reconstruction and development programme.

The creation of the new company was in line with the ANC's aim to encourage the entry of blacks into the mining industry, and part of this would include freeing up mineral rights to enable them to establish mining ventures.

Higher demand, price rises boost earnings

Platinum mines reaping rewards

Share 8/2/95 (217)

■ BY DEREK TOMMEY

Platinum mines, especially Lebowa, are starting to benefit from the increased demand for platinum and rising group metal prices, as shown by higher interim profits reported by the three JCI platinum group companies for the six months to December.

These are their last interims under the JCI logo. As a result of JCI's unbundling, they will report from May under the Anglo American platinum logo.

Rustenburg Platinum reports that profits from metal sales rose by almost 33 percent to R395,8 million, despite an 11,7 percent rise in working costs.

But a renewals and replacement charge of R182 million (R129,9 million) took a substantial chunk of the increase

Chief executive Barry Davison says the expenditure was needed to ensure that the mining and refining infrastructure remained geared to accommodate planned production levels.

Expenditure this year is primarily on shafts at the Amandelbult and Rustenburg sections.

Tax provisions also increased by 63 percent to R80,5 million and, by the time the bottom line is reached, distributable profit at R145,5 million was only 9,4 percent ahead of a year ago.

Lebowa Platinum increased its net sales revenue by 44,3 percent to R91,5 million, while net operating profit rose from R1,7 million a year ago to R10 million

Cost of sales rose from R61,7 million (after taking into account a R9,3 million credit) a year ago to R81,5 million.

Taxed profit was R9,8 million (R1,7 million).

Davison says the higher sales revenue was the result of improved head grades, higher dollar prices for platinum and palladium, and a weaker rand.

He says production at Lebowa is expected to creep up from 70 000 tons a month to 100 000 ton a month

At Potgietersrust Platinum, which started operations in the second quarter of last year, taxed earnings for the six months were affected by a R32,5 million increase in the cost of sales and were limited to R58,1 million — a rise of R4 million on the six months to June.

The increased cost of sales was the result of a number of factors, including an increase in production to offset lower headgrades

Davison says the price of a basket of platinum group metals, based on one ounce of platinum, had risen 14,6 percent to R2 314 in the six months to December 1994 from R2 013 in the six months to December 1993.

In January this year the cost of the basket rose a further 3 percent to R2 384.

Rustenburg marketing director Todd Bruce says the platinum price has been under pressure from liquidation by the hedge funds.

But after each bout of selling, the price had moved up again to \$420 and there was now a tight physical position in platinum and palladium

Russian selling had emerged in 1994, but the market is still stretched to meet current deliveries

The major uncertainty was what Russia would do in 1995

Physical demand for platinum continues to grow.

Car sales are growing, jewellery sales are doing well and there is good industrial demand, he says.

Implats floors critics with big rise in earnings a share

(217) Star 9/2/95

■ BY DEREK TOMMEY

Impala Platinum Holdings (Implats) has been criticised in the past for marking time.

But now it is making its critics eat their words.

Higher prices helped it increase attributable earnings by 54 percent in the six months to December from R83,3 million to R128,1 million

Earnings a share rose from 134c to 206c and the interim dividend is up 11 percent from 45c to 50c

Growth is expected to be maintained.

Executive chairman Michael McMahon says prospects for the six months to June depend on sales volumes and production costs

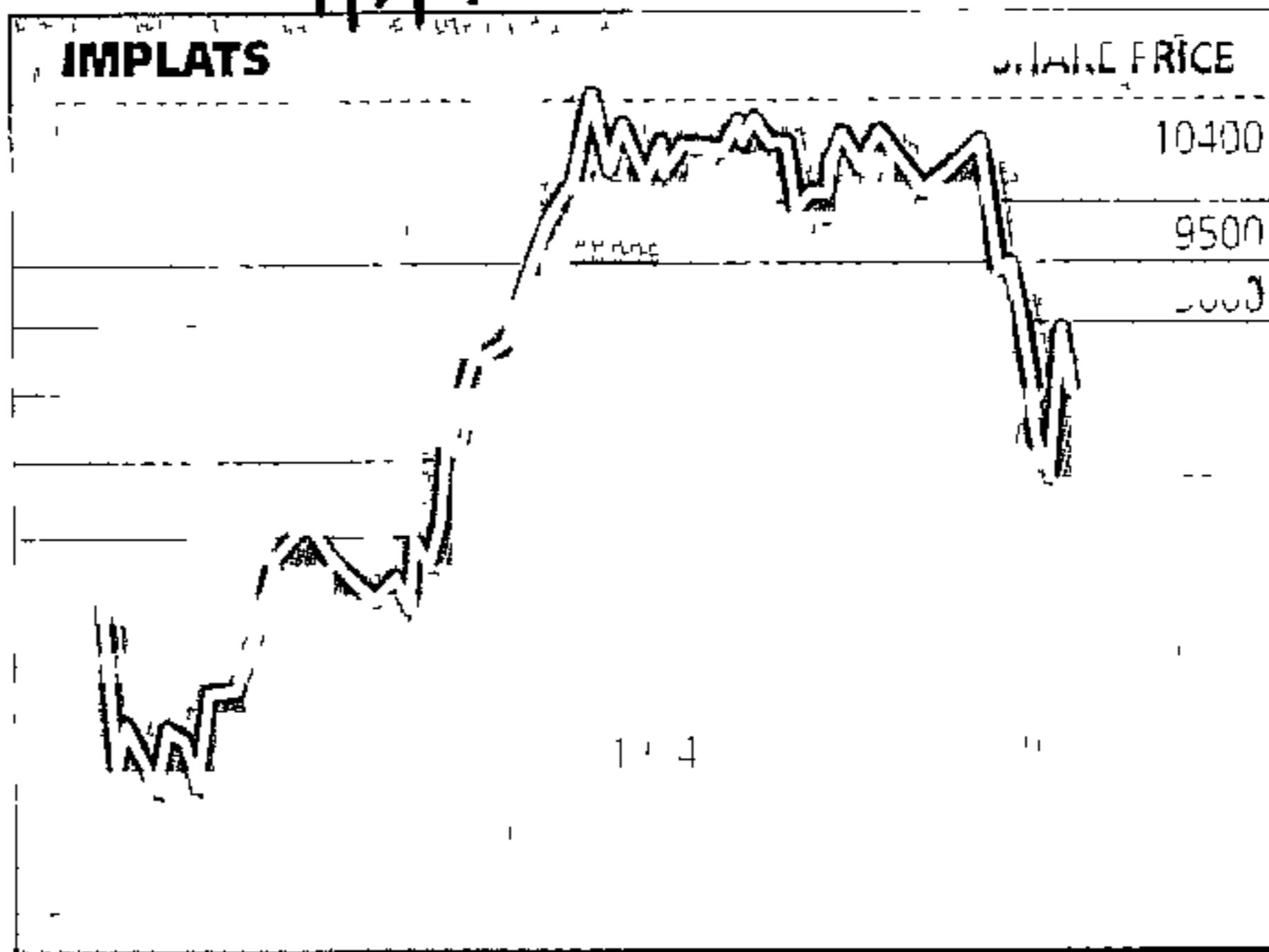
But performance is expected to at least match that in the six months under review.

Analysts were surprised yesterday by the extent of the increase in earnings. Their forecasts had ranged from 150c to 170c a share. But they were disappointed in the small increase in the dividend when compared with earnings growth.

However, executive chairman Michael MacMahon said he believed the increase was satisfactory for an interim

He said the company's price index for platinum group metals (PGMs) had risen 8,2 percent between the last half of 1993 and 1994.

But contractual arrangements had resulted in dollar revenue an ounce sold rising by 10 percent, while the weak-



ness of the rand had increased rand revenues an ounce by 18 percent.

The platinum price rose to \$429 an ounce from \$395 a year ago, while the palladium price rose from \$130 to \$152 an ounce

Rhodium continued to slip lower, but the nickel price rose 45 percent year-on-year. The effect of the rise in the nickel price had not yet been felt, said McMahon.

Sales volume in the six months to December had dropped 11 percent, partly because of the postponement of deliveries to some customers until the first quarter of this year

Metallurgical problems caused a drop in recoveries and a 10 percent increase in unit costs to R24 550 a kilogram of PGMs produced.

The problems had now been overcome and metallurgical re-

coveries rebounded to record levels, he said

Capital expenditure, mainly on the metallurgical plant, rose to R146 million and by year-end was expected to be R250 million.

Turnover rose 6 percent to R1,16 billion, while the cost of sales fell 2 percent to R895 million, resulting in a 44 percent increase in income from metals to R270 million

Pre-tax income rose 55 percent to R239 million. After providing R125 million (R79 million) for tax, taxed income was R114 million — up 52 percent

McMahon said he was pleased to report that Impala Refineries had set a new record of 5 million fatality-free shifts, while Wildebeestfontein North mine had passed the 2 million fatality-free mark.

Regrettably, three employees lost their lives in accidents in the period.

Profit jump: Implants proves the critics wrong

From DEREK TOMMEY

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07/9/2/95

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COMPANIES

Impala profit races up on higher metal prices

(217)

MICHAEL URQUHART

ATTRIBUTABLE income at Gencor's Impala Platinum grew 54% to R128,1m for the six months to December as the company benefited from higher platinum and palladium prices and well-controlled costs.

The company's turnover increased only marginally to R1,17bn from R1,1bn in the same period the previous year. Although the price of a basket of platinum group metals sold by Impala was up 16% in rand terms, turnover was pulled down by 11% lower sales volumes.

Implats chairman Mike McMahon said turnover was lower because of a 3% decline in production volumes and deferred sales which would come through in the second half of the financial year.

Stocks had increased because of the lower sales volumes, with production at 522 000oz and sales at 499 000oz, but McMahon said stocks would probably decrease in

the second half as the deferred sales came through. *BD 9/2/95*

McMahon said Implats had some problems with concentrates and the smelter, which had caused it to underproduce.

Total on-mine costs increased 4% year on year, but the lower metallurgical recoveries pushed up the unit costs by 10% to R24 550/kg platinum group element produced. McMahon said the problems had occurred mainly in the first quarter of the financial year, and recoveries had since rebounded to record levels. He said there could be a further improvement in recoveries with the commissioning of new UG2 regrind mills.

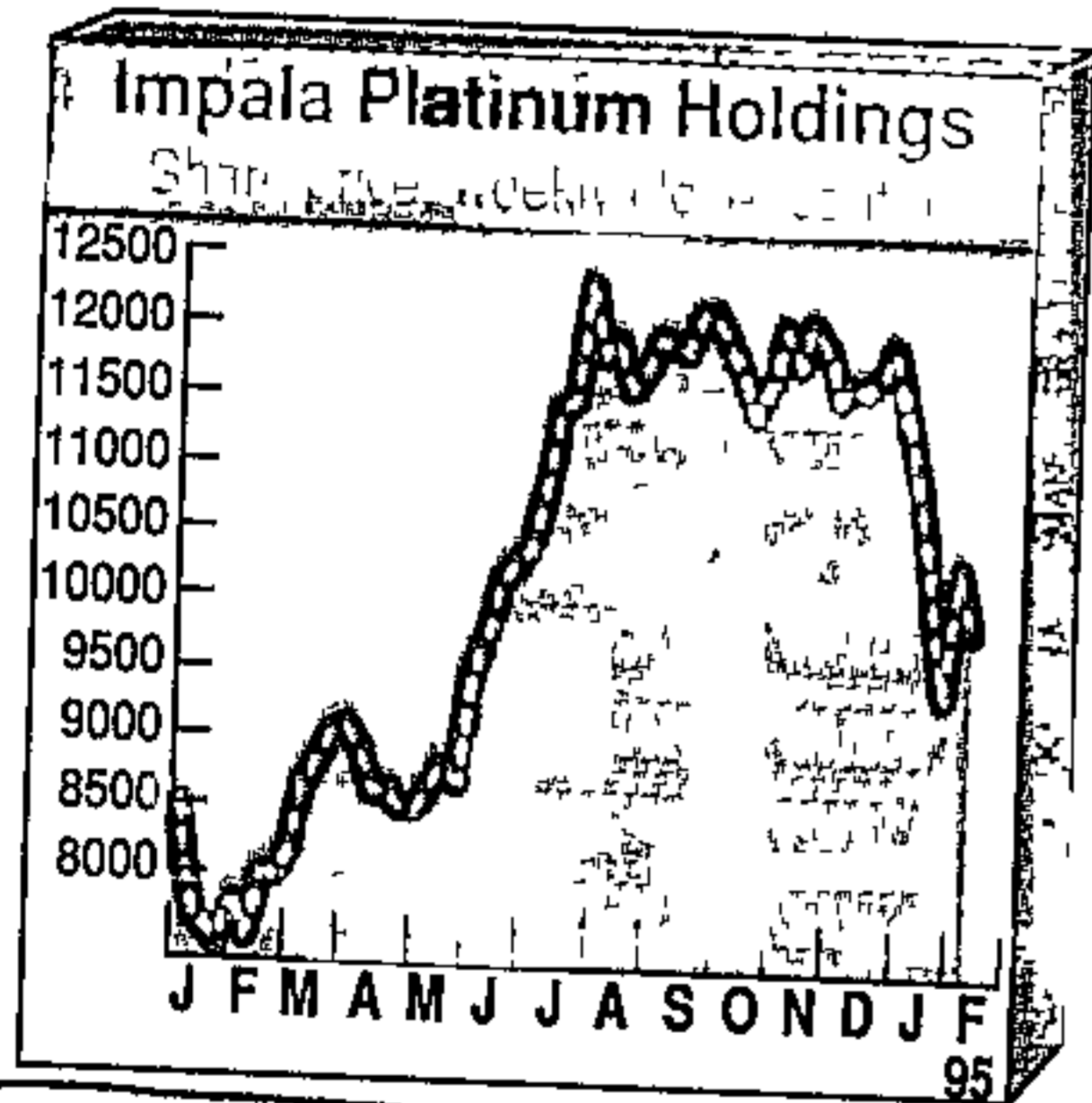
Capital expenditure was also strongly up, from R91,6m to R146,3m, which was spent mainly on the No 14 shaft and the UG2 regrind mills. Total capex for the year was planned to reach R250m.

Implats declared an interim dividend of 50c, 5c up on the previous interim dividend, on earnings a share of 206c (134c).

The improved results allowed the company to further improve its net cash position, from a debt of R66,9m at December 1993 to R81,3m cash at December 1994.

McMahon described the market during the review period as quiet, with platinum generally trading between \$410 and \$420/oz. This price was 9% up on a year on year basis.

The palladium market was more bullish, with the price moving up 16% year on year, although this was offset by a continued slide in the rhodium price, which fell 19%.



AUG 10/2/95 (217)

Platinum producers look to higher profits

Business Staff

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The major uncertainty was what Russia would do in 1995.

Physical demand for platinum continues to grow.

Car sales are growing, jewellery sales are doing well and there is good industrial demand, he says.

Turnaround puts Gefco into the black

INDEPENDENT asbestos producer Griqualand Exploration and Finance (Gefco) pulled its operating income back to a profit of R3,6m for the year to December, compared to the previous year's R1,7m loss.

Dividends received increased to R2,7m (R798 000) and interest received to R4,2m (R2,7m). But an extraordinary item of R8,89m

MICHAEL URQUHART

relating to the return of category B incentives in 1993 meant income before tax was slightly down at R10,5m (R10,6m).

But a higher level of taxable income and the ending of assessed losses meant the tax bill jumped to R4,1m from R1,4m in 1993, leaving income nearly a

third down at R6,3m.

Lower asbestos dollar prices were offset by a weaker exchange rate, which saw rand income per ton up by 4% from 1993.

Gefco said there was no indication of any change in the oversupply situation, and dollar prices would at best remain static through 1995. Production at Gefco would be kept at its lowest.

(217)

Palamin shows improvement

Nov 16/2/95

■ BY JOHN SPIRA (217)

Copper producer Palabora Mining (Palamin) produced significantly improved results in the year to December, thanks to increased production, lower cash costs and improved markets

Earnings before tax-related extraordinary items rose 34 percent to 705c. Dividends for the year total 760c (600c).

The average copper price received was R7 954 a ton (1993: R6 497).

The 1994 smelter performance exceeded any previous period, the gross smelting rate averaging 1 036 tons a day

A copper price which firmed particularly in the latter half of

last year indicated better results for Palamin. But the extent of the improvement could surprise the market.

That the share price didn't harden in line with the rising copper price stemmed from fears that the mine was nearing the end of its life.

The directors says: "Palabora has been conducting studies on the possibility of production beyond open-pit life, which ends in 2002.

"While a 60 000 tons a day underground project has not proved economic, an alternative study on a lower-tonnage mine has given more encouraging indications and further work is ongoing to establish viability."

Earnings climb for Palamin

JOHANNESBURG — Copper producer Palaborwa Mining yesterday reported increased production, lower costs and improved markets had combined to produce significantly higher profits for the year to December 31 over that of last year. (217)

Palamin's audited group results showed distributable net earnings at R214,7m against R169,9m last year. The dividend for the year was increased to R7,60 (R6,00) a share

Turnover for 1994 exceeded that of the previous year by over R287m due to a higher volume of copper cathode sales, 117 687 tons, up 11% and a higher copper price, R7954/ton against R6497/ton in 1993. Sales on non-copper products also surpassed those of the previous year because of increased volumes and price levels.

Smelter performance during the year exceeded any previous period with a gross smelting rate averaging 1 036 tons a day.

Operating costs of R968,5m included charges of R51,5m (R10,0m) for underground feasibility studies, which were not part of normal operating costs. Increased throughput within production processes also added to costs — Sapa

Cement

CT 16/2/95

IMPALA PLATINUM (217)

Suppressing working costs

FM 17/2/95

The market was expecting good interims from Impala but those turned in exceeded most predictions

Turnover advanced only marginally (5,6%) and unit costs were particularly well contained, though the overall decline of R20m on a year ago arises largely from a stock increase. Nevertheless, the outcome has provoked comment. Most analysts say they believe the extent of toll refining conducted by Impala for Rustenburg was enough to have a substantial impact.

"The effect has been to suppress real rises in working costs, though we still expect a jump of around 10% this year. I don't really see how increases of this magnitude can be avoided," says one mining analyst

Pre-tax income increased to R238m; net attributable was R128m, up 54% on 1993's R83m EPS are 206c (62,2c) and the dividend is 50c (45c)

These results raise some intriguing questions, the most important of which relates to the planned capital expenditure programme. Chairman Mike McMahon says Impala will spend about R250m a year "for the foreseeable future — I don't believe that's unrealistic for a mining operation as big as this" A large part of this will be employed from 1997 in developing the area known as "the Deeps," intended to replace existing underground sources.

Impala is also an important shareholder

FOX

in Lonrho Eastern and Western platinum mines These carry a joint debt burden of about R800m whereas Impala is net cash positive. It is known that Lonrho is anxious to retire the debt mountain through a listing and rights issue. Impala, which holds preemptive rights, is apparently standing in the way of a public offer. Presumably, this is because it will force Impala to resort to borrowings either to finance its own developments or to follow its West and East Plats rights McMahon won't comment but

stands firmly behind financial director Vivienne Menell, herself stolidly debt averse

The second issue is whether Impala can hold the cost profile it has developed at some pain over the past two years

Fergusson Bros analyst Dean Cunningham says the intense concentration on improving labour relations is giving good results "But so is the focus on dilution controls" He expects average grade to rise from 4,6 g/t to about 4,8 g/t "It doesn't sound much but is important It will add

FOX

great value to the bottom line"

There is an expectation that EPS will be about 450c this year (1994: 273c) and the total dividend will be 175c (140c). This would give a forward p.e of a modest 18,5 and identifies Impala as an effective entry into the industry

David Gleason

(217)

ISSUE INVESTMENT

LYDENBURG PLATINUM

Spiced with diamonds

FM 17/2/95

Activities: Investment holding company with interests in JCI platinum operations and in ocean diamond prospecting

Control: Old Mutual 69,4%

Chairman: M J Levett

Capital structure: 14,4m ords Market capitalisation R994m

Share market: Price 6 900c Yields 1,85% on dividend, 2,18% on earnings, p e ratio, 45,7, cover, 1,2 12-month high, 9 700c, low, 6 000c Trading volume last quarter, 182 000 shares

Year to October 31	'91	'92	'93	'94
Earnings (c)	*258	*164	121	151
Dividends (c)	205	135	100	128
Tangible NAV (c)	5 890	5 294	6 233	11 643

* Excl special dividend received

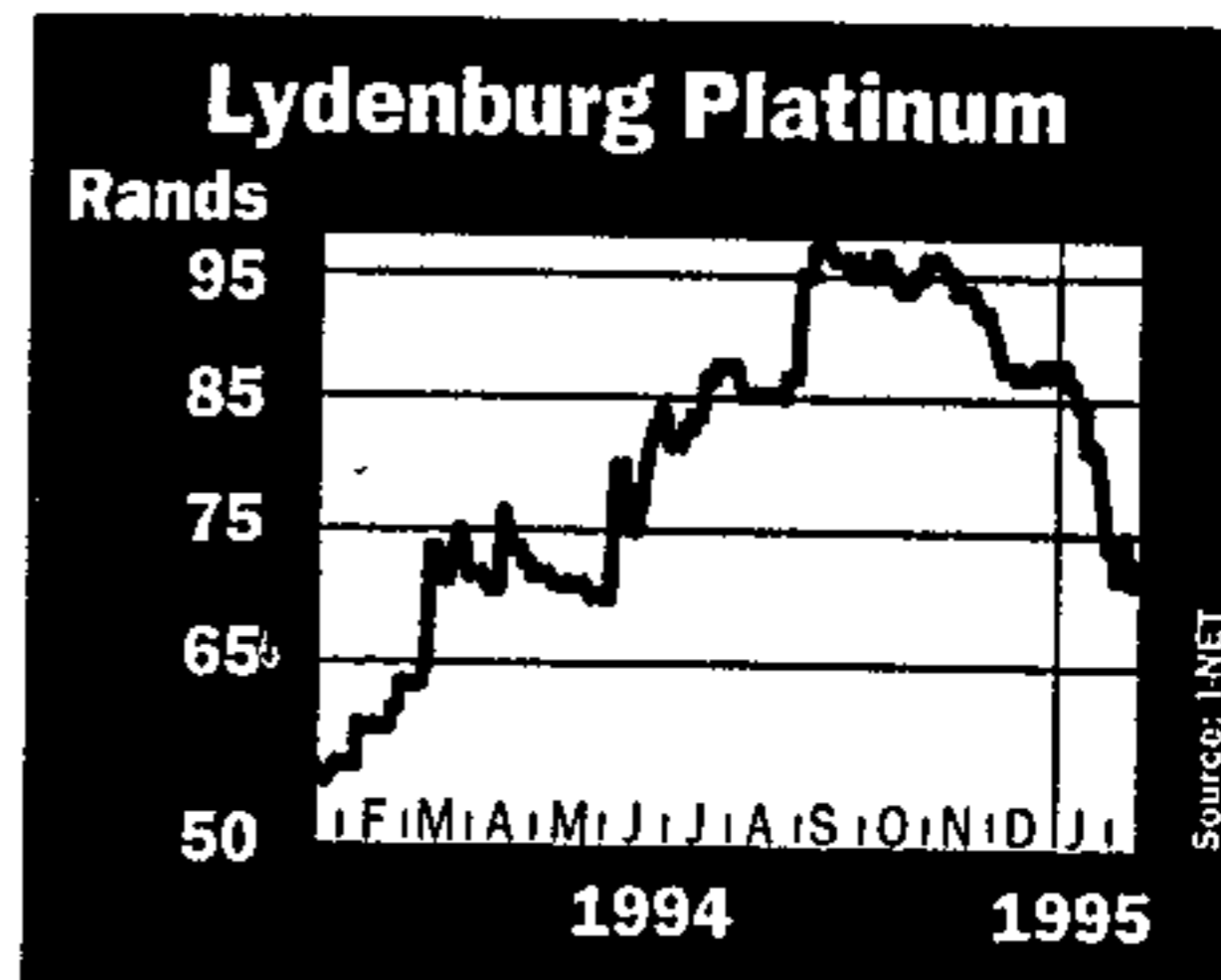
Investors who believe Lydenburg is an investment holding company based simply on its large exposure to Rustenburg Platinum are wrong

It is true that Lydenburg's largest investment is Rustenburg — 73% of the company's investment book is concentrated on this mine — but Lydenburg offers a little more in almost unnoticed areas which may provide the excitement in later years

The income statement is standard income of R22,4m (1993. R18,1m), minimal expenses of R500 000, derisory tax of R100 000 and EPS of 151c (1993. 121c). That is a 25% improvement — not to be sneezed at but also not within the company's control The balance sheet, as you would expect, is conservative and strong with R5,6m in the bank and no debt.

Lydenburg is invested strongly in Benguela Concessions (Benco), the ocean

COMPANIES



diamond mining and exploration company which has important links with mining finance giant BHP of Australia Benco is described — rightly — by a mining analyst as “the most exciting diamond play available” Judged by the reserves which may be contained off SA's west coast, Benco could become a major producer of ocean diamonds in the years ahead — always supposing, of course, that the reserves turn out to be there and are indeed extractable

The other area of potential significance is the possible amalgamation of Lydenburg Exploration (Lydex), in which LydPlats holds 26m shares, with Randex, the exploration company controlled by investment trust Genbel.

Lydex is managed by independent mineral rights and prospecting company Southern Prospecting and it is known that Genbel has signed up for management of Randex by Southern Both companies have modest cash balances (together about R50m) and the synergies of merging the two are obvious especially as their mineral rights overlap in many areas

The *FM* is aware that discussions between Genbel and Mutual, Lydenburg's main shareholder and therefore the key to Lydex, are taking place.

Lydenburg's NAV is R96 and the counter is trading at R69, a discount of 22% The share price gives it a p e of 45 and this says the market is rating Lydenburg as an expensively priced operating platinum mine.

David Gleason

PALABORA MINING

270
(217) FM 31/3/95

Facing an uncertain future

Activities: Mines and refines copper as well as by-products such as vermiculite, magnetite, uranium and zirconia

Control: RTZ 38,9%

Chairman: A J Leroy MD F Fenwick

Capital structure: 28,3m ords Market capitalisation R1,8bn

Share market: Price 6 300c Yields 12% on dividend, 11% on earnings, p e ratio, 9, cover, 0,9 12-month high, 9 100c, low, 6 100c Trading volume last quarter, 493 000 shares

Year to December 30	'91	'92	'93	'94
Copper prod (000t)	118	104	110	116
Copper sales (000t)	129	133	123	122
Turnover (Rm)	991	992	1 098	1 386
Net profit (Rm)	227	190	148	200
Earnings (c)	825	671	525	705
Dividends (c)	780	700	600	760

The concern about Palabora, SA's only copper producer of any note, is that shareholders continue to lack a vision of the company's long-term future. As Palabora's open pit approaches its ultimate economic depth, so attention is becoming focused increasingly on the long-heralded move to underground mining.

This is, essentially, the fulcrum of the company's problem. For about two years Rio Tinto, Palabora's ultimate parent, has been evaluating a move to underground mining. Every year, shareholders are told the conclusions drawn from a detailed evaluation will be made available promptly. Every year, this is delayed.

This time, chairman Al Leroy and MD Frank Fenwick say the study to evaluate establishing a 60 000 t/day underground operation comes up "uneconomic". Now, they are considering a smaller venture — apparently 30 000 t/day. They say the results will be available later this year. Meanwhile, Palabora has written off R51,5m in evaluation costs against this year's income.

Since production from underground is a matter so vital to Palabora's future, it is worth examining in some detail. Over 1994, the company mined 38,2 Mt and treated 28,4 Mt to produce 116 000 t of cathodes. The average grade was 0,54%. By contrast, a 30 000 t/day underground mine implies a modest 10,8 Mt of material mined. However, analysts believe contained grade will

climb significantly — at its peak, it could be as high (comparatively) as 1% and the assumption in the market is that it could average around 0,9%. That will give Palabora annual cathode production of about 97 000 t — not far off current levels.

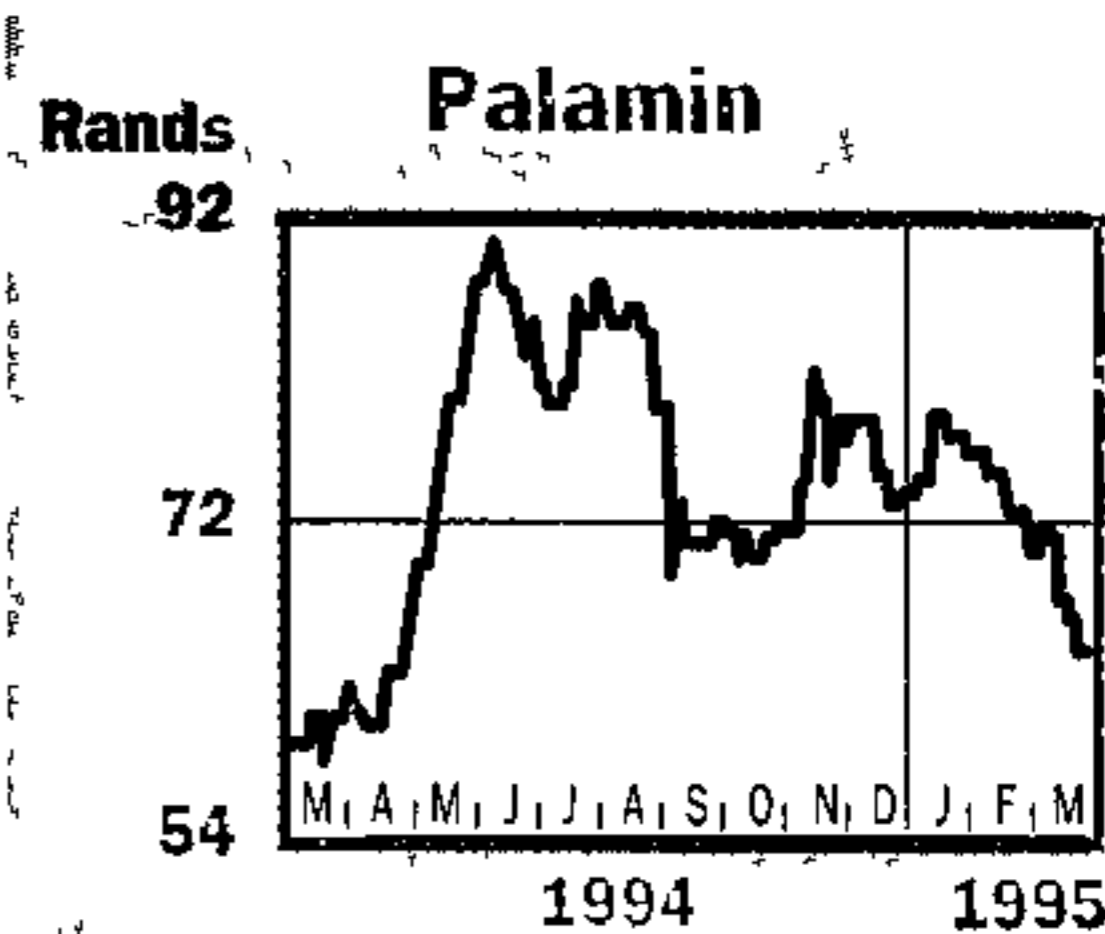
The big imponderables are the capital costs involved and whether Rio Tinto and Anglo American, Palabora's controlling shareholders, will want to extend the mine's life in this way. While the materials shaft is unlikely to be all that deep — perhaps not much more than 1 600 m, practically nothing when compared with SA's gold mines — the quantity of material to be moved dictates a shaft larger than normal. That comes at a price.

Second, perhaps more important, is Palabora's position in the world cost table. The key issue is that Rio Tinto has said publicly its intention as a group is to remain firmly entrenched in the lowest quartile of cost producers. This strategy is the only way, it says, to handle the cyclical nature of the copper industry. And Rio Tinto already has a large Chilean operation — Escondida — producing at almost 3% Cu, and which it is now expanding significantly.

Intriguingly, the group has just spent more than US\$500m to acquire a minority stake in Freeport McMoran's big copper and gold deposit in the Indonesian island of Irian Jaya. In a deal announced barely a fortnight ago, Rio Tinto could acquire 18% of Freeport Copper & Gold, and 12% in Freeport McMoran itself, all for \$875m.

Similarly, the Anglo American group has positioned itself through Minorco to play an important role in new copper-producing ventures in South America over the next five to seven years. These include projects such as Collahuasi (which, 14 000 ft up in the Andes, has different problems), already said to average about 1% Cu, Mantos Blancos, Salobo in Brazil and Quellaveco in Peru. All these mines are projected to produce at nothing more than 70c/lb (Salobo as little as 45c), copper now fetches about 130c/lb, just off its recent highs.

With projects such as these in their stables, Palabora loses something of its glitter. No-one can complain about Rio



Tinto's management of the mine costs are nailed to the floor and the standard of professionalism is pervasive. But the question remains why take on a new project which has considerably less potential than others which are just as available elsewhere — and may look better?

Meanwhile, the 1994 results leave little to complain about. Turnover rose appreciably to R1,386bn (1993 R1,099bn), costs of R969m are distorted by the write-off of the costs of the underground evaluation, but the pre-tax R421m contrasts sharply with 1993's R284m. Tax and lease are the great equalisers though Palabora's net turnout of R200m compares with R148m. As usual, the company pays out everything it can — indeed, this year, a little more. On EPS of 705c, the dividend is 760c.

All this suggests that Palabora is a dividend sweetener in institutional hands. But given the uncertainty surrounding the mine's future, the share is unlikely to provide much in the way of capital appreciation.

David Gleason



Palabora's Leroy considering a smaller underground venture

FM 31/3/95
CHEMICAL SERVICES

Timely expansion

SA's political transition has offered Chemical Services (Chemserve) increasing opportunities in chemical distribution. Four of its 16 operating companies were involved in this at year-end, with a fifth substantial acquisition this year enhancing focus here.

The programme gathered momentum in 1992 when Chemserve and most of the rest of the chemical industry were in the doldrums. The group cut its inventory, slashed debt and went on an acquisition spree.

Timing appears to have been spot on. As acquisitions were bedded down, local and world chemical demand picked up.

MD Lex van Vught emphasises that distribution businesses are not being acquired at the expense of the other two divisions, formulated and process chemicals. Improving relations with the rest of

COMPANIES

Activities: Makes and distributes speciality and raw chemicals

Control: AECI 66%

Chairman: M Sander MD L C van Vught

Capital structure: 6,5m ords Market capitalisation R433m

Share market: Price R67 Yields 2,6% on dividend, 7,6% on earnings, p e ratio, 13,2, cover, 2,9 12-month high, R67, low, R54 Trading volume last quarter, 14 000 shares

Year to December 31	'91	'92	'93	'94
ST debt (Rm)	29,7	20,0	46,8	36,0
LT debt (Rm)	15,8	6,7	24,4	26,7
Debt equity ratio	0,41	0,10	0,41	0,26
Shareholders' interest	0,42	0,51	0,38	0,38
Int & leasing cover	6,0	9,7	10,4	9,4
Return on cap (%)	25,0	19,4	17,0	18,0
Turnover (Rm)	478	438	602	742
Pre-int profit (Rm)	59,8	45,5	58,1	70,3
Pre-int margin (%)	12,5	10,4	9,7	9,5
Earnings (c)	430	267	402	506
Dividends (c)	140	140	155	176
Tangible NAV (c)	1 609	1 867	2 025	2 327

the world has allowed the group to concentrate on areas in which Chemserve was previously under-invested

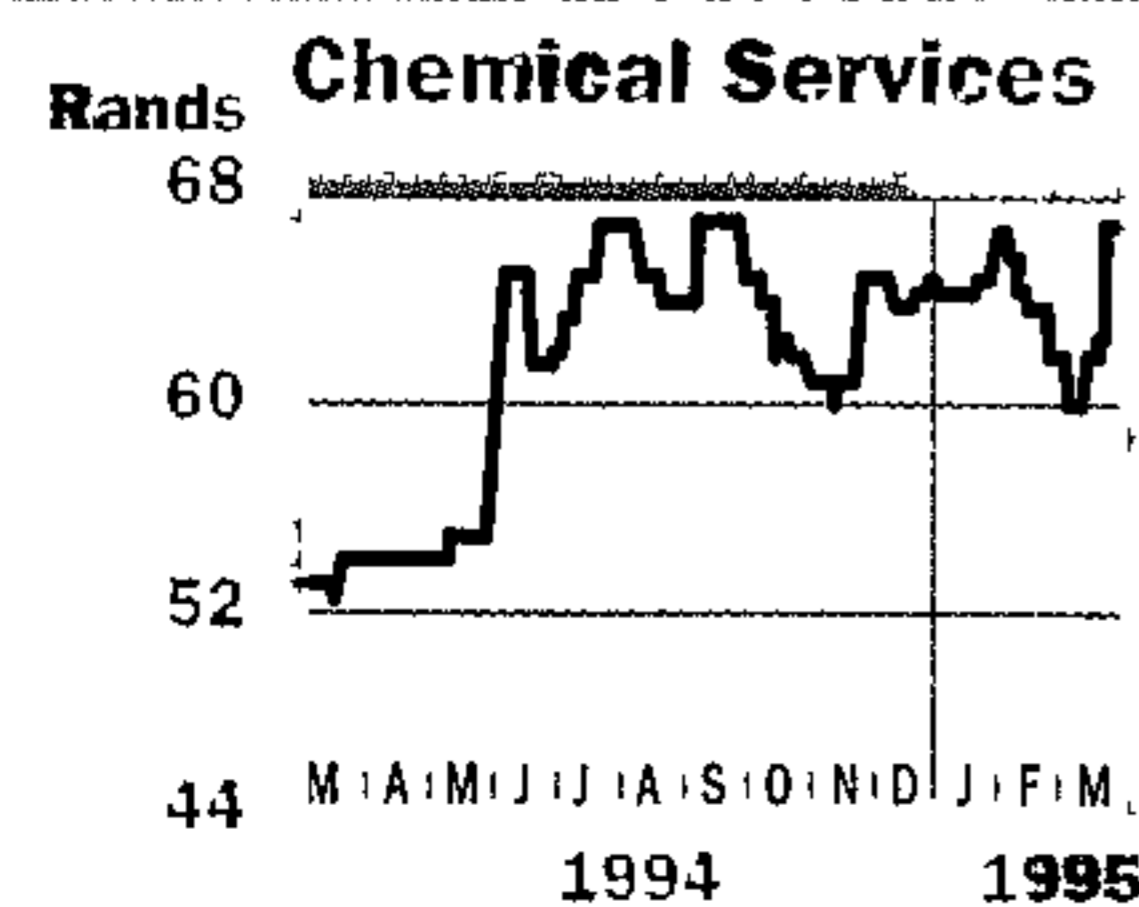
Some effects of the changing focus come through in the 1994 annual report, which again contains a high level of disclosure. The acquisitions boosted turnover, accounting for 10% of the 23% increase, but the results are not always flattering.

That is mainly because two acquisitions, Holpro (renamed Chemserve Fine Chemicals) and Saarchem, under-performed for most of financial 1994.

Saarchem lost money due to "poor systems and practices". Management has largely been replaced. Holpro, which showed a loss for the earlier part of the year, has been restructured and merged to form a new entity. Van Vught says both firms are now comfortably in the black.

Chemserve also gained two new businesses through acquisitions. The first, Mandoval Vermiculite, which makes speciality chemicals for horticulture and filtration applications, has been slotted into the process chemicals division.

The second, made after year-end, will bolster Chemserve's distribution activities.



The group acquired DB Silicones, Dow Corning's southern African distributor. Chemserve will now distribute the Belgium-based group's silicone products, which chairman Mike Sander says will contribute to and benefit from the RDP.

The price has not been disclosed but is believed to be about R22m, making it one of Chemserve's bigger acquisitions.

Why the emphasis on distribution? Sander says that as a result of globalisation of the industry and the reduction of protective trade barriers, "we believe chemical distribution has excellent growth prospects in southern Africa". He is encouraged by political and economic developments at home and the revival of the industry worldwide, saying that with the buoyant conditions which emerged in most of Chemserve's markets during the last quarter of 1994, he is confident of growth.

Van Vught is targeting 14% higher EPS of 580c this year and a 7% higher dividend payout of 190c. Considering Chemserve's performance last year, when, despite problem acquisitions and market resistance to price increases, EPS grew by 26% and the dividend by 14%, the forecast appears conservative.

Sales growth is on track, with exports — at R42m, 6% of turnover compared with 4,8% the previous year — making a better contribution. Cash generation is robust, helping to reduce total borrowings by nearly R10m to R62,7m.

Not all the stated objectives are being met. Directors want to increase dividend cover to 3,5 times and the 22% return on net assets is below the targeted 30%. With demand for chemicals firm and under-performers apparently ironed out, Chemserve should reach its

performance ratios.

Over the past year, share price appreciation has kept pace with growth in EPS. Though the price has again reached its high for the year, there still seems to be scope for growth.

Limited tradeability of the share poses a problem, though. As a percentage of the total number of shares in issue, the amount traded has dwindled from about 8% in 1991 to below 3%. That dampens what otherwise looks like an attractive buy.

Shaun Harris

UNIHOLD

Better focus paying

In November 1993, Unihold was in crisis. One year later, it has increased attributable profit from 1993's R3,3m to R17,5m, taking EPS from 5,5c to 29,4c, and reduced its debt from 83% of equity to 53%.

Activities: Manufacture and supply of industrial products, mainly to the mining and automotive industries

Control: U-Control 53,5%

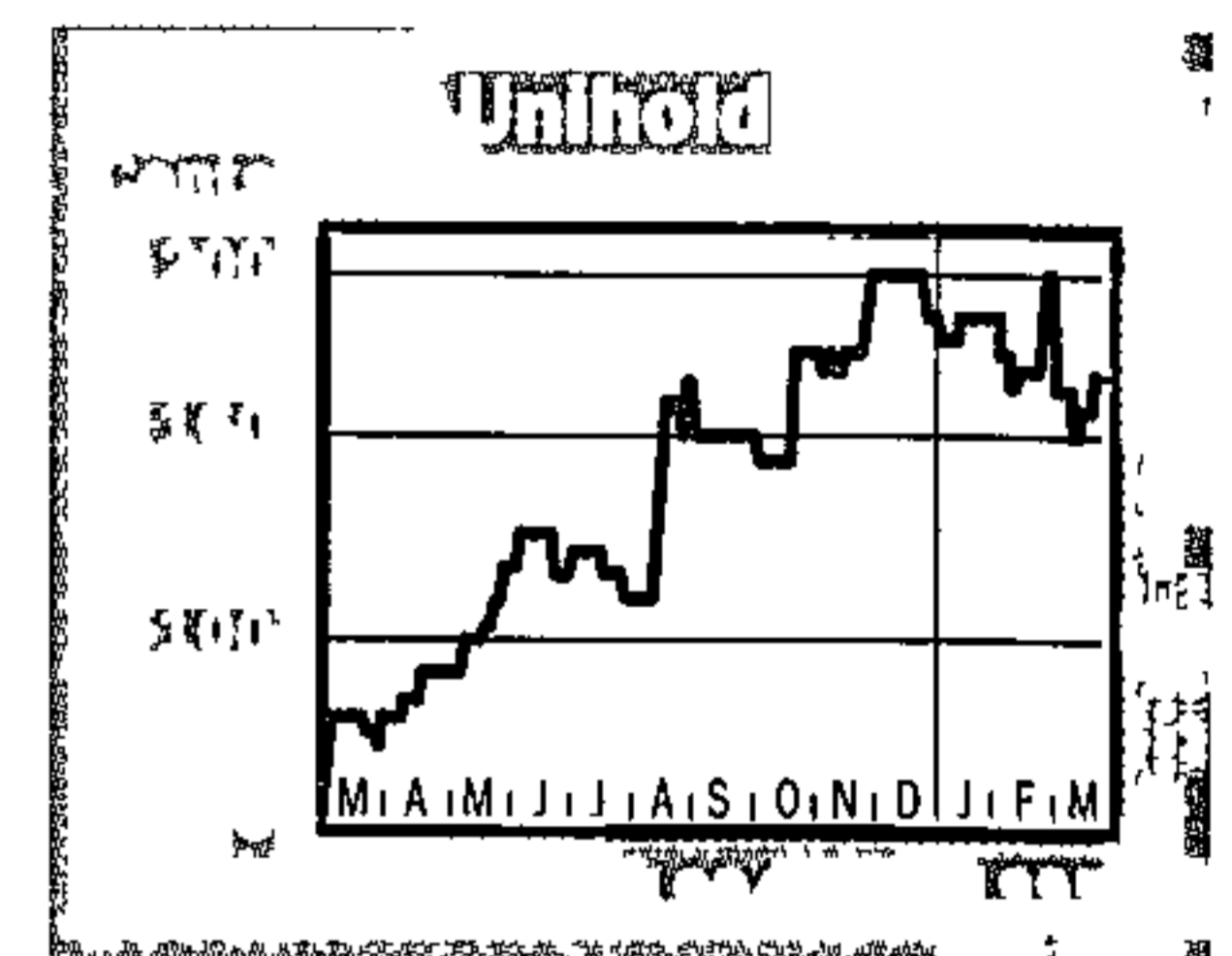
Chairman: J Haslam

Capital structure: 59,6m ords Market capitalisation R104,3m

Share market: Price 175c Yields 4,6% on dividend, 16,8% on earnings, p e ratio, 6,0, cover, 3,7 12-month high, 200c, low, 70c Trading volume last quarter, 890 826 shares

Year to December 31	'91	'92	'93	'94
ST debt (Rm)	33,9	64,3	34,6	27,5
LT debt (Rm)	17,4	27,0	8,6	6,5
Debt equity ratio	0,68	1,07	0,85	0,53
Shareholders' interest	0,48	0,40	0,44	0,51
Int & leasing cover	2,7	1,1	1,3	5,3
Return on cap (%)	12,5	5,4	8,0	20,0
Turnover (Rm)	210,1	286,7	222,1	213,0
Pre-int profit (Rm)	19,4	11,6	9,4	25,3
Pre-int margin (%)	9,2	4,0	4,2	11,9
Earnings (c)	22,4	3,3	5,5	29,4
Dividends (c)	13,5	-	-	8,0
Tangible NAV (c)	163	121	86	107

Chairman James Haslam returned from the UK to take over. The turnaround was set in motion by a shake-up at board level and the appointment of new senior managers, which, in turn, boosted morale among the workforce and led to a renewed focus on "the business of making money." Operations were restructured and focused on core businesses.



The group comprises five autonomous divisions, which contribute in roughly equal proportions (about R40m-R50m each) to total turnover. Turnover dropped nearly 5% to R213m (1993 R222,1m) as the group rid itself of unprofitable parts, including its 50% stake in Auto Cable Industries, sold to co-owner Femco Technology Holdings. Proceeds from the sale will inject some cash into the group, which was operating on overdraft at year-end.

In January this year, the pump and process division of subsidiary Unique Engineering, which had been manufacturing under licence from Denver Mining Equipment (a US subsidiary of Swedish company Svedala), was repurchased by Svedala which wanted to enter the SA market as a principal. The sale is expected to cost the group R2,1m in lost profit for 1995.

Haslam doubts that EPS can be maintained without further acquisitions and is looking for suitable businesses or products to replace Unique's pump and process division. "We are good at acquiring little

Impala's high tech project

star 31/3/95
(217)

■ BY DEREK TOMMEY

Impala Platinum Mines has announced a R431 million "high tech" programme to enhance the recovery of precious metals at its Springs refinery.

The programme will be in three phases. The first, costing R261 million, covers the construction of an enhanced platinum metals refinery (PMR) which should start production in June, 1997.

This will use new techniques, and is expected to reduce the cost of recovering platinum group metals by about 20 percent, says metallurgical director Tim Netscher. It will put Impala's recovery costs on a par with those of its rival Rustenburg.

Chromecorp seeks listing

CT(BR) 3/4/95

(217)

BY DEREK TOMMEY

MINING EDITOR

Chromecorp Holdings, one of South Africa's three major ferrochrome producers, expects to triple its operating profit this year to R179 million, said its directors

Chromecorp is seeking a listing on the Johannesburg Stock Exchange and is planning to make a public offer of shares

The company was founded in 1987 by three former senior Samancor employees, each of whom had held the position of general manager.

The three are John Vorster, who is now chairman of Chromecorp, Ralph Schraader, executive director and Peet Nienaber, managing director.

Schraader said they decided to leave Samancor and start producing ferrochrome themselves

They approached commodity dealer Mark Rich with the proposal, as he had no ferrochrome supplier in his portfolio

He agreed to put up R100 million and the company was in business. The three directors and what they termed "other members of the Samancor A team" who joined them, retained 10 percent of the shares with the balance being held by Mark Rich

Last year the South African shareholders sold out to Sudelektra

Holdings, a company quoted on the Zurich Stock Exchange that now also holds the balance of the shares previously held by Mark Rich and his successor, Glencore International

Glencore is one of the world's largest and most diversified commodity trading companies and a major shareholder in Sudelektra.

Sudelektra is planning to offer 28 million Chromecorp shares to investors, equal to 15 percent of its total share capital at R5 a share. It will retain the other 153 million shares

It plans a private placing of 23,5 million shares, a public offer of three million shares and a preferential offer of 1,5 million shares

The offer will raise R140 million of which R65 million will be invested in Chromecorp, while R75 million will be retained by Sudelektra

Vorster said Chromecorp could not have chosen a better time to list on the JSE

The commodity cycle was favourable and he expected world economic growth rates to increase and stimulate demand for stainless steel

This would increase demand for ferrochrome, which is used in the production of stainless steel

Chromecorp will issue a prospectus shortly and the share offer is expected to open on Wednesday, April 26.

White knight spurs Union Mines

SHOW 8/5/95 (217)

Manganese producer Union Mines has been one of the JSE's most volatile counters in recent months

After hitting a high of 130c in July last year, the share has been trending downward, in the process of which it has seen-sawed violently, making it an ideal vehicle for those who like to trade the JSE on a short term basis

The softer tendency stems from the company's inability to meet forecasts and, more importantly, the belief in the market that Union had insufficient funds to pursue its mining activities — a feeling underscored when chairman Nic Lotterie sold part of his holding earlier in the year in order to inject some much-needed liquidity into the company

New interest

Shareholders will therefore be delighted to learn that a white knight with a substantial bank balance has acquired a large minority interest in Union.

The man astride the affluent mount is American entrepreneur Albert J Alletzhauser — he who took printing group Penrose to the heights before



UP AND DOWN DIAGONAL ST

John Spira

control was spirited away from him

Over the past couple of months, Alletzhauser has been actively supporting Union Mines. In the process, he and his European clients have accumulated 3,5-million Union Mines shares, equivalent to 16% of the issued share capital. Lotterie and his consortium still hold 9,8-million shares

"I'm fascinated with Union Mines," he told me a few days ago. "Nic Lotterie has done a great job in converting a defunct tin mining company into a manganese operation which now has all the necessary in-

frastructure in place"

Most importantly, Alletzhauser stresses, the manganese ore — at least two million tons of it — is there. Nor is it difficult to mine

"It doesn't take a genius to extract manganese. All that's been missing is a reliable contractor to really get stuck into the orebody

"There's so much ore around, it's just a matter of putting it into the back end of a truck, crushing and screening it, and sending it out. Up till now, there hasn't been a dedicated geologist to go to the property and tell a contractor where best to blast

"We now have a top geologist on board and we're about to employ a contractor"

One of Alletzhauser's roles is to work with management in pushing production and using his worldwide contacts to market it. (He's just returned from a trip to Asia)

Another has been to ensure that Union Mines is adequately financed — an almost insurmountable problem prior to his appearance, since it's virtually impossible to get money for a small mining company

"I took a contrary view when everyone was bad-

mouthed Union Mines. To me the only important thing was whether or not the company had manganese. Once I was satisfied it had (after consultation with a merchant bank's geologists), I didn't hesitate to commit"

He paid cash for a huge washing plant and a crusher, thereby placing Union Mines in a position to wash and sort the ore with a view to selling at a higher price

"We're now able to deliver a high grade of manganese to our customers. What's nice is that one doesn't have to look for customers in this business." If the product is uniform, the market is there.

With a listed vehicle and 1 500 shareholders, Alletzhauser believes that Union Mines could in due course be the missing catalyst

His short term goal, however, is very simple — produce 5 000 tons a month by July.

"Our pretax profit will (conservatively) be R60 a ton, assuming no increase in manganese prices. That's R300 000 profit a month, R3,6-million a year, equivalent to 16c a share. "And that," says Alletzhauser, "is a worst case scenario"

Union Mines vows to profit

Business Staff

(217)

ARG 3/6/95

MANGANESE mining operation Union Mines this week announced losses of close on R1 million or 5c a share for the 12 months ended February, but investors have been promised a return to profit and a possible dividend this year.

Chairman Nic Lotterie announced an accumulated loss of R915 913, but countered this with good news on future prospects. The loss for the year was R994 874 and the company owed its creditors R3 890 064.

A return to profit was anticipated for the current financial year with a possible resumption of dividends, Mr Lotterie said.

A consortium led by American businessman Albert Alletzhauer last month injected R1.36 million into Union Mines through a private issue of 2 million shares.

"Manganese is the 'in' thing at the moment," said E W Balderson stockbroker Louis Venter. "Anybody who has got some manganese could make something. So you must give him (Mr Lotterie) credit for the possibility of becoming profitable."

"The share price has fallen from 130c to 55c since last July, so that gives you an idea that the market was quite good in anticipating what was coming."

Copper joint venture could cost \$5bn

(217) BD 19/16/95
SYDNEY — The joint venture between Gencor, France's LaSource Compagnie Minière SAS and Indonesian interests to develop copper deposits in eastern Indonesia could cost up to \$5bn, says Gengold chairman Gary Maude.

At a mining conference in Sydney, he said construction on the project in Irian Jaya was possible within the next five to eight years. The estimated cost of development covered the infrastructure necessary to support a large mining operation

Preliminary drilling had intersected copper at grades ranging from 0.3% to 0.83% copper, and gold

LaSource, a joint venture company 60%-owned by Normandy Mining and the French government's mining and exploration arm, plans to spend a further \$3.6m drilling at the site this year gauging the size of the resource.

It owns 30% of the Irian Jaya deposit, with Gencor holding 60% and a number of Indonesian investors 10% — AP-DJ.

New company formed by merger

BN 21/6/95

Gencor and Lonrho strike platinum deal

(217)

Michael Urquhart

GENCOR's Impala Platinum is to merge with Lonrho's platinum interests to create a 1,6-million ounce-a-year platinum producer with market capitalisation of R8bn

Gencor chairman Brian Gilbertson said yesterday an agreement had been reached in principle with Lonrho to merge Impala with Lonrho's Eastern Platinum and Western Platinum (EPL/WPL) in an equal joint venture. The merger would be effective from July 1.

Impala owns 27% of EPL/WPL, and would issue 29,5-million new ordinary shares with a market value of R2,5bn to Lonrho to acquire the other 73%. This would give Lonrho a 32% stake in the enlarged Impala group, which would provisionally be called NewPlats.

Impala chairman Mike McMahon said the merger would allow Impala the option of low-cost expansion with minimum capital cost.

NewPlats could expand production at EPL/WPL's shallow, high quality ore reserves without having to sink high-cost, deep-level shafts at Impala.

He said that the idea of new shafts at Impala had been shelved, although it would continue with a programme of sinking declines. Lonrho would benefit from the merger by the reduction of EPL/WPL's heavy debt burden, which stands at just under R700m. This would be achieved through the capitalisation of shareholder loans of R360m — R263m from Lonrho and the balance from Impala.

McMahon said there would also be benefits to both companies arising from techni-

cal and management synergies. For example, Lonrho had very good UG2 flotation techniques — ways of extracting platinum from ore — while Impala had better precious metals refining technology.

The merger would create a platinum company with the lowest working costs in the world, he said. "This would give NewPlats dramatic potential in good times and robustness in bad times."

Lonrho and Gencor would establish a new company through which they would hold their respective stakes in NewPlats.

The holding company would determine certain aspects of NewPlats, including dividend flow, capital expenditure and funding, he said.

Lonrho would have a one-share majority in the holding company, and would appoint the first chairman — Lonrho SA chairman Terence Wilkinson — for the first two years. Both companies would appoint an equal number of directors, with the chairman holding the casting vote.

The chairmanship of the holding company would rotate between nominees of Gencor and Lonrho on an annual basis.

The chairman of NewPlats would be nominated by Gencor, which had proposed McMahon. Directors would again be split equally, with the chairman having the casting vote.

Management would be appointed from managers of Impala and EPL/WPL.

The deal effectively leaves Impala in control of the operations side of NewPlats, although some important elements of company policy would have to be decided by the holding company.

● Picture. Page 3

Merged platinum operation will be world's largest

By DEREK TOMMEY

MINING EDITOR

In a move long expected by the market, Gencor's Impala Platinum and Lonrho's Western Platinum and Eastern Platinum are to be merged in a R2,5 billion deal, creating the world's largest platinum operation.

Announcing the merger, Gencor's chairman Brian Gilbertson paid tribute to the new head of Lonrho, Dieter Bock, for his role in the deal.

"Both of us were driven by a desire to maximise shareholder value and to improve the competitive strength of our platinum interests."

The breakthrough came with the decision to structure the merger as an equal joint venture between Gencor and Lonrho.

Giving an indication that Gencor and Lonrho could co-operate closely in the future, Gilbertson said that he hoped to build upon the important relationships that already existed between them.

Michael McMahon, Impala chairman said the merger would result in the lowest cost platinum production.

Technology

The company, temporarily named NewPlats, will have an annual output of 1,6 million ounces of platinum a year and an expected life of 40 years.

Although Western and Eastern Platinum do not have the best head grade, they are the lowest-cost pro-

ducers of platinum. They lead the industry in UG2 flotation technology. Impala's new refinery is also a leading example of current developments.

"If you add these to Impala's enormous smelting capacity and the surplus base metals refining capacities of both groups, the potential for cost reductions are considerable," McMahon said.

Lonrho owns about 73 percent of Eastern and Western Platinum while Gencor owns 46,5 percent of Impala which in turn owns the

remaining 27 percent stake in Eastern and Western Platinum.

McMahon said that an analysis showed that Gencor's 46 percent stake in Impala had about the same value as Lonrho's 73 percent stake in Western and Eastern Platinum.

Opportunity

"That gave us the ideal opportunity for structuring a fifty-fifty relationship. With such a basis, Gencor and Lonrho will hold 64 percent of the merged operation

and will use Implats' listing."

Lonrho will capitalise its loans to Western and Eastern Platinum which amount to about R360 million. This will significantly reduce Western and Eastern Platinum's debts. The merger will result in a company with a debt asset ratio of less than 5 percent.

Last November, Bock was reported as seeking a platinum merger with Impala. This was denied, but now, three months after Tiny Rowland's dismissal, the deal appears to be going through.

(217) CT (Ber) 21/6/95

Platinum's wreathed in smiles

ST (BT) 25/6/95 (217)

By JULIE WALKER

WHEN one side wants to manage and the other side only to invest, the chemistry is right for a merger of the world's second and third largest platinum producers into something that challenges for pole position.

The most difficult thing at the news conference announcing the proposed merging of the platinum operations of Gencor's Impala and Lonrho's Eastern and Western mines was for Gencor chairman Brian Gilbertson to stop grinning.

Evident was the fact that he took the market — even those purportedly in the know — by surprise in bringing home the deal although it has been on the cards for six years.

Newplats, the merged company, will produce 1.6-million oz of platinum a year — best estimates of the newly formed Amplats' production is for 1.8-million oz of platinum a year (Amplats comprises the platinum interests of the unbundled JCI — stakes in Rusplats, Lebowa Plats and Potgietersrust Plats, the lowest cost open-pit mine).

Three weeks ago at Camps Bay, Mr Gilbertson and Lonrho boss Dieter Bock approved heads of agreement for a merger of platinum operations in an equal joint venture.

Gencor currently owns 45% of Impala, which has 7% of EPL-WPL. Lonrho has the other 73%. Impalats will acquire that 73% for the issue of 29.5-million Impala shares at R24.25, nominally worth R2.5-



REASONS TO BE CHEERFUL Amplats's Barry Davison, Lonrho's Dieter Bock and Impala's Mike McMahon were among platinum's many happy faces this week

billion. "Whichever way we looked at it, we concluded that Gencor's 46% of Impala was worth about the same as Lonrho's 73% of EPL-WPL," says Mr Gilbertson. This led to the arrangement whereby Impala's listing is used as the vehicle, with Gencor and Lonrho each having 32% (to be held in Holdco) and minorities 36%. The market capitalisation of Newplats will be

R8.1-billion at the current Impala price of R88.50. This is still below 80% of Rusplats' R10.5-billion market capitalisation. "We have tried to do this deal for several years, but it takes a master chef to produce a truly great omelette and that chef came in the form of Dieter Bock." Messrs Bock and Terry Wilkinson, Lonrho South Africa's managing director, announced the deal in London simulta-

neously with the announcement in Johannesburg. Holdco will determine the management, accounting principles, funding and dividend policy of Newplats. Impala's Michael McMahon becomes Newplats' first executive chairman and will appoint management from the existing pool of skills at both companies. Holdco will be chaired by Mr Wilkinson for the first two years, thereafter the appointment

will rotate annually between Gencor and Lonrho. Market watchers observe that the delay in the deal has probably favoured Lonrho. Impala admits it needs access to shallow reserves because its other option is to mine the area known as The Deeps, with attendant cost implications. EPL-WPL could probably have traded out of debt over time and developed its own shallow reserves.

When Gencor and Lonrho initially joined up for the Karee joint venture in 1989, Gencor secured preemptive rights which acted as a kind of blocking mechanism restricting Lonrho from issuing EPL-WPL shares to reduce debt. Mr McMahon quotes his teenage daughter's motto: "I may not be perfect but parts of me are excellent" in summing up Newplats. "Each is at the leading edge in certain aspects of

platinum production. EPL-WPL does not have the best head grade but has low costs whereas Impala's refinery is at the cutting edge. There is surplus smelting and refining capacity and enormous potential to cut costs and improve efficiency." Impala's cash will cancel more than half of EPL-WPL's R800-million debt and the new entity will be geared at less than 5% soon to disappear.

The press release says this deal "forms the basis for further detailed negotiation" between the two groups. Lonrho uses Gencor's Biox process at its Ashanti gold mine in Ghana and the two companies are jointly exploring the Commonwealth of Independent States for gold.

Amplats' managing director Barry Davison says that while the Newplats deal is obviously in the best interests of both sets of shareholders, it has no influence on the strategy of Amplats. In fact he almost welcomes the deal.

"Now that Newplats has achieved a certain size and has some growth prospects, I hope it will adopt a more enlightened approach to expenditure on market development for the platinum industry" — direct reference to the fact that JCI-Amplats spends by far the lion's share in this aspect.

Fixed

Introducing new high rates
on fixed deposits

Smog-eating cars fail to fire up platinum industry

By DEREK TOMMEY

MINING EDITOR

The platinum industry in South Africa is not showing much excitement at this stage about the plan by the American firm Engelhard to use a revolutionary system, using platinum, to convert American cars into smog-eaters

Industry sources said the plan is

seen as providing an escape route for American car manufacturers unable to reduce the emission levels on their vehicles to the standards being demanded by the Californian authorities

The standards apply to gross exhaust emissions. But the idea is that, hopefully, by converting cars into mobile vacuum cleaners so that they absorb pollutants as well

as give them off, their net emissions will conform with the high standards

The scheme involves placing a catalytic coating containing platinum on the surface of a vehicle's radiator and air-conditioning condenser. This converts ozone to oxygen and carbon monoxide to carbon dioxide

The technology of the system is

not in doubt, said a local industry official, but there are big question marks over how much smog it will actually extract from the air. The installation of the smog-cleaner is expected to add about \$1 000 to the price of an American car. Consequently, unless the authorities legislate for its introduction it is felt that few cars will have the new system

CT(BR) 29/6/95 (217) (132) (56)

Plesgem awarded R25m contract for electricity meters

CT(BR) 29/6/95 (139A)

Plesgem, a division of Plescorp, which is to be listed on the JSE following the merger of Sankorp's electronic interests in Plessey Telumat SA and Tek Electronics, has been awarded a R25 million contract to supply prepayment electricity meters to the Cape Town city council.

Alan Roy, managing director of Plesgem, said "We have already supplied over 60 000 units to the city council over the past year and are very pleased that we won this contract. There was stiff competition from four other suppliers but we won the tender"

The contract is for an additional

70 000 units and accounts for 17 percent of Plesgem's budgeted turnover

"Our systems have virtually become the council's standard prepayment meter," said Roy

Ted Doman, a city council spokesman, said the units, which were key-pad based, were well

suited to the council's requirements and had made a significant contribution to the stabilisation and recovery of electricity payments

Arrears had declined for three consecutive months and were now well below the November 1994 peak of R62,2 million, Doman said
— Staff Writer

SA mining 'will shift to platinum'

FROM REUTERS

Tokyo — South Africa's mining industry is expected to shift its attention increasingly to platinum from gold because of the growing cost of gold mining, the trade and industry minister, Trevor Manuel, said yesterday.

"It's certainly necessary to combine efforts in the platinum industry because gold mining is declining, mines are getting deeper and gold grades are falling," he said.

South Africa produced 98,3 tons of platinum in 1994, up from 85,8 tons in 1990, according to a report published by the leading platinum group metal refiner, Johnson Matthey.

But the country's gold output in 1994 fell by 35 tons to 584 tons, and at an average price of R43 860 a kilogram, the loss in export earnings was R1,6 billion, Anglo American's chairman, Julian. Ogilvie Thompson, said recently.

"As we continue to reduce areas under gold, we'll shift to platinum," Manuel said.

The minister flew into Tokyo from Brussels where he had been in negotiations with the European Union on the latest phase of talks aimed at reaching a preferential trade agreement with the economic bloc.

Manuel joined President Nelson Mandela, who is on an official visit to Japan.

Manuel also said he welcomed the recent merger of platinum interests by British conglomerate Lonrho with those of Gencor and Impala Platinum Holdings, creating the world's biggest platinum company.

"It will give us an overall competitive edge," Manuel said.

"We are putting together the strengths of different parts of platinum industries," he said.

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Impala share sparkles with Lornho merger

Michael Urquhart

(217)

30/6/7/95

A FURTHER rerating of Impala Platinum's share price was likely once the deal between it and Lonrho for the merger of their platinum interests took place, stockbrokers' analysts believe

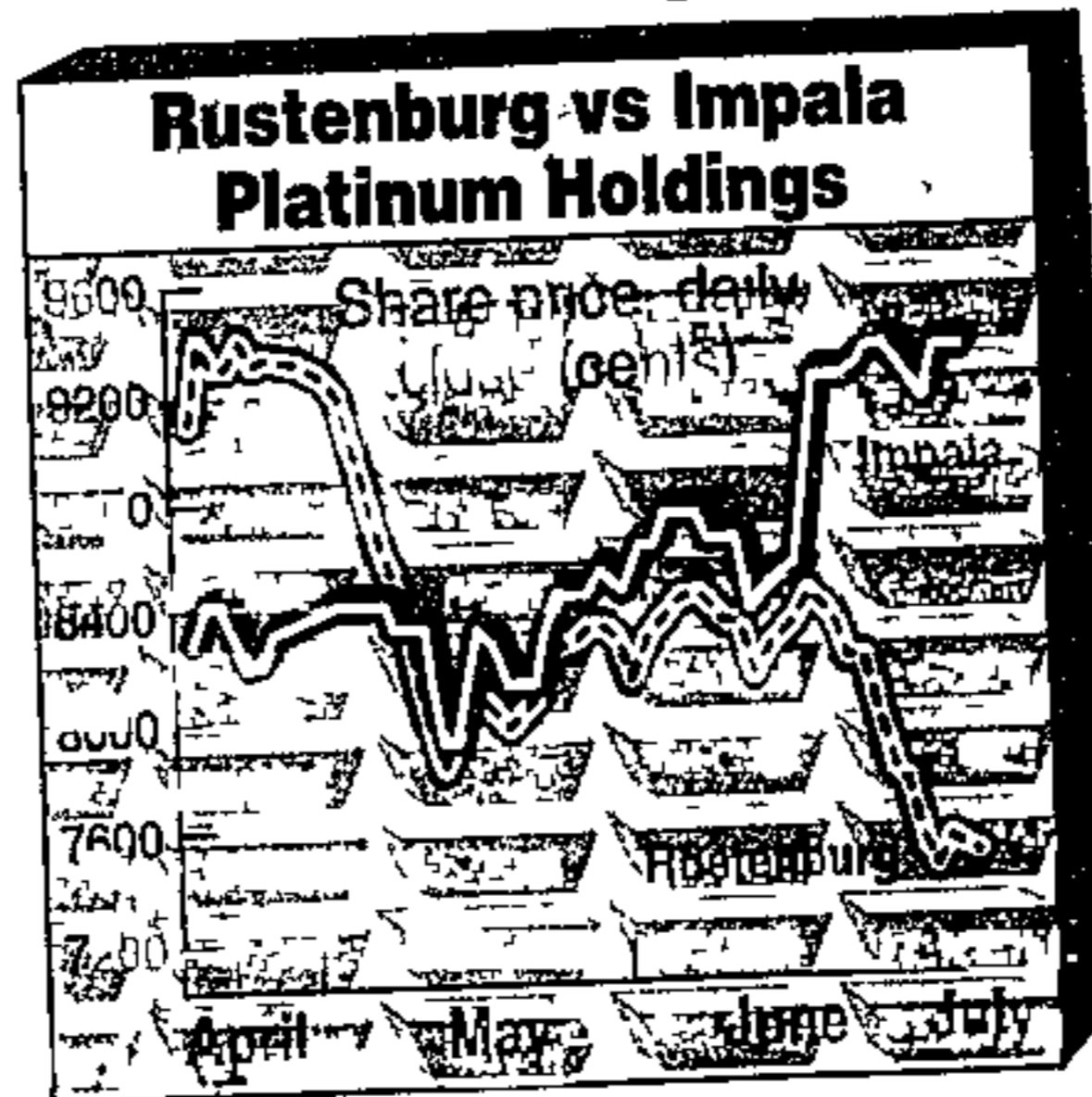
Impala had traditionally traded at a discount to Rustenburg Platinum (Rusplat), the other big SA platinum producer. But since the announcement of the merger on June 20, Impala's share price had moved up from R85 to R93, while Rusplat's had fallen from R83 to R74,50

Analysts said news of the merger between Impala and Lonrho had sparked the fall in Rusplat's share price, as investors switched from it and into Impala

Impala and Lonrho have agreed to merge their platinum interests to take advantage of production and management synergies. Impala gains access to low-cost ore reserves, while the debt burden carried by Lonrho's Western Platinum and Eastern Platinum would be reduced

Analysts said yesterday that, following the merger, investors saw Impala as offering better value than Rusplat as its share price has been depressed by concern over the mine's longer-term prospects.

The merger removed uncertainty about Impala's future capital expenditure requirements. Development at Impala would have required the sinking of deep shafts, which would have cost more than R1bn. NewPlats, as the merged company will be known for the present, could expand production at Lonrho mines where ore re-



serves are shallower and cheaper to mine. One analyst said an example of how the market had rated the two shares was that, on the merger day, Impala's market capitalisation was equivalent to about R5 000 an ounce of annual production. The market had rated Rusplat at R7 200 an ounce.

At present, Impala produces 1,1-million ounces of platinum a year, while Lonrho produces 500 000 ounces — together slightly more than Rusplat's 1,54-million ounces.

One analyst said expansion at Lonrho could be increased to 730 000 ounces, bringing NewPlats in line with the Amplats group, which contains Lebowa Platinum, Potgietersrust Platinum, and Rusplat. With Lonrho's low-cost operations, NewPlats would probably have lower production costs than Rusplat, although Rusplat had a better choice of reserves.

EXECUTIVE

Platinum price hike seen

ARC 18/7/95 (217)

Business Staff

PLATINUM prices could begin to climb if struggling wage talks between the National Union of Mineworkers (NUM) and Anglo American Platinum Holdings Ltd (Amplats) — the country's leading producer — deteriorate further

London dealers said yesterday the wage dispute at Amplats, where NUM has rejected the latest management offer, could affect about half the country's output if relations worsened.

Workers also held a weekend protest march at Impala Platinum Holdings (Implats) over what the NUM said were racially discriminatory practices at the mine.

■ Construction group LTA lifted its bottom line by 23 percent to R21,6 million for the six months to June 30.

Group turnover grew 13 percent to close on R1,2 billion

Uncompleted work on hand

is worth R2,2 billion to the group

The LTA board said the group was on target to show improved results for the year.

A bigger interest bill — up more than 600 percent to R3,1 million — reflected a higher level of business activity during the previous year.

Earnings a share were 77c, up from 63c, and a dividend of 17,5c (15c) was declared

■ Engen has warned shareholders that earnings for the second six months of the year to August are likely to be down due to restructuring costs.

First half results for the six months to February were 50 percent down on the previous year's

Retrenchment of 15 percent of its staff would account for the bulk of the R80 million Engen was spending on restructuring over the full financial year, chief executive Rob Angel said yesterday.

While these rationalisations had been difficult for the group, they would bring about savings of around R55 million a year, he said

Engen would emerge a "far more focused and resilient business"

Second half profits were expected to be slightly lower than the R187 million reported for the first six months, but the situation should improve in the 1996 financial year

■ Gengold reported a 10,7 percent drop in shareholders' profits to R29,3 million for the quarter ended June 30, compared to the previous quarter, having lost six days of production to public holidays and industrial disruption.

"The results, with a few notable exceptions, are encouraging in that they demonstrate a major slowdown of the downward trend evident in the previous two quarters," Gengold said



COMPLEX FIND Rob Wilson, managing director of Anglovaal Minerals, after yesterday's news conference

PHOTO: JOHN WOODROOF

Nickel find could see R1bn mine operation

By Derek Tommey

MINING EDITOR

A large nickel deposit — which could result in the establishment of a mining operation amounting to more than R1 billion — has been found in the Eastern Transvaal, Gerry Robbette, the senior consulting engineer of Anglovaal Minerals, said last night.

Addressing a news conference on Anglovaal's quarterly results, Robbette said a mineralised band known as the Utkomst complex, containing nickel, copper, cobalt and smaller quantities of precious metals, including traces of gold, had been located on the farms Utkomst and Slaahoeck, south-east of Waterval Boven. Much of the exploration was carried out by Anglovaal on its farm Slaahoeck. From the beginning of the month Anglo American became a partner with Anglovaal to form the

Nikomatt Nickel Ventures, in which it would have a 25 per cent interest, in exchange for contributing its mineral rights on the farm Utkomst.

Anglo American would not contribute any money to the project until a decision to go ahead was taken.

An exploration shaft had been sunk and a pilot plant erected. It was proposed to treat about 6 500 tons of ore in the pilot plant to evaluate the ore zones and this would be followed by detailed smelting and refining test-work.

Anglovaal expected to be able to take a decision on whether to proceed with a mine and a smelter next year or 1997.

The cost of the smelter would be about R1,0 billion, said Robbette.

Anglovaal was going ahead with developing its Forzando coal deposit in the Eastern Transvaal, which sits astride the railway line to Richards Bay.

He said the coal was high grade and the workings were at shallow depth. The first coal would be produced next year at a rate of 600 000 tons a year.

A decision would then be taken about whether to expand to 2 million tons a year. This expansion would cost R400 million but would be partly financed out of revenue

Healthier

Helped by a significantly higher gold price, total profit after tax for the gold mines in the Anglovaal Minerals group rose R4,9 million to R42,2 million in the June quarter.

Total gold production rose from 8 857 kg to 8 948 kg, while the average revenue for the quarter rose from R43 432 to R45 380 a kilogramme, said Rob Wilson, the managing director of Anglovaal Minerals.

Hartebeestfontein's profit after tax for the quarter was

virtually unchanged from R34,1 million to R34,2 million, with the benefits of the higher gold price offset to some extent by increased working costs, higher taxation and lower throughput as a result of the additional holidays.

Tim Spindler, the general manager of mining operations, reported a deterioration in industrial relations at Hartebeestfontein. This situation could be linked to the wage negotiations now taking place, he said.

The mine had experienced sit-downs, minor go-slows, full-scale go-slows and miners refusing to go to work.

If the situation continued it would seriously affect Hartebeestfontein's results this quarter, Spindler warned.

Hartebeestfontein's earnings for the 12 months ended June amounted to R153,3 million, down from R217,1 million in the previous 12 months.

CT (Mr) 19/7/95 (217)

Anglovaal is to mine nickel find

SPAN 19/7/95

(217)

■ BY DEREK TOMMEY
MINING EDITOR

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Anglovaal is to develop the Forzando colliery which sits astride the Richards Bay railway line

Northam platinum fails to cut its losses

Michael Urquhart

(2/7)
BD 4/8/95

LOSSES continued at Gold Fields of SA's troubled Northam platinum mine, which reported a R133m loss for the year to June, marginally down from the previous year.

The mine, which had raised R500m in a rights issue in February, bringing total investment to R2bn, failed to cut its losses significantly despite an improvement in grade and tons milled.

Northam chairman Peter Janisch said most production targets set out in a technical assessment presented in November had been achieved, but failure to control costs had led to the continued losses.

Further problems had been experienced with the platinum metals refinery pipeline, which had led to a build-up in inventories.

Despite these losses, Janisch was confident the mine could still produce a small working profit in the current financial year although cash flow was not likely to be positive.

He said the key to achieving profitability would be lowering the working costs. One

of the major components of cost was labour, and Janisch said although the mine had reduced its workforce to 5 200, it did not have an optimal spread. There were too many in the higher earning bracket and not enough in the lower.

Management would also look at other contributors to cost.

One area leading to an increase in costs had been essential maintenance, which had been held off until the February rights offer had been finalised.

Janisch said the mine's remaining resources, which included metals on hand and in stock of R72,7m, and cash of R106,7m, should last until it could generate a positive cash flow.

The mine had overcome the water problems it had encountered, and was reaching its targets for square metres mined, tons milled and face advance.

Production was being concentrated to the south and west of the lease area, where there was less potholing of the reef.

Continued on Page 2

Northam

Continued from Page 1

One of the reasons the mine did not reach targeted square metres mined of 27 000m² had been the 11 working days lost in the first half of the year.

He said Northam platinum was trying to reach an agreement with the National Union of Mineworkers on utilising fully the working week.

Average grade for the year had improved to 5,9g/t, compared with the previous year's average of 5,5g/t. Grade had been more than 6g/t since April.

The stoping width had been increased to gain more tonnage and to improve metal recoveries, Janisch said.

Capital expenditure for the year was R43,7m, which was used mostly for essential items.

COMPANIES

Analysts optimistic about SA's platinum producers

AD 10/8/95

(217)

Michael Urquhart

SA PLATINUM producers were expected to post higher earnings for the year ended June when they reported their results next week, analysts said on Tuesday.

Gencor's Impala Platinum, which recently announced a merger with Lonrho's platinum interests, was expected to post full-year earnings of 375c-415c a share, compared with 273c the previous year, after a strong performance in the first half.

One analyst said Impala would do well to maintain its first-half performance, when it achieved earnings of 206c and managed to get a higher platinum price than spot.

If it could keep up this performance then earnings would be above 400c, but the analyst said with capital expenditure on the refinery upgrading starting to come through, this might lead to lower earnings.

The estimated cost of the refinery upgrades was R420m, spread over three years.

As it was replacement capex and not expansion capex, money spent on this would go straight to the bottom line and not be depreciated.

The analyst said the merger with Lonrho might lead to a change in plans on the refinery. With Western Platinum and Eastern Platinum merged with Impala, the group would have more flexibility on where and how it did its refining.

Another analyst said he hoped more information about the merger would be forthcoming during the results presentation.

Impala was also likely to derive some benefit from smelting it had done for Rustenburg Platinum, although this was not quantified.

Rustenburg was expected to post earnings of between 250c and 300c a share, compared with the previous

year's earnings of 229c, despite problems it had experienced with the late commissioning of its smelter which had led to a stockpiling of metal.

An analyst said Rustenburg, which also smelted for Lebowa and PPRust, would have lower throughput due to the smelting problems.

Lebowa and PPRust would not be affected in terms of volumes, but would probably see an increase in costs caused by the delays in smelting. He said Rustenburg had probably done well in the last few months of the financial year once it had got the smelter problems out of the way.

He hoped that now that Johnnies had restructured it would see more openness in the reporting of financial statistics, with data such as production figures being disclosed.

Amplats chairman Barry Davison was expected to criticise Impala for not contributing to Amplats' platinum jewellery marketing scheme.

NORTHAM PLATINUM (217)

Draining cash

FM 11/8/95
Northam chairman Peter Janisch put the best face he could on the company's 1995 results but it doesn't disguise the serious problems that remain

Some analysts believe the company will again be cash-negative by Christmas. This is despite the huge rights issue earlier this year which raised R503m, most of which was subscribed by Gold Fields of SA.

Cost of sales was R379m, made up of R348m in direct charges and the R31m increase in metals on hand and in transit. Cash flow over the year, including R44m capital expenditure, was a negative R208m — or a depletion of cash reserves at a rate of about R17m a month.

Northam has cash reserves of only R84m. So it will be out of ready money in December. But Northam's platinum stock in transit could produce cash when it is most needed. Some observers believe it could be enough to keep the mine afloat until its year-end in June.

Then what? Well, the chances must be good that, whatever happens, GFSA will continue to bankroll it as long as it can. While it does, every effort will be made to bring down unit costs, though there is widespread scepticism in the industry about whether much can be achieved.

Assuming the costs cannot be chopped and that higher rand product prices don't march to the rescue, the mine will either have to be closed (the cheaper option) or sold, presumably at a fire-sale price. The only two realistic suitors are Amplats and Impala and since Rustenburg's Amandelbult section is contiguous to Northam, it is the more logical suitor. The attraction of buying Northam is that it will come with a R2bn tax shield, enough to make it worthwhile.

Impala, though, can add some value simply by applying the 25% tax allowance permitted in the case of noncontiguous mines.

FOX

Nevertheless, the latest results suggest that success at Northam will continue to elude GFSA's best endeavours. *David Gleason*

PROFIT CATALYSTS Amplats executives had good results for shareholders yesterday. At a presentation were, from left, Barry Davison, managing director, Todd Bruce, marketing director, Roland van Kerckhoven, financial director, and Dorian Emmett, technical director

PHOTO JOHN WOODROOF

Amplats mines look at expansion

BY DEREK TOMMEY

MINING EDITOR

The Anglo American Platinum group is examining expansion possibilities at its three mines — Rustenburg Platinum, PP Rust and Lebowa Platinum

This was announced yesterday by Barry Davison, the managing director, when reporting that the three mines, including the struggling Lebowa Platinum, had substantially increased profit in the year to end-June

Davison said a decision on the expansion programmes at all the mines would have been taken by the first half of next year. It was likely that the expansion at PP Rust would be the first to be completed as it was an open-pit mine.

Rustenburg Platinum increased its distributable profit by 31,6 per-

cent from R287,4 million to R378,4 million. Earnings rose from 229,4c to 302,0c a share

A final dividend of 147c a share was declared, making a total of 215c a share. This was an increase of 30,3 percent on last year's payment of 165c

PP Rust, in its first full year of operations, reported a taxed profit for the year to June of R131,1 million, equal to 108,6c a share

In the previous nine months it earned R77,4 million, equal to 64,3c a share

A final dividend of 47c was declared, making a total of 77c for the year, an increase of 71,1 percent on the 47c paid last year.

Lebowa's taxed profit rose from R9,4 million to R25,3 million. Earnings a share rose from 7,8c to 21,1c

No dividend was being paid this year because of the size of the

mine's net borrowings

Anglo American Platinum, reporting for the first time since it was unbundled from JCI, reported attributable earnings for the six months ended June of R70,1 million and equity-accounted earnings of R98,5 million. It received an extraordinary credit of R300,9 million

It declared a maiden dividend of 80,0c a share which absorbed R132,4 million

Todd Bruce, the marketing director, said that increased Russian sales of platinum during the year had been offset by reduced supplies from South Africa as a result of the increase in the number of public holidays and the decline in production of many mining companies

However, Japanese demand was good as a result of the 7,5 percent increase in new car sales and a higher industrial offtake, especially by

the glass industry for liquid crystal displays

Jewellery demand had also increased and there had been a 7 percent increase in the sales of jewellery pieces in the first half of the year while Japanese platinum imports were up 10,5 percent.

Car sales were down 3,1 percent in the United States, but higher anti-pollution standards had resulted in an increase in platinum usage

Production figures made public for the first time showed that Rustenburg Platinum increased production of platinum by 11,1 percent to 1,426 million ounces, while the cost a refined ounce rose by 5,8 percent from R805 to R852

A new hydro-metallurgical process enabled Rustenburg to increase recoveries from the concentrator but led to reduced throughput at the smelter

TRADE ASSOCIATIONS: SOUTH AFRICAN PLATINUM ASSOCIATION

Better metal prices lift Impala

By ANDY DUFFY

CT(MR) 16/8/95

(217)

STAFF WRITER

Impala Platinum increased attributable income by 54 percent to R264 million for the year to June, as stronger metal prices offset production hitches

The company, in the throes of merging with Lonrho's platinum operations, lifted sales by 11 percent to R2,4 billion while reining-in costs rose 3 percent to R1,9 billion

Income from metals mined rose 53 percent to R552 million, while expenditure on present capacity slipped 10 percent to R79 million

Pre-tax income was 76 percent ahead at R508 million, but higher tax left share earnings up 56 percent at 425c. The dividend rose 25 percent to 175c

Mike McMahon, the chairman of Impala Platinum, said the results were in line with expectations and owed much to its basket of platinum-group-metals' rand prices rising 14 percent year on year

But he warned that platinum prices this

year would be pressured by oversupply, the rhodium price would remain suppressed and palladium hinged on Moscow

"The palladium price is largely in the hands of the Russians," McMahon said

He said the company had also ditched plans to lift production to 1,2 million ounces a year. McMahon said shareholders would be better served by levelling off at 1,1 million ounces

The plan to sink a major shaft into the Deeps area in 1997, formerly the largest capex burden facing Impala, had been put off for 10 years

The company had decided to rather extend and deepen declines systems to gain access to the area

Mainstay platinum operation reaped a 10 percent rand-term rise, year on year, but teething problems at its UG2 milling plant helped cut sales to 995 000 ounces from a previous 1,05 million ounces

Lower production combined with an increase in the number of public holidays to lift costs 13 percent over last year

"It's something that will not be repeated in coming years," McMahon said

Capital expenditure rose 32 percent to R263 million due partly to the first phase of the Springs refinery. But the balance sheet again improved with net cash rising R90 million to R112 million

Planned capex of R385 million for financial 1996 would be funded internally or with borrowings, McMahon said

The company's 27 percent stake in Lonrho's Western Platinum and Eastern Platinum brought in associates' income 77 percent higher at R23 million

But the stake also brought a R16,3 million extraordinary charge after the Lonrho operations were hit by legislative changes affecting deferred tax

McMahon refused to be drawn on negotiations with Lonrho. He said that due diligence tests should be completed at the end of the month

No decision had been taken on reducing the merged company's combined annual capacity of 1,65 million ounces

Firmer prices and contained costs help Implats' results ⁽²¹⁷⁾

Adrienne Gillomee

FIRMER platinum prices and well-contained costs helped Gencor's Impala Platinum (Implats) achieve a R93m or 54% increase in attributable earnings for the year to June of R264m. Earnings a share increased 56% to 425c (273c) and dividends jumped 35c a share to 175c (140c).

The healthy increase in earnings was achieved despite reduced sales volumes of platinum. Turnover was up only 11% to R2,4bn (R2,1bn).

Platinum contributed 64% of the group's revenue.

Explaining the mediocre turnover figures, Implats chairman Michael McMahon said: "Due to metallurgical problems, the SA platinum market had experienced a downturn in 1994. But we expect demand to strengthen and SA's supplies will hopefully return to 1993 levels before the end of the year."

Unit costs of mining operations rose substantially because of the 12 public holidays and problems associated with the new metallurgical plant. This was offset, however, by control over refining and other costs, causing total costs to rise only 3% to R1,9bn (R1,8bn).

Expenditure on leases, royalties and tax rose substantially to R164m while capital expenditure of R263,5m (R199,4m) was incurred. The group estimated R385m in capex for the next financial year.

"The main portion will go to enhancing the precious metals refinery, EPMP," said McMahon.

Reduced SA supplies, which would normally have resulted in a considerable market shortage, were effectively offset by an increase of 57% in Russian supplies to more than 1-million ounces.

McMahon indicated previous plans to expand to 1,2-million ounces of platinum a year had been downscaled "Our

new mining plan is to produce approximately 1,1-million ounces a year into the foreseeable future, subject to review"

The group's cash flow improved by 429% to R112m (R21m), a feature which would help alleviate the capital burden for completing the precious metals refinery project, said McMahon. "Refineries have been the success story of the year and with the reduction of precious metals pipelines, the group received revenue of between R160m and R170m from minor metals."

Demand in the palladium market increased 50% because of the increasing use of the metal by the motor industry. McMahon said the palladium price was largely in the hands of the Russians, who had allowed the price to rise from \$125/oz in January 1994 to its current level of around \$160/oz.

Impala's income rises 54%

(2/7)

■ BY ANDY DUFFY

Star 16/8/95

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Mike McMahon, the chairman of Impala Platinum, said the results were in line with expectations and owed much to its basket of platinum-group metals' rand prices rising 14 percent year on year.

But he warned that platinum prices this year would be pressured by oversupply, the rhodium price would remain suppressed and palladium hinged on Moscow.

Platinum wage talks deadlocked

(217) ~~217~~ Star 16/8/95

■ LABOUR REPORTER

The National Union of Mineworkers (NUM) will begin consulting about 55 000 Impala Platinum Mines and Amplats workers on action to be taken after separate wage negotiations with both companies failed to reach agreement

The union said yesterday the conciliation board affecting 30 000 Impala workers ended in deadlock yesterday and workers would be balloted over management's wage offer

The union is demanding 14% across-the-

board, down from its original 17%, while Impala has offered 7,5%.

Impala has refused to make offers regarding NUM's demands on annual leave, housing and living-out allowances, service increments and recognition of service on retirement, the union said in a statement

NUM is also consulting 25 000 of its members in Johannesburg Consolidated Investments' Amplats after the mining group offered an 11% increase for workers on the six lowest grades and 10% for the rest. Included in the offer is three months' maternity leave

on full pay and seven days' paternity and compassionate leave

Amplats is also offering a living out allowance of R350. Workers would also become permanent employees instead of signing new contracts every year as in the past

The union originally demanded a 16% across-the-board increase while Amplats offered 8%

Other issues in the negotiations, like affirmative action and job grading, have been referred to several working groups.

Neither of the two companies could be reached for comment late yesterday

PLATINUM INDUSTRY

New challenges for local mines (217)

An expanded Impala and Russian aggression threaten Rustenburg's dominance



Barely 100 000 oz is all there is in it. In a little over two months — when Gencor's Impala and Lonrho Plats formally merge — the new company, still unnamed, will produce almost as much platinum as

Anglo American Platinum (Amplats), holding company for the Rustenburg group

As these two largest producers square off, a number of issues will become clearer. These include the ability to make larger quantities of refined material at the lowest cost — a balance which sits delicately with fractious demand patterns and the imperative to hang on to market share.

All this will take place under the watchful eye of Russia, the third producer.

The platinum industry has grown remarkably since it first achieved importance in the Thirties. One question investors and analysts are now asking is whether the business is approaching maturity.

Because so much of its application in industry is as a catalyst, platinum is a prime target for re-use. As recycling grows, so demand for new metal will diminish unless new applications can be found and secured. This research and development feature has a frenetic quality. As each new application is developed, so demand rises sharply — then hits a plateau as recycling takes effect.

The latest game in town is environmental protection. Inspired by the success of the Californian initiative over a decade ago to attack car-induced pollution, particularly in Los Angeles, researchers at US fabricator/coater Engelhard have come up with a novel approach called Prem-Air.

The premise is that autocatalysts have done their job — but now more cars are clogging the roads. The solution may be to put catalytic coatings on to car radiators (as well as the normal converters to treat exhaust gases). This way everyone gets to clean his neighbour's dirty air, too. Amplats CE Barry Davison says it's interesting "but I wouldn't bet on it becoming a significant user until early in the new decade."

These aspects aside, the past two years have been marked by a curious and almost unnoticed phenomenon. Russia is the fore-

most producer of palladium. It is powerful enough to control this market effectively and the price. What is not known with any precision is its annual production.

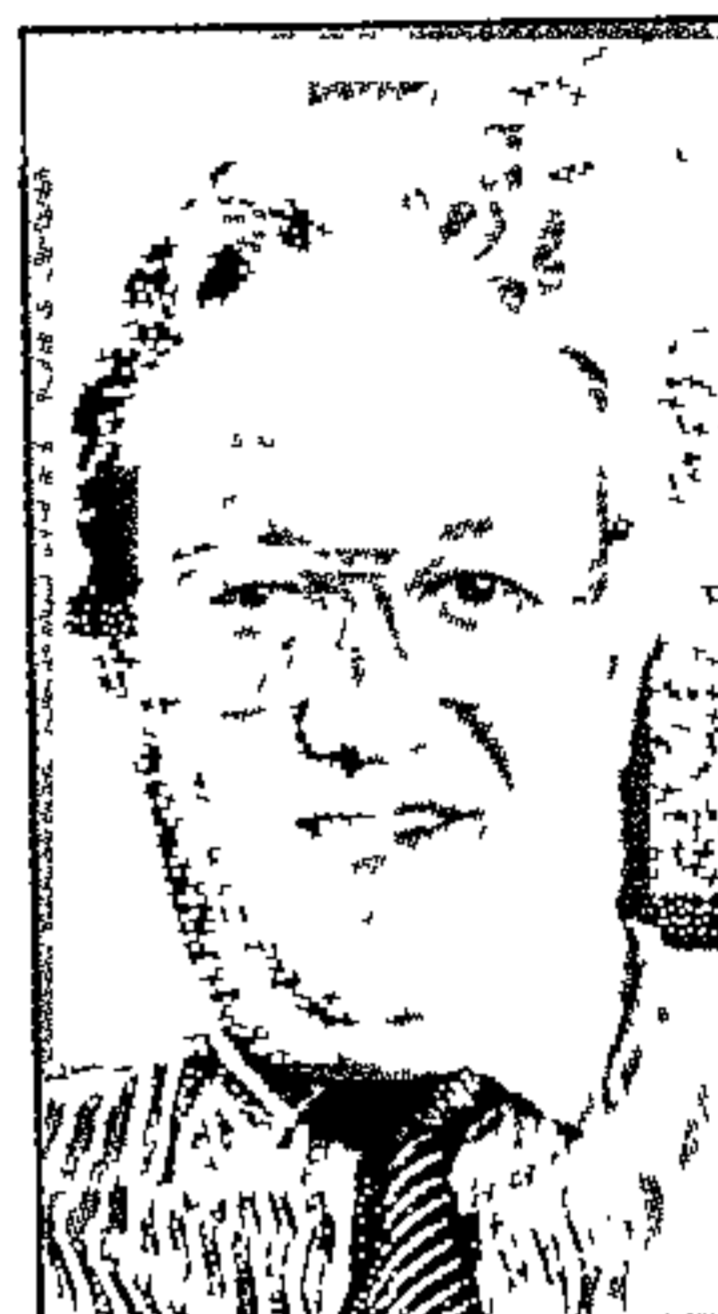
Even less is known about Russia's stockpile, controlled by the ubiquitous Komdragmet, the State organ that markets diamonds and precious metals, run by Yevgeny Bychkov and already a thorn in De Beers' side.

When it became apparent that concerns about pollution and the impact of the internal combustion engine on the environment were here to stay, the three-way autocatalyst — platinum, palladium and rhodium — was rapidly established as the exhaust cleaner of choice by most car makers. The price of platinum — and even more so of rhodium — rocketed.

Inevitably, this invited substitution. At around US\$90/oz, palladium became highly competitive despite its comparative fragility. Interestingly, this was aided by refiners such as Johnson Matthey in the UK, Engelhard and Germany's Degussa. It was initiated by car makers anxious to cut their reliance on SA suppliers and pushed along by technological improvements surrounding the mix of air and petrol used by engines in a wide range of operating conditions.

Not all car makers use palladium-based catalysts — Nissan and Chrysler are notable exceptions — but a swing to palladium slowly gathered pace. The Russians rejoiced. As palladium's price began to rise

Davison says Rustenburg "acquired" what it needed in the market — it either borrowed (leased) metal or bought it. He is adamant it did not give up market share. Nevertheless, other sources suggest that



Davison



McMahon

the Rustenburg grouping (which includes Lebowa and Potgietersrust) needed to find 250 000 oz. Impala may have shed about 50 000 oz from production. At the same time, US funds moved in waving fists full of dollars and buying physical stock.

By itself that should have moved the price considerably. It didn't, because the Russians were there happily selling. It is believed Russian sales in 1994 increased from 650 000 oz to more than 1m oz and are being maintained this year. It is also interesting to note that, when the funds began to disgorge their holdings, the Russians disappeared.

The inference is clear. Russia has become a swing supplier of platinum.

Impala chairman Michael McMahon says this is sobering for SA producers. Davison agrees. "I have no doubt that Russia holds the key to the platinum and palladium markets, at least for the time being."

Russian production is concentrated at Siberia's Norilsk mine, and it cloaks production statistics with traditional secrecy. But there is consensus that Komdragmet's sales regularly exceed production of palladium and platinum. It is drawing from stocks — but the imponderable is their extent. Market sources say Komdragmet has assured Western car makers of the security of palladium supply, though how is not known.

Both new Impala and Amplats will concentrate on exploiting their respective strengths. In Amplats' (Rustenburg) case,

Continued on page 25

HOW THE MINES SHAPE UP

	Impala	Rustenburg	PP Rust	Lebowa
Turnover (Rm)	2 435	3 462	470	194
Pre-tax profit (Rm)	508	542	144	25
Attributable (Rm)	264	378	131	25
Market cap (Rm)	6 096	10 527	2 892	516

— and that of platinum and rhodium slumped — so Komdragmet began to impose tight discipline on the market.

It is now accepted wisdom that, as palladium falls to about \$130/oz, Russia withdraws supplies, when it exceeds \$160/oz, the Russians increase their offerings.

However, last year Russian influence began to extend into the platinum market. Rustenburg ran into smelting problems. One result was an inability to supply from its own sources all contractual obligations

Continued from page 20

these are fine orebodies — mostly the sought-after Merensky reef — and generally good grades, and hefty financial muscle. Preliminary results for financial 1995 this week show that, despite capital expenditure of more than R430m, it carries a cash balance of R362m.

Davison says strategy is to position itself as far down the cost curve as possible. "The future," he says, "belongs to low-cost producers. Amplats intends to turn its major strengths to advantage — that means putting our ground holdings and balance sheet to good effect."

He won't be drawn further, but stockbroker Ed Hern Rudolph platinum analyst Paul Brogan expects Davison to implement new projects soon. "He can expand production either at P P Rust or at Lebowa. An alternative might be to start a new mine at Boschkoppies (north of the Rustenburg lease area, with Merensky reef outcropping on surface)." Some operations — those comparatively costly and deep — might be mothballed, depending on demand.

McMahon on the other hand — once new Impala is given form and substance — starts with an in-built advantage of having within the operation one of the lowest-cost producers. He's also acutely aware of the need to contain costs, a favourite refrain.

In particular, the new Impala will rely strongly on rationalising metallurgical and refining capacity. Impala's original strength came from its reliance on Merensky reef, now, however, at least half its ore source is UG2, a reef with some disadvantages, not least that it is comparatively high in rhodium content (rhodium is price inelastic and at its cheapest in 11 years). UG2 is also barren of nickel and copper.

But Impala will be able to provide excess smelting capacity and some advanced smelting technologies. McMahon and his team are well aware of Rustenburg's heavy advantage in lower refining costs. This is why it has embarked on an ambitious, three-phase enhanced precious metals refinery (EPMR), estimated to cost R430m.

An important additional feature is that Impala will probably be able to delay its long-discussed development into the Deeps area. The first vertical shaft to be sunk into this area was to have started in financial 1997. It is now scheduled for 2009.

SA's third producer is Gold Fields' hapless Northam, which has consumed R2bn of investors' money — most, let it be said, GFSA's own — and still labours. Financial 1995 saw a loss of R133m. The accumulated loss is R301m and the cash drain continues. At this rate, some analysts believe it will again be cash-shy by January.

Several options then become possible. The first is that GFSA will close it and take the financial pain and blow to self-esteem on the chin. A second is that it will struggle

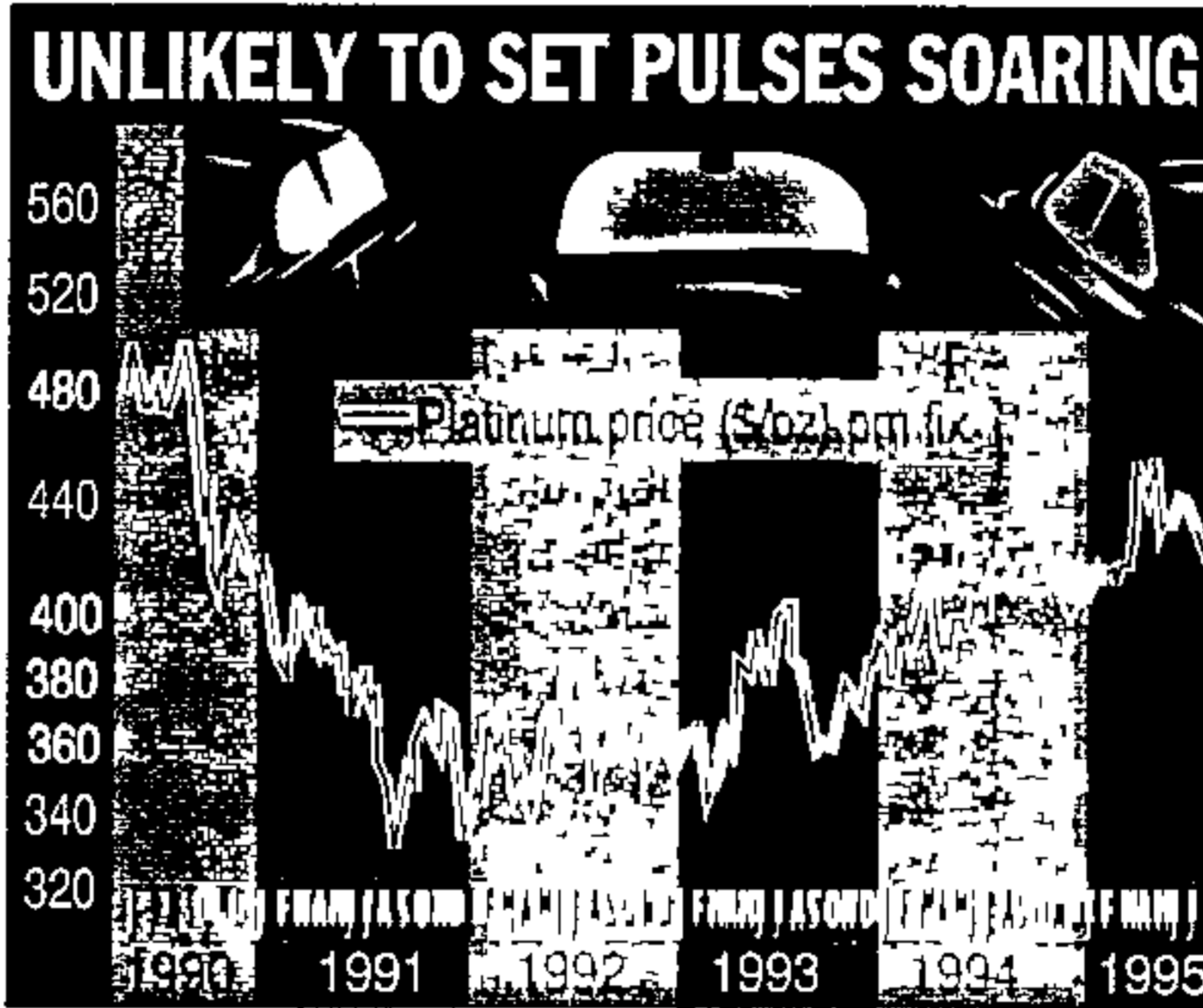
on, bankrolling the operation for another year in hope of rescue, which can only come from a huge rise in prices. The third is that GFSA will seek to sell the mine.

The most logical buyer is Rustenburg — but that prospect seems remote. Mining in its Amandelbult section, which borders on Northam, is about 8 km distant. It could be two decades before Rustenburg's operation even approaches Northam.

The only advantage to Rustenburg in buying Northam would be its tax loss — and, given the notorious tax ring fencing of the mining industry, that may be problematic. It might be possible to persuade the bureaucracy with an offer to replace Northam production from other sources to preserve the integrity of the national accounts and employment, but beyond that there seems little hope for the mine. Rumours are circulating that GFSA has decided to lend no further financial support to Northam.

Preliminary results from the major producers show big gains, but also highlight the extent of confusion in the business.

McMahon's chairman's statement talks of a modest platinum price strengthening, dramatic increases in palladium and nickel prices, a further slide in rhodium, declines in production and a welcome increase in Impala's cash balances. These mixed messages underline a perception that the industry is waiting for some new development.



In a sense, Impala's results are academic, because it is on the verge of radical restructuring. Still, it is worth noting an 11.5% increase in turnover, accompanied by a 3% rise in costs. The bottom line is a gain in EPS of 56%, to 425c (1994: 273c).

Strangely, almost nothing is said about the merger with Lonrho. McMahon says he is precluded from discussion until the deal is ratified, probably in late October.

Over at Amplats, the news — good results aside — is how far the group has moved to reveal what it used to claim was highly sensitive information. It is now disclosing tonnage milled, head grades, refined production and net of all by-product costs per ounce, as well as productivity and face

advance information. Davison says the unbundling of previous parent JCI and consolidation of the operating companies in Amplats gave the opportunity to introduce "a new approach in many areas."

At Rustenburg, EPS advanced 32%, to 302c; more important, the smelters are performing better, and Davison expects the concentrate backlog to be cleared this financial year — though this doesn't mean a flood of new metal will hit the market, because Rustenburg will have to repay debt from leasing sources.

Yet it seems axiomatic that this will have an impact on market liquidity. This is supported to a degree by the fact that sponge material, which usually trades at a discount to ingots (produced by the Russians), is currently priced so as to reflect this. It must certainly be a possibility that additional metal may find its way on to markets later this year and in 1996.

The Amplats results reveal fairly consistent production costs at Rustenburg (R852/oz) and Lebowa (R890/oz), but at P P Rust the startling number is R157/oz. This illustrates again the benefits Amplats can expect from concentrating future operations on low-cost producing units.

Increasingly, the platinum group metals (platinum, palladium, rhodium, iridium, ruthenium and osmium) must be seen as commodities rather than as precious metals,

even though the jewellery appeal of platinum, especially in Japan, is still growing. The platinum world has changed in the past year with the merger of Impala and Lonrho to form a producer virtually as large as the original leader; the influence of Russia has become increasingly pervasive, Amplats is establishing a new identity.

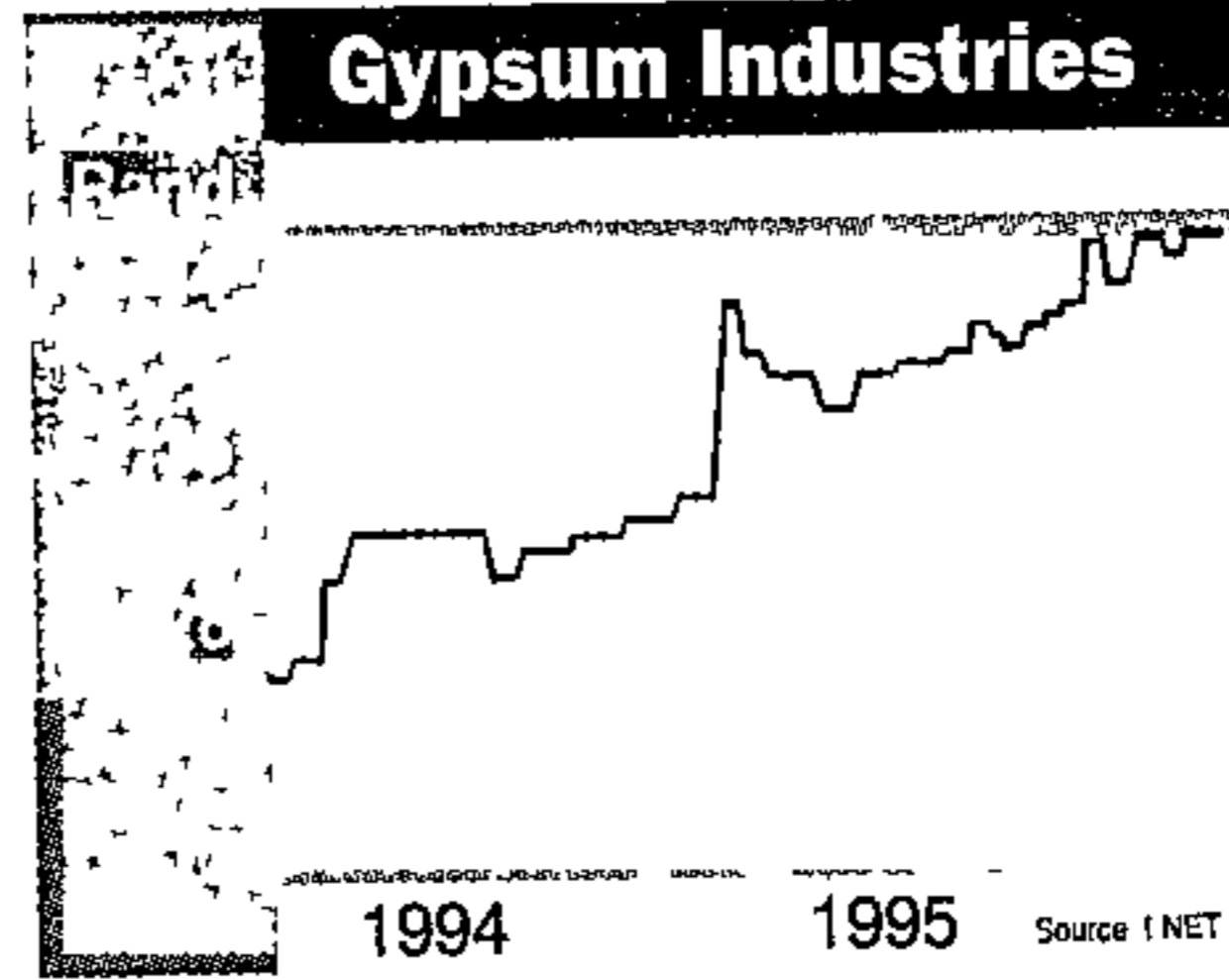
A feature of the industry is that major producers have almost invariably initiated expansion plans as the market has grown. Increased capacity has often come on stream as demand and prices peaked. It is a neat way of shooting itself in its collective foot, though Davison dismisses this view out of hand. "I don't believe we did that at all," he says.

It has always been a nice cachet for Rustenburg to be able to claim pre-eminence in platinum production. That no longer counts. What matters now is cost. The lowest cost producer will hold the aces and will be able to attack with greatest effect in the key area of market share.

None of this supports investor interest. Given the range of uncertainties, p/e ratios of 35 for Rustenburg, 30 for Lebowa, 26 for P P Rust and 28 for Impala make little sense. Without dramatic improvements in demand and prices, these counters require attention but deserve distance.

David Gleason

Gypsum Industries



GYP SUM INDUSTRIES
Worth collecting

(217)
FM 18/8/95

Activities: Mines and sells gypsum, manufactures wall and ceiling board and plasters for the building industry

Control: BPB (UK) 50%, Blue Circle 34,8%

Chairman: P Herring MD S G Snowden

Capital structure: 8,2m ords Market capitalisation R410m

Share market: Price 5 000c Yields 2,2% on dividend, 8,3% on earnings, p e ratio, 12,1, cover, 3,8 12-month high, 5 000c, low, 2 600c Trading volume last quarter, 23 300 shares

Year to March 31	'92	'93	'94	'95
ST debt (Rm)	17,2	15,7	0,1	2,5
LT debt (Rm)	15,5	0,4	0,4	0,4
Debt equity ratio	36,9	11,4	—	—
Shareholders' interest	0,44	0,54	0,62	0,60
Int & leasing cover	4,5	5,4	—	—
Return on cap (%)	13,6	14,8	23,3	26,5
Turnover (Rm)	n/d	199	216	261
Pre-int profit (Rm)	24,8	23,8	39,2	57,7
Pre-int margin (%)	n/a	12,0	18,1	22,1
Earnings (c)	120,5	112,5	285,8	414,1
Dividends (c)	45	60	87	110
Tangible NAV (c)	913	966	1 164	1 469

* 9-month period

Gypsum Industries (GI) appears to have caught fire last year. From a share price of R9 at its 1993 year-end, it progressed to R24 in July 1994 and now, a year later, it is at R50.

Perhaps this is less spectacular than it looks. The share is highly illiquid, trading about 1,5% of its total capital on average in a year. So trade in small volumes may push

up the price disproportionately. Its p e ratio went up from 8,2 to only 12 as earnings rose commensurately with the higher rating. That is music to shareholders' ears.

But GI's performance is impressive by any standard. Comprising Gypsum Industries and 67%-owned Donn Products, it raised turnover 21% to R261m (R216m) and the operating margin improved to 22,1% (18,1%). Attributable income rocketed by 45% to R33,9m. The effective tax rate dropped from 40% to 35%.

Interest received was R4,5m, against R194 000 paid, in line with the strong balance sheet which shows little debt and R51m cash in the bank. Current assets comfortably outstrip current liabilities and, financially, GI seems to be sitting pretty.

MD Grant Snowden says GI is planning a large capex programme, to be funded mostly out of existing cash and internally generated funds. "It still has to be approved," he says. A new Cape Town factory to replace the old one is part of the proposal.

In 1994 Gypsum spent R5m to bring the Brakpan factory up to international standards. Snowden says: "We keep up with technological developments through (British parent) B P B Industries Plc and we run a strict international benchmarking operation. We have and will put a lot of effort into it."

Gypsum Industries exports finished products — mostly from Donn, which makes dry wall and partitioning systems to complement GI products — to markets "all over the world, east to west, north to south. It is a broad spread and a competitive market but our share is increasing," says Snowden.

GI has the major share of the local market. Competition is not significant because other gypsum producers are the cement companies, who use their own products and buy from GI. The main threat comes from substitute materials, though, says Snowden, "our product has by far the largest share internationally."

With the economy growing and GI a beneficiary of fixed investment, Snowden considers prospects to be good for at least another two years. He concedes it is a difficult share to acquire and thinks all shareholders would benefit if the stock traded more but "we can't address this problem now." Camp on your broker's doorstep, this one is worth collecting.

Margaret Anne Halse

Bop tribe to challenge Implats' mine rights

(2/7)
ST(BT)20/8/95

By CIARAN RYAN

THE Bafokeng tribe — dubbed the richest in Africa — plans to go to the Supreme Court to challenge Impala Platinum's right to mine tribal land.

The Bafokeng intend to challenge the validity of all mining and royalty agreements signed by the former acting chief of the tribe, George Molotlegi, on the grounds that he was not the tribe's legal chief.

Attempts to mediate the long-running dispute between the Bafokeng and Impala — which pays royalties of 13% on after-tax profits in return for the right to mine tribal land — broke down recently.

"We have been instructed to challenge all agreements entered into between George Molotlegi and Impala," says Andrew Mitchell, of Bell Dewar & Hall, the tribe's attorneys.

Chief Edward Molotlegi returned from exile in Botswana following the collapse of the Bophuthatswana government last year and deposed his brother.

Chief Edward fled the homeland after being arrested and tortured on suspicion of complicity in the 1989 attempt to topple former homeland president, Lucas Mangope — a charge Edward Molotlegi has consistently denied.

George Molotlegi was appointed acting chief by Mr Mangope and concluded several agreements with Impala, against his brother's express wishes.

In 1987, Chief Edward attempted to gain access to confidential mining records and renegotiate

the royalty agreement to give the tribe a better deal, but a court decided in Impala's favour.

Chief Molotlegi's supporters claim his brother was a proxy for Mr Mangope and was not authorised to sign the deals with the mine.

It is alleged that Mr Mangope consistently sided with Impala in all disputes involving the tribe of which he was legal trustee. The Minister of Land Affairs, Derek Hanekom, became the new trustee of the tribe in June.

At the centre of the dispute is an agreement signed by George Molotlegi which gave Impala the right to mine an area known as the Deeps in exchange for a 16% royalty (a 13% royalty applied to the remainder of the lease area).

Part of the Deeps agreement had the effect of renewing Impala's existing lease on Bafokeng land in perpetuity.

The tribe now wants the Deeps agreement set aside.

More than half of the Impala lease area falls within Bafokeng tribal land. Lawyers for the tribe say that if they can successfully challenge the validity of the Deeps agreements, this would challenge Impala's right to mine on all tribal land.

Impala maintains that the agreements with George Molotlegi were signed in good faith and are legally enforceable.

When George Molotlegi concluded the Deeps agreement, he claimed to have the support of 72 out of 95 headmen.

The validity of this claim forms the kernel of the tribe's pending legal action, as it involves tribal custom and procedure which Chief Molotlegi says were violated and then used to conclude far-reaching agreements which were not in the tribe's best interests.

Mike McMahon, Impala's chairman, announced this week that confidential discussions with the tribe had been suspended at the insistence of Chief Molotlegi.

Anne Dunn, a spokesman for Impala, says there is no indication that attempts to mediate the dispute have broken down, "other than written indications by the attorneys acting for the Bafokeng tribe that they have been instructed to challenge the validity of the Deeps contracts."

"Accordingly, the board of directors of Implats are of the opinion that mention of an unsubstantiated threat, which at this stage neither has the clear support of the trustee of the tribe nor alters the long-held view of the Chief, may prejudice shareholders."

Since the 1970s Impala has paid royalties of close to R400-million to the tribe's legal trustee — who until last year was Mr Mangope.

He consistently refused to furnish details of the payments to recognised tribal leaders.

New mine to boost copper output 50%

HARARE — British-based Reunion Mining plc is expected to boost Zimbabwe's copper production by more than 50% when its new Sanyati Mine comes into production at the beginning of next month (217)

It will be first heap leach operation done in combination with solvent extraction and electrowinning on a producing mine in Africa. The mine, on the Copper Queen and Copper King deposits in northern Zimbabwe, is expected to produce 5 000 tons of copper a year, MD Mick Graham said on Friday

The technique has been used in Zambia, but on slimes dumps.

Reunion is running the mine jointly with the state-owned Zimbabwe Mining Development Corporation, with 75% of the stake in Reunion's hands, and the rest with the corporation. The project is Reunion's first producing mine, the company having concentrated previously on diamond exploration in Zimbabwe and Tanzania.

It has taken about \$16m to develop the open cast mine. Ore production will be at the rate of 50 000 tons a month, and began two months ago. Smelting and refining will be done on site at Sanyati. BO 21/8/75

Production in Zimbabwe peaked in the 1970s at about 50 000 tons a year, but tailed off as deposits became exhausted and mines shut. The sole current copper miner is the corporation's Mhangura Copper Mines. — Sapa.

Palabora returns sharp earning rise

(217) CT (R.R.) 24/8/95

By DEREK TOMMEY

Palabora, the copper producer, increased its earnings by almost 100 percent in the six months ended June from R2,81 to R5,54 a share. It has declared a second interim dividend of R2,50 a share bringing the dividends for the half-year to R4,50 — an increase of 96 percent on the R2,30 paid a year ago.

AJ Leroy, the chairman, says the major contributing factor to the improved profit was the 57,3 percent increase in the rand copper price from R6 814 a ton in the first half of last year to R10 718 a ton in the first half of this year. However, this increase was partially offset by the lower volume of copper sold.

Copper sales dropped from

63 500 tons in the first half of last year to 55 800 tons in the same period this year. This was the result of a drop in copper cathode production as a result of smelter shut-downs in the first quarter. Copper concentrate production rose 4 percent to 66 178 tons.

Turnover was increased by R161,2 million (26 percent) to R781,5 million. Operating costs rose 8,2 percent to R481,5 million, and operating profit was increased by 71 percent to R300,0 million.

Consolidated group profit rose 82 percent.

Leroy reports that studies are continuing on the possibility of starting underground production after operations at the open pit cease in 2002.

ALUMINIUM

Great white hope

~~189~~ (217)
FM/19/95
A stock deficit in the primary aluminium market would have been considered impossible by analysts two years ago. But, with the Memorandum of Understanding starting to make itself felt, there are fears that the pact may have been too successful and the market could be in undersupply by 1997.

Speculation is also rife that it's only a matter of time before idle capacity is brought back to take advantage of high prices brought about by the agreement.

Signed in 1993, the understanding saw the Commonwealth of Independent States, the US, Canada, Norway and Australia agree to cut production to reduce the huge stock overhang on the London Metal Exchange. And it worked.

At the start of this year LME stocks dropped to 1,6 Mt from a high of 2,7 Mt in the second quarter of 1994. Inventories continue to fall and hit 583 700 t at the end of July — the lowest level since August 1991.

But the combination of low inventory and high prices could be reversed if there is truth in whispers that cash-strapped Russia is filtering product on to world markets. The obvious attraction is that prices are holding well above production costs, even for high-cost CIS producers.

After a low of US\$1 015/t in November 1993, the pact forced a rally to \$2 146 in January this year. Though the price came off to \$1 700 in May, it has since been fluctuating between \$1 750 and \$1 900.

But industry pundits point to Russian contraventions of the understanding and say that as far as the CIS is concerned, the pact is all but dead. In the first half of 1995, Russian smelters are said to have produced a 140 000 t increase for 1995 and some even say the figure is closer to 250 000 t.

Still, the timing of Alusaf's Hillside smelter, due to reach full production of 466 000 t by the third quarter of next year, appears to be spot on. Output from the huge greenfields project, combined with production from the company's upgraded Bayside smelter, will see total capacity reach 636 000 t by the end of the year.

Alusaf MD Rob Barbour refuses to speculate on rumours that the understanding is crumbling but says he expects a "reasonable supply and demand equilibrium" in the market for two to three years.

He expects Western demand to grow by 3% a year beyond 1995. "Global demand for aluminium increased by 10% in 1994. And production cutbacks of around 1 Mt of capacity have been effected in terms of the understanding. Western demand has already increased and is expected to approach 18 Mt this year. About 14,8 Mt of this demand should be met by Western production,

BUSINESS

leaving a shortfall of 3,2 Mt"

He expects the balance of the shortfall to be met by CIS exports of around 2 Mt and further LME stock drawdowns.

While supply and demand for 1995 appear to be in balance, LME stock drawdowns have put renewed upward pressure on the aluminium price, pushing it back towards the \$2 000 mark recently.

Barbour says extra demand will be met by re-activating some of the 1 Mt of capacity curtailed in terms of the understanding.

"If Western demand increases by around 3% a year, this potential capacity, together with remaining LME stocks and Alusaf's increased capacity from the Hillside smelter, should ensure reasonable supply."

The as-yet-unlisted Alusaf expects attributable profit for this financial year to exceed R200m. This is on an expected aluminium price of \$1 800/t and based on planned production of 397 000 t. Prospects for next year depend largely on the successful commissioning of the Hillside smelter.

Barbour says the smelter produced its first 1 000 t of saleable metal on July 30. "This milestone ushers in the Eskom 25-year power supply agreement which links the price of electricity supplied to the Hillside and Bayside smelters to the price of aluminium on the LME."

The first shipment of Hillside metal took place on September 6 when nearly 800 t of bundled aluminium ingots were exported to South Korea. Barbour says about 7 000 t of metal has so far been produced. Alusaf's main shareholders are Gencor and the Industrial Development Corp.

Implats wants more from its ore

(217) WMM(BM) 25-31/8/95

Karen Harverson

GENCOR'S Impala Platinum (Implats), the world's second-largest platinum producer, is looking at projects to increase the amount of platinum it recovers from ore.

This is cheaper than increasing the amount of ore mined.

The group produces more than a million ounces of platinum a year from both Merensky and UG2 ores.

Implats is investigating a R100-million project to regrind its Merensky ore which could increase the platinum yield per ton by two percent to three percent.

The company already regrinds its UG2 ore and last year spent more than R80-million on a new regrind plant which resulted in an eight percent increase in platinum yield per ton.

"We don't expect the same increase from Merensky ore as its mineral structure differs and more platinum group metals (pgms) are liberated in the primary grind, so there is less to recover in the regrind stage," says operations director Steve Kearney.

He says the anticipated increase of two to three percent should be sufficient to justify setting up a new regrind plant for the Merensky ore but a more detailed investigation is required.

A trial project will be undertaken in the next six to 12 months during which two of the 15 mills currently used in the primary-grind process

will be converted to regrind a portion of the seven million tons a year of Merensky ore Implats processes. A similar amount of UG2 ore is treated.

"If successful, we'll convert additional mills to regrind circuits for the Merensky ore and put in new mills to take up lost capacity," says Kearney.

He says although the project is new for Implats, other platinum producers have been regrading both Merensky and UG2 ores for some time.

Further down the pipeline, the company may consider recycling the contents of its tailings dams which have 250-million to 300-million tons of discarded material.

Kearney says that although this is marginal at present, a surge in the platinum price could make a project to regrind the tailings feasible.

The recovery processes used in the past, as in the case of the gold-mining industry, were not as efficient as they are today and there are significant amounts of platinum to be reclaimed in the tailings.

At the announcement of the group's annual results last week, chairman Michael McMahon said attributable income for the 1995 financial year had increased by 55 percent to R264-million. This was mainly due to firmer prices for platinum and a six percent weakening of the rand against the dollar which led to a 17 percent increase in revenue per ounce of platinum.

He said growth prospects for plat-



Steve Kearney: Recovery is more efficient

inum had been dampened by the rapidly increasing use of palladium in the autocatalyst market. "Nevertheless, every year demand for platinum has steadily increased."

Platinum contributes 64 percent of the group's turnover while palladium contributes only 11 percent.

McMahon said the principal uncertainty in the platinum market was the capacity and willingness of the Russians to sell into price rallies and to dampen upward movement

He said previous plans to expand to 1.2-million ounces of platinum a year had changed and the intention was to produce about 1.1-million ounces a year in the future unless there was a significant strengthening in the precious metals markets.

The proposed merger announced in June 1995 with Lonrho's Western and Eastern Levels was still on track and technical and financial studies were due for completion in September this year.

Northam to nurture reserves

(217) BD 20/9/95
Michael Urquhart

NORTHAM platinum mine would have to concentrate on arresting the drain on its cash reserve, requiring a concerted effort to reduce unit costs, chairman Peter Janisch said in his annual review.

This would be achieved by further rationalisation of the skills distribution in the workforce, improved control of expenditure on stores and sundry items and a sustained higher tonnage.

The mine would look also at utilising available time fully without increasing the number of hours a week an employee would work. Janisch said the NUM had indicated its willingness to discuss the matter.

He said a cost per ton reduction of 10% and an average platinum price of R53 000/kg would yield a modest working profit in the current financial year. Cash and short-term funds would then be more than sufficient to cover capital expenditure and other commitments.

In the longer term, provisions would have to be made for exploitation of the ore reserve below level 12. Expenditure on this need not start before 1997.

The deeper resources could be accessed in small, relatively inexpensive increments, Janisch said.

The mine had still not reached its planned production rate of 27 000m² broken a month.

However, face availability and utilisation had both improved, with face advance approaching 7m a month, Janisch said.

A milling rate of 120 000 tons a month was expected for the current financial year.

With improved performance from the metallurgical complex, production of platinum should reach or exceed 150 000oz, compared with just less than 100 000oz last year.

Palladium production should hit 70 000oz compared with the previous year's 45 627oz.

Morale at the mine had improved significantly after the announcement the company was to be refinanced, despite the revision of complements because of the reduced scale of operations, Janisch said.

The number of employees was reduced from 7 718 at the beginning to 5 641 at the end of the year.

Cape mine boss bounces back

ARG 30/9/95 (217)

JOHN VILJOEN
Business Reporter

JUST a day after averting a Supreme Court liquidation order, Union Mines chairman Nico Lotterie came out fighting, claiming mineral reserves worth more than R300 million and a forthcoming deal with United States investors.

The deal would raise R5 million and the investors would also bring engineering and management expertise, he said yesterday.

The Supreme Court on Thursday referred an application for the northern Cape mining operation's liquidation to the semi-urgent roll after Mr Lotterie opposed it.

The application, by former Union Tin directors Frederick Georg Ilse and Geoffrey Ashmead who claimed the mine owed them a total of R551 000

from loan accounts, is likely only to resurface in February.

In an interview yesterday Mr Lotterie said Union Mines faced short-term difficulties due to teething problems with the ore washing plant at the Postmasburg mine and a shortage of cash.

"Right at the beginning, we were ill-advised. We should have done a rights issue. Because how can you run a company with no money in it?"

"And that is what we are doing now."

A placement of convertible debentures would raise R5 million, he said. Unnamed shareholders who had each paid R50 000 had bought debentures worth R1,2 million, he claimed. The balance would be taken up by US investors.

The ore washing plant had at first not operated smoothly and had been contaminating the ore. However, it now seemed to be working effectively, he said.

Mr Lotterie said shareholders could have confidence in the company's leadership. In addition, the new investors, whom he would not name until they arrived in the country next week, were engineers who would take over management of the mine.

Mr Lotterie insisted Union Mines had major assets. The slime dumps at the tin mines at Naboomspruit in Northern Province contained tin worth "R20 million".

"We are negotiating with a big mining group which wants to buy it from us and wants it in their plant close by. We also have copper and tin on the adjoining properties."

"At Postmasburg we have more than 10 million tons of iron ore. With a value of about R10 a ton, you're talking over a R100 million. The manganese is worth more than R200 million."

"Our plant is fully paid for and that's worth R1,7 million."

Asked if buyers for the ore were signed up, Mr Lotterie said "We don't need to have contracts. There is plenty of market for manganese and iron ore. I can sell iron ore tomorrow to 20 people, and the same with manganese."

There was also interest from overseas investors who wished to build a small mill to process iron ore into sponge iron at Postmasburg.

"I have been approached by two companies who build these plants who said that they also have investors. They are talking to the IDC (Industrial Development Corporation) about possible investment, and the IDC has said that they are interested."

The IDC wanted to examine the ore deposit and plans were being made to bring an IDC geologist to Postmasburg.

This week saw the Union Mines share price tumble to 15c from 25c. "It's people selling on the downward trend trying to capitalise on us. Who it is I don't know."

Referring to rumours about his personal financial status, Mr Lotterie said: "If a story goes around town, you know, like people said 'Oh, I'm bankrupt', then obviously the share price will drop."

He rejected rumours that his house was due to go on auction because he was unable to pay debts to First National Bank. "My assets are over R20 million."

Copper for Minorco in Chile, Peru

(217) *Stow to 2/10/95*

■ BY CHARLOTTE MATHEWS

Minorco has completed feasibility studies into potential copper mines in South America, one in Chile and one in Peru, which together could produce over 500 000 tons of copper a year, according to announcements at the weekend.

In Chile, Minorco, Falconbridge and Companie Minera Dona Ines de Collahuasi have approved the development of the Collahuasi copper mine at a total investment of \$1,75 billion (about R6,3 billion). Final approval depends on environmental and regulatory approval and financing and marketing agreements. If this is secured the project could be brought into commercial production by January 1999.

Collahuasi has confirmed deposits of 3,1 billion tons, averaging 0,82 percent copper at a cut-off grade of 0,4 percent. The average annual production for the first seven years will be 330 000 tons in concentrate and 50 000 tons of cathode copper.

Minorco and Falconbridge each own 50 percent of Collahuasi.

In Peru, Minera Quellaveco, which is 80 percent owned by Empresa Minera de Mantos Blancos (a 75 percent-held Minorco subsidiary) and 20 percent owned by the International Finance Corporation, has completed the study of the Quellaveco project, a porphyry copper deposit in Peru.

The Quellaveco study cost \$5 million to complete. It concluded that using flotation treatment the mine could produce 200 000 tons a year of fine copper for the first seven years.

After that copper production would drop to about 140 000 tons of copper a year as the grade dropped with the depth of the mine. At that rate reserves could support an operation for at least 25 years.

Minorco, the international mining arm of Anglo American, showed a sharp improvement in results from its base metals operations for the six months to June. The division earned \$20 million compared with a loss of \$2 million in the same period last year.

The group's shares gained 100c to R101,25 on Friday, where they were 30 percent above their year's low of R78.

Impala, unions sign accord

Renee Grawitzky

217

BD 3/10/95

IMPALA Platinum and four mining unions yesterday signed a health and safety agreement providing for the election of full-time health and safety representatives, paid time off for training conducted by unions and the right of workers to refuse to work in a dangerous workplace

The signing, in Rustenberg, came one day after the commemoration of National Health and Safety Day. The NUM, the Underground and Surface Officials' Associations and Mineworkers' Union signing, covers 30 000 workers at Impala.

The agreement shares responsibility for safety with the company acknowledging its "statutory responsibility and accountability for the occupational health and safety of all its employees", while workers are obliged to "take reasonable care for the health and safety of himself and of other persons"

RT

TUESDAY OCTOBER 10 1995

Northam Platinum confounds critics

(217) CT(BR) 10/10/95

By JOHN SPIRA

2-UTENG BUSINESS EDITOR

Beleaguered Northam Platinum has confounded its critics by slashing its loss to R7,6 million for the September quarter of this year. The mine lost R133 million in its past financial year.

Chairman Peter Janisch was "highly optimistic" that Northam would return a profit in the financial year to June of next year.

Northam's shares slumped to an all-time low of 300c last week, as investors took a jaundiced view of the mine's outlook against the background of a declining platinum price.

In the September quarter, Northam received an average price of R50 509 a kilogram from the current price of about R49 000. Janisch predicted the price would soon revive to above the R50 000 level, and ascribed the recent weakness to unusual, isolated circumstances.

He said Northam's production results for the September quarter

reflected a "major improvement", with the monthly average of 27 430m² mined from the Merensky reef exceeding the target of 27 000 laid down in the mine's technical assessment.

"Mill throughput averaged 125 000 tons a month at a sustained high-head grade of 6,2 grams a ton compared with the June quarter's 110 000. Overall, metallurgical recovery of precious metals improved by 2 percent over the average for the year to June."

Production of metal in fine concentrate for the quarter was an annualised 282 000 ounces from 191 000 in the previous year. The higher mill throughput resulted in a 5,8 percent reduction on the previous quarter in cost per ton milled and a 7,5 percent reduction on the figure for the current financial year.

Janisch referred to his earlier prediction that Northam was approaching the corner: "I am now able to repeat that forecast with growing confidence."

Mandela to plead on platinum

ARG 20/10/95

(217)

PETER FABRICIUS
The Argus Foreign Service

WASHINGTON. — President Mandela is expected to appeal to US President Bill Clinton when they meet on Sunday to use his influence to prevent the US going ahead with plans for a giant sale of its strategic platinum and palladium reserves.

South Africa fears that US plans to sell off 252 641 troy ounces of platinum and 1 064 601 troy ounces of palladium — already approved by the US Senate — would drastically reduce the world prices of the two metals, of which South Africa is the major producer.

Mr Mandela has already written to Mr Clinton to urge his intervention and the South African embassy in Washington has been lobbying hard to reverse the plans

In a letter sent to every US Senator, the embassy cited Minerals Bureau estimates that if the proposed amounts were sold from the US strategic reserve over one year, SA's total revenue from sales of metals in the platinum metals

group (PMG) would be cut by 13 per cent

This would threaten the survival of high-cost small producers such as Northam Platinum and marginal shafts at Amplats, Implats and/or Lonrho Platinum Division.

The effect would be increased unemployment and crime and jeopardy to the ability of PMG mining towns such as Rustenburg, Brits, Thabazimbi and Pietersburg to provide social services to the surrounding poor population.

If released over a three-month period, the US stocks would represent 22 per cent of world supply and 37 per cent of South African supply in each month of sale and 120 per cent of world palladium supply and 293 per cent of South African palladium supply.

If released over one year, the sales would represent about 5,6 per cent of world platinum supply and eight per cent of South African supply in each month and 21 per cent of world palladium supply and 73 per cent of South African palladium supply.

Palabora moots scaled-down underground mining operations

(217) bD 1/11/95

PALABORA Mining (Palamin) said it continued to receive positive feedback on the feasibility of underground mining at its site in the north of SA.

But a final decision on whether the mine would go underground when the current open pit reached the end of its life in 2001 was only likely around the middle of next year.

"I expect the feasibility study to be completed probably in the first quarter of next year," MD Frank Fenwick said. "Then it will go to the board, which will probably make a decision around the middle of the year."

Analysts believe there is now a strong chance the company will go ahead with the underground project, keeping the mine productive well into the next century at an annual copper output rate of about 75 000 tons. Last year's copper concentrate production was 127 571 tons.

Stockbroker EW Balderson concluded in a recent report that underground mining was viable — and a number of other mining analysts agree. "We're optimistic that underground operations will proceed," said John Loewen of Ivor Jones, Roy & Co.

Another analyst also expected mining underground from 2001, but said the decision might be determined more by the need to conserve the bulk of the mine's 3 000 jobs than pure economics.

"As an investor I'm not sure about

the viability of the operation. But my heart tells me it may still go ahead for socioeconomic reasons," he said.

An earlier study concluded last year that large-scale underground mining was not viable. But Fenwick said the smaller-scale operation, involving 30 000 tons of material a day instead of 60 000 tons, was more promising.

"The feasibility study is churning out statistics at a good rate. It is still encouraging, which is why the board is continuing to back it with large sums of capital." Palamin has already spent R85,5m in exploration and development costs, and Fenwick said the study would cost a further R25m this year.

He denied speculation that Palamin's major shareholders — notably RTZ — had an aversion in principle to underground mining. RTZ holds 38,9% of Palamin, while Anglo American Corporation and De Beers Consolidated Mines directly and indirectly hold 19,1% and 8,9% respectively.

Palamin's grade of 0,54% copper is extremely low by world standards, and the drop in output on the move to underground mining would leave spare smelting capacity which could prove difficult to fill with toll refining.

But analysts said these negatives would be offset by the fact that much of the equipment at the mine would have been written down to virtually zero by 2001. — Reuter.

Namibia cancels Iscor's right to mine Rosh Pinah

Mungo Soggot

~~1857A~~ ~~1857A~~ (217)
BD 7/11/95

ISCOR is sitting on a zinc mine in Namibia with no mining rights after losing out to a company reportedly linked to the ruling South West African People's Organisation party.

The SA steel producer bought the assets of Imcor Zinc — its joint venture company which ran the Rosh Pinah zinc mine — after putting it up for liquidation last year. Although Iscor has held the assets since then, it is now unable to proceed with its mining plans following the Namibian government's decision to give the rights to P&E Minerals.

Iscor dubbed the decision disappointing and unexpected at the weekend, alleging that P&E had no mining experience. The move represents a change in fortune for Iscor, which managed last year to push the liquidation through in the face of stiff resistance — including tacit disapproval from the judge, who saw no reason to award Iscor costs.

Iscor's application had been opposed by Imcor partner Moly Copper, which disputed Iscor's line that the operation was unprofitable.

Moly Copper chairman Diane Lidchi said yesterday that the mine had been running since 1967. Iscor had bought 51% of the equity for a "virtual gift" at R510 in 1965. "The Namibian state has no good reason to give it to the now privatised Iscor, which has such an unpredictable attitude to profitability." Mines and Energy Minister Andimba Toivo Ya Toivo could not be reached for comment.

Low prices keep the lid on platinum

(217) CT(BR) 7/11/95
BY DEREK TOMMEY

Johannesburg — There is little prospect for an increase in the platinum price and this could affect the performance of Potgietersrust Platinums, says chairman Barry Davison

He says the demand for platinum group metals remains robust and moderate growth is expected from the major sectors of demand. But, the volume of Russian sales of platinum and palladium has increased dramatically in the past two years and is unlikely to decline.

This, together with new production from the Hartley mine in Zimbabwe, would appear to rule out any meaningful rise in platinum group metal prices.

Operating costs are expected to escalate despite efforts to contain them.

A contract, which runs until 2005, has been concluded with Moolmans, a division of LTA, which will mine the orebody. The mine is looking at lifting production from 220 000 to 240 000 tons.

Davison says the administration of mineral rights in the former self-governing territory of Lebowa, now part of the Northern Province, is cause for concern. The situation was exacerbated by the uncertainty surrounding the appointment of a trustee for various tribal authorities.

†

THE AMPLATS COMPANIES

More realistic share ratings

Amplats

Activities: The group mines, processes, refines and markets platinum group metals

Control: Anglo American Corp 35,8%

Chairman: P F Retief MD B E Davison

Capital structure: 165,4m ords Market capitalisation R4,1bn

Share market: Price 2 450c Yields 3,6% on dividend, 4,8% on earnings p e ratio, 20,8 cover 1,3 12-month high, 3 150c, low, 2 250c Trading volume last quarter, 2,2m shares

Year to June 30	*'94	'95
Turnover (Rm)	318,5	343,4
Pre-tax profit (Rm)	219,9	228,3
Taxed profit (Rm)	195	194,9
Earnings (c)	117,9	117,8
Dividends (c)	—	80,0

* Pro forma financial statements for 1994

Rustenburg Platinum

Activities: World's biggest producer of platinum group metals

Control: Anglo American Corp (including Amplats 56,5%)

Chairman: B E Davison

Capital structure: 125,3m ords Market capitalisation R8,2bn

Share market: Price 6 500c Yields 3,5% on dividend, 4,6% on earnings, p e ratio, 21,5, cover, 1,3 12-month high, 11 400c, low, 6 300c Trading volume last quarter, 1,9m shares

Year to June 30	'92	'93	'94	'95
Turnover (Rm)	2 910	2 968	3 118	3 462
Pre-tax profit (Rm)	757	459	455	542
Taxed profit (Rm)	407	286	287	385
Earnings (c)	321	225	229	302
Dividends (c)	* 230	165	165	215
Capital expenditure (c)	459	416	484	432

* Plus 249c dividend in specie

Of all the companies involved in producing platinum group metals, those which make up the Anglo American Platinum grouping (Amplats) are probably the richest and most sought after by investors

Together, Rustenburg, Lebowa and Potgietersrust (PP Rust) account for the biggest slice of world production, so what they do, how they are managed and what strategies they apply take on unusual importance

A characteristic of the industry has been its reverence for secrecy. Extracting information from its executives was a dedicated task and analysts who gleaned something new treated it with the same deference a dog gives to the discovery of an old bone. Only Lonrho's legendary Syd Newman ever broke ranks and even then the data he disclosed would be considered inadequate by today's standards

What makes the 1995 annual reports for the four Amplats companies so different is

the extent and quality of the disclosure

Amplats chairman Pat Retief and MD Barry Davison (he also chairs the operating companies) have taken a long, hard look at a realistic definition of "sensitive" and the result is a set of reports which will give shareholders and analysts alike plenty to chew on for months

By the same token, it's probably fair to point to the example set some months ago by Gencor's Impala, which has long set the pace for industry disclosure

The change in Amplats approach means nearly all the holy cows have disappeared, even to the extent of providing important information backdated over the past five years. If this sounds academic, it's not, this kind of knowledge means it is easier to predict future production patterns

Apart from being the richest mines in the industry, the Amplats group also boasts the cheapest producers (the two are not axiomatic). In addition, the operating companies boast powerful balance sheets. Amplats carries long-term liabilities (since refinanced) of R563m, but these related solely to a US\$150m offshore loan concerning the De Beers group diamond trading companies. Rustenburg, though, has R342m cash, no short-term loans and a long-term liability of only R60m

A further feature of the Amplats group is that its mining operations are founded largely on the richer Merensky reef — with which is associated nickel and copper, rather than the UG2 associated with chrome and generally more difficult to treat. Comparative shallowness of operation is another factor and, taken together, these are natural resources which give the mines a built-in competitive advantage

None of these gainsay, however, the importance of the industry's market, the way it is constructed and its dominant players

In his annual statement, Retief says platinum demand over 1995 was 4,8m oz, of which auto catalysts absorbed 1,9m oz and jewellery 1,7m oz. The balance was taken up by industry (800 000 oz) and investment (395 000 oz)

Despite the huge production capacity, SA producers, analysts believe, may have had to source about 500 000 oz from the market to satisfy contracts over the past two years. This was caused by the late commissioning of Rustenburg's furnaces (a loss of perhaps 200 000 oz), plant problems at Impala in December 1994 (108 000 oz) and now further furnace problems in August (another 120 000 oz). It is important to note that these



Retief nearly all the holy cows have disappeared

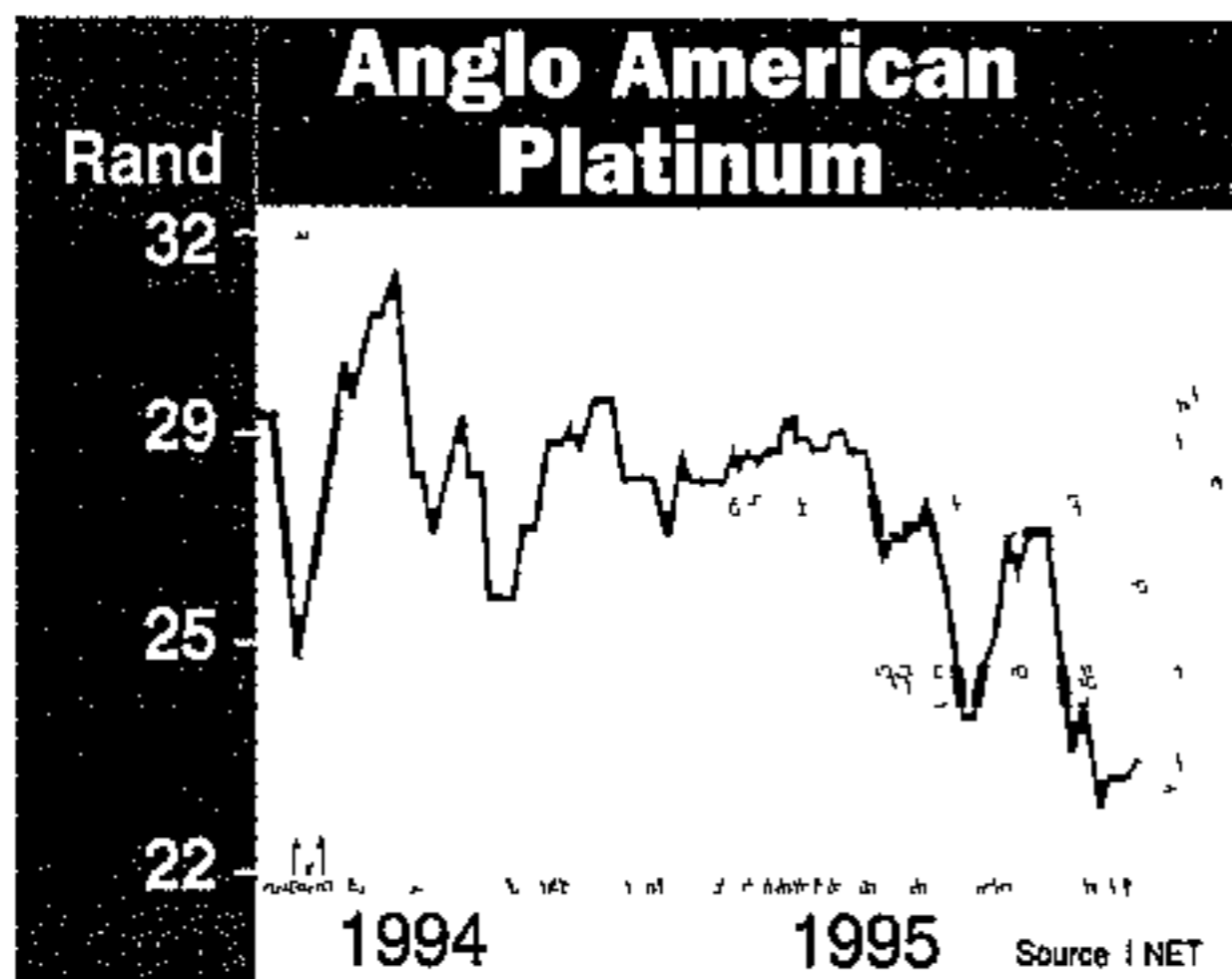
figures (which have not been confirmed by producers) represent peak estimated borrowings. It does not follow that this metal will necessarily return to the market

The shortfall was met by Russian stocks — Russia is estimated to have supplied about 600 000 oz in all, so it has chipped away marginally at SA's traditional market. Long the dominant supplier of palladium, Russia has now leveraged itself into being the swing producer for platinum and is clearly exercising considerable power

Nevertheless, the Russian ability to continue occupying this central position is probably limited. Its large increase in sales over the past year is generally believed to have been achieved by plundering its stockpile and it is not thought capable of any long-lasting increase in current production. Indeed, its principal mine at Noril'sk, in the Taymyr peninsula, is known to be host to a legion of production problems

What is clear, however, is that Davison has adopted an aggressive stance on growth. Ed Hern, Rudolph analyst Paul Brogan points to the group expansion schemes — an 80 000 t/month increase at Amandelbult section and the intention to mine shallow Merensky reef reserves in the union section of Rustenburg, expansions are planned at Lebowa and PP Rust

On the face of it, a further leap in production capability may seem like shooting oneself in the foot. However, Amplats' position is that it is largely funding an extensive international jewellery marketing cam-



campaign alone, it has no intention of allowing others to capitalise on this growth at its expense. Brogan believes this goes some way to explaining the group's strategic intention.

Further factors are the new Zimbabwean mines at Hartley and Mimosa and the potential for a huge increase in output from the Stillwater mine in the US. These projects represent long-term threats to the dominance of SA producers and, therefore, to Amplats. The key will be low-cost production, to guarantee survival and profitability. Since Amplats holds these cards securely, it's clear Davison will play them for all they're worth.

It is also apposite to comment on the industry's reliance on auto-catalysts as principal user. Some analysts argue that the greatest slice of reduced pollution from cars over the last decade has come not from the catalysts but from cleaner-burning engines, better fuels and enhanced engine electronics. If so, the industry needs to turn its attention urgently to well-founded, long-term industrial usage in other areas.

Two further features deserve comment. The first is that anyone expecting relief from fees will be sadly disappointed. The change from JCI to Amplats has produced no amelioration — the three producers together paid fees of R89,6m in 1995 (R73,8m in financial 1994).

The second is that though safety features high on the list for attention, 23 miners died over financial 1995 (25 in 1994). This doesn't compare all that well with Impala's performance where, with roughly the same number of employees, seven deaths were reported over its last year.

This problem has not gone unnoticed. The big question is: do these shares offer value?

The *FM's* consistent view over the last year is that the market was expecting far too much and that *p/e* ratios were unjustifiable. A year ago, for example, Rustenburg's *p/e* was 51, now 21, Lebowa was on a colossal 63, now 16, and PP Rust, which boasted 57, is on a modest 17.

Given the uncertain state of the market, these are much more realistic. *David Gleason*

J D GROUP

Gaining momentum

Activities: Furniture retailer operating seven chains — Bradlows, Russells, Joshua Doore, Price 'n' Pride, Score, Giddy's and Montana Harmony

Control: No major shareholder

Chairman & MD: J D Sussman

Capital structure: 72,95m ord. Market capitalisation R1,33bn

Share market: Price 1 825c Yields 1,8% on dividend, 6,1% on earnings, *p/e* ratio, 11,8, cover, 53,8 12-month high, 1 825c, low, 1 575c Trading volume last quarter, 1 921 757 shares

Year to June 30	'91	'92	'94	'95
ST debt (Rm)	0,3	15,1	8,3	8,8
LT debt (Rm)	—	18,9	523,1	606,1
Debt equity ratio	—	—	0,91	0,89
Shareholders' interest	0,54	0,50	0,51	0,42
Int & leasing cover	3,0	—	2,5	3,5
Return on cap (%)	10,4	6,8	14,8	14,0
Turnover (Rm)	542	457	1 816	1 884
Pre-int profit (Rm)	45,7	35,9	177,7	249,4
Pre-int margin (%)	8,4	7,8	9,8	13,2
Earnings (c)	90,9	103,1	81,2	111,2
Dividends (c)	22	22	24	33
Tangible NAV (c)	666	736	542	629

† Pro forma

Latest results from J D Group have strengthened market confidence in chairman David Sussman's ability to widen operating margins and improve returns.

Though conditions in the furniture industry were soft last year — there has been renewed weakness recently — and the period was one of structural change for the group, pre-interest profit rose 40% on a marginal sales increase. Pre-interest margin

jumped to 13,2% from 9,8% in 1994.

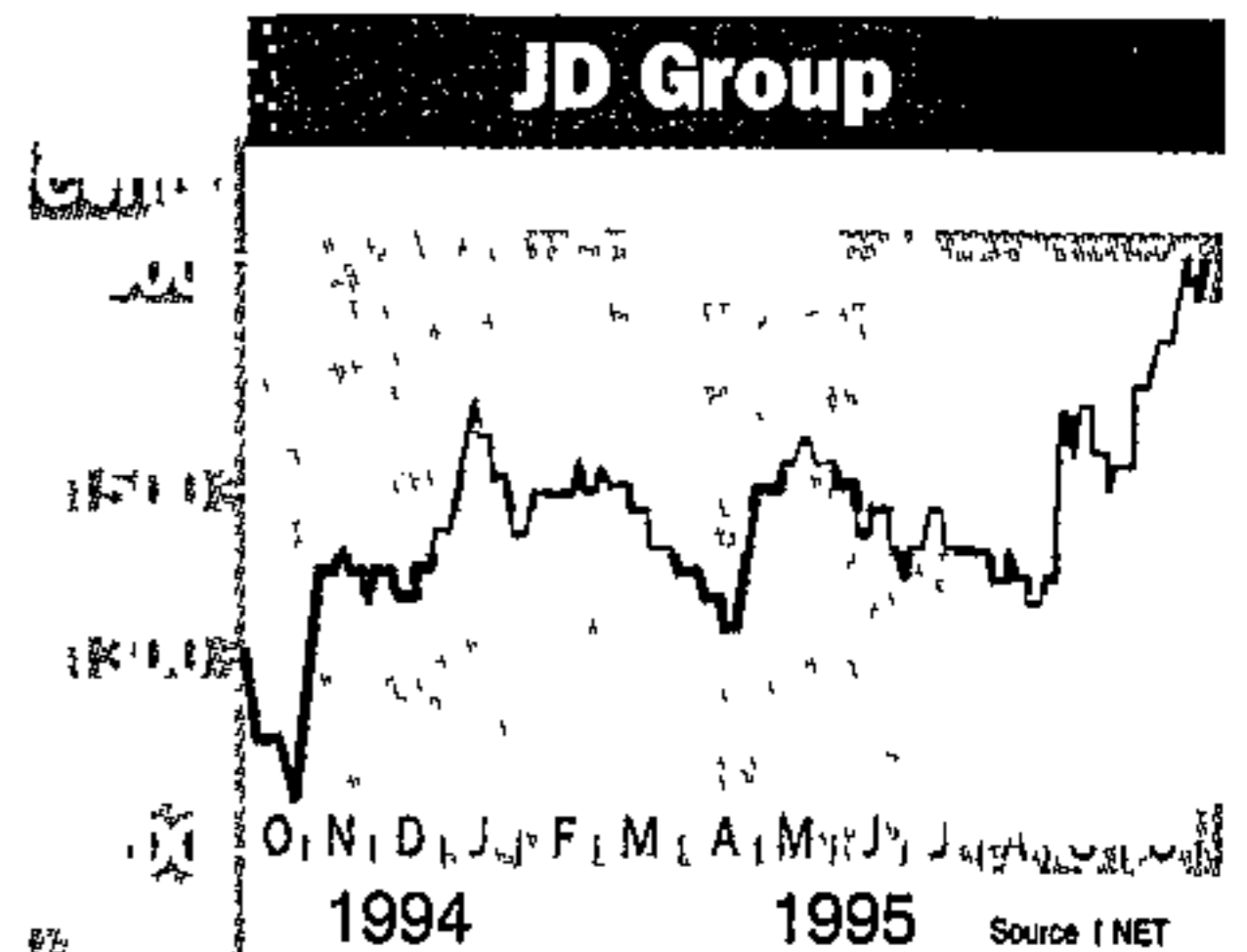
Now the debate is about how much further operating margins may widen in the current climate. Sussman says the group's broad spread of furniture and electronic goods and the expansion of the electronics division — Giddy's Electric Express — will help produce benefits from any short-term growth in the industry.

He points out that restructuring after the integration of Rusfurn over the past two years lessens the need for new infrastructure to accommodate expansion. About 25 stores will be added this year, mostly Electric Express outlets which can be added to existing furniture stores without much expense. Sussman hopes this spread will reduce or eliminate the cyclical nature of furniture retailing and increase investor confidence in the J D Group.

Sussman says one of his main aims for financial 1996 is to reduce gearing. He forecasts gearing (with deferred tax included in equity) will decline to 55% by financial 1996. He contends deferred tax should be included in equity as no tax will be payable in the foreseeable future. The accompanying table uses the *FM's* standard definition, with deferred tax regarded as a liability. When it is included in equity, gearing drops to 70% from 1994's 77%.

Interest cover is improving. Last year, finance charges absorbed 29% of pre-interest profit (1994 40%). Operational cash flow jumped from R18,8m to R55,1m, though in both years more than R71m (net) was paid in interest.

Sussman hopes that as finance charges decline in line with lower debt, the group



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Escape clause for Lonrho in Impala Platinum deal

Michael Urquhart

BD 13/11/95 (217)

GENCOR will have to buy Lonrho's stake in the company created by merging their platinum interests if Gencor's Impala Platinum loses its dispute over mining rights in Northwest province.

Announcing the signing of the merger agreement at the weekend, Implats said Lonrho had the right to put its 31,8% stake in the merged company to Gencor for cash or Gencor shares should the dispute over the Bafokeng mining areas go against Implats.

The 29,4-million shares would cost Gencor no more than R2,17bn, against a R2,28bn value placed on the shares in the merger agreement. The put would have to be exercised by December 31 2002.

Executive chairman Mike McMahon said yesterday that Implats had again checked with senior counsel that its title to the rights would prove secure should the issue go to litigation. But it had agreed during the discus-

sions with Lonrho to grant the put option as a further safeguard.

"We're saying that if there's even the remotest possibility (of losing the rights), we would stand behind Impala," McMahon said. But Lonrho was saying: "How do you expect us to take a view from the other side of the world?"

"I suppose if I was sitting in London I'd like some reassurance that everything's okay," McMahon said.

Implats began talks with representatives of the exiled Chief Edward Molotlegi in June last year, after he made clear he was unhappy about the current mining arrangements for an area known as the Deeps. Implats paid R23,7m in royalties to the Bafokeng in the year to June under the current mining rights arrangement.

The chief asked for the talks to be suspended 12 months ago, pending his return from Botswana.

But McMahon said that since then

Continued on Page 2

Gencor

BD 13/11/95 (217)

Continued from Page 1

Implats had heard "very little". There have been reports that the chief planned to take the matter to court.

The merger will see Lonrho sell its 72,6% stake in its platinum division — which includes Western and Eastern Platinum — and shareholders' loans worth R262,8m to Implats for the new Implats shares.

Control of Implats would be equally held by Gencor and Lonrho through a voting pool arrangement.

On the Implats' share price imme-

diately before the announcement, the new Implats' shares value Lonrho's interest in its platinum operations at R2,28bn — a 33,8% premium over the net asset value. The value of the premium would be set off against Implats' non-distributable reserves.

Implats said the merged company would have the capacity for low-cost expansion and the rationalisation of smelters.

It would also be cost competitive.

McMahon said Implats had plans for possible rationalisation candidates but wanted to see Lonrho's proposals before finalising any programme. The two companies had also to finalise the new operation's management.

Bafokeng tribe to contest Deeps deal with Implats

(217) 14/11/95

Michael Urquhart

LAWYERS acting on behalf of the Bafokeng tribe, which is contesting an agreement with Impala Platinum over certain mineral rights, would serve a summons on Implats before the end of the month.

Andrew Mitchell of attorneys Bell, Dewar & Hall said yesterday the Bafokeng tribe planned to contest an agreement between Implats and the tribe over an area known as the Deeps.

The dispute had prompted Implats and Lonrho to insert a clause in their platinum merger agreement in terms of which if Implats lost the dispute over the mining rights, Implats parent Gencor would buy Lonrho's stake in the platinum producer.

The original agreement was signed between acting Bafokeng chief George Molotlegi and Implats, while his brother Edward was in exile from Bophutatswana. Chief Edward has since returned from exile and is contesting the agreement on the basis that his brother did not represent the tribe.

Implats already pays a 13% royalty on the areas owned by the Bafokeng on which it is mining. The tribe received R23,7m from royalty payments in the year to June 1995, against R8,5m the previous year. The mine would be making a presentation today to the tribe on the financial 1995 royalty

Chief Edward fled Bophutatswana after being accused of participating in an attempt to topple Bophutatswana

president Lucas Mangope. During his absence Mangope appointed George Molotlegi as acting chief.

It was while George Molotlegi was acting chief that he concluded the agreement with Implats relating to the Deeps area. The deal gives Implats the right to mine the Deeps, in exchange for a 16% royalty.

Implats spokesman Anne Dunn said Implats had not yet received any notice from the Bafokeng tribe's lawyers, but it would prefer to negotiate the issue rather than be forced to go to court

Implats said in its merger agreement with Lonrho, details of which were announced at the weekend, that senior counsel had confirmed that its title to the rights was secure should the issue go to litigation.

The Deeps is the extension of Impala's platinum reserves to depth, but the importance of these reserves has declined since the merger with Lonrho's platinum mines was announced.

The merger gives Impala the ability to undertake expansion of capacity at the Lonrho mines, which have shallow ore reserves potentially much cheaper to develop and mine than the Deeps.

Implats is currently putting down a number of declines into the Deeps lease area, but the fate of these if the mine decides to go ahead with expansion at Lonrho properties is unknown.

Implats has not yet released details of what it plans to do when the merger has been completed.

Platinum supplies set to rise to record levels

BD 15/11/95

(217)

John Cavill

LONDON — Recovery in SA output and higher Russian exports would lift platinum supplies 8% to a new record of 4,89-million ounces this year, leaving a surplus over demand of 180 000oz, according to Johnson Matthey's interim review published yesterday.

Refining of SA concentrates built up in 1994 would lift SA's production 6% to 3,35-million ounces — just below the 1993 record. But the main increase would be in Russian sales, up nearly 19% to 1,2-million ounces — of which 700 000oz would be newly mined and 500 000oz from reserves.

While demand was projected to hit a record 4,71-million ounces — up 4% — Johnson Matthey reported shifts in the pattern of offtake.

The use of platinum in autocatalysts would be affected mainly by the increased palladium content in those fitted to European cars which face stricter emission controls

Overall motor industry demand for platinum would drop 80 000oz to 1,79-million ounces. The biggest decline would be in Europe (80 000oz) followed by Japan and North America (15 000oz each), but these would be offset by a 30 000oz rise to 215 000oz in South-east Asia and Latin America, where catalyst useage had more than doubled in three years

The impact on palladium would be to more than double European motor industry offtake to 600 000oz while North America took an additional 41% at 710 000oz.

Platinum jewellery continued to rise, although at a much slower rate. Johnson Matthey put jewellery consumption 4% higher (7,5% last year) at 1,8-million ounces. But industrial usage was predicted to shoot up by 16% to 945 000oz with the biggest component being the glass industry.

A sharp drop in investment in platinum coins and small bars — from 110 000oz to 35 000oz in Europe and North America — had cut this area of demand despite a small increase in Japan. It would be partially compensated by a rise of 40 000oz to 280 000oz in Japanese buying of large bars (1kg and 500g) on the strength the yen earlier this year and low interest rates. But overall the investment total was expected to be 30 000oz down at 365 000oz.

Palladium would be in oversupply despite the 59% jump to 1,52-million ounces in autocatalyst needs. While SA supplies were put 10% higher at 1,65-million ounces, Russian sales were projected 21% up at 4-million ounces and the Western total would rise 930 000oz to 6,2-million ounces.

Rhodium supply, with no increase in SA's share of 330 000oz, would rise less than 3% to 438 000oz.

Iscor threat to Namibian govt

(217) ~~217~~ ~~217~~
Mungo Soggot

BD 16/11/95
ISCOR has threatened to take the Namibian government to court over its decision to deprive it of mining rights to the Rosh Pinah zinc mine.

Iscor Industrial Minerals GM Chris Wessels said Iscor had told the Namibian government yesterday that unless Iscor reached an agreement with P & E Minerals by November 24, it would take it to court.

P & E Minerals, linked to Namibia's government and some Malaysian interests, was awarded mining rights to Rosh Pinah, although Iscor owns the mine.

There has been speculation in Namibia that Moly-Copper, Iscor's joint venture partner in liquidated Imcor Zinc which used to run Rosh Pinah, is behind P & E Minerals. Moly Copper chairman Diane Ladchi last week refused to comment.



JULIE WALKER

DIAGONAL STREET

Outlook for platinum rosy despite Russian mysteries

(217) ST (MT) 19/11/95

PLATINUM supply will again stay slightly ahead of demand in 1995, according to the Johnson Matthey Platinum 1995 interim review

When supply exceeds demand, the price tends not to rise. With the trio of mines in the Amplats stable all undertaking expansion projects, Northam delivering metal to the market and Hartley coming on stream in 1997, prospects for a better platinum price do not appear bright.

However, Todd Bruce, marketing director of Amplats, holds a view that vindicates the stable's decision to expand production in the coming years.

"The platinum industry needs to establish itself as a reliable supplier of metal so that potential new users of platinum group metals will be able to access supplies. The point is that for the past few years, supply of PGM out of Russia has undoubtedly exceeded the country's production of new metal.

"The time will come when the stockpile is finished, particularly as Russia's own demand for PGM will eventually increase for industrial applications such as oil-refining. Amplats will be in a position to supply the market when Russia is no longer able to," reasons Mr Bruce.

The statistics bear him



JEREMY COOMBES

out Jeremy Coombes, general manager of the platinum marketing division of Johnson Matthey, expects Russia to supply 1.2-million ounces of platinum and 4-million ounces of palladium to the market this year. In 1994, Russia supplied 1.01-million oz of platinum and 3.3-million of palladium.

"We believe that Russian platinum reserves will be drawn down by at least 500 000 ounces and palladium by 2-million oz in 1995," says Mr Coombes. "Without substantial capital investment, Russian production is unlikely to be increased."

Johnson Matthey does not know the extent of the Russian metal stock but says it must be getting smaller — perhaps another two years of supply at the current rate of offload-

ing. Mr Bruce estimates that production at Russia's Norilsk mine is half the level it was in 1988 and no new money has been put into the mine.

"Things don't work," he says, "but few Western companies would be brave enough to invest in a mine which has polluted 200km² to 300km² in putting out two-million tons of sulphur a year. There isn't a tree in that region. Just to address the air-pollution issue would cost \$500-million to \$1-billion and there would be no return on that capital." The irony is that platinum is used to clean air.

Fundamentally, platinum's outlook is rosy. Demand has never been greater at an estimated 4.71-million ounces while supply, inflated by Russia's possible 500 000 oz sale of stock, is forecast to be only 180 000 oz higher at 4.89-million oz. South Africa will supply 69% of the total — at 3.35-million oz, 190 000 oz more than last year chiefly as a result of the processing of unrefined material built up in 1994.

Japan appears to be buying more metal from Russia under contract to feed its ever-increasing jewellery demand. Global jewellery demand is forecast to grow by 70 000 oz to 1.8-million oz and in Japan, demand for almost pure Platinum 1000 jewellery jumped by 75% in the seven months to July alone. Platinum 1000 is expected to replace other grades. Not only does this carat exceed by 10% to 15% other jewellery metal in terms of platinum content but the pieces themselves tend to be heavier — a double-plus for platinum demand.

Observers note a paradox in that while Japan's economy has been stagnant for most of the decade, jewellery sales

keep climbing. Mr Coombes says the Japanese seek value for money and platinum has been cheap in yen terms. A few years ago it was ¥4000 a gram, this year it went as low as ¥1350.

Demand for platinum for use in autocatalysts will decline by 80 000 oz to 1.79-million oz in 1995, according to Johnson Matthey. While demand in Japan and North America will remain stable, growth in the Far East's demand for autocatalyst platinum will be more than offset by a partial switch to palladium among European carmakers. The use of platinum on gasoline cars

will fall more than the growth to come from fitting diesel vehicles with catalytic converters next year even though a quarter of all Europe's cars are diesels. Palladium-based catalysts do well at higher running temperatures and Europeans drive faster than do Americans.

Industrial demand for platinum should rise by 130 000 oz to 945 000 oz in 1995 on a higher offtake in all industrial applications, especially glass-manufacturing. The boom in electronic equipment and personal computers has also helped.

In the medium term, the sector will do well.

Iscor to close zinc mine

CT (P&R) 28/11/95 (217)

By FIONA LENEY

Johannesburg — Iscor yesterday said it was shutting its Rosh Pinah zinc mine in the latest twist of a bitter battle with the Namibian government over mineral rights.

The company said work would stop at the disputed mine until a commercially acceptable solution to the stalemate could be found.

Ten days ago Iscor said it was taking the Namibian government to court over its decision to award mineral rights at the mine to a Namibian-Malaysian consortium with alleged links to the ruling party. At the same time, it gave the consortium, P&E Minerals, seven days to come up with a viable proposal for a joint venture at the mine.

Yesterday Iscor said P&E Min-

erals said it was no longer prepared to negotiate because of the pending court action.

Last year, Iscor pushed through the liquidation of Rosh Pinah's holding company, Imcor Zinc, in which it was a shareholder. It then bought the company's assets, now held by Iscor subsidiary Imcor Tin.

There has been speculation that Moly Copper, Iscor's joint venture partner in Imcor Zinc, is behind P&E Minerals. Iscor said if no solution could be found it would negotiate with the Mineworkers Union of Namibia to "act in the best interest of the employees".

□ Roy Cokayne reports from Pretoria that Iscor will take a decision next week on its continued involvement in the proposed R4,5 billion Saldanha steel mill.

Nickel demand expected to rise

BD 7/12/95
SA's nickel production for the six months to June slipped to 14 680 tons, which was 4% lower than the same period last year, according to the department of mineral and energy affairs.

But the latest Minerals Bureau bulletin showed output for this year would still exceed the 30 100 tons produced last year "by a small amount" as new platinum mine production reached full capacity SA's nickel is derived as a by-product of platinum group metals mining.

The bulletin said of the 14 680 tons produced, 6 900 tons were consumed locally and 7 780 tons were exported

However, local demand for nickel would increase dramatically from next year as the 600 000-ton-a-year Columbus stainless steel plant reached full capacity and steel producer Iscor moved

ahead with plans to convert its Pretoria steel mill into a stainless steel plant.

Columbus, which alone would consume about 45 000 tons of nickel annually, said recently it was screening international nickel suppliers to meet rising demand, saying it had found Russia a "promising source".

Last year Columbus sourced all its nickel requirements from local platinum producers Implats and Amplats.

The bulletin said the local sales price of nickel peaked at R29 933 a ton in February before falling back to R25 295 by June.

But the average nickel price for the six-month period of R27 298 a ton was still 66% higher than the average price over the same period the year before, after which prices started rallying, the bulletin said — Sapa.

Row over vanadium-rich land

Co-owners of a profitable farm live in poverty

(217) Soesbeem 14/12/95

By Isaac Moledi

SENIOR member of Nafcoc in North West Mr Gabriel Mokgoko is embroiled in a controversy over a vanadium-rich area in Mothotlung near Garankuwa

Mokgoko, who is also the leading figure of the province's Tender Board, is behind a seven-man committee in the area which is attempting to turn the mining area into a trust

The profitable vanadium-rich area, known as Krokodilkraal farm, is owned by an impoverished community of 117 families who bought the land in 1912

An eight-man committee was elected by the co-owners of the farm in 1985 to liaise with the mining company, Vametco Minerals Corporation, which has been granted rights to mine vanadium in parts of the area and another adjacent farm called Uitvalgrond

Some of the co-owners allege that the committee has constantly refused to call elections for new office-bearers despite their insistence that this be done. The constitution also stipulates that elections should be held every five years

A community spokesman, who is also a leading member of the new committee chosen in 1993 to oppose Mokgoko's group, Mr Fonani Modiselle, says the families have raised their concern and opposition to the trust idea because this may jeopardise their ownership of the land eventually

If attempts to turn the area into a trust succeed, Modiselle says, this can also give the old committee members a permanent status as trustees. Krokodilkraal farm has been the centre of conflict between the owners of the farm and the new and the old committees since 1989

At the centre of the controversy are millions of rands which are paid in royalties to the co-owners by Vametco. The families claim they do not know where the money goes

The committee's financial statements have not been up to scratch since the committee took power in 1985, some families say

The co-owners say while the state of their impoverishment continues unabated and their area remains undeveloped, the committee members continue enriching themselves with the millions that are supposed to feed them and their children

Specifically, Modiselle claims an R800 000 creche was built with the co-owners' money but registered in the name of one of the old committee members

Also, it is alleged a "typed financial report" of the committee says R1 707 399 had been paid by Vametco between 1989 and 1991 to the families. The new committee alleges the figure could have been as high as R5,5 million

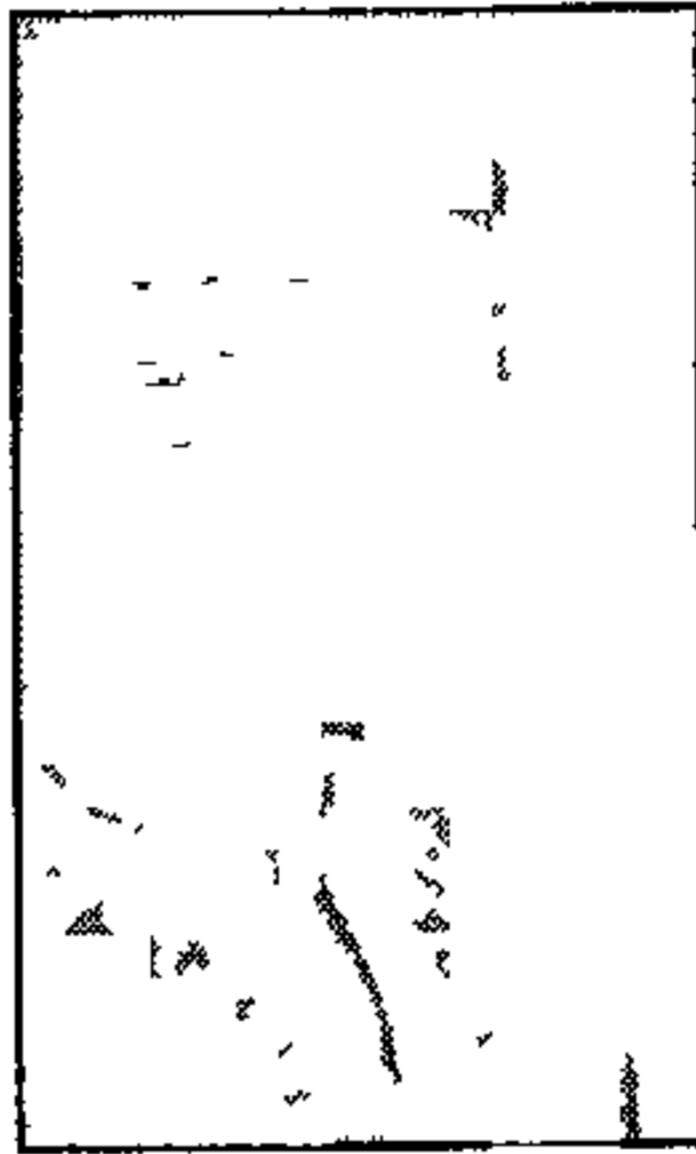
Tension is still simmering among the co-owners and some community members because of the fighting - resulting in injuries and damage to property and police intervention

Mokgoko has since denied that he was the chairman of the committee. This is despite the insistence by the committee's attorney, Mr Bruce Burt, and a leading committee member that Mokgoko is in fact the chairman

The families, according to Modiselle, received R9 000 over a period of three years after the establishment of the mine in the late 1960s

They then each received R7 340 from the proceeds between 1989 and 1991, and since then, nothing has been forthcoming

"The committee was elected in good faith in 1985 because they were educated people and the families



Nafcoc senior official and North West Tender Board Mr Gabriel Mokgoko

hoped their money would be well-managed," says Modiselle, adding that the squabble has now turned into a dispute between the rich, the educated and the powerful against the poor, the impoverished and the uneducated

Burt, who maintains that he still represents Mokgoko's committee and the co-owners, also came under fire from the new committee

Modiselle claims that the co-owners who do not understand the process are being misled into signing affidavits which will be used to implement the trust

He says the problem started when the co-owners became suspicious of the old committee's undertakings with the mining company. His committee was mandated to file papers with the Mmabatho Supreme Court last year to, among other things, prohibit the old committee from withdrawing their money and acting on the families' behalf

Vametco managing director Mr Hein Enshin has agreed that a new lease has been signed after the expiry of the old one in 1989. However, the lease has not been registered as all the rightful co-owners have not been identified

Once registered, the company will also release R6,5 million due to the families which Vametco has been holding back while waiting for registration of the Mineral Lease, he says

Burt, who has described Modiselle and his committee as "trouble makers" has denied Modiselle's accusation and provided *Sowetan* with a report which he said detailed how the money has been used

He says Modiselle, together with his committee chairman Mr Amiel Sefolo, Jack Knowledge and understanding of the whole process

Living in poverty despite owning a mineral-rich farm

By Isaac Moledi

ELIZABETH Modikwe recalls dreaming about never having to worry again about her next meal after her father and 116 other parents bought a vanadium-rich mine near Garankuwa in North West in 1912.

A young girl of less than eight years at the time, for her the land was a hope and guarantee that her life would no longer be at the mercy of the surrounding white farmers who occupied most of the area and embraced her parents as part of the recruited labour force.

Modikwe (not her real name) says that hope has been with her throughout her 88 years and particularly after the land her father and 116 others had bought was discovered to be rich in magnetite ore from which the vanadium is extracted.

But that hope is now disappearing as Modikwe is approaching her last days. She says she has long been waiting for the benefits of what her father worked for but the gains were not coming her way.

What came was poverty and distress despite the mine making millions of rands

"I remember those days when our parents used to be hired by the boers for mere peanuts. They would wake up early in the morning to go and sweat for no real returns," she recalls.

Sowetan 14/12/95
"If they were regarded as hard workers by their farming employers, they would be given a cow and a piece of land where only a mud rondavel would be built. They got sick and tired of this and the result was that they grouped themselves together and bought what they thought would be a permanent place for their children. That's how Krokodilkraal came about," she says

But for Modikwe things have not changed for the better. She still spends hours fetching water to ensure that her grandchildren, like other children in her neighbourhood, have something to drink.

Despite his age, her husband, Jonathan (not his real name either), has to ensure that he drives the family horse-and-cart to and from the outskirts of Brits to try to find a job - any job - that could help him feed his family.

To them their rich area does not mean anything of substance as they still live in a dilapidated mud house without electricity. Water pipes are a distance of slightly more than two kilometres away despite their knowledge that Vametco Minerals Corporation, the mine group given rights to mine vanadium, is pumping millions of rands for the development of the area.

"I'm poor despite the efforts of our parents," she laments. "I'm angry and bitter because I cannot get what is due to me and my children."

Families fight for mine royalties

Sowetan
22/12/95

(2/7)

By Isaac Moledi

A MINING company is involved in a long-standing dispute with more than 200 families in a North West village over payment of royalties totalling millions of rands for mining rights

The row between Vametco Minerals Corporation and the Bakgatla tribe near Mothotlung revolves around R9 million royalties apparently paid by the mine since 1988 to an eight-man committee representing the community

At the heart of the dispute are the vanadium-rich areas of Krodkraal and Uitvalgrond farms, owned by the families since 1912. Vametco has been mining vanadium in the area since it was granted rights in 1969.

This week the North West government stepped in to resolve the dispute as two factions bickered over who should oversee royalties received from Vametco.

One faction led by Mr Amiel Sefolo, who was elected as chairman of the new committee in 1993 to represent the co-owners, has accused the eight-man committee led by a well-known North West businessman Mr Gabriel Mokgoko of failing to properly account for the royalties.

Sefolo said they had laid a charge of fraud against Mokgoko's committee.

The row between the two groups has been fuelled by Vametco's decision this week to bypass the committees and pay royalties totalling R4 million directly to individual families. The company's decision was apparently prompted by the



Mr Amiel Sefolo ... seeks to block further payments.

unresolved dispute between the two factions over financial statements.

However, confusion erupted when many people claiming to be rightful co-owners of the farms discovered that their names did not appear on the list of beneficiaries.

Mine closure demanded

As a result, the Sefolo group is seeking to block further payments by the company and is demanding the closure of the mine on January 3 next year. The group says Vametco should first explain the payments and not force beneficiaries to sign any affidavits.

The Sefolo group rejects the new lease on the grounds that it is incomplete and contains a list of selected beneficiaries favoured by the Mokgoko's committee. It also contends that many legal co-owners of the land have been left off the list of beneficiaries.

"Our committee and that of Uit-

valgrond have taken a decision to close this mine on January 3 and to register our grievance with the government. We and the co-owners insist that Vametco should cease mining the area until these issues have been resolved. We will continue fighting until we are satisfied that the co-owners have been given what is due to them," says Sefolo.

Mokgoko's committee, which has consistently refused to call elections since it took office in 1985, saying they would do so only once their mandate has been completed, is also being accused by Sefolo's group of attempting to turn the two farms into a trust.

This, the group says, may jeopardise the tribe's ownership of the land, eventually resulting in giving the old committee members permanent status as trustees.

Although Vametco says it has paid R9 million in royalties between 1988 and November 1995, the financial statement which was presented to *Sowetan* together with other documents by Mokgoko's committee's lawyer Mr Bruce Burt does not reflect this.

Another committee member of Sefolo's group, Mr Fonani Modiselle, claims that the families received only R9 000 over a period of three years after the establishment of the mine. They then received a further R7 340 between 1989 and 1991, and since then, the co-owners have not received anything.

Vametco, according to the company managing director Mr Hein Enslin has been paying both farms R100 000 in royalties a month.

Gencor-Lonrho platinum tie-up probed

ST(BT) 31/12/95 (217)

THE European Commission has opened a full investigation into plans by Gencor and UK-based Lonrho to merge their SA platinum businesses.

Brussels fears the tie-up, which will create the world's largest platinum producer, could stifle competition in the market for platinum group metals which are important in the manufacture of jewellery, catalytic converters and oil drilling

equipment. Although the platinum interests of Gencor and Lonrho are in South Africa, both have substantial operations in the European Union.

The merger, notified to the Commission last month, involves share exchanges between the two companies relating to Impala Platinum, Eastern Platinum and Western Platinum

This will result in Lonrho receiv-

ing new shares in Impala, which will be listed on the Johannesburg Stock Exchange and the International Stock Exchange in London

Following the issue of new shares Gencor and Lonrho will each hold 32% in Impala. The public will hold the remaining shares

The deal has been approved by shareholders of Impala, 46.5% owned by Gencor, and by the SA Competition Board

"There is a risk that this tie-up could create an oligopolistic situation," said an EC spokesman. Analysts say the platinum produced by the operation will be about 1.6 million ounces of platinum a year, or 38% of the world market

The world's other major producer, Rustenburg Platinum, controlled by Anglo American, has roughly the same market share —
Financial Times